KELLY+PARTNERS

KELLY PARTNERS GROUP HOLDINGS LIMITED
ACN 124 908 363
ASX CODE: KPG

Prospectus

INITIAL PUBLIC OFFERING OF 7.3 MILLION SHARES AT AN OFFER PRICE OF $1.00 EACH TO RAISE $7.3 MILLION

THIS OFFER IS FULLY UNDERWRITTEN BY Morgans Corporate Limited ACN 010 539 607

This Prospectus is important. You should read it in its entirety. If you do not understand any part of this Prospectus, or you are in doubt as to how to deal with it, you should consult your professional adviser.

Independent Adviser

GRANT SAMUEL

Sole Lead Manager

Morgans IN ALLIANCE WITH CIMB

IMPORTANT INFORMATION

OFFER: This Prospectus is issued by Kelly Partners Group Holdings Ltd ACN 124 908 363 (“the Company”, ASX code: KPG) and is an invitation to acquire fully paid ordinary shares in the Company (“Shares”) that will in part be issued by the Company and in part sold by KPGH SaleCo Pty Ltd ACN 618 817 566 ("SaleCo").

LODGEMENT: This Prospectus is dated Tuesday 16 May 2017 and a copy was lodged with ASIC on that date. The expiry date of the Prospectus is 13 months after the date of this Prospectus. None of ASIC, ASX or their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPOSURE PERIOD: The Prospectus is subject to an exposure period of 7 days from the date of lodgement of the Prospectus with ASIC. This Exposure Period may be extended by ASIC for a further period of 7 days. The purpose of the Exposure Period is to allow this Prospectus to be examined by market participants prior to the acceptance of Applications. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Any Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

ALLOCATION OF SECURITIES AND APPLICATION FOR LISTING: No securities will be issued or allocated on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made to ASX within 7 days after the date of this Prospectus for the Shares offered under this Prospectus to be listed and quoted on ASX. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.

NOTE TO APPLICANTS: The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 1.4 and Section 4. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No person named in this Prospectus, nor any other person guarantees the performance of the Company or the repayment of capital or any return on the Shares.

FORWARD LOOKING STATEMENTS: Various statements in this Prospectus may be in the nature of forward looking statements, including statements of current intentions, statements of opinion and predictions as to future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements. Many of these statements are beyond the control of the Company, the Directors and Management.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and any variation may be materially positive or negative.

SUITABILITY OF INVESTMENT AND GENERAL RISK FACTORS: This Prospectus provides information to help investors decide whether they wish to invest in the Company. Before deciding to invest in the Company, potential investors should read this entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. Please read the Application Form carefully. Professional advice should be sought before deciding to invest in any securities the subject of this Prospectus.

PHOTOGRAPHS AND DIAGRAMS: Photographs and diagrams used in this Prospectus which do not have a description are for illustration purposes only and should not be interpreted as indicating that any person shown in them endorses any part of this Prospectus or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

OBTAINING A COPY OF THIS PROSPECTUS: During the Offer period, you may obtain a hard copy of this Prospectus free of charge by calling the Kelly Partners Group Holdings Limited IPO Information Line on 1300 108 618 (within Australia) +61 3 9415 4318 (outside Australia) Hours of operation 8:30am to 5:00pm (AEST) Monday to Friday during the Offer Period. This Prospectus is not available outside Australia.

ELECTRONIC PROSPECTUS: You can download a copy of this Prospectus from the Company's website at www.kellypartnersgroup.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

Applications can only be submitted on an Application Form accompanying this Prospectus or in its paper copy form downloaded from www.kellypartnersgroup.com.au. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

FOREIGN JURISDICTIONS: No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person who comes into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be released or distributed in the United States or otherwise outside Australia. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

PRIVACY STATEMENT: See Section 9.22 for the Company's privacy statement.

DEFINED TERMS AND ABBREVIATIONS: Terms and abbreviations used in this Prospectus are defined in the Glossary in Section 10.

DISCLAIMER: No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company, SaleCo or the Directors.

QUESTIONS: If you have any questions in relation to the Offer, contact the Company Offer Information Line on 1300 108 618 (within Australia) +61 3 9415 4318 (outside Australia) toll free between 8:30am to 5:00pm (AEST) Monday to Friday during the Offer Period.

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KEY OFFER INFORMATION

Important dates

Prospectus lodged with ASIC	Tuesday 16 May 2017
Broker Firm Offer opening date	Wednesday 24 May 2017
Broker Firm Offer closing date	Friday 2 June 2017
Allotment and issue or transfer of Shares	Thursday 15 June 2017
Expected date for despatch of holding statements	Friday 16 June 2017
Expected date for commencement of trading of the Company's securities on ASX	Tuesday 20 June 2017

The above dates are indicative only and may change. The Company and the Lead Manager reserves the right to vary any and all of the above dates without notice, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or Applicants.

Key Offer Statistics

Offer price per Share	$1.00 per Share
Total number of Shares offered to investors under this Offer	7.3 million
Total number of Shares on issue on Completion of this Offer[1]	45.3 million
Amount to be raised under the Offer	$7.3 million
Market capitalisation at the Offer price[2]	$45.3 million
Enterprise value[3]	$52.9 million
Enterprise value to pro forma FY17 EBITDA[4]	9.6x
Enterprise value to pro forma FY18 EBITDA[4]	8.2x
Offer price to pro forma FY17 NPATA per share[5]	13.5x
Offer price to pro forma FY18 NPATA per share[5]	10.9x
Dividend Yield FY18[6]	4.6%

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7.6.2 of this Prospectus and on the back of the Application Form.

[1] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus.

[2] This represents the Offer Price multiplied by the total number of Shares at Listing.

[3] Enterprise value calculated as the market capitalisation at the Offer Price plus expected net debt of $7.6 million attributable to the Company at Completion (held within the Operating Businesses).

[4] This ratio is commonly referred to as EV / EBITDA ratio. The EV / EBITDA ratio is calculated as the enterprise value divided by the pro forma forecast EBITDA attributable to the Shareholders of the Company in the relevant financial year.

[5] This ratio is commonly referred to as the price earnings or PE ratio. The PE ratio is calculated as the Offer Price divided by pro forma forecast NPATA attributable to the Shareholders of the Company in the relevant financial year divided by total Shares on issue immediately after Completion of the Offer.

[6] Dividend yield is calculated as the FY18 forecast dividend in the relevant financial year divided by the market capitalisation at Completion, based on a 50% payout ratio, and in accordance with the Board's dividend policy as outlined in Section 9.18. No dividend is forecast in respect to FY17.

Welcome to Investors

Dear Investor,

On behalf of the Board and management, it is my pleasure to invite you to become a shareholder of Kelly Partners Group Holdings Limited.

I founded Kelly+Partners in 2006 with a big idea: "to help private business owners be better off". It's a simple but powerful concept that underpins the fundamental requirement within small and medium enterprises for a strong and committed financial services partner in order to realise their professional and personal goals.

In the 11 years since formation, Kelly+Partners has grown to become one of the largest accounting networks in the Greater Sydney area, with a primary focus on private SMEs and their owners. Growing from two initial start-up businesses in North Sydney and the Central Coast, Kelly+Partners now has 16 Operating Businesses spread across 12 locations in Greater Sydney and 1 office in Hong Kong. During this period, we have transformed 14 external practices and created 9 greenfield offices, in order to build the existing owner-driver accounting network. This includes 3 specialist Operating Businesses in tax consulting, wealth management and strategy consulting.

The Australian accounting industry is a A$20 billion per annum revenue market, and demand for accounting and taxation services is driven by the increasing complexity of the Australian tax system. However, the accounting market is highly fragmented in terms of the number, scope and quality of providers. Services to SMEs comprise approximately 60% of the market, and are typically under-serviced by a myriad of small private practices which are often facing a number of internal & external challenges.

In the 9 years from FY07 to FY16, Kelly+Partners grew consolidated revenues by 37% CAGR. Over the 2 years from FY16 to FY18, the Company is forecasting 8% revenue growth (consolidated pro forma), 16% EBITDA growth (attributable pro forma) and 17% NPATA growth (attributable pro forma). This strong growth trajectory will be driven by:

+ organic growth of existing locations;
+ acquisition of new Operating Businesses in target geographies;
+ launching greenfield offices; and
+ expansion of client services including tax consulting, wealth management and strategy consulting.

A key competitive advantage for Kelly+Partners is its differentiated business model as compared to other participants in the Australian accounting market. The key features include:

1. clearly defined mission and values;
2. SME focus in Greater Sydney area;
3. owner-driver Operating Business model;
4. centralised back office service;
5. proprietary client system and procedures;
6. single brand and marketing; and
7. growing network and service offering.

While the Company maintains majority control of the network, our business model ensures individual Operating Business Owners are strategically aligned for the long term in the form of significant equity interest in their underlying businesses. This structure also provides a mechanism to proactively manage the succession planning issues, which are increasingly widespread within the accounting market.

Proceeds of the Offer will be used to provide Kelly+Partners with the requisite financial capacity and flexibility to fund its future growth plans. An offer of 7.3 million Shares at a price of $1.00 each to raise $7.3 million is being made under this Prospectus. New Shareholders and Senior Management / Directors will hold approximately 16.2% and 55.6% of the Shares in the Company respectively upon Completion of the Offer. Based on the Offer Price, the Company is expected to have a Market Capitalisation of approximately $45.3 million upon ASX Listing.

The Board, Senior Management, Operating Business Owners and Ellerston have agreed that on Completion of the Offer, their Shares will be subject to voluntary escrow restrictions. These restrictions will prevent them from disposing of their Shares until the relevant escrow period has expired (see Section 7.10 for further details).

This Prospectus contains detailed information about the Offer, the accounting market in which the Company operates, its businesses, and the Company's historical and forecast financial performance.

Kelly+Partners is subject to a range of risks both within and outside of its control, which are discussed in detail in Section 4.

I encourage you to read this Prospectus carefully before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of Kelly Partners Group Holdings Limited.

In conclusion I would like to thank all of the Operating Business Owners, team members, clients, suppliers, friends and family (particularly my wife Rebecca) for all their continuing incredible engagement with the business.

Yours sincerely

Brett Kelly
Founder, Chairman and Chief Executive Officer
Kelly Partners Group Holdings Limited

Section 1
Investment Overview

Section 1 Investment Overview

This section is a summary only of the information contained in this Prospectus. Investors should read and consider this Prospectus in its entirety.

1.1 Company and business model overview

Topic	Summary	For more information
Who is Kelly+Partners?	Kelly+Partners is a single-brand chartered accounting network consisting of 15 owner-driver Operating Businesses across Greater Sydney, and one Operating Business in Hong Kong. The network is primarily focused on providing accounting and taxation services to private small and medium enterprises (SMEs). Kelly Partners Group Holdings Limited ("the Company", ASX code: KPG) holds a controlling interest (>50%) in each Operating Business (excluding Kelly Partners Oran Park), and provides intellectual property and centralised management services to the network. Operating Business Owners in each entity own the remaining interests in the underlying Operating Business. The first Kelly+Partners business was established in 2006, while the Company was established in 2007. In total, the Company has transformed 14 accounting firms and built 9 greenfield businesses to create the existing network, which now services over 5,300 client groups. This includes 3 specialist Operating Businesses in tax consulting, wealth management and business strategy.	Section 3.1 and Section 3.2
What industry does Kelly+Partners operate in?	Kelly+Partners operates within the financial and professional services industry, and more specifically, the accounting, taxation, audit and wealth management sectors.	Section 3.3

What services does Kelly+Partners provide?	Kelly+Partners is a specialist chartered accounting business which assists SMEs, private business owners, and high net worth individuals to manage the full scope of their corporate and personal financial affairs: + Accounting + Taxation + Audit + Wealth Management	Section 3.3
Who are the Kelly+Partners' clients?	The sole focus of the Operating Business network is to provide accounting, taxation, audit and wealth management services to SMEs, including: + Private Businesses + Private Business Owners + High Net Worth Private Clients + Family Offices + SMSFs	Section 3.3
Why does Kelly+Partners focus on the SME market?	The accounting firms that service the SME market are highly fragmented, spread across more than 30,000 small private practices, with varying degrees of expertise and service. The SME market presents an attractive opportunity as accounting fees tend to be recurring in nature. With over 5,300 client groups today, Kelly+Partners is well positioned to further develop its position in the SME segment of the accounting market.	Section 2.1
Who are the Kelly+Partners' competitors?	The broader accounting industry includes: + The "Big 4" global firms + National Mid-Tier firms + National Franchises + Small Private Practices	Section 2.3

1.1 Company and business model overview (continued)

Topic	Summary	For more information
How does the Company generate income?	The Company has three sources of income: + Equity Distribution / Dividend - Distributions and dividends from the controlling interest in each underlying Operating Business, paid pretax each month. + Management Services Fees - Fixed percentage fee based on revenue paid monthly by Operating Businesses for the Company's centralised management and back-office services. + Intellectual Property Fees - Fixed percentage fee based on revenue paid monthly by Operating Businesses for use of the Company's brand, centralised marketing, and intellectual property. The Operating Businesses generate income from providing accounting, taxation, audit and wealth management services to SMEs on a fixed fee or time and materials basis.	Section 3.3
How does the Operating Business structure work?	The Kelly+Partners owner-driver model provides both retention and strategic alignment of Operating Business Owners and staff in each individual Operating Business. The majority of Operating Businesses are structured as Partnerships, with a wholly-owned Subsidiary of the Company holding a Partnership interest. Each Partnership is governed by a Partnership Agreement, the key elements of which include: + majority interest and control for the Company (excluding Kelly Partners Oran Park which is held through a trust controlled by the Company); + 10-year term (other than Kelly Partners Sydney CBD and Kelly Partners Hong Kong which are structured as companies); + centralised management and back office; + centralised brand, marketing, systems and procedures; + agreed operating metrics and monthly Operating Business distributions / dividends; + clear succession plans; and + all debt secured against individual Operating Businesses.	Section 3.8
What is the Company's intellectual property?	Over the past 11 years, the Company has developed proprietary intellectual property that can be deployed across the accounting network. At its core, these products fit into two broad categories: + 'Integrated Client Advice Model' - consists of a detailed and proven process to assess and optimise the financial management of Private Clients, Private Businesses, their owners and families. + 'Flight Plan' – A detailed approach which sets out a clear pathway for SME owners and businesses to achieve their financial goals. Technology – over the past 11 years, Kelly+Partners has deployed innovative technology across it's entire accounting business.	Section 3.10

1.2 Key strengths

Topic	Summary	For more information
What are the Company's key strengths?	The Company believes it's key strengths include: + an experienced management team and Board, with a proven business model; + a single brand with a strong market identity; + owner-driver Operating Business structure which delivers long term strategic alignment, with Operating Business Owners working in each respective business; + centralised management and back office functions which drive operating efficiency; + focus on the SME market with recurring revenue lines; + ability to provide a succession pathway and transform firms in a highly fragmented market; + propriety intellectual property which includes proven systems and procedures; + people culture centred around client service and performance; + application of a single technology platform; and + growing geographic presence in Greater Sydney.	Section 3.7

1.3 Key growth drivers

Topic	Summary	For more information
What is the Company's growth strategy?	The Company's growth plan is based on a three-pronged strategy: + Organic Growth – Revenue growth is driven by the ongoing demand for accounting and taxation services due to the increasing complexity and compliance of the Australian tax system. In addition, the Company's management has developed specific revenue and cost plans to improve margins with a target level of 32.5% EBITDA margin per Operating Business. + Network Expansion – Continue to engage with private practice accounting firms to solve succession issues, and launch greenfield sites in target geographies. + New Services – Specialists in tax consulting and wealth management can be leveraged across the 5,300 existing client base. The Kelly Partners Tax Consulting business has operated since 2012, and is expected to benefit from network expansion and organic growth in existing Operating Businesses.	Section 3.12

1.4 Key risks

Topic	Summary	For more information
What are the key risks to Kelly+Partners?	The key risks for Kelly+Partners include: + Key personnel risk + Compression of margin risk + Loss of key clients + Compliance risk + Competition risk + Litigation risk + Disruption to business operations + Relationship and Operating Business Owner risk + Employment retention and recruitment + Privacy risk + Information Technology risk	Section 4.3

1.5 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offer of 7.3 million Shares at an Offer Price of $1.00 per Share to raise up to $7.3 million that will in part be issued by the Company and in part sold by KPGH SaleCo Pty Ltd ACN 618 817 566 ("SaleCo"). All Shares issued under this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue.	Section 7.1
Who are the issuers of this Prospectus?	The Company, a company incorporated in Victoria, Australia and SaleCo, a company also registered in Victoria, Australia.	Section 7.5
Who is SaleCo?	SaleCo is a special purpose vehicle established to enable some Existing Shareholders to partially sell their investment in the Company on Completion.	Section 7.5
What is the purpose of the Offer?	The purpose of the Offer is to: + raise funds to provide greater financial flexibility and thereby facilitate continued growth across the business; and + allow Kelly+Partners to continue to attract the best clients, Operating Business Owners and staff to our accounting network. Following close of the Offer, the Company expects to have raised $7.3 million from investors.	Section 7.3
Will the Shares be quoted on the ASX?	The Company will apply to ASX for admission to the official list and quotation of its Shares on ASX on or around Tuesday 20 June 2017. The Shares are expected to trade under the code “KPG”.	Section 7.5
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.	Section 7.5

How is the Offer structured and who will be eligible to participate?	The Offer will consist of: + the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia, New Zealand, Hong Kong and Singapore to apply for Shares, made under this Prospectus; and + the Broker Firm Offer, which is open to eligible Australian resident retail clients who have received a firm allocation of shares from their Broker and who have a registered address in Australia and are not in the United States or a US Person.	Section 7.2
What is the allocation policy?	The allocation of Shares between Institutional Offer and the Broker Firm Offer was determined by the Company, SaleCo and the Lead Manager. The allocation of Shares in the Broker Firm Offer is at the discretion of that Broker.	Section 7.5
How can I apply?	If you are an Investor applying under the Broker Firm Offer, you should complete the Broker Application Form attached to or accompanying this Prospectus and lodge it with your Broker.	Section 7.6
What are the tax implications of investing in the Shares?	A summary of the Australian tax consequences for investors who acquire Shares under the Offer is set out in Section 9.10. Investors should obtain their own tax advice, as the tax consequences of an investment in Shares will depend on the investor's individual circumstances. Applicants should obtain their own advice prior to deciding whether to invest.	Section 9.10
Is there any brokerage, commissions or stamp duty payable?	No brokerage, commission or stamp duty is payable by applicants on the acquisition of Shares under the Offer.	Section 9.10
When will I receive confirmation that my application has been successful?	We expect that holding statements will be despatched on or around Friday 16 June 2017.	Section 7.5
What is the minimum and maximum application size under the Offer?	Applications must be for at least 2,000 Shares (ie $2,000) and otherwise in multiples of 500 Shares (ie $500). Applications for less than the minimum of 2,000 Shares will not be accepted.	Section 7.5
Where can I get more information about this Prospectus or the Offer?	Please call the Kelly Partners Group Holdings IPO Information Line on: 1300 108 618 (within Australia) +61 3 9415 4318 (outside Australia) Hours of operation 8:30am to 5:00pm (AEST) Monday to Friday during the Offer Period. If you are unclear in relation to any matter or uncertain as to whether Shares are a suitable investment for you, you should consult your financial, accounting, legal, tax and / or other professional advisers before deciding whether to invest in Shares.	Section 7.5

1.5 Overview of the Offer (continued)

Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before Shares are issued to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Money refunded as a result of the Offer being withdrawn in accordance with the requirements of the Corporations Act.	Section 7.5
Will any Shares be subject to escrow arrangements?	Yes. Following Listing, the Escrowed Shareholders will have entered into voluntary Escrow Agreements by which the Escrowed Shareholders will not be permitted to dispose of any Shares (expect in certain circumstances such as a takeover offer). Voluntary escrow periods will expire: + after a maximum of 6 months for 30% of Ellerston's Shares. Where the Company's Share price on ASX is $1.40 or higher, or the Company notifys ASX of a profit downgrade, the escrow restrictions on Ellerston's Shares will cease to apply; and + for all other Escrowed Shareholders (which includes entities associated with the Directors, Management and some external investors), 1 month after the Company's FY18 results are announced, with the exception of 453,500 Shares issued to senior management, where escrow agreements expire 1 month following the Company's 1H18 results.	Section 7.10

1.6 Financial Information

Topic	Summary	For more information
What are the key Financial Information?	The Financial Information presented below is a summary only, and should be read in conjunction with the detailed discussion of the Pro forma Historical Financial Information and the Pro forma Forecast Financial Information in Section 5, including the assumptions, management discussion and analysis, sensitivity analysis, as well as the risk factors specified in Section 4. A reconciliation of the pro forma forecast and statutory forecast Income Statements is provided in Section 5.	Section 5.3.1

Figure 1.6.1 Pro forma historical and forecast consolidated income statements

	Historical		Forecast			Historical	
	Pro forma		Statutory	Pro forma	Pro forma & statutory	Pro forma	
$000	FY15	FY16	FY17	FY17	FY18	1H16	1H17
Revenue	29,956	31,224	29,205	34,620	36,749	16,280	19,087
EBITDA	8,955	9,233	3,732	10,766	12,899	5,524	6,684
NPAT	6,139	6,174	1,970	7,340	9,264	3,919	4,804
NPATA	6,584	6,619	2,262	7,708	9,572	4,142	4,988
EBITDA attributable to shareholders[1]	4,605	4,796	(210)	5,513	6,422	2,855	3,639
NPATA attributable to shareholder[1]	2,914	3,004	(1,408)	3,361	4,143	1,882	2,436

[1] The financial information above is presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

1.6 Financial Information (continued)

Will I be paid dividends?	It is the Board's current intention to target a dividend payout ratio of approximately 50% of statutory NPAT, after non-controlling interests, and before amortisation of intangibles, per annum. The Board intends to pay dividends quarterly in arrears in the months of December, March, June and September each year, and it is expected that all future dividends will be franked to the maximum extent possible. Given the anticipated listing date, no dividends will be paid for the FY17 year. The Board anticipate that the first dividend to Shareholders will be in relation to in the quarter ending 30 September 2017, and expected to be paid in December 2017, subject to the factors outlined below. The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant. No assurances can be given by any person, including the Directors of the Board, about the payment of any dividend and the level of franking on any such dividend. See Section 9.10 for information regarding certain Australian tax consequences of investing in Shares. All dividends will be paid electronically. Payment will be credited on the dividend payment date and confirmed by a payment advice sent to the Shareholder.	Section 5.10

1.7 Directors and senior management

Topic	Summary	For more information
Who are the directors of the Company and what is their expertise?	**Brett Kelly** BBus, CA, MTax, DipFS, RTA, JP *Founder, Executive Chairman and Chief Executive Officer* Brett is the founder and CEO of Kelly+Partners. He has more than 20 years commercial and professional accountancy experience. Brett founded Kelly+Partners with accounting businesses in North Sydney and the Central Coast, before building out the network to 16 Operating Businesses in 13 locations to date.	Section 6.1
	Stephen Rouvray BEc, CA *Independent Deputy Chairman and Non-Executive Director* Stephen has over 45 years experience in financial services across many senior leadership roles. He was Chief Financial Officer, Company Secretary and Manager of Investor Relations for AUB Group (formerly Austbrokers) from 2005 until 2015.	Section 6.1

Topic	Summary	For more information
	Pauline Michelakis BCom (Hons), CA *Executive Director and Chief Financial Officer* Pauline joined Kelly+Partners in 2013 as Group CFO. She is a Chartered Accountant with more than 20 years experience in senior financial roles in financial services and investment companies.	Section 6.1
	Paul Kuchta BBus, CA, FTIA, DipFP, RTA, JP *Executive Director* Paul is a Chartered Accountant with more than 17 years experience specialising in the provision of accounting, compliance, taxation and advisory services to SMEs. He was a founding partner of Kelly Partners Norwest when that Operating Business was launched in 2012.	Section 6.1
	Ryan Macnamee BCom, GAICD *Independent Non-Executive Director* Ryan is an experienced business technology executive with over 25 years of IT management experience. He has been Chief Information Officer (CIO) at Laing O'Rourke since 2012, including 3.5 years as the Global CIO.	Section 6.1

Topic	Summary	For more information
Who are the Senior Managers of the Company and what is their expertise?	**Brett Kelly** *Founder, Executive Chairman and Chief Executive Officer* (see above) **Pauline Michelakis** *Executive Director and Chief Financial Officer* (see above)	Section 6.1
	David Franks *BEc, CA, FFin, JP* *Company Secretary* David was appointed Company Secretary in February 2017, He has over 20 years experience in finance and accounting including as CFO, Company Secretary and / or Director for numerous ASX listed and unlisted companies.	Section 6.2
	Kenneth Ko *BBus, CA, HKICPA* *Group Finance Manager* Kenneth joined Kelly+Partners in 2015 as Group Finance Manager. He is a Chartered Accountant with more than 10 years chartered and commercial accounting experience, and founded the Hong Kong office in 2015.	Section 6.2
	Brendan Lyons *BSc, MAppFin, GradDipAppFin* *Head of Corporate Development* Brendan joined Kelly+Partners in January 2017 as Head of Corporate Development. He has over 20 years experience in equity markets, financial analysis and business management.	Section 6.2

1.8 Interests, benefits and related party transactions

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td><td>

Director	FY18
Brett Kelly	$360,000
Stephen Rouvray	$30,000
Pauline Michelakis	$325,000
Paul Kuchta[1]	-
Ryan Macnamee	$30,000

[1] Paul Kuchta, as a Operating Business Owner in the Kelly Partners Norwest Partnership, recieves profits from that Operating Business in accordance with the terms of the Partnership Agreement.
</td><td>Sections 6.3.1 and 9.13</td></tr>
<tr><td>Are there any significant related party transactions?</td><td>In aggregate, the Company's management team received 453,500 Shares prior to the date of this Prospectus for services provided to the Company. See Section 6.5.1 for further details.

Entities associated with members of the Board hold interests in certain Operating Businesses. See Section 6.5.3 for further details.</td><td>Section 6.5</td></tr>
<tr><td>Who are the major shareholders?</td><td>The major Shareholders of the Company at the date of this Prospectus, and after Completion of the Offer are[1]:

Shareholder	Shares held at date of Prospectus (pro forma)	% of total Shares at date of Prospectus (pro forma)	Shares held after completion of Offer	% of total Shares after completion of Offer
Kelly Investments 1 Pty Ltd[2]	25,353,378	59.7%	23,253,378	51.3%
Ellerston[3]	8,125,000	19.1%	7,625,000	16.8%
Independent Directors and Management	1,825,411	4.3%	1,825,411	4.0%
Operating Business Owners[4]	3,735,545	8.8%	3,445,451	7.6%
Other Existing Investors	3,420,847	8.1%	1,852,090	4.1%
New Investors	-	-	7,342,851	16.2%
Total	**42,460,181**	**100.0%**	**45,344,181**	**100.0%**

[1] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus.
[2] An entity associated with Brett Kelly.
[3] Ellerston Shares are shown on a pro forma basis. Under the Note Deed, Ellerston will be issued with Shares prior to Listing.
[4] Includes Paul Kuchta.
</td><td>Section 9.4</td></tr>
<tr><td>What Corporate Governance Policies does the Company have in place?</td><td>Information on the Company's corporate governance policies is set out in Section 6.8.

The Company's full corporate governance policies are available on the Company website www.kellypartnersgroup.com.au.</td><td>Section 6.8</td></tr>
</table>

Section 2
Industry Overview

Section 2 Industry Overview

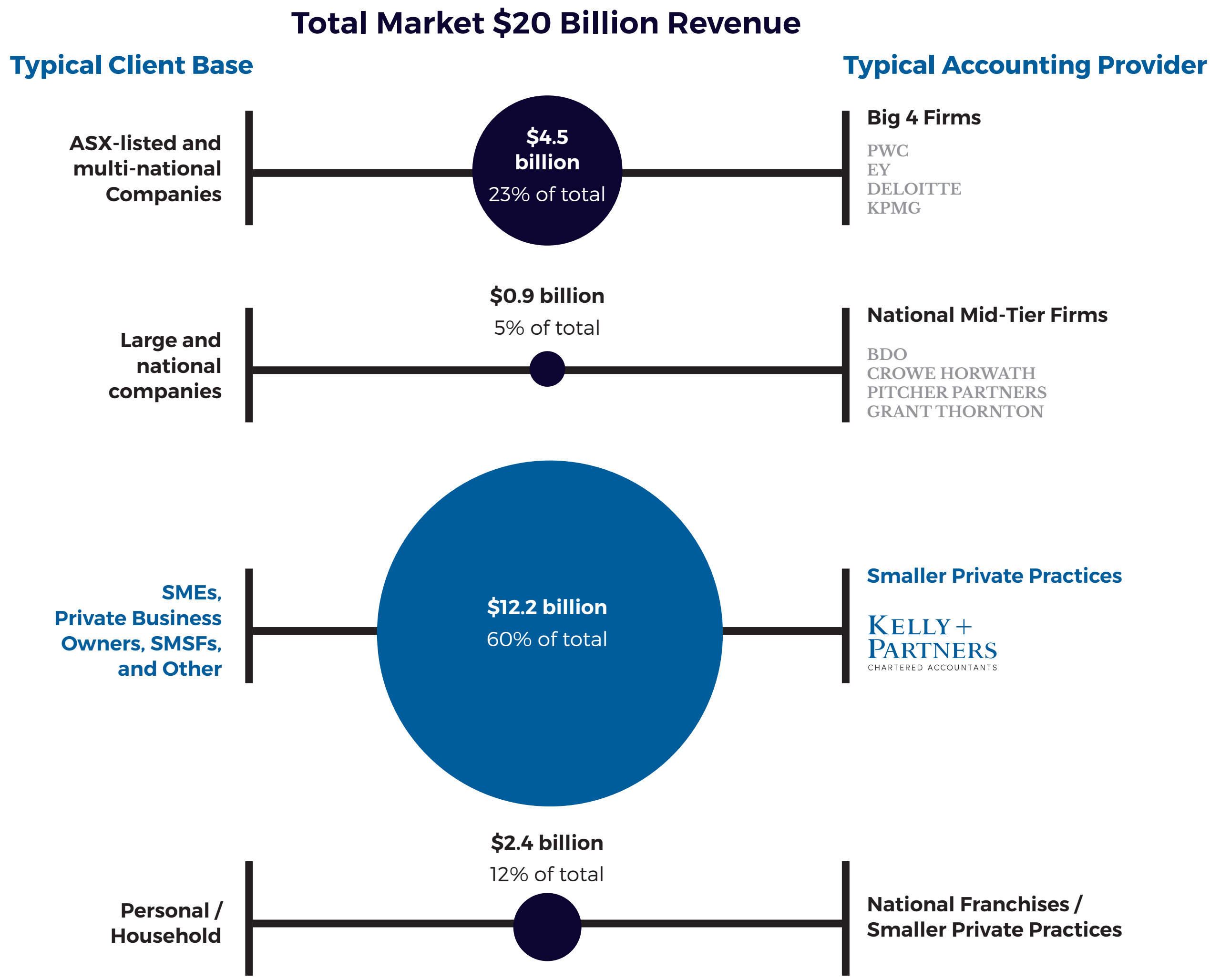
The Australian accounting and tax market is large, but highly fragmented.

2.1 Introduction

The accounting and tax market in Australia is highly fragmented, both in terms of the number of providers and the scope and quality of services offered. In total, accounting industry revenues were approximately A$20 billion in 2016[1] (See Figure 2.1.1). Once all on-costs are included (other professional services fees and the cost of taxpayers own time), the total dollar value of tax compliance in Australia is $40 billion per annum[2] (See figure 2.1.2).

The accounting market can be broken down into four broad segments as per below:

Figure 2.1.1 Size of Australian accounting industry

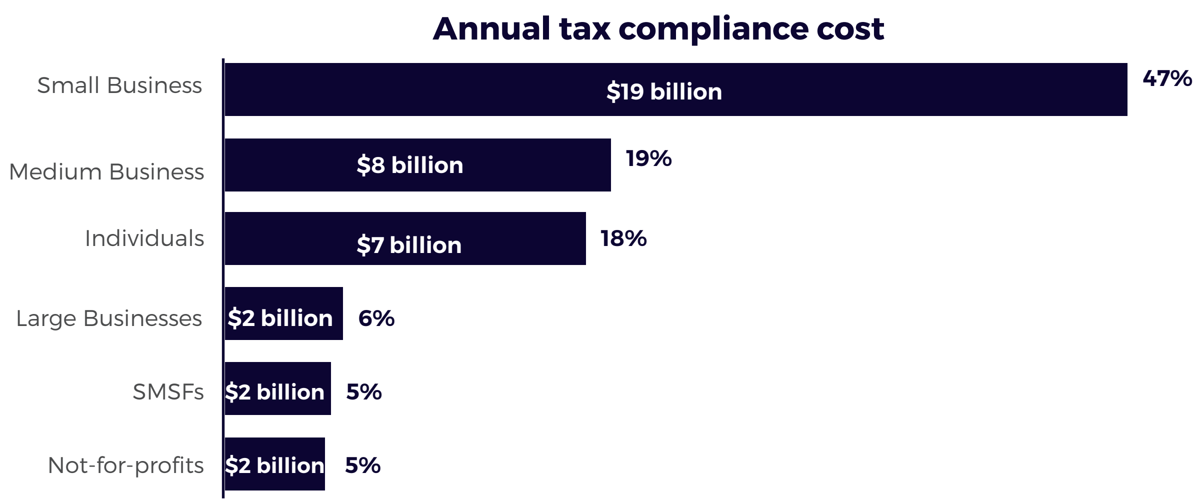


Source: Management estimates

[1] Management estimates.

[2] Compliance costs include fees paid to all external independent professionals, as well as costs associated with tax payers complying with regulations. Source: Australian Treasury, Stocktake of Regulation: Final Report, March 2015.

Figure 2.1.2 **Total tax compliance costs exceed $40 billion pa and are dominated by SMEs[3]**

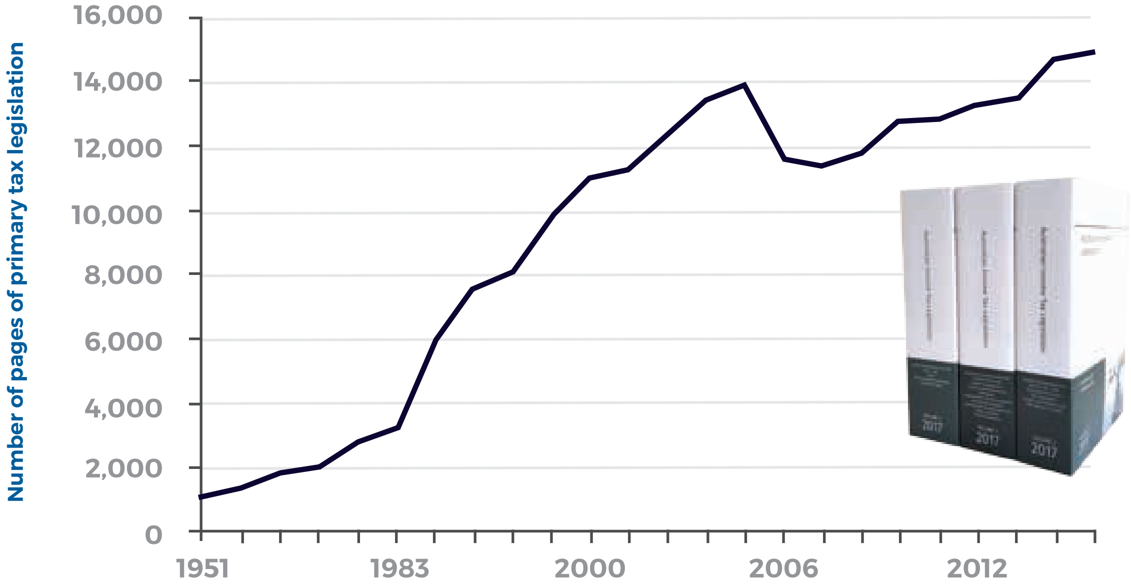


Source: Australian Treasury, Stocktake of Regulation: Final Report, March 2015.

2.2 Australian tax system

The Australian tax system is increasing in complexity. Measured as pages of primary tax legislation, the volume of tax law has increased by 14x since the early 1950s, and now comprises approximately 15,000 pages[4]. While some inoperative provisions were removed by the Federal Government in 2006, the addition of new tax code since then has seen the volume of tax law hit new highs (See figure 2.2.1).

Figure 2.2.1 **Growth in Australian tax law volume[4]**



Source: Australian Treasury, Re:think Presentation, June 2015.

[3] Compliance costs include fees paid to all external independent professionals, as well as costs associated with tax payers complying with regulations.
[4] Australian Treasury, Re:think Presentation, June 2015.

2.2 Australian Tax System (continued)

Studies undertaken to measure the relative ease of paying taxes across 190 economies globally have Australia ranked behind a number of other developed economies (from the perspective of a medium sized domestic company). The studies take into account several factors including the time required to prepare, file and pay taxes, and the time to comply with tax audits and obtain tax refunds. The relative rankings of selected economies are shown in Figure 2.2.2.

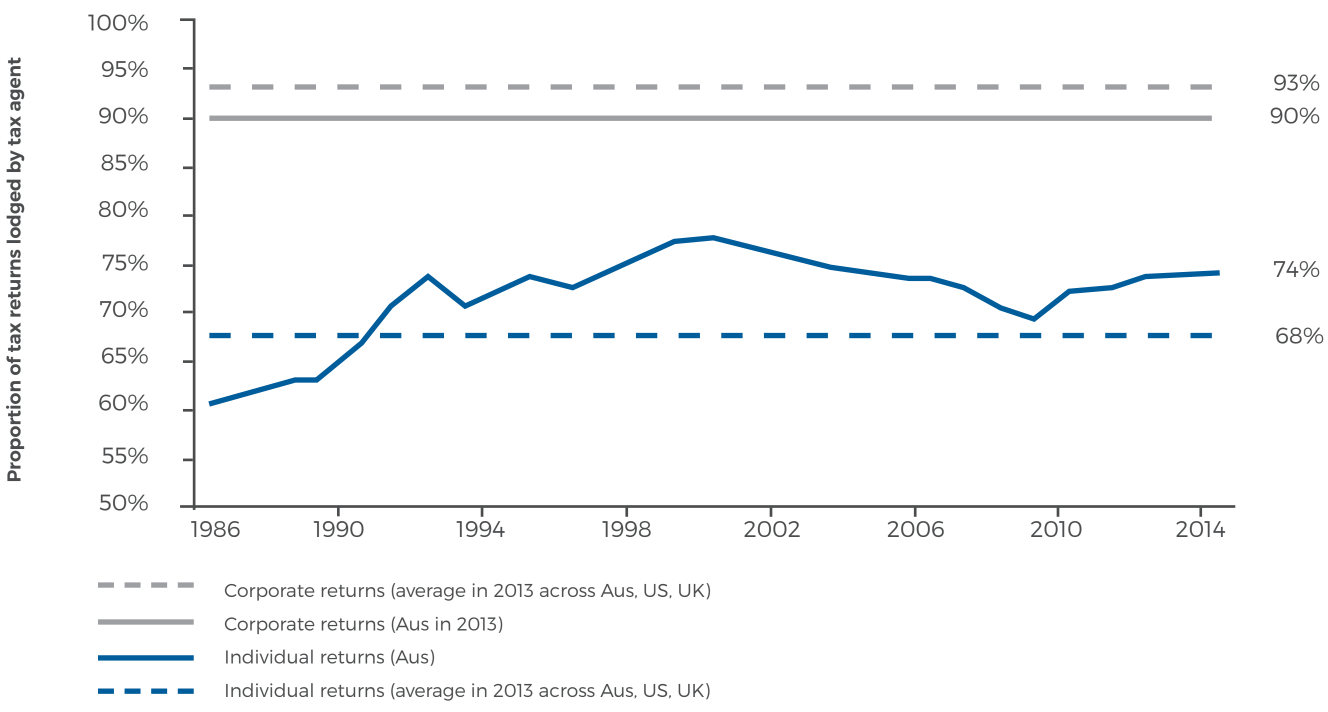
Figure 2.2.2 Ease of paying taxes (ranked easiest to hardest)

United Arab Emirates	1	Switzerland	18
Hong Kong / China	3	Netherlands	20
Ireland	5	**Australia**	**25**
Denmark	7	Norway	26
Singapore	8	Sweden	28
United Kingdom	10	United States	36
New Zealand	11	Germany	48
Finland	13	France	63
Canada	17	Japan	70

Source: The World Bank, Doing Business 2017.

For this reason, the use of registered tax agents in Australia is consistently high, for both corporate and personal tax returns. Based on the latest ATO data, 90% of companies and 74% of individuals use a tax agent to manage their tax returns. This is in line with averages seen in other complex developed tax regimes such as the USA and UK, as referenced in Figure 2.2.3 below:

Figure 2.2.3 Proportion of tax returns lodged by tax agents



Source: ATO, Tax Administration Report, 2015.

2.3 Structure of the Australian accounting market

The accounting market can be broken down into four broad segments:

Figure 2.3.1 Australian accounting market by segment

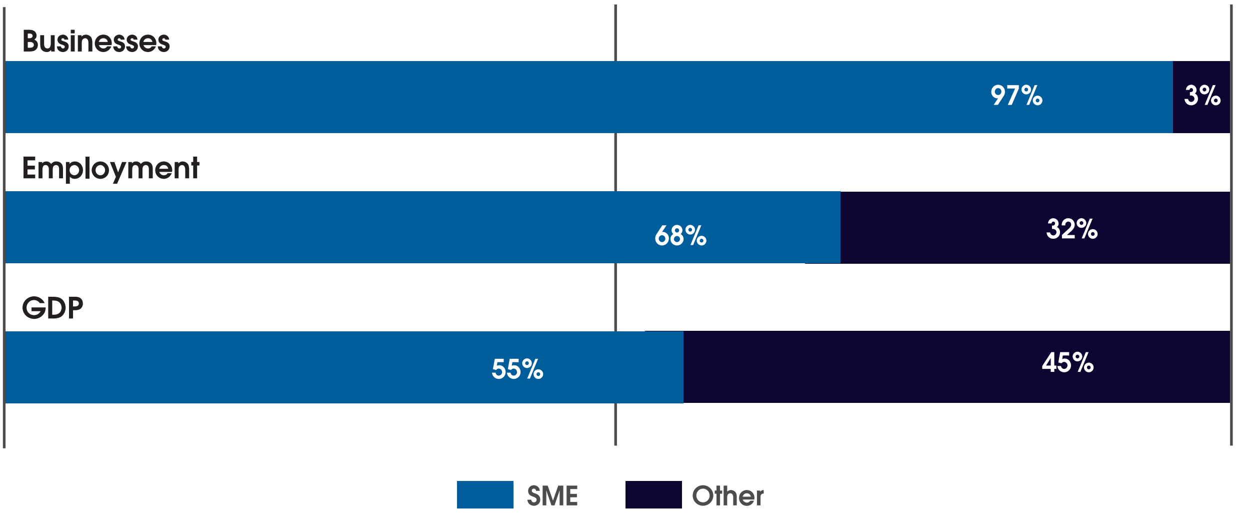
Segment	Annual Revenue	Market Share
"Big 4" firms	$4.5 billion	23%
"Next 4" National Mid-Tier firms	$0.9 billion	5%
SMEs / SMSFs / Other	$12.2 billion	60%
Personal / Household	$2.4 billion	12%
Total	**$20 billion**	**100%**

Source: Management estimates.

2.4 Overview of the SME sector in Australia[5]

SMEs represent by far the largest portion of the accounting and taxation market in Australia. In part, this reflects the large proportion that SMEs represent of domestic business numbers, employment and GDP, as outlined in Figure 2.4.1 below.

Figure 2.4.1 Overview of the SME sector[6]



Source: Parliament of Australia Reports, December 2015.

The key features of the SME market are:

- SMEs represents the majority of Australian businesses, employment and GDP[6];
- the number of SME businesses grew by 2.4% pa between FY12 and FY16[7];
- despite their smaller size, the accounting and tax requirements for SMEs are significant and ongoing; and
- SMEs typically have less skills and capacity internally to manage their accounting and tax affairs.

Note: [5] SMEs are defined by the ABS as enterprises with less than 200 employee.s
Note: [6] Parliament of Australia reports, December 2015.
Note: [7] ABS data, Cat. No. 8165.0, February 2017.

2.4 Overview of the SME sector in Australia (continued)

Often due to a lack of internal expertise, many SMEs and their owners require accountants to manage their affairs with the ATO. Typically, private SMEs maintain long-term relationships with their accounting / tax service providers as compared to other market segments (refer Figure 2.4.1).

Management believes that private SMEs are often under-serviced by the larger accounting firms for the following reasons:

+ **Cost -** The high cost base of large accounting firms means their services are relatively expensive, while many SMEs and their founders are cost sensitive.
+ **Service -** The service style and standardised approach of large firms is not tailored to suit SME clients.
+ **Location -** SMEs are regionally diverse, which requires a network beyond capital city CBDs.
+ **Brand -** SMEs do not require or value a "global brand name" to sign-off on their accounts.

Figure 2.4.1 Typical tenure for accounting service providers

Client Type	Typical Tenure	Typical Service Provider
Large Corporates	3-5 years	"Big 4", National Mid-Tier
SMEs	**10+ years**	**Kelly+Partners,** Private Practices
Retail	Annual	National Franchises

Source: Management estimates.

2.5 Industry participants

The "Big 4" accounting firms in the industry, PricewaterhouseCoopers (PwC), Ernst & Young (EY), Deloitte and KPMG, account for approximately 23% market share of revenue based on management estimates.

They hold a strong presence in the section of the market which includes ASX-listed companies and the local subsidiaries of offshore multi-national companies. These firms provide a mix of tax and audit services, plus corporate advice and consultancy services.

The next 4 National Mid-Tier firms hold approximately 1% each of the accounting market by annual revenue, with a generalised product offering that ranges from private to public companies, right down to individual retail tax payers.

The retail segment of the market is approximately 12% of the total. This market is covered by the national retail franchises, who provide services to small businesses and individual tax payers.

The remaining (approximately) 60% of the market largely comprises SMEs, their owners and SMSFs. These clients are serviced by small private accounting practices, with a typical profile exhibited in Figure 2.5.1.

Figure 2.5.1 Profile of typical SME-focused accounting firm

Profile of typical SME-focused accounting firm			
Revenue Base	< $2 million pa	Number of Clients	Relatively Small
Number of Partners	1-3	Service Expertise	Relatively Low
Number of Offices	1	Succession Plan	Unclear

Source: Management estimates.

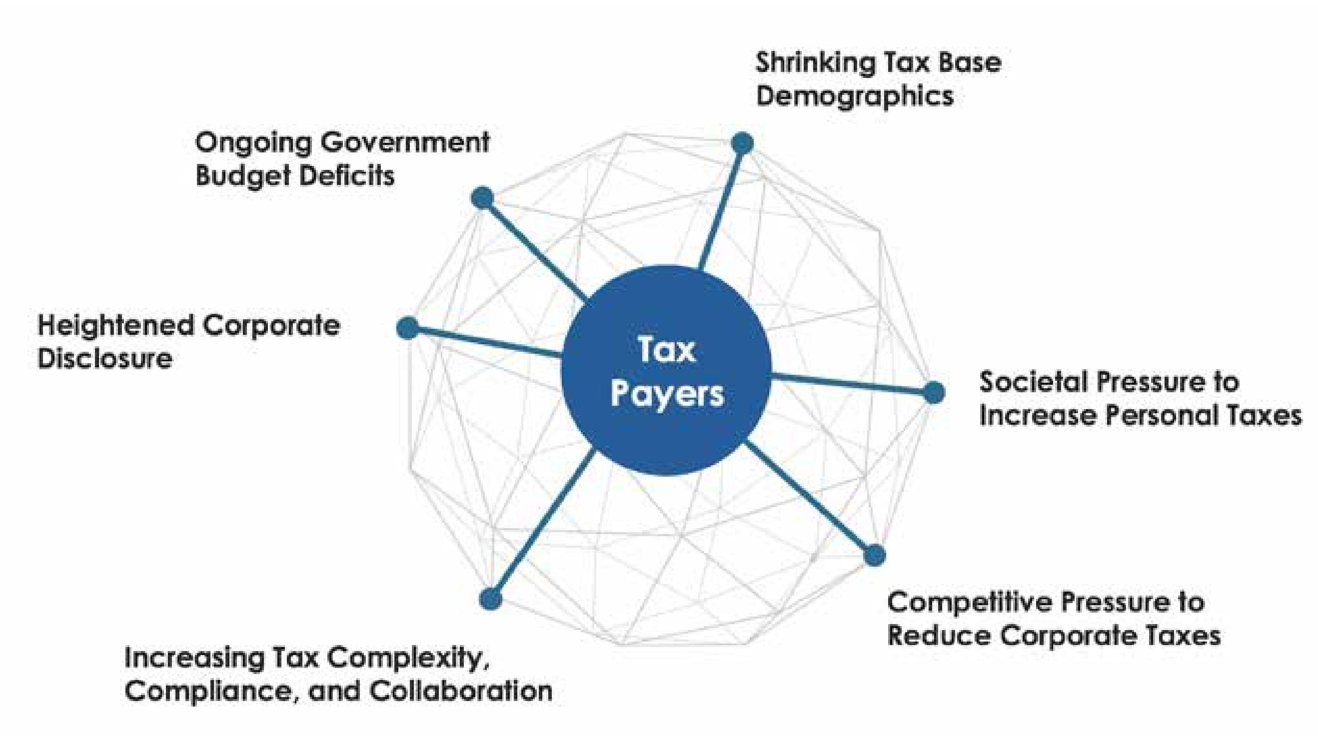
2.6 Global tax megatrends

Management believes there are a number of important issues facing Western economies, which combine to drive global demand for accounting and tax services.

These issues include:

+ **Ongoing Government Budget Deficits**
  Governments in the developed world continue to run sizeable fiscal deficits against a background of slow global growth. This is unsustainable in the long term without damaging consumer and investor confidence. Increasingly, this problem is being solved via higher taxation of individuals rather than reduced government spending.
+ **Shrinking Tax Base Demographics**
  An aging population in developed economies is steadily shrinking the personal income tax receipts for governments. In order to provide certainty of revenue, this has resulted in a broadening of the tax base. In turn, this has led to higher indirect taxation such as goods and services tax / value added tax, and the introduction of new taxes, such as those targeting the digital economy.
+ **Societal Pressure to Increase Personal Taxes**
  Demand continues for publically-funded healthcare, education, infrastructure, defence, law enforcement, and other civil services. This is largely funded through higher taxation revenue over time. The political debate on inequality in wealth and income is resulting in increased personal income tax on high-earners.
+ **Competitive Pressure to Reduce Corporate Taxes**
  Corporate tax rates have been falling in many developed countries for over 10 years. This trend is driven by competition for global investment dollars, and the need to stimulate economic growth following the global financial crisis.
+ **Increasing Tax Complexity, Compliance and Collaboration**
  The volume of tax law is increasing, centred around annual government budget cycles. Further, an increased focus on anti-avoidance and loopholes has led to increased government audits and the pursuit of new cross-border tax treaties between countries.
+ **Heightened Corporate Disclosure**
  The current global push towards Corporate Social Responsibility (CSR) is being directed by governments, regulators, the media, and the general public. For companies, this has resulted in a reassessment of the way they account for revenue and taxes in the jurisdictions in which they operate.

Figure 2.6.1 Global Tax Megatrends



Source: Management estimates.

2.7 Industry regulation

The accounting industry is regulated primarily by government authorities including the Tax Practitioners Board ("TPB") to ensure compliance with the Tax Agent Services Act 2009 and code of conduct, and the Australian Auditing and Assurance Standards Board ("AASB") to ensure compliance with accounting standards. Audit services are also heavily regulated by the Financial Reporting Council to ensure audit independence and compliance with auditing standards.

In terms of professional qualifications, the industry is self-regulated by two major governing bodies: Chartered Accountants Australia and New Zealand, and CPA Australia.

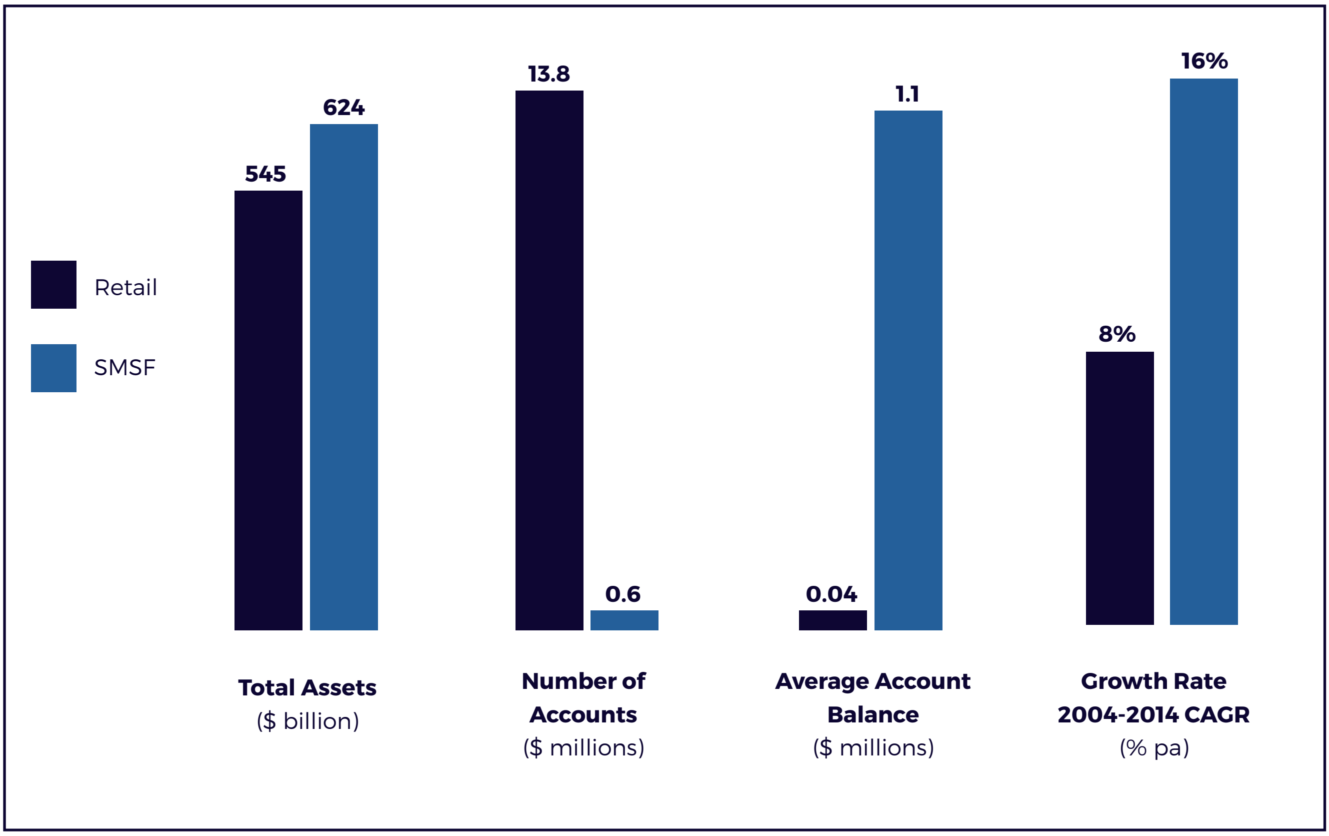
2.8 Australian SMSF market

SMSFs represents a relatively new and growing service line for accounting firms. Based on industry statistics published by Deloitte[8], total assets held in SMSFs are now $624 billion, comprising 600,000 accounts, with an average account balance of $1.1 million, and have exhibited a compound annual growth rate ("CAGR") between 2004 and 2014 of 16% pa.

By comparison, retail superannuation funds hold $545 billion in total assets, comprising 13.8 million accounts, an average account balance of $0.04 million, and a CAGR between 2004 and 2014 of 8% pa.

Within Kelly+Partners, the SMSF opportunity is significant. Across our 5,300 active client groups, we have identified more than 1,000 SMSF accounts, with over $1.5 billion in total SMSF assets, and an average account balance of approximately $1.4 million.

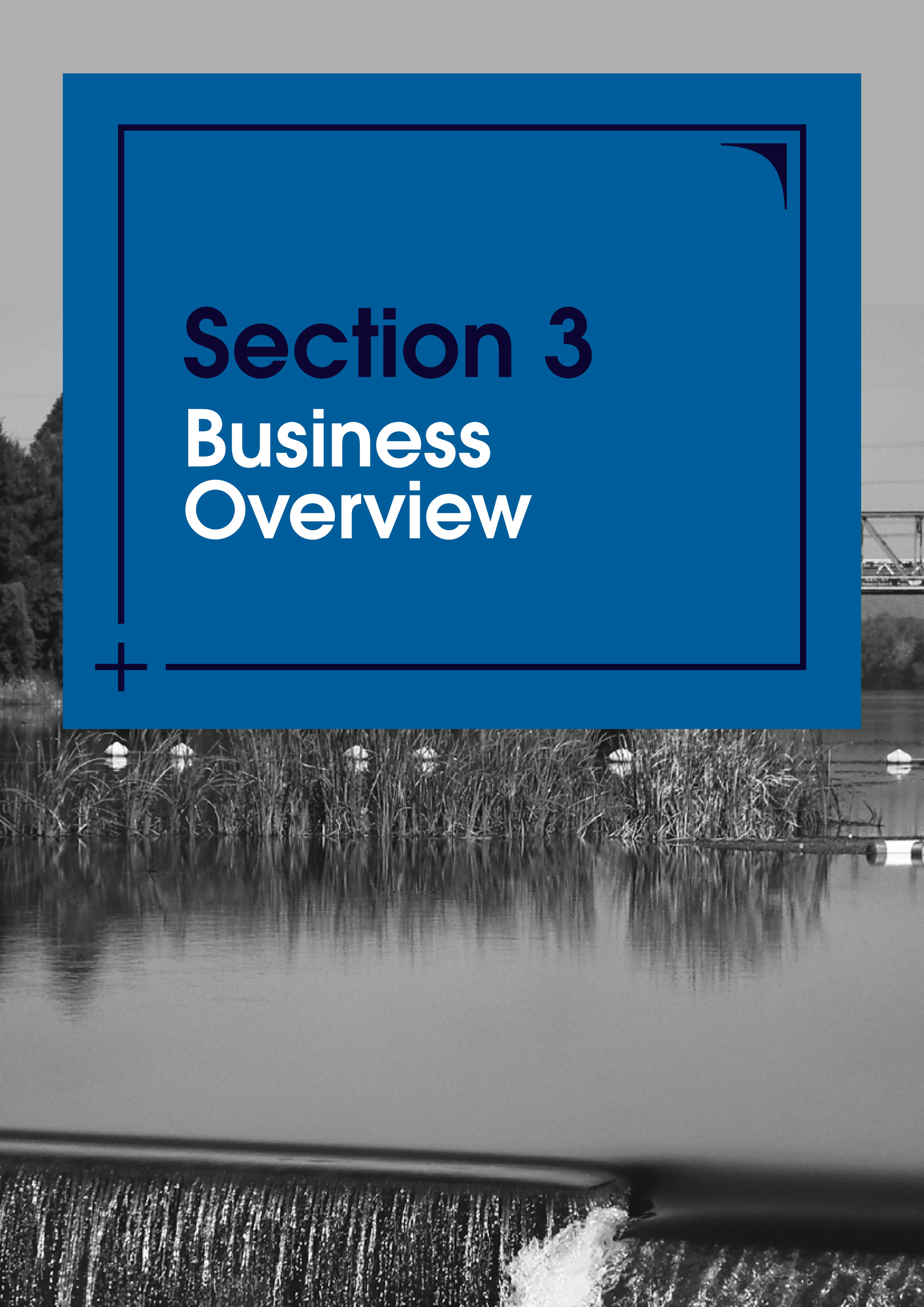
Figure 2.8.1 Australian SMSF Market



Source: Dynamics of the Australian Superannuation System, Deloitte, November 2015.

[8] Dynamics of the Australian Superannuation System, Deloitte, November 2015.

Section 3
Business Overview



Section 3 Business Overview

Kelly+Partners is a single-brand owner-driver network focussed on providing accounting and taxation services to private SMEs.

3.1 Overview

Introduction

Kelly+Partners is a single-brand, owner-driver network primarily focused on providing accounting and taxation services to private SMEs. The network comprises of 16 majority-owned businesses across 13 locations, and includes specialist businesses in tax consulting, wealth management and strategy consulting. Our offices are spread across Greater Sydney, with a finance and bookkeeping function located in Hong Kong.

Typically, the accounting firms which service the domestic SME market are highly fragmented and spread across more than 30,000 small private practices[1], with varying degrees of expertise and service. With over 5,300 active SME client groups today, Kelly+Partners is well positioned to further develop its position in this segment of the accounting market. Kelly+Partners sees the fragmented market structure of the private SME segment as a significant opportunity to increase market share going forward.

Our existing client base consists of stable, long-term relationships with SME owners who typically have a growing demand for taxation and compliance services. The foundation of these relationships is Kelly+Partners' commitment to operational excellence and our investment in staff training and development, that delivers premium quality client service.

The Company provides three key services to the underlying majority-owned and controlled Operating Businesses:

+ **Intellectual Property** – Proprietary systems and single-brand marketing to drive better revenue performance.
+ **Centralised Services** – Optimisation of back office functions to improve margins and cashflow within the underlying accounting network.
+ **Operating Business Model** – Using an owner-driver model, the Company acquires a majority interest (>50%) in the Operating Businesses to drive long-term strategic alignment, and help solve the succession dilemma.

Going forward, Kelly+Partners growth strategy includes a combination of organic growth in existing businesses, network expansion through new Operating Businesses and establishment of greenfield sites, as well provision of new services such as tax consulting and wealth management / SMSF.

Figure 3.1.1 Kelly+Partners Business Model

[1] Management estimates.

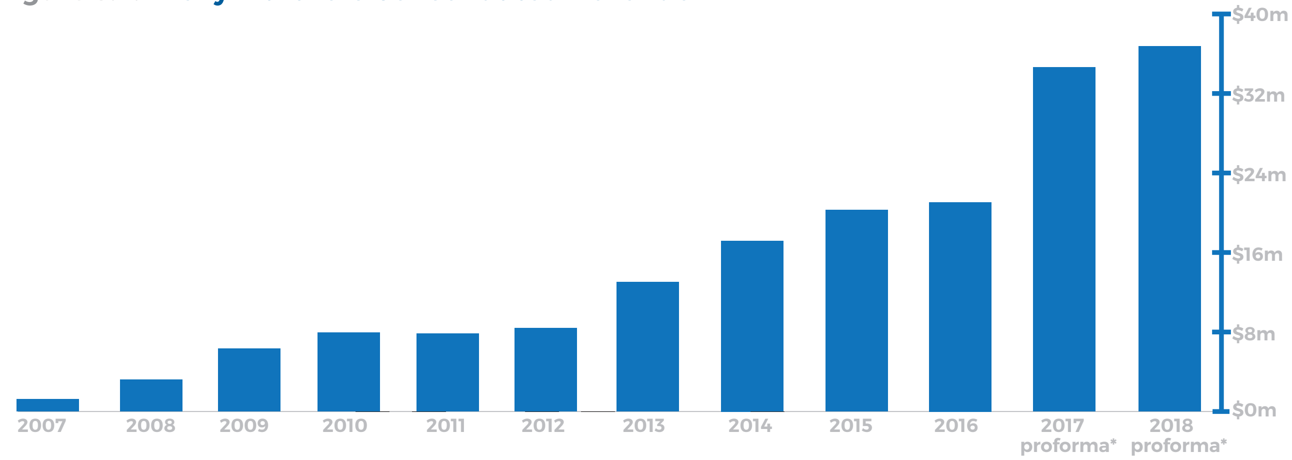
3.2 History

Kelly+Partners was established in 2006 to provide a better service to private business owners, and in 2007 started investing in private chartered accounting firms in the Greater Sydney area. The owner-driver Operating Business structure was modeled on a >50% Company Subsidiary / <50% Operating Business Owner ownership split, to ensure long term strategic alignment of both parties.

Growing from two initial start-up businesses in North Sydney and the Central Coast in 2006, Kelly+Partners now has 12 locations across Greater Sydney, and 1 office in Hong Kong. During this period, the Company has transformed 14 external firms and built 9 greenfield businesses, to create the existing accounting network. This includes three specialist business that have been launched in tax consulting, wealth management and strategy consulting. All Operating Businesses utilise Kelly+Partners intellectual property, including branding and marketing, plus a centralised management and back office function located in North Sydney and Hong Kong.

Kelly+Partners has experienced strong growth since its inception in 2006, as demonstrated in the chart below. In the historical period from FY07 to FY16, the Company generated a consolidated revenue CAGR of 37%. Over the period from FY16 to FY18, the Company is forecasting consolidated pro forma revenue CAGR of 8.5%.

Figure 3.2.1 Kelly+Partners Consolidated Revenue



* Consolidated pro forma revenue forecast includes Sydney CBD business for a full 12 months. All data is on a financial year basis.

3.3 Current operations

Today, Kelly+Partners encompasses 38 Operating Business Owners and a total of 192 team members, spread across 16 individual Operating Businesses and 13 locations (See Figure 3.3.1).

The business proposition is to provide:

+ **Leadership & Management** on a centralised basis to reduce costs, improve efficiency and enhance the competitive position of the Operating Businesses.
+ **Intellectual Property**, including brand, marketing, systems and processes, which aims to address the Operating Business' ability to attract, develop and retain team members and increase the breadth of service offering.
+ **Structure & Investment** to facilitate succession and long term growth of the Operating Businesses through a controlling >50% interest via a Company Subsidiary.

3.3 Current operations (continued)

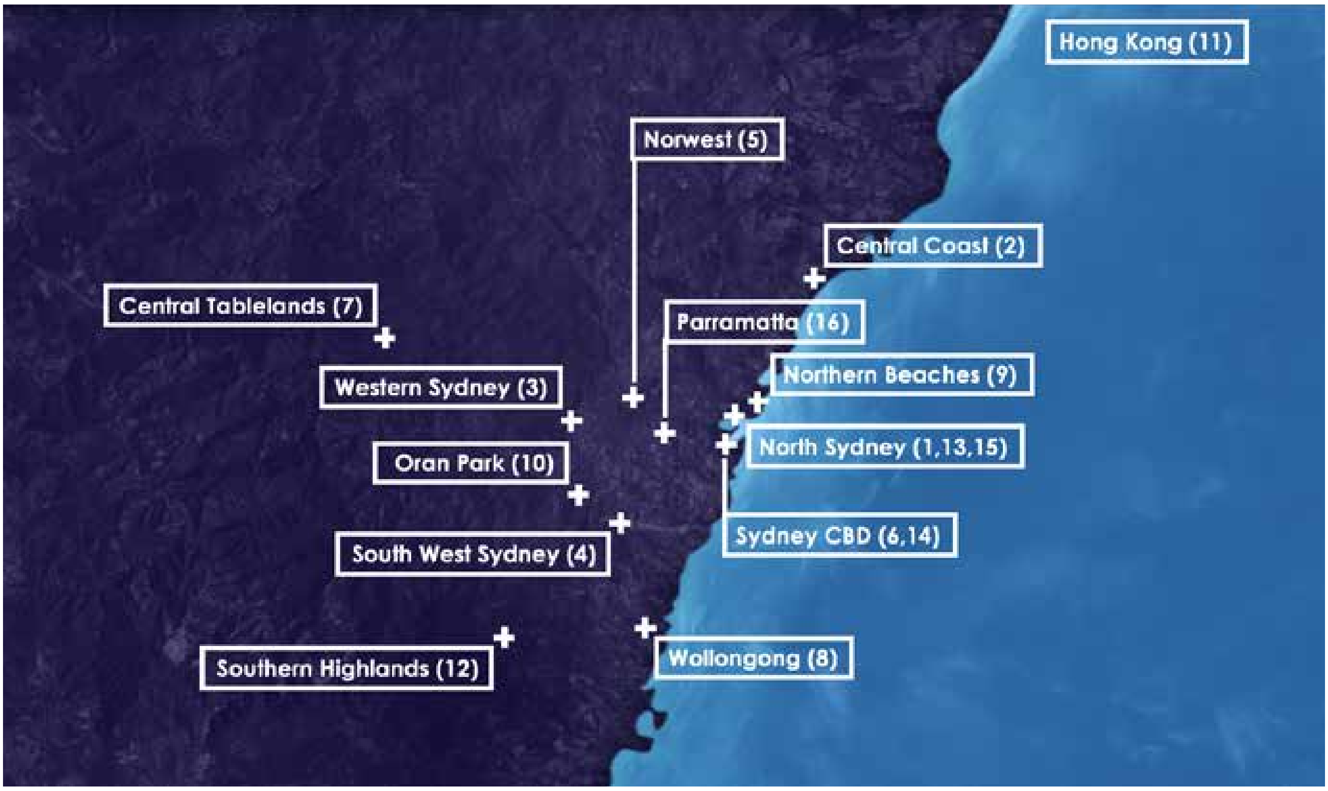
The Company holds a majority and controlling interest in each operating business which varies from 50.05% to 100%, with exception of Kelly Partners Oran Park (25.3%) which is held through a trust controlled by the Company.

Figure 3.3.1 Kelly+Partners Operating Businesses

Indicates greenfield Operating Business.

Indicates specialist Operating Businesses within the network.

Figure 3.3.2 Kelly+Partners Office Locations



Note: Number in brackets represents date order of transactions.

Figure 3.3.3 **Kelly+Partners key statistics**

16 Operating Businesses	**38** Operating Business Owners	**192** Total Team
13 Locations	**41** Average age of Operating Business Owners	**23** Transactions completed since inception

The sole focus of our network of firms is to provide accounting, taxation, audit and wealth management / SMSF services to SME clients including:

+ Private Businesses
+ Private Business Owners
+ High Net Worth Private Clients
+ Families
+ SMSFs

Kelly+Partners is forecast to generate $36.7 million in FY18 consolidated revenues across more than 5,300 client groups. Approximately 85% of Kelly+Partners' consolidated revenue relates to accounting and taxation services, with the balance consisting of tax consulting, audit, wealth management / SMSF and strategy consulting. Kelly Partners Strategy Consulting includes a strategic planning course for SME owners. The Company's average client churn is approximately 2% pa. Our top 10 and 20 clients account for 12% and 16% of total consolidated pro forma FY17 revenue respectively.

At the parent level, the Company has three sources of income:

+ **Equity Distributions / Dividends** - Distributions / Dividends from >50% interest from each underlying Operating Business, paid pretax each month.
+ **Management Services Fees** - Fixed percentage fee based on revenue paid monthly by Operating Businesses for the Company's centralised management and back-office services.
+ **Intellectual Property Fees** - Fixed percentage fee based on revenue paid monthly by Operating Businesses for use of the Company's brand, marketing, and intellectual property.

The consolidated revenue base of Kelly+Partners is diversified via a variety of other factors, as illustrated in Figure 3.3.4 below.

Figure 3.3.4 **Kelly+Partners' Diversification**

Location	12 office locations spread across Greater Sydney, and 1 office in Hong Kong
Operating Business Owners	38 Operating Business Owners spread across 16 individual Operating Businesses with an average age of 41
Client Base	Over 36 separate industries represented in the client base and more than 5,300 client groups
Services	Expanding presence in tax consulting and wealth management

3.4 Mission and values

Mission

Kelly+Partners exists to serve private SMEs and their owners. We help clients to:

+ get control of their financial universe;
+ understand their financial objectives; and
+ achieve their financial goals.

The Company provides an opportunity to the Operating Business Owners and team members at Kelly+Partners to achieve their own personal goals, and, as an organisation, improve the communities within which we operate.

Values

Kelly+Partners is guided by a set of principles that define our character and culture, forming the core of our business vision. These universal principles are the shared convictions that we bring to our professional and personal conduct and are the fundamental strength of our business.

Our core values are outlined in Figure 3.4.1 below.

Figure 3.4.1 Kelly+Partners Values

Want the best for others

We are distinguished by thinking and acting in the interest of others, taking the time to know people and always seeking to be helpful.

We do what we say

We do what we say – our word is our bond and we deliver what we promise.

Better off

We help Private Business Owners who want to be 'better off' by delivering trusted and convenient compliance and forward-looking advisory services.

One team, one best way

We care for our colleagues, treating each other like family. We've got each other's backs and we work with the Kelly+Partners system in 'One Best Way'.

Brightness of future

Our team personally demonstrate that they contribute to making Kelly+Partners a great place to work.

Every client a referrer

We like our clients and we want them to be happy. Each client is important and if they've got a problem that needs solving, we're there to help fix it.

Profit leader

Profit is essential to a sustainable business. We want to demonstrate the quality of our advice by earning it in our business.

3.5 People and culture

Kelly+Partners staff are motivated to deliver results for our clients. A wide range of incentives are offered by Kelly+Partners to recognise and reward both personal and team results.

Generally, promotions occur within the pool of current employees which ensures that the best people within Kelly+Partners experience career progression into leadership positions where they can have the most significant positive impact. The average age of an Operating Business Owner at Kelly+Partners is 41 years old.

We are proud of our diversity at Kelly+Partners. We hire people from a multitude of backgrounds and our training aims to take a comprehensive and personal approach allowing us to focus the right people to the right roles. We believe the diversity profile of our workforce reflects the broader Australian society and our client base.

Much of the value we offer our clients is created through the specialist skills and knowledge in our team. We are therefore committed to ensuring our people receive quality training and development opportunities with a view to building a long-term career.

Our training and development goal is to create:

+ accountants who are always professional;
+ exhibit integrity at all times; and
+ display a strong work ethic.

The training programs at Kelly+Partners consists of both formal and informal training, mentoring programs and networking events. We believe this provides the support and resources our staff need to drive their own learning. Kelly+Partners endeavours to meet the highest standard of business behaviour, compliance and ethics and this is reflect in our training programs.

3.6 Community engagement and corporate responsibility

We're serious about supporting Sydney's communities
As a local business, we have a responsibility to the communities in which we operate and one of the most enjoyable parts of our job is meeting our neighbours and getting involved with local events.

Managing our environmental impact
As a rapidly expanding business we are committed to finding ways of reducing our environmental impact and carbon footprint. In addition, we endeavour to be considerate within our local communities.

3.7 Business strategy

Kelly+Partners has seven strategic priorities:

+ **Private SME business owners in Greater Sydney** – Since inception, Kelly+Partners' focus has been building accounting teams that can materially improve the financial situation of private SMEs and their owners. These clients are "sticky" given that they desire long term relationships with their accountants.
+ **Recurring business lines** - Kelly+Partners focuses on business lines that are predictable and recurring in nature which include accounting and taxation (Refer to figure 3.7.1). We regard audit as commoditised, and it represents less than 5% of our total revenue. Approximately 85% of Kelly+Partners revenues are generated from accounting and taxation services.
+ **Premium service and prices** - The Operating Businesses deliver high-quality service levels with a strong focus on clients. We maximise value for clients using our proprietary processes and systems. The network benefits from strong client loyalty with an annual client churn of 2%.
+ **Network expansion under a strong single-brand** - Kelly+Partners has a long and successful track record of profitable network expansion using an owner-driver model. Key synergies include a combination of higher cost efficiency, active management of debtors and cashflow, and increased revenue opportunities. In addition, the adoption of a strong single-brand provides proven benefits for future business development, overall staff culture, and in particular, recruitment of talented team members.
+ **Ongoing system growth** - Accounting and taxation services are driven by increasing tax complexity and compliance in Australia. The SME subset of the accounting market represents approximately 60% (or $12 billion pa)[2] of total industry revenues, and the role of intermediating the relationship between this client subset and the ATO will become more important over time.
+ **Marketing and Advertising** - The Company invests significantly in its brand through regular advertising and marketing campaigns. This has included television, radio, and newspaper advertisements and this is expected to continue in the future. These marketing and advertising campaigns are expected to continue to build awareness of the Kelly+Partners brand, as well as attract prospective clients and potential new Operating Business opportunities.
+ **Property and Leases** - Kelly+Partners owns a majority interest in a property on the Central Coast which is leased to the Kelly Partners Central Coast Partnership. All other offices operate in a leased office with lease terms varying from 3-5 years.

Figure 3.7.1 Focus on highly recurring revenues

Business Line	Revenue Risk	Typical Service Providers
Consulting and Advisory	High – volatile, project based	Big 4
Audit	Low – stable, commoditised	Big 4, National Mid-Tier
Tax and Compliance	**Low – stable, recurring**	**Kelly+Partners** Small Private Firms
Bookkeeping	High – exposed to digital disruption and outsourcing	Small Private Firms Software Providers

[2] Management estimates.

Ability to create value through Operating Business transformation and integration

The Company has a long track record of delivering transformational outcomes for businesses which have joined the Kelly+Partners network. The key deliverables from this process include:

+ **Expense Reduction** – centralisation of back office functions and more focused workplace processes and protocols.
+ **Better Staff Experience** – more motivated and strategically aligned Operating Business Owners and staff, under the umbrella of a dynamic culture and single brand strategy.
+ **Better Client Experience** – clients benefit from improved service, increased Company technical expertise, wider product offering, and improved IT systems.
+ **Better Cashflow** – improved systems for controlling WIP (work in progress) and collecting debtors.
+ **Revenue Growth** – freeing up Operating Business Owner time coupled with a wider product offering drives stronger top line growth.

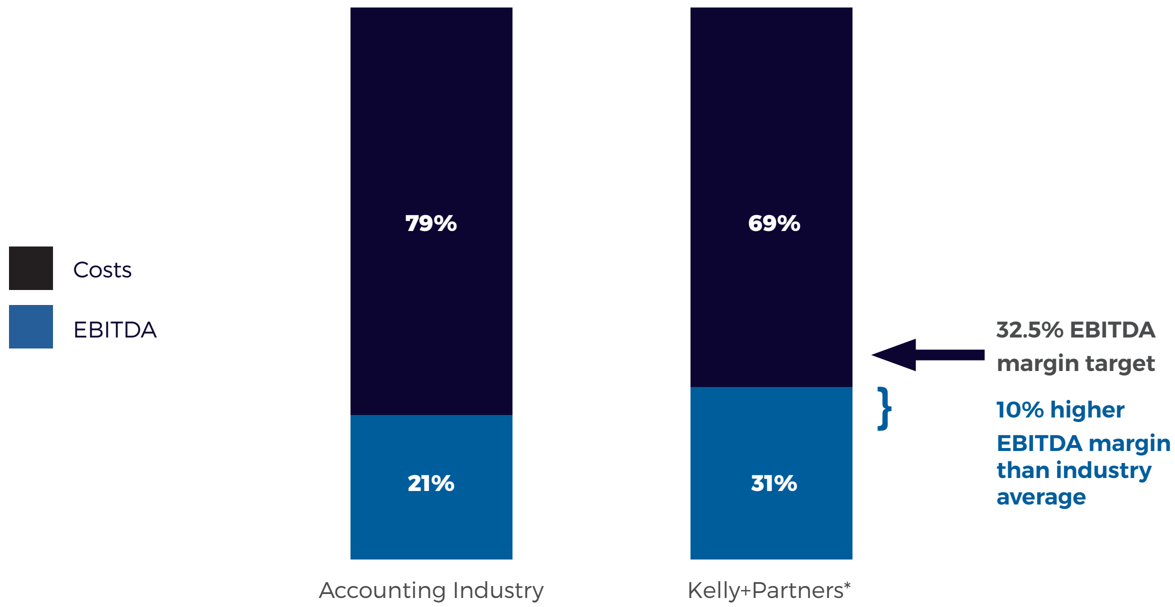
Centralisation of Services

The Company's investment in centralised work groups, business processes and technology has created a highly scalable business that is able to deliver high level levels of productivity and service. The centralised management team are located in the North Sydney and Hong Kong offices, and provide the following services to our Operating Business network:

+ Marketing, Branding and Events
+ Proprietary Client Systems and Procedures
+ Finance Management and Controls
+ Risk Management, Business Registrations, Accreditations and Quality Assurance
+ Technology Platform and website
+ Human Resources and Training
+ Executive Management and Corporate Strategy

This centralised approach also delivers significant operational leverage, enabling the Company to expand its office network at a relatively low cost whilst continuing to deliver higher profit margins for all Operating Businesses. This is reflected in EBITDA margins for Kelly+Partners which are significantly higher than the industry average (See Figure 3.7.2).

Figure 3.7.2 Comparison of EBITDA margins against industry



Source: Management estimates.

* Based on the unaudited FY17 consolidated pro forma EBITDA (after base distribution for Operating Businesses).

3.8 Operating business structure

Kelly+Partners has developed an owner-driver Operating Business model within the accounting sector. This structure has been successful in other industries in Australia, most notably insurance brokers (eg. Steadfast and Austbrokers). The majority of the Operating Businesses are structured as Partnerships (with the exception of Kelly Partners Sydney CBD and Kelly Partners Hong Kong), with a wholly-owned Subsidiary of the Company holding the Partnership interest. Each Partnership is governed by Partnership Agreement, the key elements of which include:

+ **majority control** position for the Company through >50% ownership interest in each Operating Business (excluding Kelly Partners Oran Park);
+ **10 year Partnership Term** with automatic roll-over for a further 10 years, which generates long-term strategic alignment of individual Operating Business Owners and the Company (with the exception of Kelly Partners Sydney CBD and Kelly Partners Hong Kong which are structured as companies);
+ the Company provides centralised **management and back-office services** for a fixed percentage fee based on revenue;
+ the Company provides centralised **brand, marketing, systems, procedures**, and **intellectual property** for a fixed percentage fee based on revenue;
+ agreed operating **methods and financial metrics**;
+ defined monthly **distributions or dividends**;
+ clear **succession plan** for older Operating Business Owners, with pre-agreed structures to facilitate proactively-managed generational change;
+ consideration to a comprise mix of upfront and deferred (earn-out); and
+ all **debt secured against individual Operating Business**, both jointly and severally, with no recourse back to the Company.

For Operating Businesses which are structured as Partnerships, a Company ("Agent Company") is incorporated to act as the undisclosed agent for the Partnership, and enters into contracts including leases for and on behalf of the Partnership.

An exception to the Partnership structure is the Operating Business located in the Sydney CBD, which is structured as a Company (Kelly Partners (Sydney) Pty Ltd ACN 616 117 634) and the Operating Business located in Hong Kong, which is also structured as a company (Kelly Partners Management Services (Hong Kong) Limited). A wholly-owned Subsidiary of the Company holds a >50% shareholding interest in Kelly Partners (Sydney) Pty Ltd and Kelly Partners Management Services (Hong Kong) Limited).

The terms of the shareholders agreement which governs the relationship between the Company's Subsidiary and the Operating Business Owners of the Operating Businesses located in the Sydney CBD and Hong Kong are substantially the same as the Partnership Agreements set out above (other than the 10 year term, which does not apply to the company structure).

The Operating Business model provides both retention and alignment of Operating Business Owners and staff in each individual business. While the Operating Business Owners in each Operating Business are responsible for the day-to-day management of the business, the Company has the ability to monitor and manage each Operating Business through collection of monthly data and assessment against performance benchmarks and pre-determined budgets. In addition, the Company assists to drive operating efficiencies through a common back office platform, which centralises key functions such as finance, technology, marketing, human resources, and administration.

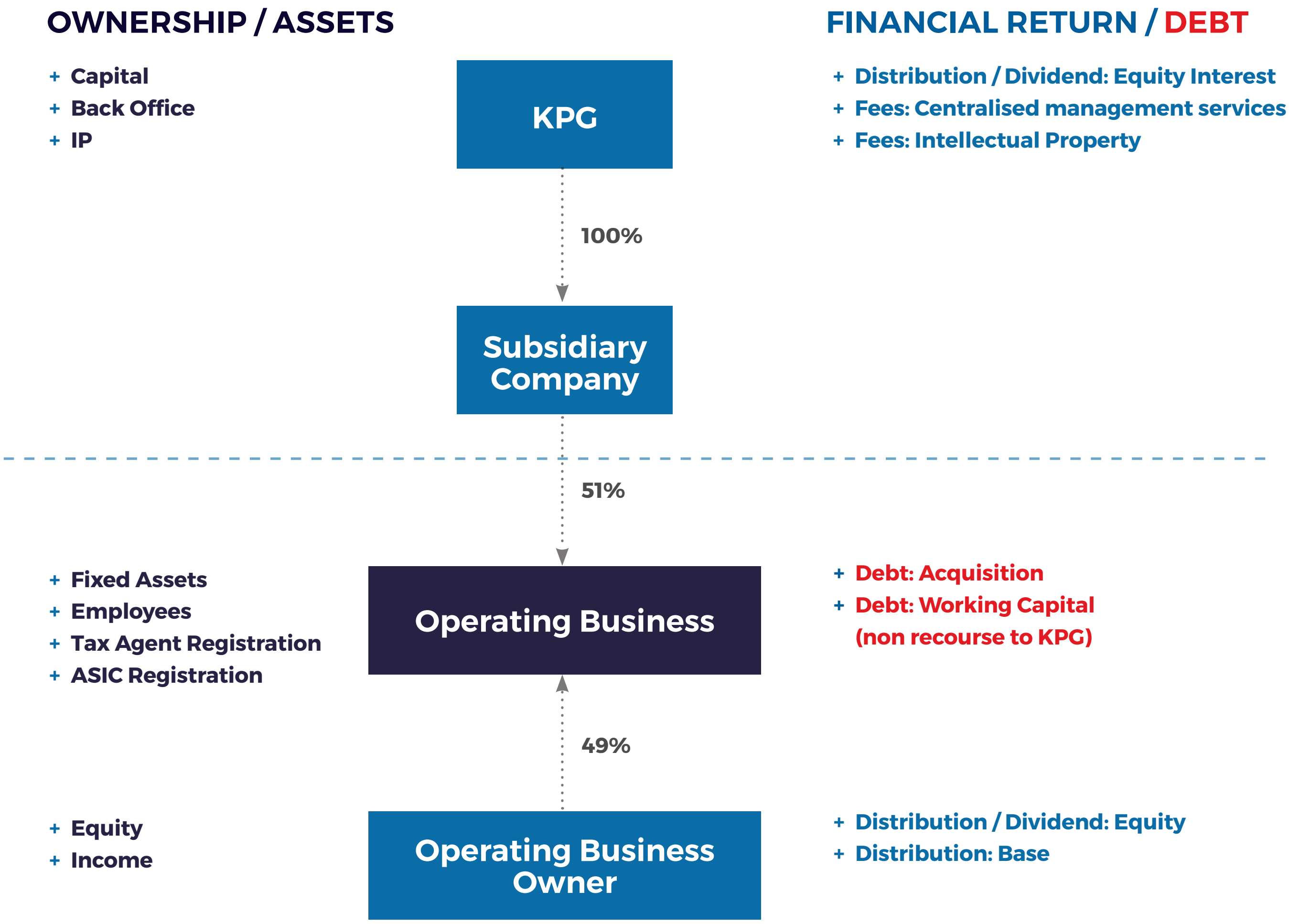
Below is a summary of the Operating Business Services centralised by the company:

Figure 3.8.1 Kelly+Partners Centralised Services

Strategy	Human Resources	Operations	Information Technology	Finance	Marketing	Risk	Quality Assurance

The typical Operating Business ownership structure is illustrated below:

Figure 3.8.2 Kelly+Partners' Typical Operating Business Structure



3.9 Business model

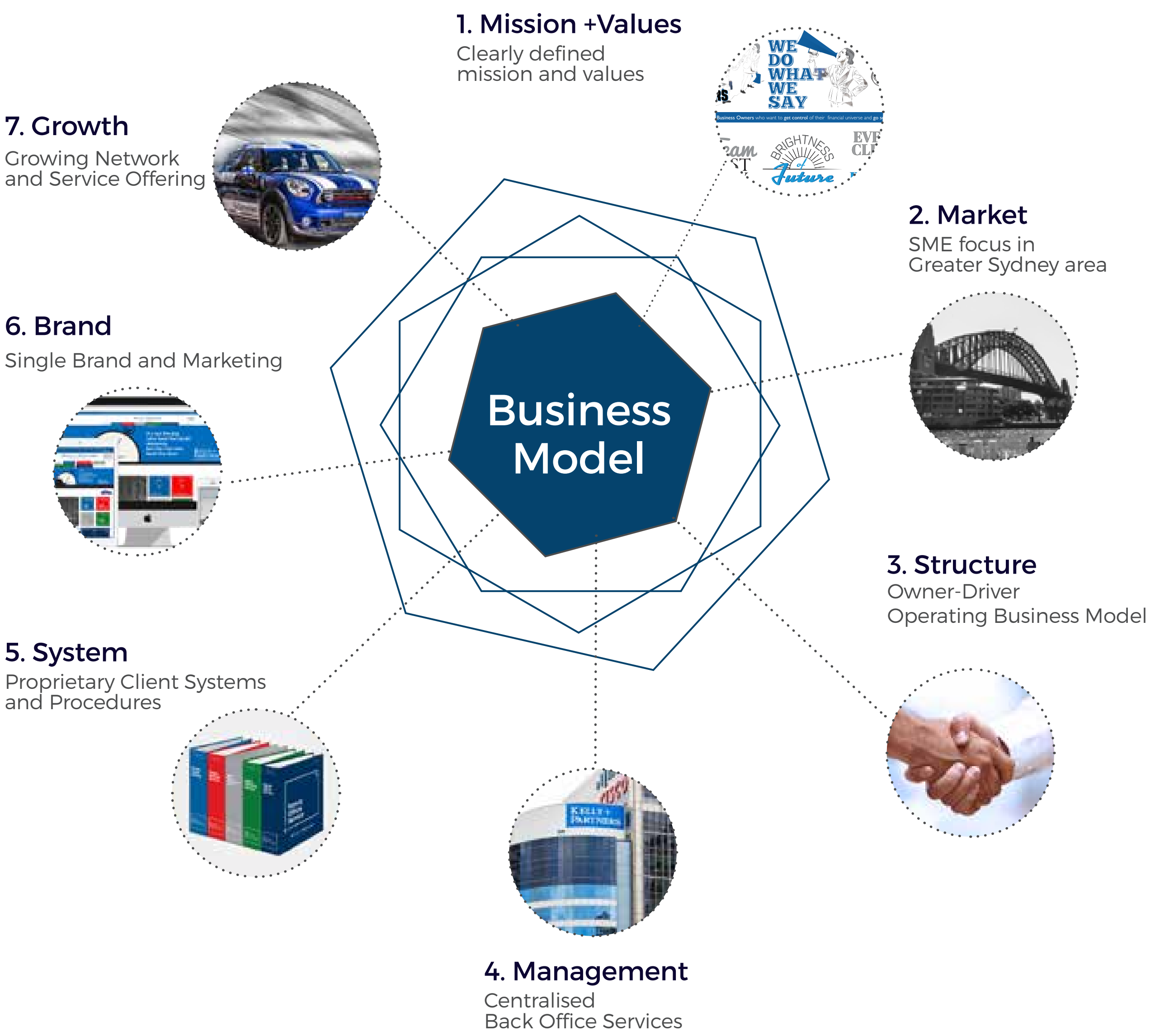
Kelly+Partners is built around a business model which includes:

+ a single-brand with a strong market identity;
+ centralised management and back office functions which drive operating efficiency;
+ owner-driver Operating Business structure which drives long term alignment;
+ focus on the SME market and recurring revenue lines;
+ unique people culture centred around our proprietary client service system;
+ application of single technology platform across the network; and
+ proprietary accounting and tax systems and procedures.

The Kelly+Partners brand has been supported by significant levels of expenditure on advertising and marketing over the past 11 years. This includes our website and continual advertising initiatives which support each new office opening, generating strong brand awareness and new business growth. Our distinctive offices and branded fleet of vehicles reinforce our local presence and underpin our quality credentials.

The key elements of our business model can be summarised as:

Figure 3.9.1 Key Elements of the Business Model



3.10 Intellectual property

Over the past 11 years, the Company has developed intellectual property which it can deploy across the Kelly+Partners network. At its core, these products fit into two broad categories:

+ **'Integrated Advice Model'** – consists of a detailed and proven process to assess and optimise the financial management of Private Clients, Private Businesses, Wealth Management, SMSF, Estate Planning, and Family Office Services (refer to Figures 3.10.1 and 3.10.2)
+ **'Flight Plan'** – a system which sets out a clear pathway for clients to:
  + get control of their financial universe
  + understand their financial objectives
  + achieve their financial goals

Innovative Technology – Kelly+Partners' evolution over the past 11 years has been characterised by its innovative application of technology to the accounting industry. The Company has sophisticated workflow systems, web applications, and content-rich information databases underpinning its business model.

These systems enable the Company's internal departments to work together cohesively to deliver high levels of service coordination and productivity, and have been a key driver in reducing average costs. Kelly+Partners' systems also provide performance tools for managers that enable the tracking of employee performance.

Kelly+Partners has invested heavily in its website and web-based applications. These next generation tools will give clients access to web-based applications that provide secure and direct access to key information, documents, and applications that facilitate electronic document signing and online payments.

Figure 3.10.1 **Integrated Service System**

Figure 3.10.2 **Business Management System**

3.11 Client base

Kelly+Partners' primary client base is located within the Greater Sydney area. This broad definition includes from Wollongong / Southern Highlands to the south, to Newcastle / Central Coast in the north, and the Central Tablelands to the west. However, we also have many clients located in rural NSW, Victoria and Queensland. In addition, we maintain an office in Hong Kong to undertake specialised finance and bookkeeping services.

Other key metrics on our client base can be summarised in Figure 3.11.1.

Figure 3.11.1 Kelly+Partners' Key Metrics

5,300 Number of active client groups

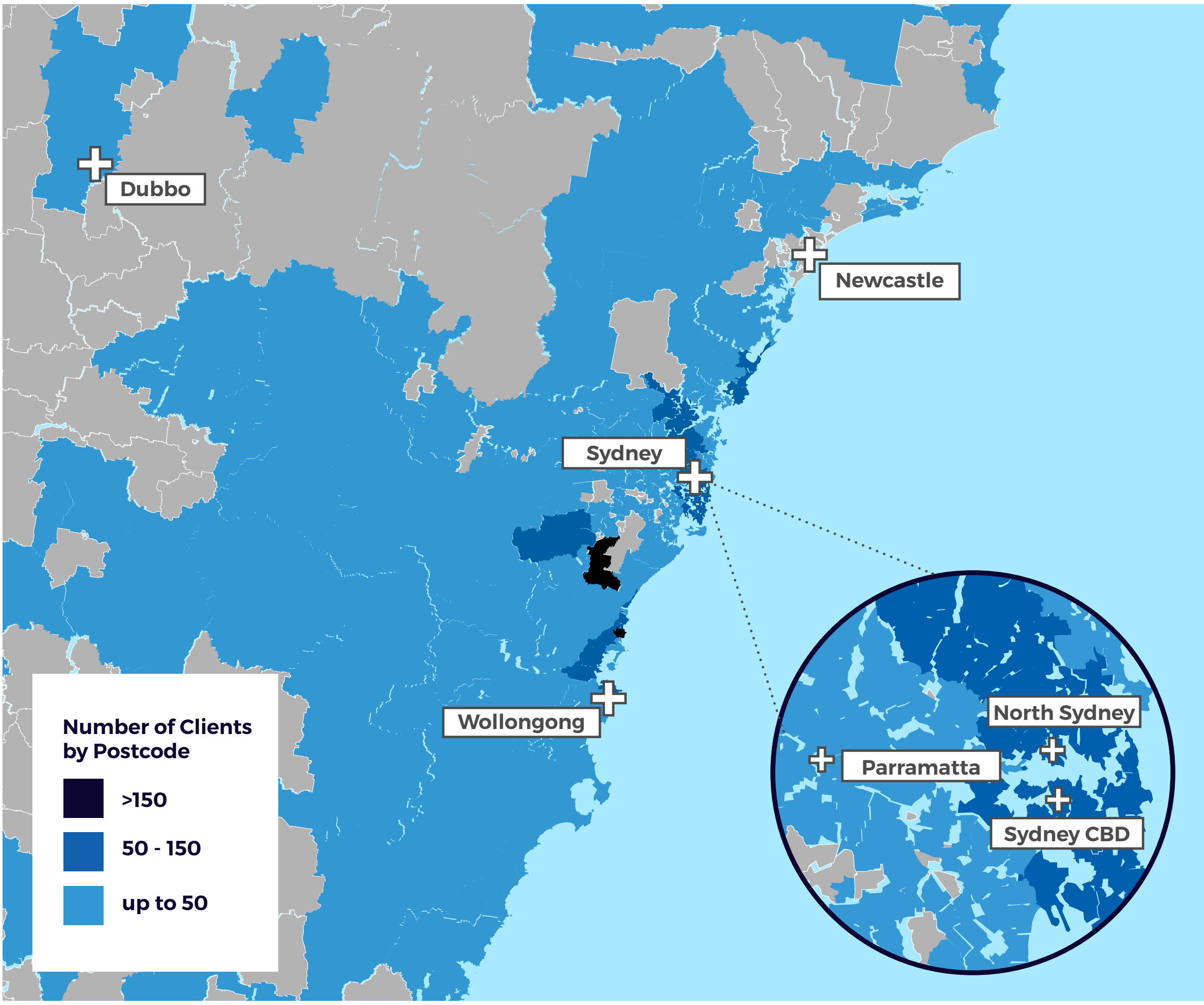
88% NSW Geographical revenue spread

2% pa Annual client churn

85% of revenue is accounting and tax services

Our client base of over 5,300 groups is 88% located in New South Wales, as represented on the location map below:

Figure 3.11.2 Map of Kelly+Partners Client Base



3.12 Growth strategy

The Company's growth plan is based on a three-pronged strategy: organic growth, network expansion and the introduction of new services.

Organic Growth

Underpinning organic growth for Kelly Partners is increased demand for accounting and taxation services driven by the Australian tax system's increasingly complex rules, legislation and compliance requirements. At the same time, our increasing brand presence and market penetration delivers growth in our existing locations through:

- the targeted acquisition of key people and fee parcels to add to existing businesses
- the application of our client acquisition process
- the application of our proprietary systems ('Integrated Advice Model' and 'Flight Plan') (refer to Section 3.10)

Since formation, organic revenue growth for Kelly+Partners has averaged approximately 4% pa. The Company sets an annual revenue growth target of 5% for mature Operating Businesses, comprising a 2% volume growth and a 3% price growth. In addition, the Company has developed specific revenue and cost plans to improve EBITDA margins with a target level of 32.5% per Operating Business. If achieved, this improvement will be an important driver of future earnings growth. At present, approximately one-third of Operating Businesses generate EBITDA margins which exceed or are in-line with this target.

Network Expansion

According to a recent industry survey[1], there is a generational shift unfolding in the Australian accounting sector. Over the next five years, up to 40% of accounting firms (who were surveyed) have accounting partners / owners who are looking to retire, or exit the industry. Adding pressure to this dynamic is the fact that nearly 80% of accounting partners (who were surveyed) do not have a succession plan.

Kelly+Partners is well positioned to take advantage of this demographic shift given our successful track record of identifying and transforming accounting practices in need of a succession plan. Our owner-driver model delivers long-term Operating Business Owner alignment, enhanced staff culture, improved financial performance, the roll-out of proprietary accounting systems and procedures, and a centralised platform in which to drive growth. As has been demonstrated by our revenue CAGR of 37% over the past 9 years (FY07 to FY16), our successful track record with business transformations has been a key driver of historical growth for Kelly+Partners.

The key characteristics which the Company requires when assessing a new Operating Business to add to the network are summarised below:

- alignment with Kelly+Partners' vision and culture;
- capacity to meet Kelly+Partners' target financial and operating metrics;
- long-term commitment of Operating Business Owners via an approximate 49% ownership;
- long-term client relationships, with strong SME and/or SMSF profile;
- focus on tax and accounting services (which are recurring business lines);
- must be fully owned by existing partners or shareholders; and
- provides geographic expansion opportunities for Kelly+Partners;

The Company follows a strict process to identify and assess external accounting firms. Please refer to Figure 3.12.2 for a description of our 'opportunity filters'.

Kelly+Partners has identified a number of locations in the Greater Sydney area as targets for future geographic expansion of its accounting network (refer to Figure 3.12.1). Over time, the Company anticipates that our owner-driver network will expand into these regions through either bolt-on opportunities, or the launch of new greenfield Operating Businesses, with clients acquired through referrals, online enquiries, and other marketing activities. This regional growth model will further cement Kelly+Partners as the premier tax and accounting provider for SMEs in Greater Sydney.

[1] Business Fitness, The Good, The Bad & The Ugly Report 2017.

3.12 Growth Strategy (continued)

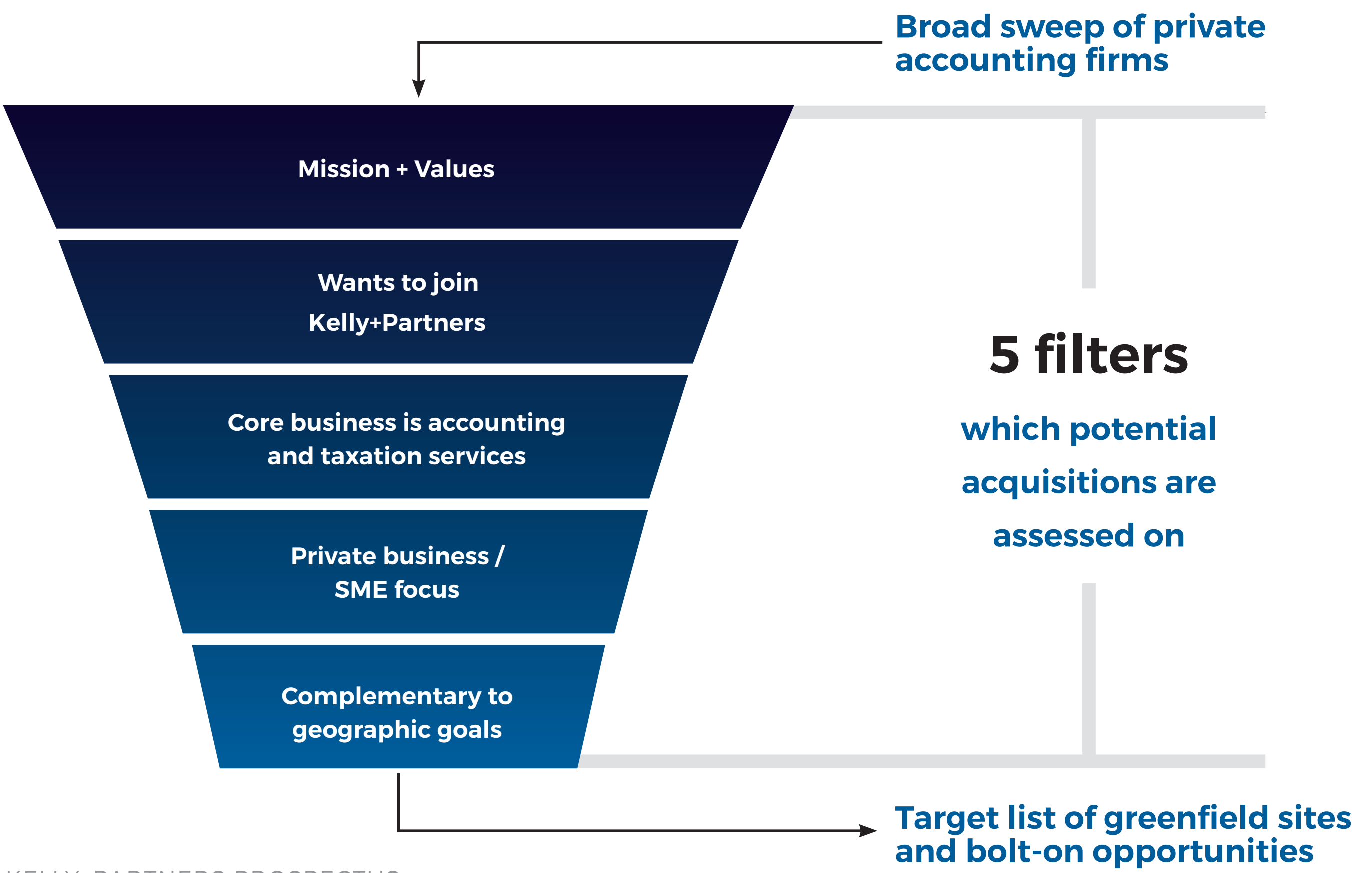
New Services

Accountants provide a broad range of financial services to their client base which includes: accounting, audit, tax, compliance, financial advice, corporate advice, wealth management, superannuation / SMSFs, insurance, family office, and estate planning.

+ **Kelly Partners Tax Consulting** (launched in 2012 and located in the Sydney CBD office) – SME businesses often require advice on more than one area of tax. Our tax consulting team comprise a core group of taxation experts, each with strong knowledge and experience across the tax spectrum.
+ **Kelly Partners Wealth Management** (launched in 2016 and located in the North Sydney office) – As part of our service offering to private SMEs, Kelly+Partners is well positioned to assist business owners and founders to ensure both their businesses and their personal wealth is organised in a coordinated fashion. Services provided include superannuation / SMSFs, asset protection, financial advice, insurance, tax management, retirement planning, estate planning, and family office.

Figure 3.12.1 Target Geographic Locations in Greater Sydney

Figure 3.12.2 Kelly Partners Opportunity Filters



3.13 Challenges facing smaller accounting practices

The accounting industry remains highly fragmented due to the large number of small practices spread across the country. These demands have cumulated in a large degree of dissatisfaction for partners within smaller accounting practices, as they naturally age without a viable succession or exit plan. In the recent industry study, The Good, the Bad and the Ugly 2017 produced by Business Fitness[2], 40% of accounting firms surveyed will have a partner retiring in the next 5 years, however 79% of accounting partners surveyed had no succession plan in place. These small practices face a multitude of issues, best summarised below.

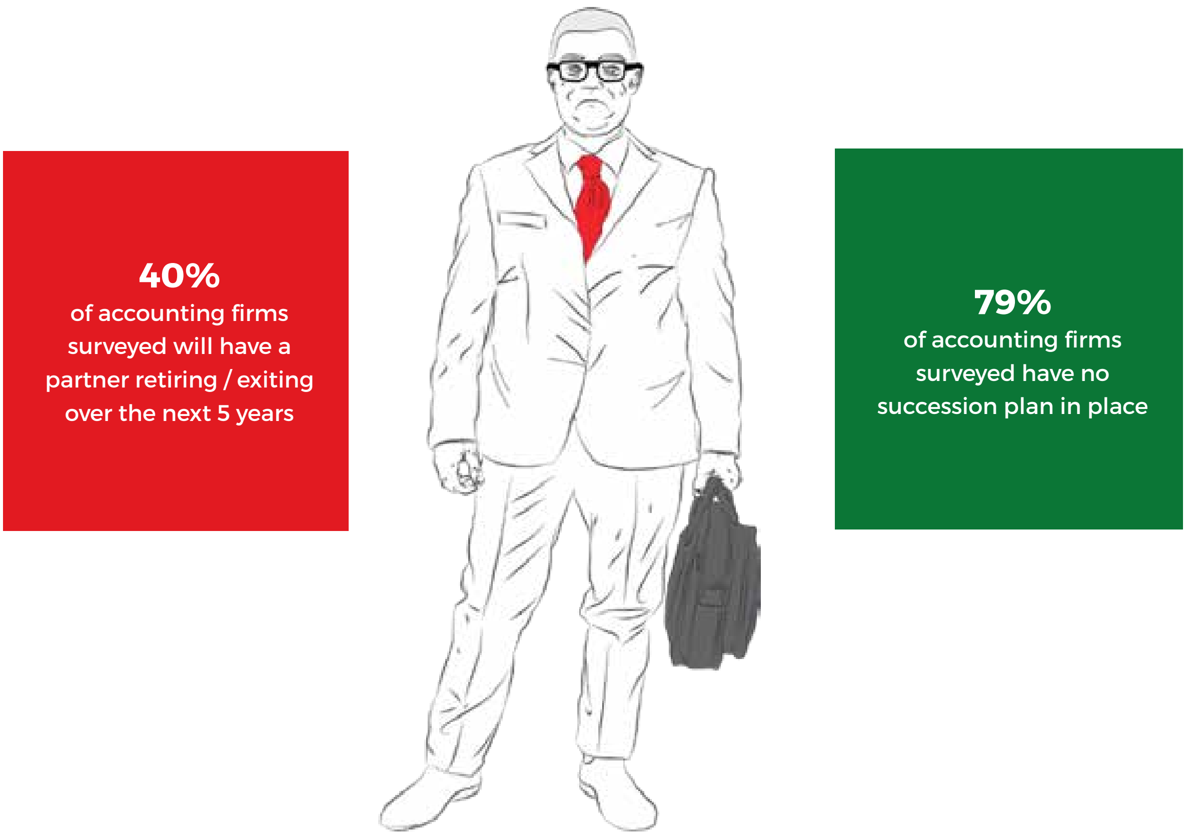
Pressure points for smaller accounting practices

- X Succession planning, staff attraction and retention
- X Management of sub-scale back office functions
- X Undifferentiated service offering
- X Technological change
- X Increasing regulatory and compliance burdens
- X Client demands increasing

Kelly+Partners solution

- ✓ Facilitate **succession** and long term **strategic alignment** under an owner-driver model
- ✓ **Centralise back office** to drive workplace efficiencies
- ✓ Improve profile via **single brand** strategy
- ✓ **Attract and develop** key staff
- ✓ Proprietary accounting **systems and procedures**
- ✓ Leverage **expertise / service offering** across the network

Figure 3.13.1 Business Fitness, The Good, The Bad & The Ugly Report 2017



Source: Business Fitness, The Good, The Bad & The Ugly Report 2017.

Case Study – Business Transformation

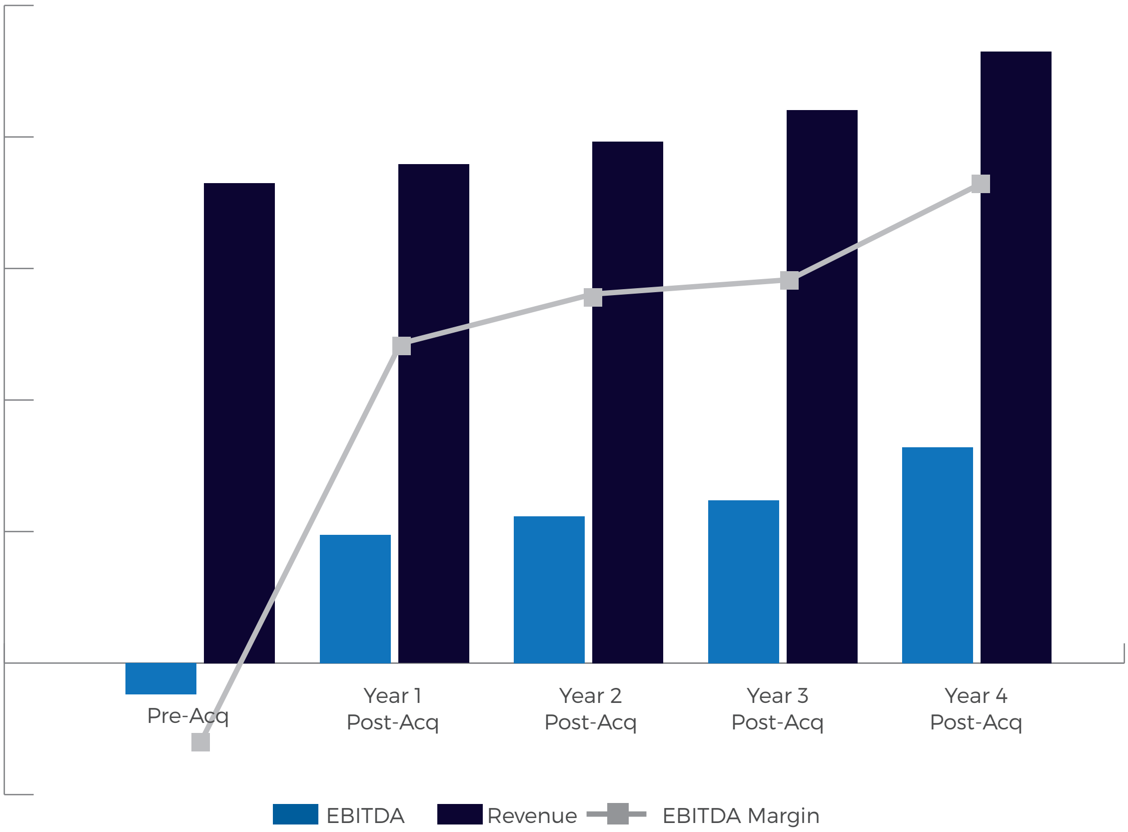
Kelly Partners South West Sydney

The Kelly Partners South West Sydney business in Campbelltown opened its doors in 1979 as Anthony Marks Croker & Company. In July 1984, it merged with DF Cheetham to become Marks Croker & Cheetham. Following some retirements and introduction of new partners, the firm changed its name to Dinale Croker Partners in 1992. Then in 1999, the business was merged with BCD Financial, and shortly afterwards changed its name to BCP Accounting & Business Advisors. BCP subsequently merged with Kelly+Partners in July 2011.

The chart below highlights the significant improvement in margins and revenue achieved in the Kelly Partners South West Sydney in the first 5 years after joining the network. Following the acquisition of a majority ownership interest, the transformation typically entails five deliverables including: expense reduction, better working capital management, better client experience, better staff experience, and higher revenue growth.

"After 32 years, Kelly+Partners offered us the opportunity to take our service offering to clients one step higher. We have not only seen the business grow, but our people have new opportunities and resources, and we have provided a higher level of service to our clients."

Tim Bryan
Former Senior Client Director
Kelly Partners South West Sydney



Note: The two charts on pages 48 and 49 use different scales for Revenue, EBITDA and EBITDA margin

Case Study – Greenfield

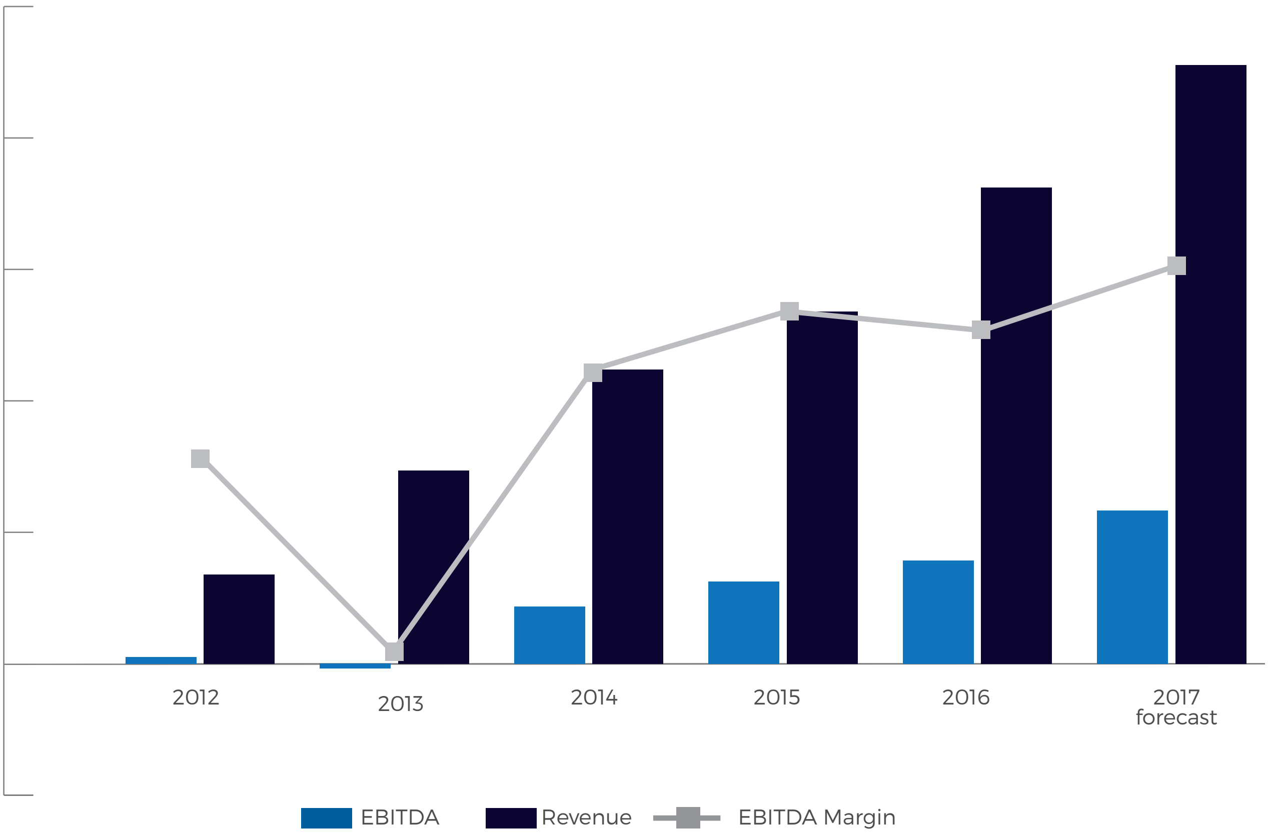
Kelly Partners Norwest

The Kelly Partners Norwest business commenced as a greenfield location, with an office in Baulkham Hills launched in 2011. It started with an acquired fee base from FMK Chartered Accountants and 1 partner and 1 support staff. Located in the fast growing North West region of Sydney, and with access to talent based in the area, the business has since grown to a team of 11, including 2 partners, covering a large range of private businesses and family groups.

As illustrated below, in the 6 years since inception, the Kelly Partners Norwest business has exhibited very strong growth in revenue and earnings, with a significant increase in margins. This has been achieved by targeted marketing and the roll-out of the proprietary Kelly+Partners systems and processes, leading to numerous new client acquisitions across private SMEs / families, franchisees, and other clients.

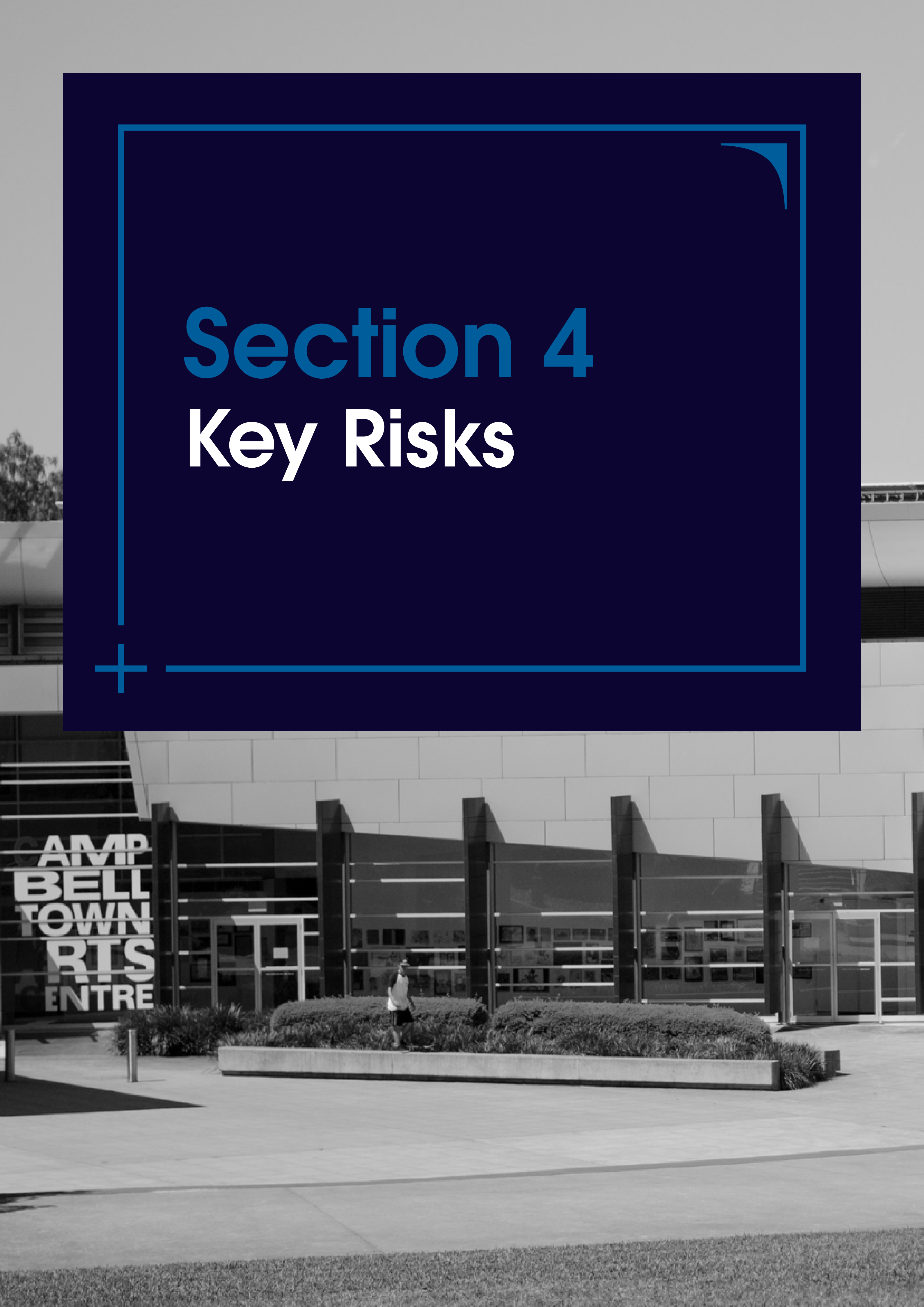
"I sat down one evening with Brett Kelly, and he showed me the Kelly+Partners systems and what the firm was doing for its people and its clients. After the first 2 years, the Kelly Partners Norwest business was performing very well, and so we started to add more people. The future is looking bright, and I'm happier in myself and my family is happier."

Paul Kuchta
Senior Client Director and Company Director
Kelly Partners Norwest



Note: The two charts on pages 48 and 49 use different scales for Revenue, EBITDA and EBITDA margin

Section 4
Key Risks



Section 4 Key Risks

4.1 Risk factors

The future performance of the Company and the future investment performance of Shares may be influenced by a range of factors, many of which are outside the control of the Company. This Section 4 describes what the Company believes to be the key risks associated with an investment in the Company. It does not purport to list every risk that may be associated with an investment in the Company now or in the future.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of the Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business and financial position and performance of the Company. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 4 and all of the other information set out in this Prospectus, and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus, or have any questions about whether to invest in the Company, you should consult your financial, accounting, legal, tax and / or other professional advisers.

There are factors, both specific to Kelly+Partners and of a general nature, which may affect the future operating and financial performance of the Company and the value of the Shares. Some of these risks may be mitigated by the Company, however many of these factors are outside the control of the Directors and Management of the Company.

This Section identifies some, but not all, of the risks associated with an investment in the Company. Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether or not to apply for Shares.

4.2 Nature of investment

Investors should be aware that subscribing for Shares involves various risks. Participating in the Offer should be considered speculative.

The Shares to be issued under the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares and the future performance of the Shares may be influenced by a range of factors.

4.3 Risks specific to an investment in the Company

4.3.1 Key personnel risk

The Directors' and senior managers' ability to successfully manage the Company's performance and to expand and exploit the opportunities identified in this Prospectus will directly affect the success of the Company. The Company may be adversely affected if any of the Directors or members of senior management (in particular Brett Kelly) leaves the Company.

4.3.2 Compression of margins risk

If the business experiences a compression of margins, the Company will not achieve its projected profitability. In particular, there is a possibility that margins in the wealth management business are reduced over time due to competitiveness in the market.

4.3.3 Loss of key clients, Operating Business Owners and employees

Like all businesses, the Company's financial forecasts are dependent on retaining key clients. Client retention is often a matter of preserving the existing personal relationships within the business. In addition, the loss of Operating Business Owners and key employees, could result in the loss of key client relationships and expertise within those businesses, which could have a material adverse impact on the current and future earnings streams associated with those relationships and the ability to attract new clients.

4.3.4 Compliance risk

The industry in which the Company operates is subject to extensive legislative and regulatory requirements and to supervision by state and federal organisations, including the ATO, ASIC and the AASB. The cost of compliance continues to increase due to increased compliance requirements. If the Company does not comply with the relevant legislative and regulatory requirements, there is a risk of investigation, remediation and enforcement action by regulatory bodies including penalties such as fines, the obligation to pay compensation or the cancellation or suspension of licences or other approvals issued to the Company under which its business is conducted.

Furthermore, as holder of the AFSL 448803, if Kelly Partners Wealth Management Pty Ltd ABN 88 165 987 440 ('Kelly Partners Wealth Management') does not meet regulatory requirements required for its AFSL, it may suffer penalties, such as fines, enforceable undertakings, imposition of (or variations to) licence conditions or, ultimately, the cancellation or suspension of their AFSL. The suspension or cancellation of the AFSL may also pose a reputational risk for Kelly+Partners. In the event of a suspension or cancellation, the financial loss suffered by Kelly+Partners would include the loss of earnings from Kelly Partners Wealth Management.

4.3.5 Corporate structure

While the arrangements between the Company and each Operating Business do not currently constitute a franchise, if the centralisation and uniformity of the underlying business model were to increase to give further cost efficiencies, then it may have the effect of making the Company a franchisor. This would give rise to increased compliance cost and some changes to documents and practices as required by the Franchising Code of Conduct under the Trade Practices Act 1974 (Cth). The Company will take into account those issues when considering any change to its existing business model.

4.3.6 Finance risks

Future financing may be required by the Company to support proposed development plans. There can be no assurance that such funding will be available on satisfactory terms or at all. Inability to obtain funding could adversely affect t
he Company.

4.3.7 Competition risks

The Company's current and future potential competitors include companies with substantially greater resources.
The Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced growth margins and loss of market share, any of which could materially and adversely affect the Company's growth prospects, operating results and financial performance.

4.3.8 Litigation

The Company is not currently involved in any material contractual disputes or litigation, arbitration or government prosecution matters. There is a risk that the Company may in the future have disputes with its clients (including payment disputes) and this may have an adverse impact on the Company's growth prospects, operating results and financial performance.

4.3 Risks specific to an investment in the Company (continued)

4.3.9 Disruption of business operations

The Company and its clients are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include equipment failure, accidents, fraud, process error, information systems failure, external services failure, industrial action or disputes and natural disasters. While the Company endeavours to take appropriate action to mitigate these operational risks and, where the Directors consider it practicable, insure against them, the Company cannot remove all possible risks of disruption to its business operations, and it cannot control the risks its clients are exposed to. A disruption in the Company's operations or those of its clients may have an adverse impact on the Company's growth prospects, operating results and financial performance.

4.3.10 Management and integration of acquired businesses

A material acquisition may pose potential management and integration risk if it involves a significant expansion of the Company's current management responsibilities and its financial, operating and risk reporting and functions. An inability to implement this oversight and reporting may cause a delay in receiving reporting, or non-identification of issues or areas which require oversight, and may result in errors or deficiencies in the Company's management of the acquisition and its business as a whole. This may result in misreporting of Kelly+Partners' financial results or delayed identification of issues, which may have a material impact on Kelly+Partners' earnings or financial position.

The integration of acquisitions may be difficult and will involve managing significant risks, including:

+ the potential disruption to the ongoing operations of individual businesses
+ a potential strain on financial and managerial controls and reporting systems and procedures
+ greater than anticipated costs and expenses related to any restructuring
+ the realisation of lower than anticipated cost synergies
+ loss of key clients
+ potential unknown liabilities associated with the acquisitions

All past and future acquisitions will also be exposed to the above risks.

4.3.11 Reliance on Company's Subsidiaries to distribute a share of profit and pay monthly fees

The terms of the standard Partnership Agreement (and the shareholders agreement in the case of Kelly Partners (Sydney) Pty Ltd, the Operating Business located in Sydney CBD and Kelly Partners Management Services (Hong Kong) Limited, the Operating Business located in Hong Kong, which are structured as a corporates) requires each relevant Operating Business to distribute a percentage of its budgeted profit and pay a management services fee and an intellectual property fee on a monthly basis. There may be circumstances where the Company's Subsidiary is unable to pay a distribution / dividend and / or fees; for example, where it has reduced earnings or has reported a loss. The Company is reliant on these profit distributions / dividends and fees as a source of cash flow, and a reduction in profit distributed or fees from Company's Subsidiaries would result in a reduction in cash flow for the Company and, to the extent it reflects lower earnings of that Company's Subsidiary, potentially the dividend that the Company is able to distribute to Shareholders.

4.3.12 Impairment of intangible assets

The Company will recognise a substantial value of intangible assets on its balance sheet relating to the goodwill and identifiable intangible assets (principally client relationships) associated with the acquisition of a 50.05% interest in the Operating Business located in the Sydney CBD. As set out in Section 5, the amount of goodwill will be calculated by deducting the total tangible net assets and identifiable intangible assets acquired by the Company from the acquisition consideration which will be assessed at fair value. Under accounting standards, goodwill and indefinite life intangible assets must be regularly tested for impairment. Other identifiable intangible assets are amortised and assessed for any indicators of impairment in each reporting period. Impairment of any individual asset will result from a permanent diminution in value indicated by a decrease in profits below the level that supports the value of the asset. This may be caused by a range of factors, including a failure to achieve expected profit growth, higher than expected expenses, loss of clients, loss of key employees, or the impact of unforeseen events. In the event that the value of any of the Company's intangible assets are found to be impaired to a level below their carrying value, the Company would need to write down the value of the intangible asset. This will result in an expense in the income statement and reduced profit for the Company.

4.3.13 Increased competition for future acquisition opportunities

The Company may seek to undertake further acquisitions following Listing, subject to its acquisition criteria and satisfactory completion of due diligence. Increased competition for suitable acquisition opportunities, either from rival accounting firms or networks or other potential acquirers, may impact upon the success of the Company's acquisition strategy, for example, by reducing the pool of acquisition targets available and by increasing vendor price expectations.

4.3.14 Information Technology systems and infrastructure

Kelly+Partners relies on proprietary and third party software products and services from a number of different providers for its management information systems as well as third party products and services to provide their services to clients.

Standard backup, restoration and recovery procedures are in place for Kelly+Partners. However, despite these protections, any significant interruptions, flaws or other inadequacies to these systems could impair the ability of Kelly+Partners to provide their services, affect the quality of such services, or the loss or corruption of data.

Any of these impacts, or other potential effects, could materially affect Kelly+Partners overall performance revenue and earnings.

4.3.15 Default in loans

All or substantially all of the Company's Subsidiaries have secured loan facilities provided by Westpac Banking Corporation which comprise of overdraft facilities, term loans and equipment finance facilities. Although the loans of each Company's Subsidiary are recourse only to the cashflows and assets of that Company's Subsidiary, the Company's Subsidiary will directly bear any default risk on the loans. The loans are secured over the Company's Subsidiary as well as personal guarantees from the Operating Business Owners.

4.3.16 Property leases

Each Operating Business operates through a leased premises (except for the Central Coast premises which is 51% owned by a wholly-owned Subsidiary of the Company via a trust structure). There may be an adverse impact on the business and profitability if the Company is unable to renegotiate acceptable leases for its premises or locate suitable premises at appropriate rentals if it wishes to expand its business.

4.3.17 Client Satisfaction and Loyalty

Kelly+Partners is a professional services business and as such its success is highly dependent on delivering a quality service to its clients and maintaining client satisfaction and loyalty. Any diminution in client satisfaction and loyalty may have an adverse impact on the financial performance of the Company.

4.3.18 Inability to meet forecast financial performance

The Forecast Financial Information is a forward looking statement that is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. The Company may not achieve its forecast financial performance as a result of factors, both known and unknown, including one or a combination of the Company specific risks outlined in this Section 4.3 and the general risks outlined in Section 4.4 below.

4.3.19 Registration of trademark and brand risk

The application for the registration of the 'Kelly+Partners' trademark is pending registration with IP Australia.

There is a risk that the Company's trademark application may not be successful and the Company may not be able to obtain trademark protection in the future. There is a risk that the trademark application may not be accepted and subsequently registered by a third party. While this will not prevent the Company from trading under the ASX code "KPG" or continuing to trade under its current branding, it may limit the Company's ability to prevent a competitor using the same or similar branding, and may also give rise to a greater risk of trademark infringement being made against the Company.

Accordingly, if the trademark application is not accepted, the Company may be required to rebrand its business, which may result in costs being incurred, a potential loss of goodwill and delays in development of the Company's business.

4.3.20 Data breach, misuse and breach of privacy

Through the ordinary course of business, the Company collects a wide range of confidential information.

Cyber-attacks may compromise or breach the technology platform used by the Company to protect confidential information. There is a risk that the measures taken by the Company may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such confidential information. Any data security breaches or the Company's failure to protect confidential information could result in the loss of information integrity, or breaches of the Company's obligations under applicable laws (e.g. privacy law) or customer agreements, each of which may materially and adversely impact the Company's financial performance and reputation.

Techniques used to gain unauthorised access to private networks are constantly evolving and the Company may be unable to anticipate or prevent unauthorised access to data pertaining to its customers, which could include personally identifiable information.

4.3 Risks specific to an investment in the Company (continued)

The Company's services are vulnerable to computer viruses, phishing attacks or other attacks and similar disruptions from unauthorized use of its systems, any of which could lead to system interruptions, delays or shutdowns, causing loss of critical data or the unauthorised access to personally identifiable information.

If an actual or perceived breach of security occurs in the Company's systems, it may face civil liability and public perception of its security measures could be diminished, either of which would negatively affect the Company's ability to attract or maintain customers. The Company also would be required to expend significant resources to mitigate any such breach of security and to address related matters.

4.4 General risks

Most of the general risks discussed below are outside the control of the Company and the Directors and cannot be mitigated.

4.4.1 Share market risk

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. Investors who decide to sell their Shares after the Company's Listing may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by a range of factors including the Company's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements on international stock markets, economic conditions and general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes and general investors' perceptions. In particular, future changes to laws and regulations (including tax laws) may increase the cost of operations or adversely affect Kelly+Partners' ability to conduct its operations. Neither the Company nor its Directors have control over these factors.

4.4.2 General economic risks

The Company's performance and position can be affected by changes to the general economic climate both in Australia and internationally, which could include and may not be limited to any or all of the following:

+ the general level of international and domestic economic activity, inflation and interest rates and fluctuations in business cycles;
+ increases in expenses (including wage inflation);
+ changes in commodity prices;
+ changes in consumer and business sentiment and market volatility; and
+ disruption to business operations, natural disasters and catastrophic events.

These factors are beyond the control of the Company and their impact cannot be predicted.

4.4.3 Taxation

There are tax implications arising from buying and selling Shares, the receipt of dividends (both franked and unfranked) (if any) from the Company and participation in any on-market Share buy-back. Investors should seek their own independent taxation advice before applying for Shares.

4.4.4 Change in corporate governance requirements

The Company's transition from an unlisted public company to a listed public company will result in changes in financial reporting and corporate governance requirements. As noted in Section 6.7, the Company has adopted corporate governance policies and established board committees to ensure compliance with these requirements. An inability by the Company to adequately manage and resource this change in financial reporting and corporate governance, or to properly identify key compliance risks, may have a material adverse impact on the Company's business from a licensing, regulatory and reputational perspective.

4.4.5 Dividends may not be fully franked

The Company expects dividends to be fully franked. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use the franking credits, either as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each Shareholder.

4.4.6 Trading in Shares may not be liquid

There is currently no public market through which the Shares of the Company may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

4.4.7 Insurance cover

The Company has taken out professional indemnity insurance to assist in limiting its exposure to claims from clients for incorrect or inappropriate advice. There is a risk that the Company may not be able to obtain insurance cover against claims by clients at all or at a reasonable price, either because of events in the insurance market or because one or more insurers do not want to take on exposure to a business or a member of the Company. In addition, when a claim is made on an insurer by a member of the Company, the insurer may deny the claim either on legitimate or not so legitimate grounds.

4.4.8 Force majeure events

Events may occur within or outside Australia that could impact upon the world economy, the operations of Kelly+Partners and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather.

4.4.9 Change in Accounting Standards

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this Prospectus may impact adversely on the Company's financial performance.

4.4.10 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Kelly+Partners or by investors in the Company. The above factors, and others not specifically referred to above, may materially affect the financial performance of Kelly+Partners and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX.

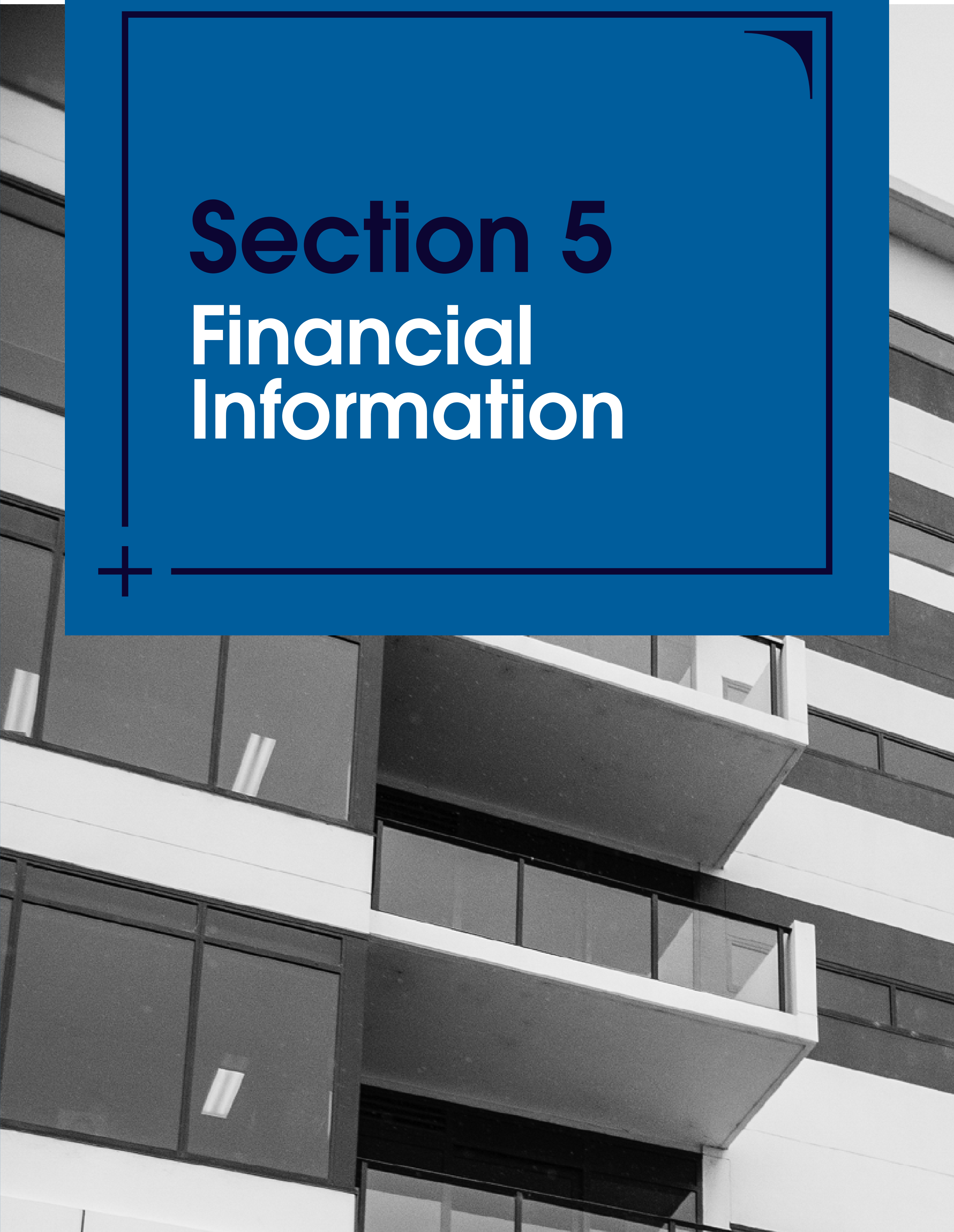
Furthermore, there is no guarantee that the Shares will remain continuously quoted on ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Potential investors should consult their professional adviser before deciding whether to apply for Shares.

4.4.11 Intellectual property

The Company's intellectual property is a key asset of the business of Kelly+Partners. The Company's intellectual property rights may be infringed, or the Company may infringe the intellectual property rights of other entities, resulting in damage to the Kelly+Partners brand and reputation, loss of competitive advantage and significant costs in pursuing or defending legal and commercial action.

Section 5
Financial Information



Section 5 Financial Information

5.1 Introduction

5.1.1 Financial Information

Financial information for Kelly+Partners contained in this Section 5 is set out below for the historical financial years ended 30 June 2015 ("FY15") and 30 June 2016 ("FY16"), for the half-years ended 31 December 2015 and 31 December 2016 ("1H16 and 1H17"), and for the forecast financial years ending 30 June 2017 ("FY17") and 30 June 2018 ("FY18").

This Section 5 contains a summary of:

+ the historical financial information for Kelly+Partners prior to Completion comprising:
  + the statutory historical consolidated statements of profit or loss and other comprehensive income for FY15, FY16, 1H16 and 1H17 ("Statutory Historical Income Statements");
  + the statutory consolidated historical cash flows before financing, taxation and dividends for FY15 and FY16 ("Statutory Historical Cash Flows"); and
  + the statutory historical consolidated of financial position as at 31 December 2016 ("Statutory Historical Balance Sheet"),

  (together, "Statutory Historical Financial Information").
+ the pro forma historical financial information for Kelly+Partners comprising:
  + the pro forma historical consolidated statements of profit or loss and other comprehensive income for FY15, FY16, 1H16 and 1H17 ("Pro forma Historical Income Statements");
  + the pro forma historical consolidated cash flows before financing, taxation and dividends for FY15 and FY16 ("Pro forma Historical Cash Flows"); and
  + the pro forma historical consolidated statement of financial position as at 31 December 2016 ("Pro forma Historical Balance Sheet"),

  (together, "Pro forma Historical Financial Information").

  (together with the Statutory Historical Financial Information, the "Historical Financial Information")
+ the forecast financial information for Kelly+Partners comprising:
  + the statutory forecast consolidated statements of profit or loss and other comprehensive income for FY17 and FY18 (the "Statutory Forecast Income Statements");
  + the statutory forecast consolidated net cash flows (Statutory Forecast Cash Flows) for FY17 and FY18, (together, "Statutory Forecast Financial Information");
  + the pro forma forecast consolidated statements of profit or loss and other comprehensive income for FY17 and FY18 ("Pro forma Forecast Income Statements"); and
  + the pro forma forecast net cash flows ("Pro forma Forecast Cash Flows") for FY17 and FY18 (together, "Pro forma Forecast Financial Information"),

  (together with the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information "Forecast Financial Information").

The Historical Financial Information and the Forecast Financial Information are together the "Financial Information". The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and / or Prospective Financial Information, by Deloitte Corporate Finance Pty Limited whose Investigating Accountant's Report on the Financial Information is contained in Section 8. Investors should note the scope and limitations of the report.

5.1.2 Additional information

Also summarised in this Section 5 are:

+ a summary of the basis of preparation and presentation of the Financial Information (see Section 5.2);
+ a description of the pro forma adjustments to the Statutory Historical Financial Information and reconciliations between the Statutory Historical Financial Information and the Pro forma Historical Financial Information (see Section 5.3.4);
+ a description of the key drivers impacting Kelly+Partners' business including key financial and operating metrics set out in Section 5.3.2 and Management's discussion and analysis of the Pro forma Historical Financial Information and Forecast Financial Information (see Section 5.6 and 5.7);
+ a summary of Kelly+Partners' capitalisation and indebtedness (see Section 5.5.2);
+ a description of Kelly+Partners' best estimate specific assumptions and general assumptions underlying the Forecast Financial Information (see Section 5.7);
+ an analysis of the key sensitivities in respect of the Pro forma Forecast Income Statement for FY18. No sensitivity has been presented for FY17 as the forecast has been prepared having regard to the actual resuts to April 2017 and sensitivities are not considered material for the remaining two months (see Section 5.8);
+ a summary of the Company's proposed dividend policy (see Section 5.10); and
+ a description of Kelly+Partners' significant accounting policies (see the Appendix A).

The information in this Section 5 should be read in conjunction with the risk factors set out in Section 4 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $1,000. Tables in this Section 5 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

5.2 Basis of preparation of the Financial Information

5.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Kelly+Partners, together with the forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards ("AAS"), which are consistent with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB").

The Pro forma Historical Financial Information and the Pro forma Forecast Financial Information include adjustments which have been prepared in a manner consistent with AAS, that reflect the recognition of certain items in periods different from the applicable period under AAS, the exclusion of certain transactions that occurred in the relevant periods, and the impact of certain transactions as if they occurred on or before 31 December 2016 in the Pro forma Historical Financial Information or on 1 July 2016 in the Pro forma Forecast Financial Information.

The Financial Information also includes non-IFRS measures that Kelly+Partners uses to manage and report on its business that are not in accordance with AAS or IFRS (refer to Section 5.2.6).

Kelly+Partners' key accounting policies relevant to the Financial Information are set out in the Appendix A. In preparing the Financial Information, the accounting policies of Kelly+Partners have been applied consistently throughout the periods presented.

5.2 Basis of preparation of the Financial Information (continued)

Kelly+Partners operates and reports under one segment in accordance with Australian Accounting Standard AASB 8 Operating Segments.

5.2.2 Treatment of acquisitions in the Financial Information

Where an Operating Business has been acquired or established, its operating results have been included from the date control was established. It should be noted that:

+ nine Operating Businesses have existed within the network for the entire financial period from FY15 and are included in the Financial Information for the entire period;
+ four Operating Businesses were established as greenfield sites between September 2015 and March 2017. These are included in the Financial Information from the date of establishment. The Pro forma Financial Information for FY17 includes the annualisation of the financial performance of new offices that began trading during the period; and
+ three Operating Businesses were acquired as existing businesses between January 2015 and January 2017. These are included in the Financial Information from the date of acquisition. As the operating structure of the acquired Operating Businesses has changed under the ownership of the Company, no adjustment has been made in the Pro Forma Historical Financial Information to reflect the pre-acquisition trading results of the acquired Operating Businesses (with the exception of the Kelly Partners Sydney CBD business – see below).

On 1 January 2017, a Subsidiary of the Company subscribed for 50.05% of the issued capital in Kelly Partners (Sydney) Pty Ltd, with an additional amount payable in 2019 contingent upon Kelly Partners (Sydney) Pty Ltd achieving certain agreed revenue targets for the 2018 calendar year. Immediately prior to the subscription of shares, Kelly Partners (Sydney) Pty Ltd acquired the accounting and taxation business and assets of Kelly Partners Sydney CBD. The financial results of Kelly Partners Sydney CBD have been extracted from its accounts and are included in the Pro forma Financial Information as if the business had been acquired with effect from 1 July 2014 and in the Statutory Forecast Financial Information from 1 January 2017. The pro forma results have been adjusted to reflect the activities of Kelly Partners Sydney CBD as if they existed at the date of acquisition. Adjustments to trade and profitability mainly relate to partners that have departed the Kelly Partners Sydney CBD business prior to acquisition.

5.2.3. Acquisitions made and new businesses established prior to 30 June 2017

Figure 5.2.3 Kelly+Partners Office Establishment Timeline

	Entity	Ref	Start Date	Pre FY15	FY15 Q1	FY15 Q2	FY15 Q3	FY15 Q4	FY16 Q1	FY16 Q2	FY16 Q3	FY16 Q4	1H17 Q1	1H17 Q2	2H17 Q3	2H17 Q4
Office opened pre FY15	1. North Sydney	KPNS	2006													
	2. Central Coast	KPCC	2006													
	3. Western Sydney	KPWS	2008													
	4. South West Sydney	KPSWS	2012													
	5. Norwest	KPNW	2012													
	6. Tax Consulting	KPTC	2012													
	7. Central Tablelands	KPCT	2013													
	8. Wollongong	KPWG	2014													
	9. Northern Beaches	KPNB	2015													
Acquisitions Since FY15	10. Oran Park	KPOP	Jan-15													
	11. Southern Highlands[1]	KPSH	Aug-15													
	12. Sydney CBD	KPSYD	Jan-17													
Greenfields Since FY15	13. Hong Kong	KPHK	Sep-15													
	14. Wealth	KPW	Oct-16													
	15. Strategy Consulting	KPSC	Jan-17													
	16. Parramatta	KPPA	Mar-17													

Note: No new entities are forecast to join the network in FY18. Blue cells represent c.6-12 months integration period after acquisition.

[1] An additional fee base was acquired and merged in to Kelly Partners Southern Highlands in July 2016.

5.2.4 Preparation of the Pro forma Historical Financial Information

The Pro forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information to illustrate the net income after tax, assets, liabilities and cash flows of Kelly+Partners adjusted for certain significant transactions and pro forma adjustments as described further below.

The Statutory Historical Financial Information and the FY17 acquired business pro forma adjustments have been extracted from:

+ the General Purpose Financial Reports of Kelly+Partners covering the financial years ended 30 June 2015 and 30 June 2016;
+ the Interim Financial Report of Kelly+Partners covering the half year ended 31 December 2016 (including comparative information for the half year ended 31 December 2015); and
+ the Special Purpose Financial Reports of the Kelly Partners Sydney CBD business covering the financial year ended 30 June 2015 and 30 June 2016, and the half-year ended 31 December 2016 (including comparative information for the half-year ended 31 December 2015).

The General Purpose Financial Reports of Kelly+Partners were audited by Kelly+Partners' predecessor audit firm in accordance with Australian Auditing Standards. who issued unmodified audit opinions on the financial reports. The Interim Financial Report of Kelly+Partners was reviewed by Deloitte Touche Tohmatsu in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Deloitte Touche Tohmatsu issued an unmodified review conclusion on the financial report. The Special Purpose Financial Reports of the Kelly Partners Sydney CBD business were audited by Deloitte Touche Tohmatsu in accordance with Australian Accounting Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the financial reports.

5.2 Basis of preparation of the Financial Information (continued)

The pro forma adjustments are described in Section 5.3.4, Section 5.4.2 and Section 5.5.1. In summary, pro forma adjustments have been made to reflect:

- the impact of the Offer, including directly attributable Offer costs;
- the acquisition of Kelly Partners Sydney CBD as if the acquisition occurred on 1 July 2014; and
- the operating and capital structures that will be in place following Completion of the offer as if they had occurred or were in place from 1 July 2014 or as at 31 December 2016.

The Pro forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Kelly+Partners' view on its future financial position. Investors should note that past results are not a guarantee of future performance.

5.2.5 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared by Management based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the Directors' best estimate specific assumptions set out in Section 5.7.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Kelly+Partners' actual financial performance or financial position.

Investors are advised to review the assumptions set out in Sections 5.7.1 and 5.7.2 in conjunction with the sensitivity analysis set out in Section 5.8, the risk factors set out in Section 4 and other information set out in this Prospectus.

The Forecast Financial Information of Kelly+Partners for FY17 and FY18 has been presented on both a pro forma and a statutory basis. The Pro forma Forecast Income Statements and the Pro forma Forecast Cash Flows of Kelly+Partners for FY17 and FY18 are based on the Statutory Forecast Income Statements and the Statutory Forecast Cash Flows, adjusted by the pro forma adjustments to reflect the full year effect of the operating and capital structure that will be in place following Completion of the Offer, to exclude the costs of the Offer and other items which are not expected to occur in the future. Section 5.3.4 provides a reconciliation between the Statutory Forecast Income Statements and the Pro forma Forecast Income Statements of Kelly+Partners for FY17 and FY18, and Section 5.4.2 provides a reconciliation between the Statutory Forecast Cash Flows and the Pro forma Forecast Cash Flows for FY17 and FY18.

The basis of preparation and presentation of the Statutory Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro forma Historical Financial Information.

The Directors have no current intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

5.2.6 Explanation of non-IFRS and other financial measures

Kelly+Partners uses certain measures to manage and report on its business that are neither recognised under AAS, nor under IFRS. These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although Management believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, Kelly+Partners uses the following non-IFRS financial measures:

- acquisition amortisation: non-cash amortisation relating to finite life intangible assets (comprising client relationships) recognised as part of acquisitions undertaken by the Company;
- capital expenditure: includes investment in property and equipment including leasehold improvements, as well as software and licence assets;
- EBITDA: earnings before interest, tax, depreciation and amortisation;
- EBIT: earnings before interest and tax;

- NPBT: net profit before tax;
- NPAT: net profit after tax;
- NPATA: net profit after tax excluding amortisation pertaining to acquired intangibles; and
- working capital: total of current trade and other receivables, and prepayments, less the total of trade and other payables, current provisions, other current creditors and current financial liabilities.

5.3 Pro forma Historical, Pro forma Forecast and Statutory Forecast Financial Information

5.3.1 Pro forma Historical Income Statements, Pro forma Forecast and Statutory Forecast Income Statements

Figure 5.3.1 sets out the Pro forma Historical Income Statements for FY15, FY16, 1H16 and 1H17, the Pro forma Forecast Income Statements FY17 and FY18 and the Statutory Forecast Income Statements for FY17 and FY18.

Figure 5.3.1 Pro forma historical and forecast consolidated income statements

	Historical		Forecast			Historical	
	Pro forma		Statutory	Pro forma	Pro forma & statutory	Pro forma	
$000	**FY15**	**FY16**	**FY17**	**FY17**	**FY18**	**1H16**	**1H17**
Revenue	**29,956**	**31,224**	**29,205**	**34,620**	**36,749**	**16,280**	**19,087**
Employment and related expenses	13,567	14,483	14,088	16,171	15,717	7,148	8,233
Rent	1,920	2,176	2,053	2,317	2,225	1,013	1,223
Other operating[1] expenses	5,514	5,333	9,332	5,366	5,908	2,595	2,946
Total operating expenditure	**21,001**	**21,992**	**25,473**	**23,854**	**23,850**	**10,756**	**12,402**
EBITDA	**8,955**	**9,233**	**3,732**	**10,766**	**12,899**	**5,524**	**6,684**
Depreciation	254	370	407	455	358	184	233
Amortisation of intangibles	520	520	318	442	373	260	221
EBIT	**8,181**	**8,343**	**3,007**	**9,869**	**12,168**	**5,080**	**6,231**
Finance costs	417	438	684	612	552	180	269
NPBT	**7,764**	**7,905**	**2,323**	**9,257**	**11,617**	**4,901**	**5,962**
Tax expense[2]	1,625	1,731	353	1,917	2,353	982	1,158
NPAT[3]	**6,139**	**6,174**	**1,970**	**7,340**	**9,264**	**3,919**	**4,804**
Add back: Amortisation of acquired intangibles	445	445	292	368	308	223	184
NPATA	**6,584**	**6,619**	**2,262**	**7,708**	**9,572**	**4,142**	**4,988**
EBITDA attributable to shareholders[4]	**4,605**	**4,796**	**(210)**	**5,513**	**6,422**	**2,855**	**3,639**
NPATA attributable to shareholders[4]	**2,914**	**3,004**	**(1,408)**	**3,361**	**4,143**	**1,882**	**2,436**

[1] Other operating expenses in the Statutory Forecast Financial Information for FY17 include one-off costs associated with the Offer ($1.3 million), the Kelly Partners Sydney CBD acquisition cost ($0.9 million), and $1.6 million attributable to the fair value adjustment to the convertible note on conversion to issued capital on Completion of the Offer.

[2] The effective tax rate is lower than the statutory corporate tax rate of 30% as the tax expense attributable to non-controlling interest is not included in the consolidation, as the Operating Business Owners of each Operating Business are taxed separately as partners.

[3] A reconciliation between the pro forma and statutory NPAT for each of the above periods is presented in Figure 5.3.4b.

[4] The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

5.3 Pro forma Historical, Pro forma Forecast and Statutory Forecast Financial Information (continued)

5.3.2 Key Operating Metrics

Figure 5.3.2 sets out the key operating metrics of Kelly+Partners for FY15 to FY17 on a pro forma basis, and for FY18 on a pro forma and statutory basis.

Figure 5.3.2 Key operating metrics

	Historical		Forecast	
	Pro forma		Pro forma	Pro forma & statutory
	FY15	FY16	FY17	FY18
Operating metrics (year-end)				
Number of businesses	11[1]	13[1]	16	16
Revenue metrics				
Revenue growth	n / a	4.2%	10.9%	6.1%
Profitability metrics				
Operating costs as percentage of total revenue	70.1%	70.4%	68.9%	64.9%
EBITDA margin	29.9%	29.6%	31.1%	35.1%
EBIT margin	27.3%	26.7%	28.5%	33.1%

Note: Refer to Section 5.2.6 for explanations of non-IFRS and other financial measures.

[1] Includes Kelly Partners Sydney CBD which was acquired on 1 January 2017. Pro forma historical results include Kelly Partners Sydney CBD as if it was acquired on 1 July 2014.

5.3.3 Statutory Historical Income Statements

Figure 5.3.3 sets out the Statutory Historical Income Statements for FY15, FY16, 1H16 and 1H17.

Figure 5.3.3 Statutory Historical Income Statements

	Statutory		Statutory	
$'000	**FY15**	**FY16**	**1H16**	**1H17**
Revenue	**20,499**	**21,877**	**12,070**	**13,777**
Employment and related expenses	9,755	10,622	5,217	6,166
Rent	1,440	1,710	780	964
Other operating expenses	3,431	3,626	1,822	3,875
Total operating expenditure	**14,626**	**15,959**	**7,819**	**11,005**
EBITDA	**5,873**	**5,918**	**4,251**	**2,772**
Depreciation	254	274	136	185
Amortisation of intangibles	272	272	136	97
EBIT	**5,346**	**5,372**	**3,979**	**2,490**
Finance costs	1,191	438	180	268
NPBT	**4,155**	**4,934**	**3,799**	**2,222**
Tax expense[1]	501	633	639	40
NPAT[2]	**3,654**	**4,301**	**3,160**	**2,182**
Add back: Amortisation of acquired intangibles	272	272	136	97
NPATA	3,926	4,573	3,296	2,279
EBITDA attributable to shareholders[3]	**3,118**	**3,401**	**2,522**	**951**
NPATA attributable to shareholders[3]	**1,373**	**2,269**	**1,672**	**572**

[1] The effective tax rate is lower than the statutory corporate tax rate of 30% as the tax expense attributable to non-controlling interest is not included in the consolidation, as the Operating Business Owners of each Operating Business are taxed separately as partners.

[2] A reconciliation between the pro forma and statutory NPAT for each of the above periods is presented in Section 5.3.4.

[3] The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to Shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

5.3.4 Pro forma adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statements

Figure 5.3.4a and Figure 5.3.4b set out the pro forma adjustments made to Statutory Historical and Forecast Revenue and NPAT respectively for FY15, FY16, 1H16, FY16, 1H17 and FY17.

Figure 5.3.4a Pro forma revenue adjustment summary

$'000	FY15	FY16	FY17	FY18	1H16	1H17
Statutory Revenue	**20,499**	**21,877**	**29,205**	**36,749**	**12,070**	**13,777**
Discontinued entities[6]	(187)	-	-	-	-	-
FY17 acquisitions and other new offices[2]	9,644	10,036	5,415	-	4,898	5,309
Wollongong retention reversal[9]	-	(689)	-	-	(689)	-
Pro forma revenue	**29,956**	**31,224**	**34,620**	**36,749**	**16,280**	**19,087**

Figure 5.3.4b Pro forma adjustments to the Statutory Historical and Forecast NPAT

$'000	FY15	FY16	FY17	FY18	1H16	1H17
Statutory NPAT	**3,654**	**4,301**	**1,970**	**9,264**	**3,160**	**2,182**
IPO costs[1]	-	-	1,342	-	-	249
FY17 acquisitions and other new offices[2]	2,947	3,501	1,935	-	1,710	1,860
FY17 acquisition costs and other non-recurring expenses[3]	-	-	1,746	-	-	1,259
IP & Service fee attributable to the Company[4]	733	900	517	-	450	517
Additional admin costs[5]	(450)	(450)	-	-	(225)	-
Discontinued entities[6]	(104)	-	-	-	-	-
Prior years interest charge[7]	774	-	-	-	-	-
Public Co. costs[8]	(291)	(291)	(231)	-	(145)	(145)
Wollongong retention reversal[9]	-	(689)	-	-	(689)	-
Fair value adjustment to convertible notes[10]	-	-	1,625	-	-	-
Tax adjustment[11]	(1,124)	(1,098)	(1,564)	-	(342)	(1,118)
Pro forma NPAT	**6,139**	**6,174**	**7,340**	**9,264**	**3,919**	**4,804**

Note: Adjustments presented are pre-tax with a c.30% tax adjustment where applicable to present pro forma NPAT. The statutory NPAT for FY15 and FY16 has been adjusted to recognise additional amortisation of intangible assets of $0.3 million in each year.

[1] IPO costs represent fees paid to advisers related to the IPO that were incurred during FY17 and will not be recurring. Management has estimated total IPO costs of $2.0 million in FY17, including $0.7 million that has been offset directly against equity.

[2] Revenue and earnings impact attributable to Kelly Partners Sydney CBD, as if the acquisition occured on 1 July 2014. Other FY17 acquisitions and new offices have not been included in FY15 or FY16 as Management do not view these as material historically, but are included in FY17 on a pro forma basis.

[3] Acquisition costs represent the costs incurred in relation to FY17 acquisitions ($0.9 million). Other non-recurring expenses include expenditure not expected to be incurred in normal operations, such as costs associated with a significant branding project in FY17.

[4] IP and Service fees attributable to the Company represents the incremental service fees charged by the Company to the additional pro forma entities which is 100% attributable to the Company. The adjustment adds back the amount that is included in the Kelly Partners Sydney CBD trading results.

[5] Estimated cost of servicing the Kelly Partners Sydney CBD business as if they were part of Kelly+Partners in FY15 and FY16. No adjustment has been made to FY17 as the additional administrative costs were incurred in 1H17 and beyond, in advance of the acquisition of the Kelly Partners Sydney CBD business.

[6] Discontinued entities represents the removal of entities that delivered revenue and earnings in FY15 but that have since been discontinued and therefore will not be earned in future periods.

[7] One-off interest charge relates to the interest paid to a related party for advances to the Company to fund acquisitions and working capital.

5.3 Pro forma Historical, Pro forma Forecast and Statutory Forecast Financial Information (continued)

[8] Public company costs represents Management's estimate of the incremental costs of operating as a publicly listed company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, company secretarial and legal costs, annual listing fees and other costs. FY17 Forecast Statutory NPAT includes Management's estimate of incremental public company costs from the commencement of trading to 30 June 2017.

[9] Reversal of Kelly Partners Wollongong retention represents a $0.7 million provision for retention relating to the Wollongong business that was not paid. The original reversal was recognised as "Other income" in the statutory accounts.

[10] $1.6 million expense represents a fair value adjustment to the convertible notes which have a face value of $6.5 million and will be converted to issued capital on Completion of the Offer of $8.1 million.

[11] Tax adjustment relates to the tax effect of all of the above PBT adjustments.

5.4 Pro forma Historical, Pro forma Forecast and Statutory Forecast Cash Flows

5.4.1 Overview

Figure 5.4.1 sets out the Pro forma Historical Cash Flows for FY15 and FY16, and the Pro forma Forecast Cash Flows and Statutory Forecast Cash Flows for FY17 and FY18.

Figure 5.4.1 Pro forma historical, Pro forma forecast and Statutory forecast consolidated cash flow statements

	Historical		Forecast		
	Pro forma		Statutory	Pro forma	Pro forma & statutory
$000	**FY15**	**FY16**	**FY17**	**FY17**	**FY18**
EBITDA	**8,955**	**9,233**	**3,732**	**10,766**	**12,899**
Non-cash movements[1]	-	-	1,625	-	-
Movement in working capital	(130)	(481)	(526)	(526)	210
Operating free cash flow before capital expenditure	**8,825**	**8,752**	**4,830**	**10,240**	**13,110**
Capital expenditure[2]	(146)	(1,156)	(609)	(609)	(163)
Cost of acquisitions[3]	(235)	(20)	(5,090)	(740)	-
Net free cash flow before financing, tax, dividends and Non Controlling Interest distributions / dividends	**8,444**	**7,576**	**(869)**	**8,891**	**12,947**
Distributions / dividends paid to non-controlling interests	(3,669)	(3,615)	(2,999)	(4,347)	(5,430)
Net free cash flow before financing, tax and dividends	**4,774**	**3,961**	**(3,868)**	**4,544**	**7,516**
Interest paid[4]			(684)	(612)	(552)
Income taxes paid[5]			(353)	(1,917)	(2,353)
Pre-IPO Capital issue[6]			1,100	-	-
Dividends paid[7]			(3,548)	-	(1,218)
Net proceeds of convertible notes[8]			6,175	-	-
Proceeds from banking facilities[9]			3,821	-	-
Net cash flow before IPO related transactions			**2,643**	**2,015**	**3,394**
IPO proceeds[10]			2,884		
IPO costs[11]			(670)		
Repayment of banking facilities[12]			(3,484)		
Net cash flow			**1,373**		

[1] $1.6 million expense represents a fair value adjustment to the convertible notes which have a face value of $6.5 million and will be converted to issued capital on Completion of the Offer of $8.1 million.

[2] Reflects fixed asset additions and leasehold improvements.

[3] Represents the cash outflow to acquire an additional client base for Kelly Partners Southern Highlands and Kelly Partners Sydney CBD.

[4] Reflects the interest expense on loan facilities.

[5] FY17 Statutory represents the forecast of taxes to be paid between Completion and 30 June 2017 on a statutory basis. FY17 pro forma and FY18 represents the pro forma tax expense for the period.

[6] Represents capital raised through new share issues in FY17.

[7] FY17 Statutory represents dividends paid to shareholders of the Company in Dec 2016. FY18 represents an illustrative dividend based on 50% payout of NPATA attributable to Shareholders (refer to Section 5.10).

[8] Reflects cash inflow from Ellerston's purchase of convertible notes in the Company.

[9] Represents cash inflow from funding of acquisition of Kelly Partners Sydney CBD and pre-IPO facility.

[10] The expected proceeds from the issue of new Shares under the Offer.

[11] Reflect the costs incurred in respect of the Offer that are offset against issued capital on the balance sheet.

[12] Reflects the use of IPO proceeds to repay debt facilities in the parent entity.

5.4.2 Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

Figure 5.4.2 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows for FY15 to FY18.

Figure 5.4.2 Statutory to Pro forma cash flow reconciliation

	Historical		Forecast	
$000	**FY15**	**FY16**	**FY17**	**FY18**
Statutory net free cash flow before financing, tax, dividends and NCI distributions / dividends	**5,166**	**3,732**	**(869)**	**12,947**
Public company costs[1]	(291)	(291)	(231)	-
Kelly Partners Sydney CBD EBITDA[2]	3,194	3,844	1,922	-
Net IP & Service fee[3]	283	450	517	-
Discontinued entities[4]	(104)	-	-	-
Costs of the Offer within EBITDA[5]	-	-	1,342	-
Other pro forma adjustments[6]	-	-	1,859	-
Pro forma working capital adjustment[7]	196	(159)	98	-
Cost of acquisition[8]	-	-	4,252	-
Pro forma net free cash flow before financing, tax, dividends and NCI distributions	**8,444**	**7,576**	**8,891**	**12,947**

[1] Public company costs represents the Company's estimate of the incremental costs of operating as a publicly listed company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, company secretarial and legal costs, annual listing fees, and other costs.

[2] Relates to the acquisition of the Kelly Partners Sydney CBD business completed on 1 January 2017.

[3] Net IP & Service fee represents the incremental additional earnings in intellectual property and central management services fees charged by the Company to the additional pro forma entities which is 100% attributable to the Company. The adjustment adds back the amount included in EBITDA for the Kelly Partners Sydney CBD business.

[4] Discontinued entities represents the removal of entities that delivered cash flows in FY15 but that have since been discontinued.

[5] Non-recurring IPO costs of $2.0 million to be incurred, which include $0.7 million that have been offset directly against equity.

[6] Net cashflow impact of all other pro forma adjustments.

[7] Pro forma working capital adjustment represents the net effect of amounts that have been treated differently for statutory reporting purposes and the Pro forma Forecast working capital movements.

[8] Consideration for a 50.05% interest in Kelly Partners Sydney CBD acquired on 1 January 2017.

5.5 Statement of Financial Position

5.5.1 Statutory Historical Balance Sheet and Pro forma Historical Balance Sheet

Figure 5.5.1 sets out the adjustments that have been made to the reviewed statutory Kelly+Partners balance sheet pre-IPO as at 31 December 2016 to present a pro forma consolidated balance sheet as if Completion of the offer occurred on 31 December 2016. This table reflects a number of adjustments, including:

- the conversion of convertible notes to equity;
- the acquisition of Kelly Partners Sydney CBD; and

5.5 Statement of Financial Position (continued)

Figure 5.5.1 Statutory and Pro forma Balance Sheet as at 31 December 2016

	Statutory	Pro forma adjustment					Pro forma
$'000	**31 Dec 16**	**Convertible Note[1]**	**KPSYD Acctg Acquisition[2]**	**Primary Raise[3]**	**Paydown of Borrowings[4]**	**Offer Costs[5]**	**31 Dec 16**
Current assets							
Cash and cash equivalents	7,166	-	(4,252)	2,884	(3,484)	(1,763)	551
Trade and other receivables	3,894	-	4,952	-	-	-	8,846
Partner loans	2,130	-	-	-	-	-	2,130
Total current assets	**13,190**	**-**	**700**	**2,884**	**(3,484)**	**(1,763)**	**11,527**
Property plant & equipment	1,986	-	198	-	-	-	2,184
DTA	(35)	-	-	-	-	201	166
Partner and other loans	2,368	-	-	-	-	-	2,368
Intangibles	17,030	-	6,277	-	-	-	23,307
Other assets	25	-	-	-	-	-	25
Total non-current assets	**21,374**	**-**	**6,475**	**-**	**-**	**201**	**28,050**
Total assets	**34,564**	**-**	**7,176**	**2,884**	**(3,484)**	**(1,562)**	**39,577**
Trade and other payables	(1,646)	-	-	-	-	-	(1,646)
Payroll accruals	(687)	-	(370)	-	-	-	(1,057)
GST	(322)	-	-	-	-	-	(322)
Borrowings	(9,008)	-	-	-	970	-	(8,038)
Convertible notes[1]	(6,175)	6,175	-	-	-	-	-
Income tax payable	(285)	-	-	-	-	-	(285)
Other current liabilities	(104)	-	(831)	-	-	-	(936)
Total current liabilities	**(18,227)**	**6,175**	**(1,201)**	**-**	**970**	**-**	**(12,284)**
Borrowings	(8,178)	-	-	-	2,514	-	(5,664)
Provisions	(101)	-	-	-	-	-	(101)
Contingent consideration	(332)	-	(1,200)	-	-	-	(1,532)
Deferred tax liability	-	-	(520)	-	-	-	(520)
Other liabilities	(30)	-	-	-	-	-	(30)
Total non-current liabilities	**(8,641)**	**-**	**(1,720)**	**-**	**2,514**	**-**	**(7,847)**
Total liabilities	**(26,868)**	**6,175**	**(2,921)**	**-**	**3,484**	**-**	**(20,131)**
Net assets	**7,696**	**6,175**	**4,254**	**2,884**	**-**	**(1,562)**	**19,446**
Equity							
Issued capital	2,784	7,800	-	2,884	-	(469)	12,999
Non Controlling Interest	4,047	-	4,254	-	-	-	8,301
Retained profits	864	(1,625)	-	-	-	(1,093)	(1,854)
Total Equity	**7,695**	**6,175**	**4,254**	**2,884**	**-**	**(1,562)**	**19,446**

The statutory 31 December 2016 balance sheet has been adjusted for the pro forma adjustments described in Figure 5.5.1 resulting in pro forma net cash outflows of $6.6 million. Therefore, the pro forma balance sheet shows a net current asset deficiency because it does not reflect the operating cash flows between 1 January 2017 and Completion of the Offer.

[1] On Listing of the Company, the convertible note shown in the statutory balance sheet at 31 December 2016 (face value of $6.5 million, net of issue costs of $0.3 million) will convert to $8.1 million in equity. Upon conversion, the issue costs of $0.3 million will be offset against issued capital.

[2] On 1 January 2017, the Company acquired the Kelly Partners Sydney CBD business. This is accounted for in the pro forma balance sheet as if the acquisition had completed on 31 December 2016.

[3] The primary raise is the issue of $2.9 million of new equity under the Offer.

[4] The cash raised from the primary raise will be used to pay down the Company's debt.

[5] The costs incurred in relation to the Listing of the Company are paid in cash and split between equity and the Income Statement based on the proportion of fresh raise of new capital and sell down of existing capital where the costs relate to the Offer as a whole, and expensed where the costs do not relate to the issue of new capital.

+ the impact of the Offer and corresponding one-off IPO costs.

5.5.2 Indebtedness

Figure 5.5.2 below sets out the composition of Kelly+Partners' indebtedness and capitalisation as at 31 December 2016, before Completion and immediately after Completion.

Figure 5.5.2 Summary of Indebtedness and capitalisation as at 31 Dec 2016

Facility ($'000)	31-Dec-2016	Pro-forma
Term loan	3,484	-
Convertible note (face value less issue costs)	6,175	-
Non-recourse Operating Business loans	13,702	13,702
Total debt	**23,361**	**13,702**
Cash	(7,166)	(551)
Net debt	**16,195**	**13,151**

Operating entities non-recourse loans:

+ Kelly+Partners has established debt facilities in place for each of its Operating Business 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 and as well as having personal guarantees from Brett Kelly and the Operating Business Owners; and
+ all non-recourse debt facilities are provided by Westpac Banking Corporation.

5.5.3 Liquidity and capital sources

Following Completion, the Company's principal sources of funds will be cash flow from profit distributions / dividends from Company's Subsidiaries, cash flow from IP license fee and central management services fee paid by Company's Subsidiaries and cash held following Completion.

Kelly+Partners expects that it will have sufficient cash flow to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives.

Kelly+Partners expects that its operating cash flow and existing debt facilities will position it to fund expansion of its existing Operating Businesses as well as to establish or acquire new Operating Businesses.

5.5.4 Contractual obligations, commitments and contingent liabilities

Figure 5.5.4 below sets out Kelly+Partners contractual obligations, commitments and contingent liabilities.

Figure 5.5.4 Contractual obligations, commitments and contingent liabilities as at 31 Dec 2016

Obligations	Notes	1 year ($'000)	2 - 5 years ($'000)	More than 5 years ($'000)	Total ($'000)
Capital loans	1	4,617	10,812	-	15,430
Non-cancellable operating lease commitments	2	1,835	5,938	1,181	8,954
Contingent liability	3	100	1431	-	1,532

[1] Reflects the loan repayment and interest payment profile on the existing capital loans based on contractual terms. In accordance with past practise it is likely that the capital loans will be rolled forward at maturity and actual repayments will represent higher interest and lower capital repayments. The remainder of the current borrowings is made up of overdraft facilities.

[2] Non-cancellable operating lease commitments represents amounts payable on property leases and has been adjusted to include the leases in relation to Kelly Partners Sydney CBD.

[3] Contingent liability represents retention payment due to vendor in relation to the acquisition of the Kelly Partners Sydney CBD business subject to the business achieving an agreed revenue target. This has been accrued in the financial statements.

5.6 Management discussion and analysis of the Pro Forma Historical Financial Information

5.6.1 General factors affecting Kelly+Partners operating results

Below is a discussion of the main factors which affected Kelly+Partners' operations and relative financial performance in FY15, FY16 and 1H17, and which Kelly+Partners expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only, and does not detail all factors that affected Kelly+Partners' historical operating and financial performance, or everything that may affect Kelly+Partners' operations and financial performance in the future.

Unless otherwise stated, all metrics and financial information presented in this Section 5, and the related commentary is on a pro forma basis only.

Revenue

Revenue is generated by Kelly+Partners through the provision of accounting and tax compliance services. Key drivers of revenue include:

+ the number of Operating Businesses in which a Subsidiary of the Company holds an interest;
+ the number of clients and dollar value of fees per Operating Business. For mature businesses, revenue is generally stable with small incremental growth year on year, driven by the addition of new clients through referrals, and fee increases in line with inflation;
+ the capacity of professional staff. Fees billed are a function of time spent servicing each client, hence levels of staff capacity will affect the value of fees that can be obtained; and
+ Seasonality – revenue is generally stable throughout the year, aside from the December and January period when revenue is seasonally lower due to summer holidays.

The addition of Operating Businesses, either through acquisitions, greenfields or tuck-ins, has historically been a positive driver of revenue. Operational improvements that are implemented by Management also have a positive impact on revenue and include:

+ implementation of Kelly+Partners' system, which introduces a tailored and structured approach to managing client affairs; and
+ provision of additional services to clients such as tax consulting and wealth management services.

Expenses

Expenses are split between:

+ **Employee benefits expense**: Includes salaries paid to administrative staff and other employment related costs of staff and Operating Business Owners employed by Kelly+Partners. The remuneration structure for all staff consists of a fixed salary cost, and does not include a variable component. Remuneration for Operating Business Owners is determined based on a fixed percentage of revenue.
+ **Occupancy expenses**: Includes rent expense and other property expense for the network's 12 leasehold premises. These leases generally vary from 3-5 year terms and include further option terms.
+ **Information technology expenses**: Includes server hosting and software expenses.
+ **Advertising expenses**: Includes expenditure on television, radio, online and print advertisements.

Depreciation and amortisation

Assets are depreciated over their useful life, typically between 3-10 years, depending on the class of the asset. Intangible assets with finite lives are amortised over their useful lives, currently estimated between 8-10 years.

Changes in working capital

Kelly+Partners defines working capital as the total of current trade and other receivables, and prepayments, less the total of trade and other payables, current provisions, other current creditors and current financial liabilities.

Professional fees are either billed in the form of a fixed percentage fee based on revenue or as an interim and final fee on completion of the work. Receivables consist of trade receivables as well as work in progress.

Capital expenditure

Capital expenditure requirements primarily relate to the following categories:

+ expenditure relating to fitouts on acquisition of new accounting firms; and
+ expenditure relating to the replacement and upgrade of other operating equipment as necessary, which primarily relates to IT systems and software.

5.6.2 Kelly+Partners management discussion and analysis: Pro forma Historical Income Statement for FY16 compared to FY15

Figure 5.6.2a compares the Pro forma Historical Income Statements for FY15 and FY16.

Figure 5.6.2a Pro forma Income statement for FY16 compared to FY15

$'000	FY15	FY16	Change	Change (%)
Revenue	**29,956**	**31,224**	**1,268**	**4.2%**
Employment and related expenses	13,567	14,483	916	6.8%
Rent	1,920	2,176	256	13.3%
Other operating expenses	5,514	5,333	(182)	(3.3%)
Total operating expenditure	**21,001**	**21,992**	**990**	**4.7%**
EBITDA	**8,955**	**9,233**	**278**	**3.1%**
Depreciation	254	370	116	45.7%
Amortisation of intangibles	520	520	-	-
EBIT	**8,181**	**8,343**	**162**	**2.0%**
Finance costs	417	438	21	5.0%
NPBT	**7,764**	**7,905**	**142**	**1.8%**
Tax	1,625	1,731	106	6.5%
NPAT	**6,139**	**6,174**	**36**	**0.6%**
Add back: Amortisation of acquired intangibles	445	445	-	-
NPATA	**6,584**	**6,619**	**35**	**0.5%**
EBITDA attributable to shareholders	**4,605**	**4,796**	**191**	**4.1%**
NPATA attributable to shareholders	**2,914**	**3,004**	**90**	**3.1%**

Note: The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

Figure 5.6.2b Key Operating Metrics - FY16 compared to FY15

	FY15	FY16	Change	Change %
Operating metrics (year-end)				
Number of businesses	11[1]	13[1]	2	18.2%
■ **Revenue metrics**				
Revenue growth	n / a	4.2%	-	-
■ **Profitability metrics**				
Operating costs as percentage of total revenue	70.1%	70.4%	0.3%	-
EBITDA margin	29.9%	29.6%	(0.3%)	-
EBIT margin	27.3%	26.7%	(0.6%)	-

[1] Includes Kelly Partners Sydney CBD which was acquired on 1 January 2017. Pro forma historical results include Kelly Partners Sydney CBD as if it was acquired on 1 July 2014.

5.6 Management discussion and analysis of the Pro Forma Historical Financial Information (continued)

Revenue

Revenue increased 4.2% from $30.0 million in FY15 to $31.2 million in FY16, primarily driven by several greenfield Operating Businesses, and acquisitions commencing or occurring between January 2015 to September 2015, including:

+ Kelly Partners Oran Park acquired in January 2015;
+ Kelly Partners Southern Highlands acquired in August 2015; and
+ Kelly Partners Hong Kong set up in September 2015.

Operating costs and EBITDA

Operating costs increased by $1.0 million, from $21.0 million to $22.0 million, an increase of 4.7% as three Operating Businesses were added to the network. EBITDA increased by 3.1% due to reasons noted above.

5.6.3 Kelly+Partners management discussion and analysis: Pro forma Historical Income Statement for 1H17 compared to 1H16

Figure 5.6.3a compares the Pro forma Historical Income Statements for 1H16 and 1H17.

Figure 5.6.3a Pro forma Historical Income Statement for 1H17 compared to 1H16

$'000	1H16	1H17	Change	Change (%)
Revenue	**16,280**	**19,087**	**2,807**	**17.2%**
Employment and related expenses	7,148	8,233	1,085	15.2%
Rent	1,013	1,223	210	20.7%
Other operating expenses	2,595	2,946	352	13.6%
Total operating expenditure	**10,756**	**12,402**	**1,647**	**15.3%**
EBITDA	**5,524**	**6,684**	**1,160**	**21.0%**
Depreciation	184	233	49	26.5%
Amortisation of intangibles	260	221	(39)	(15.0%)
EBIT	**5,080**	**6,231**	**1,150**	**22.6%**
Finance costs	180	269	89	49.4%
NPBT	**4,901**	**5,962**	**1,061**	**21.7%**
Tax	982	1,158	176	17.9%
NPAT	**3,919**	**4,804**	**885**	**22.6%**
Add back: Amortisation of acquired intangibles	223	184	(39)	(17.5%)
NPATA	**4,142**	**4,988**	**846**	**20.4%**
EBITDA attributable to shareholders	**2,855**	**3,639**	**784**	**27.5%**
NPATA attributable to shareholders	**1,882**	**2,436**	**554**	**29.4%**

Note: The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

Figure 5.6.3b Key Operating Metrics – 1H17 compared to 1H16

	1H16	1H17	Change	Change %
Operating metrics (year-end)				
Number of businesses	12[1]	14[1]	2	16.7%
■ **Revenue metrics**				
Revenue growth	n / a	17.2%	-	-
■ **Profitability metrics**				
Operating costs as percentage of total revenue	66.1%	65.0%	(1.0%)	-
EBITDA margin	33.9%	35.0%	1.1%	-
EBIT margin	31.2%	32.6%	1.4%	-

[1] Includes Kelly Partners Sydney CBD which was acquired on 1 January 2017. Pro forma historical results include Kelly Partners Sydney CBD as if it was acquired on 1 July 2014.

Revenue

Revenue increased 17.2% from $16.3 million in 1H16 to $19.1 million in 1H17, driven by the following:

+ An additional fee base was acquired on 1 July 2016 and merged in to the Southern Highlands office; and
+ Core organic growth in other offices.

Operating costs and EBITDA

Operating costs as a proportion of revenue reduced from 66.1% to 65.0%. EBITDA increased by 21.0% from $5.5 million in 1H16 to $6.7 million in 1H17 primarily due to an increase in revenue with reasons as noted above.

Depreciation and amortisation

Excluding the amortisation of customer intangibles, depreciation and amortisation expense increased nominally due to capital expenditure increases from acquisitions in 1H17.

5.6.4 Kelly+Partners management discussion and analysis: Pro forma Historical Income Statement for FY17 compared to FY16

Figure 5.6.4a compares the Pro forma Historical Income Statements for FY16 and FY17.

Figure 5.6.4a Pro forma Income statement for FY17 compared to FY16

$'000	FY16	FY17	Change	Change (%)
Revenue	**31,224**	**34,620**	**3,396**	**10.9%**
Employment and related expenses	14,483	16,171	1,688	11.7%
Rent	2,176	2,317	141	6.5%
Other operating expenses	5,333	5,366	34	0.6%
Total operating expenditure	**21,992**	**23,854**	**1,862**	**8.5%**
EBITDA	**9,233**	**10,766**	**1,533**	**16.6%**
Depreciation	370	455	85	23.0%
Amortisation of intangibles	520	442	(78)	(15.0%)
EBIT	**8,343**	**9,869**	**1,526**	**18.3%**
Finance costs	438	612	174	39.7%
NPBT	**7,905**	**9,257**	**1,352**	**17.1%**
Tax	1,731	1,917	187	10.8%
NPAT	**6,174**	**7,340**	**1,166**	**18.9%**
Add back: Amortisation of acquired intangibles	445	368	(77)	(17.3%)
NPATA	**6,619**	**7,708**	**1,088**	**16.5%**
EBITDA attributable to shareholders	**4,796**	**5,513**	**717**	**15.0%**
NPATA attributable to shareholders	**3,004**	**3,361**	**357**	**11.9%**

Note: The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

Figure 5.6.4b Key Operating Metrics - FY17 compared to FY16

$000	FY16	FY17	Change	Change %
Operating metrics (year-end)				
Number of businesses	13[1]	16	3	23.1%
■ **Revenue metrics**				
Revenue growth	4.2%	10.9%	6.7%	-
■ **Profitability metrics**				
Operating costs as percentage of total revenue	70.4%	68.9%	(1.5%)	-
EBITDA margin	29.6%	31.1%	1.5%	-
EBIT margin	26.7%	28.5%	1.8%	-

[1] Includes Kelly Partners Sydney CBD which was acquired on 1 January 2017. Pro forma historical results include Kelly Partners Sydney CBD as if it was acquired on 1 July 2014.

5.6 Management discussion and analysis of the Pro Forma Historical Financial Information (continued)

Revenue

Revenue increased 10.9% from $31.2 million in FY16 to $34.6 million in FY17, driven by the following:

- an additional fee base was acquired on 1 July 2016 and merged in to the Southern Highlands office; and
- core organic growth in other offices.

Operating costs and EBITDA

Operating costs as a proportion of revenue in FY17 is consistent with FY16.

Depreciation and amortisation

Excluding the amortisation of client intangibles, depreciation and amortisation expense increased by $0.1 million to $0.5 million.

5.7 Forecast Financial Information

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, Management has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY17 and FY18. Management believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable as at the date of this Prospectus. Actual results are likely to vary from those forecasts, and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Kelly+Partners, the Directors and Management, and are not reliably predictable. None of Kelly+Partners, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 5.8, the risks set out in Section 4, and the Investigating Accountant’s Report on Forecast Financial Information provided in Section 8.

5.7.1 General assumptions

In preparing the Forecast Financial Information the following general assumptions have been adopted in relation to the forecast periods:

- no material change in the competitive and operating environments in which Kelly+Partners operates, which would have a material impact on demand for, or prices of, Kelly+Partners' services;
- no significant change in the global or local economic conditions relevant to Kelly+Partners;
- no material change in or loss of key management personnel, and Kelly+Partners will maintain the ability to recruit and retain required personnel;
- no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Kelly+Partners;
- no significant change in government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy nor in the regulatory environment in which Kelly+Partners, its clients or suppliers operate, that will have a material impact on Kelly+Partners’ financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure;
- no material change in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act, which have a material effect on Kelly+Partners' financial performance, financial position, accounting policies, financial reporting or disclosures;
- no material business acquisitions or disposals;
- no material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise)
- no change in Kelly+Partners' capital structure other than as set out in, or contemplated by, this Prospectus. The expected changes flowing directly from the Offer as set out in or contemplated by this Prospectus are presented within the pro-forma adjustments included in this Section 5 of this Prospectus;
- no material amendment to any material agreement or arrangement related to Kelly+Partners' business, other than as set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 4 have a material adverse impact on the business and operational performance of Kelly+Partners; and
- the Offer proceeds to Completion in accordance with the timetable set out in Key Dates on page 7 of this Prospectus.

5.7.2 Specific assumptions

The Forecast Financial Information has had regard to the trading performance of Kelly+Partners up until 31 December 2016.

The basis of the specific assumptions that have been used in the preparation of the Pro forma Forecast Financial Information is set out below. The assumptions are a summary only and do not represent all factors that will affect Kelly+Partners' forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Throughout the historical period the Company has invested in an expansion through launching and opening new offices. Through FY15, FY16 and FY17, the Company acquired control of a number of offices that has driven the revenue and earnings growth. FY17 reflects the first statutory full financial year in which they are all operational.

Pro forma FY16 and FY17 include adjustments for the full year impact of the most recent and significant acquisition of the Kelly Partners Sydney CBD business which was acquired in January 2017 but is accounted for as if it was acquired on 1 July 2015.

Number of businesses

In FY18, the Company has forecast its number of Company's Subsidiaries to remain constant with the number existing at 30 June 2017, with no new openings / acquisitions or closures / disposals during the period.

The number of existing businesses is 16.

Revenue

The Forecast Financial Information is based on the following key revenue assumptions, which Kelly+Partners has considered separately for each existing accounting Operating Business:

+ maintenance of revenue growth consistent with historical trends across all offices;
+ ongoing incremental revenue growth anticipated at various specific offices delivered by growth in new clients and growth from existing clients, as a result of the recent promotion of new Operating Business Owners and continued organic growth of Greenfield sites in identified growth areas; and
+ anticipated growth in demand for specialist tax consulting and wealth management services based on current growth rates.

Expenses

The Forecast Financial Information is based on the following key expense assumptions:

+ direct and indirect employee costs corresponding to the current ongoing staff mix, including any expected staff recruitment (or redundancies) to ensure there is capacity to service existing revenue levels, forecast revenue growth and the supporting administrative functions; total FTEs have been forecast to remain at similar levels to FY17;
+ occupancy expenses, reflecting full year impact of current and renegotiated leases based on lease agreement terms accounted for on a straight line basis;
+ advertising expenses, based on actual and committed expenditure to June 2018;
+ other indirect expenses are forecast to increase in line with the overall growth of the business and are based on the current monthly run rate of operating expenses, adjusted for known or planned increases in expenditure as well as any cost saving initiatives;
+ incremental operating costs totalling $0.3 million in FY17 and $0.6 million in FY18 have been assumed by Management to be reflective of an estimate of additional costs required to operate as a publicly listed company. Management's estimate is based on benchmarking similar sized companies. Despite no forecast acquisitions or office launches, the growth from FY17 to FY18 is due to the expectation of the growth in the business and further office expansion; and
+ one off IPO costs of $2.0 million have been included in the Statutory Forecast Income Statement for FY17 (with the remaining costs directly applicable to the Offer offset against equity).

Depreciation, amortisation and capital expenditure

Depreciation and amortisation is based on the current depreciation rates and estimated useful lives applied to property, plant and equipment and intangible assets, adjusted for planned capital expenditure. The main categories of assets and related depreciation rates / useful lives are disclosed in the Appendix A.

Client related intangible assets are amortised from the time of acquisition depending on the calculated churn of the relevant intangible asset. Management regularly reviews the amortisation period for appropriateness as required under AAS.

5.7 Forecast Financial Information (continued)

Interest

The pro forma interest expense is based on the following key assumptions:

+ weighted average effective interest rate of 4.3%; and
+ assumed debt pay down of $3.5 million following Completion of the Offer.

Working capital

Working capital has been forecast by Kelly+Partners to be consistent with historical accounts receivable collection terms and accounts payable payment terms per the experience over the 6 months to 31 December 2016.

Capital expenditure

Capital expenditure primarily relates to the acquisition of new business or the fit out of new offices. On the basis that there are no business acquisitions or opening of new offices included in the forecast, forecast capital expenditure is minimal and solely relates to maintenance or replacement of the existing minor operating asset base.

Taxation

The Forecast Financial Information has been assumed on the basis that the Australian corporate tax rate will remain at 30% in the forecast period.

5.7.3 Kelly+Partners management discussion and analysis: Pro forma Forecast Income Statement for FY17 compared to Pro forma forecast Income Statement for FY18

Figure 5.7.3a compares the Pro forma Historical Income Statement for FY17 and the Pro forma Forecast Income Statement for FY18.

Figure 5.7.3a Pro forma Income Statement for FY18 compared to FY17

$'000	FY17	FY18	Change	Change (%)
Revenue	**34,620**	**36,749**	**2,129**	**6.1%**
Employment and related expenses	16,171	15,717	(454)	(2.8%)
Rent	2,317	2,225	(92)	(4.0%)
Other operating expenses	5,366	5,908	541	10.1%
Total operating expenditure	**23,854**	**23,850**	**(4)**	**0.0%**
EBITDA	**10,766**	**12,899**	**2,133**	**19.8%**
Depreciation	455	358	(97)	(21.3%)
Amortisation of intangibles	442	373	(69)	(15.6%)
EBIT	**9,869**	**12,168**	**2,299**	**23.3%**
Finance costs	612	552	(60)	(9.9%)
NPBT	**9,257**	**11,617**	**2,359**	**25.5%**
Tax	1,917	2,353	435	22.7%
NPAT	**7,340**	**9,264**	**1,924**	**26.2%**
Add back: Amortisation of acquired intangibles	368	308	(60)	(16.2%)
NPATA	**7,708**	**9,572**	**1,864**	**24.2%**
EBITDA attributable to shareholders	**5,513**	**6,422**	**909**	**16.5%**
NPATA attributable to shareholders	**3,361**	**4,143**	**782**	**23.3%**

Note: The income statements above are presented on a consolidated basis in accordance with the requirements of AASB 10 Consolidated Financial Statements. EBITDA and NPATA attributable to shareholders represents the Company's pro rata share of EBITDA and NPATA, after elimination of non-controlling interests in Operating Businesses.

Figure 5.7.3b Key Operating Metrics - FY18 compared to FY17

	FY17	FY18	Change	Change %
Operating metrics (year-end)				
Number of businesses	16	16	-	-
■ **Revenue metrics**				
Revenue growth	10.9%	6.1%	(4.8%)	-
■ **Profitability metrics**				
Operating costs as percentage of total revenue	68.9%	64.9%	(4.0%)	-
EBITDA margin	31.1%	35.1%	4.0%	-
EBIT margin	28.5%	33.1%	4.6%	-

Revenue

FY18 revenue is forecast to grow by 6.1% to $36.7 million mainly driven by the combined effect of growth in each Operating Business. Varying revenue growth rates have been applied specific to the Operating Business' location (whether the area is viewed as a growth zone or a stable market) and is also determined based on circumstances specific to each Operating Business (e.g. entry or promotion of new Operating Business Owners).

Operating costs and EBITDA

Operating costs as a pecentage of total revenue are forecast to reduce by 4% through cost savings initiatives. Forecast EBITDA growth of approximately $2.1 million in FY18 is mainly driven by revenue growth and reduction in operating costs.

Depreciation and amortisation

Depreciation and amortisation expense is forecast to decrease marginally to $0.4 million.

5.8 Sensitivity analysis

The Forecast Financial Information included in this Section 5 is based on a number of estimates and assumptions as described in Sections 5.7.1. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Kelly+Partners, the Directors and management of Kelly+Partners. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the pro forma NPAT to changes in a number of key assumptions.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Sensitivity analysis is conducted independently of potentially interrelated effects resultant from a variance in the assumption. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, each sensitivity factor is presented in terms of its impact on the forecast FY18 pro forma NPAT and is set out below in Figure 5.8.1. The sensitivity of these factors has been considered in isolation; however, there may be a degree of correlation between the movement in one or more of these sensitivities which will have an impact that is greater than what is shown below.

Figure 5.8.1 Pro forma FY18 Sensitivities (impact on NPATA and NPATA attributable to Shareholders)

Assumptions	Notes	Increase / decrease	FY18 pro forma NPATA impact	FY18 pro forma NPATA impact attributable to Shareholders
Revenue	1	+ / - 5%	+ / - $1,286 thousand	+ / - $643 thousand
Employment and related expenses		+ / - 5%	+ / - $550 thousand	+ / - $275 thousand

[1] This sensitivity assumes direct labour is fixed.

[2] No sensitivity has been presented for FY17 as the forecast has been prepared having regard to the actual results to April 2017 and sensitivities are not considered material for the remaining two months.

5.9 Summary of significant accounting policies

Set out in the Appendix A is a summary of the significant accounting policies adopted in preparing the Financial Information contained in this Section 5.

5.10 Dividend policy

It is the Board's current intention to target a dividend payout ratio of approximately 50% of statutory NPAT, after non-controlling interests, and before amortisation of intangibles, per annum.

The Board intends to pay dividends quarterly in arrears in the months of December, March, June and September each year, and it is expected that all future dividends will be franked to the maximum extent possible.

Given the anticipated Listing date, no dividends will be paid for the FY17 year. The Board anticipate that the first dividend to Shareholders will be in relation to the quarter ending 30 September 2017, and expected to be paid in December 2017, subject to the factors outlined below.

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant.

No assurances can be given by any person, including the Directors of the Board, about the payment of any dividend and the level of franking on any such dividend. See Section 9.10 for information regarding certain Australian tax consequences of investing in Shares.

All dividends will be paid electronically. Payment will be credited on the dividend payment date and confirmed by a payment advice sent to the Shareholder.

Section 6

Directors, Management and Corporate Governance

Section 6 Directors, Management and Corporate Governance

6.1 Board of Directors

The Board comprises an Executive Chairman, a non-Executive Deputy Chairman, one non-Executive Director and two Executive Directors. The Directors bring to the Board relevant skills and experience, including industry and business knowledge, financial management and corporate governance experience.

	Director details	Expertise and experience
	**Brett Kelly** *BBus, CA, MTax, DipFS, RTA, JP* *Founder, Executive Chairman and Chief Executive Officer* Non Independent	Brett is the founder and CEO of Kelly+Partners. He has more than 20 years commercial and professional accountancy experience, specialising in assisting private clients, private business owners and families. He commenced his career as a Chartered Accountant with 5 years at Price Waterhouse, and then worked at 3 mid-sized accounting firms. In 2006, Brett founded Kelly+Partners with accounting businesses in North Sydney and the Central Coast, before building out the network to 16 businesses over 13 locations to date. Brett is also the best-selling author of four books on life, business and wisdom.
	**Stephen Rouvray** *BEc, CA* *Deputy Chairman and Non-Executive Director* Appointed 2017 Independent	Stephen has over 45 years experience in financial services across many senior leadership roles. He was Chief Financial Officer, Company Secretary and Manager of Investor Relations for AUB Group (formerly Austbrokers) from 2005 until 2015. Prior to this, he was General Manager for ING Australia Holdings from 2002 to 2005 having joined ING's predecessor company, Mercantile Mutual, in 1985. Over this 20 year period, Stephen held the position of Group Company Secretary, which included its subsidiary companies operating in the life and general insurance, investment management, funds management and banking sectors. At the start of his career, he worked in the accountancy profession from 1971 to 1984. Since retiring as CFO, Stephen continues to represent AUB as a Director for a number of its subsidiaries and associates.

	Director details	Expertise and experience
	**Pauline Michelakis** *BCom (Hons), CA* *Executive Director and Chief Financial Officer* Appointed 2017 Non Independent	Pauline joined Kelly+Partners in 2013 as Group CFO. She has more than 20 years experience in senior financial roles in financial services and investment companies. Pauline is a Chartered Accountant who commenced her career in 1981 as an auditor with Arthur Young & Company (now Ernst & Young). In 1986 she joined listed international investment company AFP Group in an executive role. In total, Pauline worked for the group for 10 years, including 5 years as General Manager Finance of Lang Corporation, the ASX-listed Australian spin-off (subsequently renamed Patrick Corporation Limited). She also held chief financial roles at Kaplan Funds Management and Committed Capital Limited, before joining Kelly+Partners.
	**Paul Kuchta** *BBus, CA, FTIA, DipFP, RTA, JP* *Executive Director* Appointed 2017 Non Independent	Paul is a Chartered Accountant with more than 17 years accounting experience specialising in the provision of accounting, compliance, tax and advisory services to private SMEs and their owners. He commenced his career with Farrar & Company Chartered Accountants in 1998, where he worked for 10 years. Paul then joined Crowe Horwath in 2008 for a further 4 years. He was a founding partner of Kelly Partners Norwest when the business was launched in 2012.
	**Ryan Macnamee** *BCom, GACID* *Non-Executive Director* Appointed 2017 Independent	Ryan is an experienced business technology executive with over 25 years of IT management experience. He has been Chief Information Officer (CIO) at Laing O'Rourke since 2012, including 3.5 years as the Global CIO. Ryan is responsible for all IT functions within Laing O'Rourke with a focus on strategic objectives, global alignment and delivering business value. Prior to his current role, he held several senior IT management positions at Woolworths from 2008 to 2012. Earlier in his career, Ryan undertook various senior IT positions at financial, insurance, construction and retail operations globally. He is also on the board of the Open Data Institute, a position he has held since 2014.

6.2 Senior management

	Key Manager details	Expertise and experience
	**David Franks** *BEc, CA, FFin, JP* *Company Secretary* Appointed 2017	David has over 20 years experience in finance and accounting, initially qualifying as a Chartered Accountant with Price Waterhouse in their Business Services and Corporate Finance Divisions. Since that time, he has been CFO, Company Secretary and / or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy, retail, transport, financial services, mineral exploration, technology, automotive, software development and healthcare.
	**Kenneth Ko** *BBus, CA, HKICPA* *Group Finance Manager* Appointed 2015	Kenneth joined Kelly+Partners in 2015 as Finance Manager. He is a Chartered Accountant with more than 10 years chartered and commercial accounting experience. He commenced his career with BDO Chartered Accountants in 2007, and then joined Chandler Macleod in 2011 in a commercial accounting role. In 2013, he moved to Coca Cola Amatil to lead their financial accounting team. Kenneth joined Kelly+Partners' head office in North Sydney as Finance Manager in 2015. He subsequently founded the Hong Kong business in 2016, maintaining his role as Finance Manager.
	**Brendan Lyons** *BSc, MAppFin, GradDipAppFin* *Head of Corporate Development* Appointed 2017	Brendan joined Kelly+Partners in January 2017 as Head of Corporate Development. He has over 20 years experience in equity markets, financial analysis, and business management. Previously, Brendan was co-Head of Australian Equities at Goldman Sachs for 4 years from 2012 to 2015. In total, he worked for Goldman Sachs / JBWere for 18 years, including 10 years as an equity partner. During this time, Brendan held various senior roles in Institutional Equities and Equities Research across Sydney, Melbourne, London and New York. Prior to this, he worked at Deutsche Bank for 4 years as an equities analyst. More recently in 2016, Brendan consulted to Lithium Power International on their successful public listing on ASX.

6.3 Interests and remuneration of Directors

This Section 6.3 sets out the nature and extent of the interests and fees of the Directors involved in the Offer. Other than as set out in this Prospectus no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer, holds as at the time of lodgment of this Prospectus with ASIC, or has held in the two years before lodgment of this Prospectus with ASIC, an interest in:
  - the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion; or
  - the Offer.

6.3.1 Remuneration of Directors

This table sets out the annual remuneration of Directors and key management personnel for the FY18 financial year:

Director	Fees	Salary Package (inclusive of superannuation)	Total
Brett Kelly *Founder, Executive Chairman and Chief Executive Officer*	-	$360,000	$360,000
Stephen Rouvray *Deputy Chairman and Non-Executive Director*	$30,000	-	$30,000
Pauline Michelakis[1] *Executive Director and Chief Financial Officer*	-	$325,000	$325,000
Paul Kuchta[2] *Executive Director*	-	-	-
Ryan Macnamee *Non-Executive Director*	$30,000	-	$30,000

[1] Pauline Michelakis received 151,186 Shares prior to the date of this Prospectus for services provided to the Company.

[2] Paul Kuchta, as a Operating Business Owner in the Kelly Partners Norwest Partnership, recieves profits from that Operating Business in accordance with the terms of the Partnership Agreement.

Brett Kelly is employed as the CEO of Kelly+Partners. Brett is currently receiving an annual fixed remuneration of $360,000 (inclusive of superannuation) which is inclusive of any fees he may be entitled to as a Director. Either party may terminate Brett's employment contract by giving 12 months notice in writing or, alternatively in the Company's case, payment in lieu of notice.

In the event that Brett's employment contract is terminated (other than for cause), subject to Shareholders approval and the Corporations Act, the Company must pay to Brett an amount up to to 3 years salary.

Upon termination of Brett's employment contract, he will be subject to a restraint period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

Brett's contract of employment contains a customary assignment of intellectual property, with a carve-out for books published by Brett or business ideas generated by Brett outside of his employment which are not the same or do not compete with Kelly+Partners. Under Brett's employment contract, he is entitled to 8 weeks annual leave

6.3.2 Holdings of Directors

This table sets out the interests in Shares held by the Directors and their related parties or entities associated with them (either directly or indirectly) as at the date of this Prospectus:

Director	Shares held at date of this Prospectus
Brett Kelly	25,353,378
Stephen Rouvray	-
Pauline Michelakis	937,061
Paul Kuchta	174,851
Ryan Macnamee	100,046

6.3.3 Non-executive Directors

Under the Constitution, the Board may decide the remuneration that each Director is entitled to from the Company for his or her services in any capacity. However, the total amount paid to all non-Executive Directors of the Company must not exceed in aggregate in any financial year, the amount fixed by the Company in a general meeting.

The remuneration of a Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

The Company will annually review Directors' fees.

The Company will not pay any:

+ Director's fees in relation to the termination or appointment of non-Executive Directors (for whatever cause); or
+ Director's fees after the end of a Director's term of appointment as a non-Executive Director, unless such fees were determined to be due and payable in the period prior to the date on which a Director's appointment as non-Executive Director ceased and were unpaid at that date.

6.3.4 Other remuneration arrangements

Directors may be paid for all travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or Board committees or general meetings. The reasonable expenses incurred by Directors in discharging their obligations and performing their duties will be reimbursed by the Company, consistent with Company policies which are established from time to time. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. No bonus arrangements are currently in place for the Directors or other personnel. The Board may determine that a separate payment is made for membership of a Board committee.

6.4 Other Senior Management remuneration

The Company's senior management and other personnel are employed under individual employment agreements which establish:

+ total compensation;
+ notice and termination provisions of up to 6 months, or by the Company without notice in the event of serious misconduct; and
+ leave entitlements as per the applicable employment standards and legislation.

The Company may introduce incentive arrangements in the future in order to attract, motivate and retain its executives and personnel.

The Company has adopted an Employee Share Scheme, the details of which are set out in Section 9.7. As of the date of this Prospectus, no grants have been made under the Employee Share Scheme and future grants will be made by the Company as part of its remuneration process.

6.5 Related party transactions

6.5.1 Proposed issue of Shares

In aggregate, the Company's management team received 453,500 Shares prior to the date of this Prospectus for services provided to the Company.

6.5.2 Deeds of Access, Indemnity and Insurance

The Company has entered into the Deed of Access, Indemnity and Insurance with each of the Directors. See Section 6.8.8 for further details.

6.5.3 Associated Entities

Entities associated with members of the Board hold interests in certain Operating Businesses, as set out below:

+ an entity associated with Paul Kuchta holds a 44% interest in the Kelly Partners Norwest Partnership; and
+ an entity associated with Pauline Michelakis holds a 10% interest in the Kelly Partners Wealth Management Partnership.

6.6 Legal or disciplinary action

No Director (or company that the Director was a director of at the relevant time) has, in the 10 year period ending on the date of this Prospectus, had any legal or disciplinary action against the Director that is relevant to the Director's role in the Company and a potential investor's decision to apply for Shares.

6.7 Insolvent companies

No Director has been an officer of a company that entered into a form of external administration because of insolvency while the Director was an officer of the company or within 12 months of the Director ceasing to be an officer of the company.

6.8 Corporate governance

6.8.1 Overview

The Board has adopted the corporate governance policies listed below. These policies set out the framework for the management of the Company and the standard of conduct expected of both the Company and the Board. The framework will be reviewed regularly and revised in response to changes in law, developments in corporate governance and changes to the Company's business.

The Board has adopted the following corporate governance charters and policies:

+ Primary Board Charter
+ Diversity Charter
+ Trading Charter
+ Audit and Risk Charter
+ Nomination and Remuneration Charter
+ Supplementary policies

In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Company's full governance policies are available from the Company's website (www.kellypartnersgroup.com.au).

While the ASX Principles are not compulsory, the Company will and in accordance with Listing rule 4.10, advise the market whether it meets the ASX Principles and if not, state why not. Please find below a high level summary of the Company's current departures from the ASX Principles.

6.8 Corporate Governance (continued)

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
Recommendation 2.4 provides that a majority of the board of a listed entity should be independent directors. As noted in Section 6.1, the Board is comprised of three non-independent Directors and two independent Directors.	The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.
Recommendation 2.5 provides that the chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of that entity. As noted in Section 6.1, Brett Kelly, founder and CEO of the Company is the chair of the Board.	The Board believes that the current chair of the Board can and does make quality and independent judgements in the best interests of the Company and other stakeholders notwithstanding that he is a non-independent Director and is the current CEO which is not in accordance with the ASX Principles.
Recommendation 4.1 provides that the board of a listed entity should have an audit committee which: + has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and + is chaired by an independent director, who is not the chair of the board. The Board's Audit and Risk Committee is comprised of Ryan Macnamee (non-Executive and independent Director), Pauline Michelakis (Executive and non-independent Director) and is chaired by Stephen Rouvray (non-Executive and independent Director and Deputy Chairperson of the Board).	The Board considers that, given the Company's current size and Board structure and the level of complexity of its affairs, that the formation of an Audit and Risk Committee comprising an independent chair and with a majority of independent Directors, it is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.

6.8.2 Board Charter

The Board is responsible to Shareholders for the long-term performance of the Company and for overseeing the implementation of appropriate corporate governance with respect to the Company's affairs.

The Board has adopted a formal Board Charter that details the Board's role, authority, responsibilities, membership and operations.

The Charter sets out the matters reserved for the Board unless otherwise delegated to management. The Board delegates responsibility for implementing the strategic direction and managing the day to day operations to the Chief Executive Officer.

In general, the Board has (among others) the following responsibilities:

(i) setting goals for the Company;

(ii) approving strategies, objectives and plans for the Company to achieve those goals;

(iii) ensuring business risks are identified and appropriate systems and controls to manage those risks are approved and to monitor compliance;

(iv) approving the Company's major human resources policies and overseeing the development strategies for senior and high performing executives;

(v) approving financial plans, annual budgets, major capital expenditure and the Company's remuneration framework;

(vi) monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;

(vii) approving key management recommendations;

(viii) appointing and removing the Chief Executive Officer and ratifying the appointment of senior executives;

(ix) appointing and removing the chairperson of the Board;

(x) reporting to shareholders on the Company's strategic direction and performance;

(xi) overseeing the management of occupational health and safety and environmental performance;

(xii) determining that satisfactory arrangements are in place for auditing the Company's financial affairs and overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;

(xiii) meeting statutory and regulating requirements, overseeing the way in which the business risks and the assets of the Company are managed and ensuring the Company has in place an appropriate risk management framework; and

(xiv) monitoring the effectiveness of the Company's governance practices.

6.8.3 Board committees

The Board has established some Board committees, drawing on the experience and expertise of its member Directors. Each committee will be chaired by Stephen Rouvray, Deputy Chairman and non-Executive Director. The general purpose of each committee is set out below.

(i) Audit and Risk Committee

Amongst other things, the Committee is responsible for:

+ **External reporting**: considering the appropriateness of the Company's accounting policies and principles and any changes, assessing estimates and judgements in financial reports by making enquiries of management, seek independent judgement for the Company's external auditor, review the completeness and accuracy of the reporting of the Company's main governance practices as required under the Listing Rules.
+ **Related party transactions**: reviewing and monitoring the propriety of related-party transactions.
+ **Internal control and risk management**: overseeing the establishment and implementation by the Board of a system for identifying, assessing, monitoring and managing material risk throughout the Company. This system will include the Company's internal compliance and control systems.
+ **Internal audit**: providing an independent assessment of risk and compliance with internal controls.
+ **External audit**: ensuring the statutory auditor is independent and seen to be independent including recommending to the Board on appointment, remuneration and monitoring performance.
+ **Corporate governance**: reviewing the Company's corporate governance procedures and considering their adequacy.

6.8 Corporate Governance (continued)

(ii) Remuneration and Nomination Committee

In general, the role of this Committee is to assist and advise the Board on the following matters:

+ reviewing Director and senior executive selection and appointment (including terms of appointment, remuneration and role);
+ ensuring the performance of the Board and its members is regularly reviewed; and
+ succession planning for the Board and senior executives

6.8.4 Code of conduct

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has adopted a Code of Conduct which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. The Code of Conduct applies to all Directors, officers and employees of the Company.

6.8.5 Continuous disclosure

Following admission of the Company to the Official List, the Company will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

The Company is committed to:

(i) ensuring that shareholders and the market are provided with full and timely information about its activities;

(ii) complying with the continuous disclosure obligations contained in the Listing Rules and the Corporations Act; and

(iii) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a continuous disclosure policy which covers financial markets communication, media contact and continuous disclosure issues.

6.8.6 Policy for dealing in securities

The Board has adopted a policy that sets out the guidelines and requirements for all Directors, officers and employees to adhere to when trading in the Company's securities. The policy generally provides that prior approval from the Chairman (or in the case of the Chairman from the chairperson of the Audit and Risk Committee) must be obtained prior to trading.

6.8.7 Shareholder participation at meetings

The Company's meetings are intended to give shareholders an opportunity to consider and vote on the resolutions before the meeting and ask questions of the Board, management and auditor (if relevant) generally on the items of business before the meeting, the management of the Company or the conduct of the audit and the auditor's report (for an annual general meeting).

6.8.8 Deeds of access, indemnity and insurance

The Company has entered into an indemnity and protection deed with each Director which confirms the Director's right of access to Board papers and requires the Company to indemnify a Director, on a full indemnity basis and to the maximum extent permitted by applicable law, against all liabilities (including all reasonable legal costs) incurred by the Director in his or her capacity as an officer of the Company or of a related body corporate.

Under the deed of access, indemnity and insurance, the Company must maintain an insurance policy with a recognised and reputable insurer insuring each Director against a liability incurred by the Director as an officer of the Company or a related body corporate.

6.8.9 Casting vote

Under the terms of the Constitution, in the case of an equality of votes, the Chairman of the meeting has a second or casting vote in addition to the Chairman's deliberative vote.

Section 7
Offer Details

7.1 The Offer

This Prospectus invites Applications for 2.9 million new Shares and the sale of 4.5 million existing Shares held by SaleCo each at an Offer Price of $1.00 per Share to raise up to $7.3 million.

All Shares issued under this Prospectus will be fully paid and will rank equally with each other.

The Selling Shareholders have irrevocably offered to sell shares ("Sale Shares") to SaleCo free from any encumbrances and third party rights, and undertaken to deliver the Sale Shares to or as directed by SaleCo on Completion subject only to:

+ Listing;
+ payment of the consideration due to the Selling Shareholders; and
+ the receipt by SaleCo of proper instruments of transfer of and any documents of title to, the Sale Shares.

SaleCo may accept the irrevocable offers at any time after the Listing of the Company on ASX and the commencement of Official Quotation of Shares on ASX.

7.2 Structure of the Offer

The Offer comprises:

+ the Broker Firm Offer – which is open to eligible Australian resident retail clients of participating Brokers who receive an invitation to apply for Shares from their Broker and are not in the United States or a US person; and
+ the Institutional Offer – which consists of an invitation to Institutional Investors in Australia, to bid for Shares, made under this Prospectus.

No general public offer of Shares will be made under the Offer.

For further details of the:

+ Broker Firm Offer, see Section 7.6; and
+ Institutional Offer, see Section 7.7.

The allocation of Shares between the Broker Firm Offer and the Institutional Offer, was determined by the Company and the Lead Manager, having regard to the allocation policies outlined in Sections 7.6.4 and 7.7.2.

7.3 Purpose of the Offer and uses of funds

The purpose of the Offer is to raise funds to:

+ provide greater financial flexibility and thereby facilitate continued strong growth across our business; and
+ allow Kelly+Partners to continue to attract the best clients, Operating Business Owners and staff.

The Directors are satisfied that following the successful close of the Offer and from the application of existing funds, the Company will have sufficient working capital to meet its stated objectives.

The table below shows the source and application of funds concerning the Offer. This table is a statement of current intentions as at the date of this Prospectus. Actual use of funds may differ from the budgeted use of funds based on a number of factors including the outcome of operational activities, regulatory developments, and general conditions in the market or the economy. In light of this, the Board may alter the way funds are applied in the future.

Sources of funds	$ million	%
Issue of new Shares	2.88	31%
Sale of existing Shares	4.46	48%
Cash on hand used	2.00	21%
Total	**9.34**	**100 %**

Uses of funds	$ million	%
Debt repayment	3.48	37%
Proceeds to Selling Shareholders	4.46	48%
Expenses of the Offer	1.40	15%
Total	**9.34**	**100 %**

7.4 Shareholding structure

Following completion of the Offer, the capital structure of the Company will be as follows:

Share information	Number of Shares[1]
Shares currently on issue	42,460,181
Shares issued under the Offer	2,884,000
Total Shares on Completion of the Offer	45,344,181

[1] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus

Following completion of the Offer, the following entities will be substantial shareholders in the Company[2]:

Shareholder	Shares held at date of Prospectus (pro forma)	% of total Shares at date of Prospectus (pro forma)	Shares held after completion of Offer	% of total Shares after completion of Offer
Kelly Investments 1 Pty Ltd[3]	25,353,378	59.7%	23,253,378	51.3%
Ellerston[4]	8,125,000	19.1%	7,625,000	16.8%

[2] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus.
[3] An entity associated with Brett Kelly
[4] Ellerston Shares are shown on a pro forma basis. Under the Note Deed, Ellerston will be issued with Shares prior to Listing.

There are no other classes of Shares or options on issue by the Company.

7.5 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.8
What is the consideration payable for each security being offered?	The Offer Price is $1.00 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period relating to each component of the Offer, are set out in the Key Offer Information on page 7. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company, SaleCo and the Lead Manager may vary the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, to accept late applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any applicants). If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.
What are the cash proceeds to be raised?	$7.3 million is expected to be raised under the Offer. $2.9 million is expected to be raised by the Company through the Offer. $4.5 million is expected to be raised by SaleCo through the Offer. The proceeds received by SaleCo (less deductions for Offer costs) will be paid to the Selling Shareholders. Note: small differences due to rounding.

7.5 Terms and conditions of the Offer (continued)

Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager. More detail on the underwriting arrangements is set out in Section 7.9 below.
What is the minimum application size under the Offer?	The minimum application under the Broker Firm Offer is $2,000 worth of Shares in aggregate. The Lead Manager, the Company and SaleCo reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject the Application(s). There was no minimum application or maximum application under the Institutional Offer. The Lead Manager, the Company and SaleCo reserve the right to aggregate any applications that they believe may be multiple applications from the same person.
What is the allocation policy?	The allocation of shares between the Broker Firm Offer and the Institutional Offer was determined by the Company and SaleCo in consultation with the Lead Manager, having regard to the allocation policies outlined in Sections 7.6.4 and 7.7.2. With respect to the Broker Firm Offer, the relevant Broker will decide how it allocates Shares among its retail clients, and it (and not the Company, SaleCo or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from it receive the relevant Shares. The allocation of Shares under the Institutional Offer was determined by the Company and SaleCo in consultation with the Lead Manager. The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject an Application, or allocate fewer Shares than the number or equivalent dollar amount applied for, in their absolute discretion.
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Friday 16 June 2017.
Will the Shares be quoted on ASX?	The Company will apply to ASX for admission to the Official List and quotation of Shares on ASX (under the ASX code 'KPG'). Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about Tuesday 20 June 2017. Following the issue and transfer of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued or transferred to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about Friday 16 June 2017. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. After the basis for allocations has been determined, Applicants will also be able to call the Kelly Partners Group Holdings IPO Information Line, open from 8.30am to 5.30pm (Sydney Time) Monday to Friday until Completion or their Broker to confirm their allocations.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.10.
Has an ASIC relief or ASX waiver been sought, obtained or been relied on?	No.
What are the Australian tax considerations?	Refer to Section 9.10.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer. See Section 9.10 for details of various fees payable by the Company to the Lead Manager.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Kelly Partners Group Holdings IPO Offer Information Line on 1300 108 618 (within Australia) or +61 3 9415 4318 (outside Australia) from 8:30am until 5:30pm (Sydney time), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

7.6 Broker Firm Offer

7.6.1 Who Can Apply

The Broker Firm Offer is open to eligible Australian resident retail clients of participating Brokers who receive an invitation to apply for Shares from their Broker and who are not in the United States or a US Person. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.6.2 How To Apply?

If you receive an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or make payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at www.kellypartnersgroup.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney Time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form and Application Monies with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Broker Firm Offer Application Forms must be completed in accordance with the instructions given by the Broker and the instructions set out on the back of the Broker Firm Application Form.

7.6 Broker Firm Offer (continued)

By making an application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares in aggregate. There is no maximum Application under the Broker Firm Offer. The Company and the Lead Manager reserve the right to not accept Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, to reject any Application, or to scale back any Application. The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on Wednesday 24 May 2017 and is expected to close at 5:00pm (Sydney time) on Friday 2 June 2017. The Company and the Lead Manager may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.6.3 How to pay?

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.6.4 Allocation policy under the Broker Firm Offer

The allocation of Shares to Brokers has been determined by the Company and the Lead Manager. Shares that have been allocated to Brokers for allocation to their eligible retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their eligible retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the Kelly Partners Group Holdings IPO Offer Information Line on 1300 108 618 (within Australia) or +61 3 9415 4318 (outside Australia) from 9:00 am to 5:00 pm (Sydney time) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation of Shares through the Broker from whom they received their allocation.

7.6.5 Acceptance of Applications under the Broker Firm Offer

An Application in the Broker Firm Offer is an offer by the Applicant to the Company and SaleCo to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable. An Application may be accepted in respect of the full number of Shares specified in the Application Form without further notice to the Applicant. The Company and SaleCo reserve the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application. The final allocation of Shares to eligible Australian resident clients of participating Brokers in the Broker Firm Offer is at the absolute discretion of the relevant Broker. Successful Applicants in the Broker Firm Offer will be issued Shares at the Offer Price.

7.6.6 Application Monies

The Company and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company and SaleCo. You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your payment. If the amount of your payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected. An Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on ASX on an unconditional basis.

7.7 Institutional Offer

7.7.1 Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand, Hong Kong and Singapore were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager has separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

7.7.2 Allocation policy under the Institutional Offer

The allocation of Shares among applicants in the Institutional Offer was determined by the Company and the Lead Manager. The Company and the Lead Manager had absolute discretion regarding the basis of allocation of Shares among Institutional Investors. Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

+ number of Shares bid for by particular Applicants;
+ the timeliness of the bid by particular Applicants;
+ the Company desire for an informed and active trading market following Completion;
+ the Company desire to establish a wide spread of institutional Shareholders;
+ overall level of demand under the Broker Firm Offer and the Institutional Offer;
+ the size and type of funds under management of particular Applicants;
+ the likelihood that particular Applicants will be long-term Shareholders; and
+ any other factors that the Company and Lead Manager considered appropriate.

7.8 Acknowledgments

Each Applicant under the Offer will be deemed to have:

+ agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
+ acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
+ declared that all details and statements in their Application Form are complete and accurate;
+ declared that the Applicant(s), if a natural person, is / are over 18 years of age;
+ acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
+ applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
+ agreed to being allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
+ authorised the Company, SaleCo, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
+ acknowledged that the Company may not pay dividends, or that any dividends paid may not be franked;
+ acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
+ acknowledged and agreed that the Offer may be withdrawn by the Company or SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
+ acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows;

+ it understands that the Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, except in accordance with Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the Securities Act and any other applicable state securities laws;
+ it is not in the United States or a US Person;
+ it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
+ it is purchasing the Shares in an offshore transaction meeting the requirements of Regulations; and

7.8 Acknowledgments (continued)

- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

7.9 Underwriting arrangements

The Company and SaleCo ("Companies") have entered into an underwriting agreement with the Lead Manager dated Tuesday 16 May 2017 (Underwriting Agreement).

Pursuant to the Underwriting Agreement, the Lead Manager has agreed to underwrite the issue of Shares by the Company and the transfer of Shares by SaleCo, being a total of 7.3 million Shares at the Offer Price to raise a total amount of $7.3 million ("Underwritten Amount"). The Lead Manager may appoint sub-underwriters to sub-underwrite up to the Underwritten Amount.

7.9.1 Fees and costs

Under the Underwriting Agreement, the Companies will pay to the Lead Manager:

- an underwriting fee of 4% (excluding GST) of the gross amount raised under the Offer; and
- a management fee of 1% (excluding GST) of the gross amount raised under the Offer.

In addition, the Companies must pay the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in relation to the Offer and the preparation of the Underwriting Agreement.

7.9.2 Representations and Warranties

The Companies give the usual representations and warranties in relation to matters such as power to enter into the Underwriting Agreement, corporate authority, approvals and authorisations and compliance with relevant laws and their constituent documents as well as additional warranties relating to the Prospectus.

7.9.3 Termination Events

The Lead Manager may, at any time before Completion, terminate the Underwriting Agreement if certain events occur, including:

(a) failure to lodge the Prospectus with ASIC in a form approved by the Lead Manager in the prescribed time;

(b) a statement contained in the Prospectus is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Prospectus;

(c) the Prospectus does not comply with the Corporations Act, the Listing Rules or any other applicable law;

(d) unconditional approval (or conditional approval subject only to conditions as are acceptable to the Lead Manager, acting reasonably) is refused or not granted by ASX to the Company's admission to the Official List of ASX;

(e) the Company or SaleCo withdraws the Prospectus or the Offer;

(f) a supplementary prospectus must be lodged and the Companies do not lodge in the form and with the content, and within the time, reasonably required by the law;

(g) ASIC commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Companies, the Offer or the Prospectus;

(h) any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus withdraws that consent;

(i) the S&P / ASX 200 Index closes at a level that is 10% or more below the level of that index at 5.00pm on the trading day immediately prior to the date of the Underwriting Agreement;

(j) any event set out in the timetable in the Prospectus is delayed for more than two business days, unless the Lead Manager consents to a variation (which consent must not be unreasonably withheld or delayed);

(k) the documents giving effect to the Offer to SaleCo are terminated or an event occurs which entitles a party to terminate any such documents that is not waived;

(l) an insolvency event occurs with respect to the Companies or any Subsidiary of the Company;

(m) the Companies is or becomes unable, for any reason, to issue or transfer (as applicable) the Offer Shares on Completion;

(n) a Director is charged with an indictable offence or is disqualified from managing a corporation or a director or member of management of the Companies engages in any fraudulent conduct or activity;

(o) the results of the due diligence investigation provided to the Lead Manager is or becomes untrue, incorrect, misleading or deceptive;

(p) any material adverse change occurs, or an event occurs which is in the reasonable opinion of the Lead Manager reasonably likely to give rise to a material adverse change in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Company;

(q) a material contract of the Company is, without the prior written consent of the Lead Manager, amended or varied by the Company or is breached by the Company or is terminated or ceases to have effect, otherwise than in accordance with its terms or is or becomes void, voidable, illegal, invalid or unenforceable or capable of being terminated or its performance is or becomes illegal;

(r) there is introduced legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, the United Kingdom, the United States of America, Singapore, Malaysia or the Peoples Republic of China (other than any legislation which had been publicly announced before the date of the Underwriting Agreement) or there is an announcement of such a law being adopted that does or is reasonably likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Shares;

(s) the Company, SaleCo or any member of Kelly+Partners contravenes the Corporations Act, its Constitution, any of the Listing Rules or any other applicable law;

(t) any of the warranties or representations by the Company or SaleCo in the Underwriting Agreement are or become materially untrue or incorrect;

(u) the Company or SaleCo is in default of any of the material terms and conditions of the Underwriting Agreement;

(v) without the prior written consent of the Lead Manager, the Company, SaleCo and / or Subsidiary of the Company disposes of the whole, or a substantial part, of its business or property, or ceases to carry on business or alters its capital structure (debt or equity), or amends its constituent documents or amends the terms of issue or transfer of the Offer Shares;

(w) there is a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries or trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day for trading;

(x) there is an outbreak of hostilities involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America or the People's Republic of China, or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;

(y) a change to the board of directors or the chief executive officer or chief financial officer of the Company occurs

(z) a member of the Company charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property;

(aa) a person other than ASIC or any other government agency commences any inquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Prospectus;

(bb) a statement in any certificate provided by the Company or SaleCo to the Lead Manager is false, misleading, inaccurate or untrue or incorrect; and

(cc) any of the Escrow Agreements are terminated, rescinded, altered or amended, breached or failed to be complied with, without the consent of the Lead Manager, such consent not to be unreasonably withheld.

The Lead Manager may terminate the Underwriting Agreement if any of the termination events listed at (o) to (cc) occur and the Lead Manager believes that such event has had or is likely to have a material adverse effect on the Offer or has given rise to, or is likely to give rise to, a contravention of the applicable laws to the Offer or a liability for the Lead Manager.

7.9.5 Indemnities

Subject to certain conditions, the Company and SaleCo will indemnify the Lead Manager and its related bodies corporate and their officers, Operating Business Owners, employees and advisers against, in general terms, all losses that result from any false or misleading information that is circulated in respect of the Offer and against any non-compliance by the Company and SaleCo with their legal obligations.

In addition, the Company and SaleCo each release the Underwriter from any claim that may be made by the Company and SaleCo to recover from the Underwriter any losses suffered or incurred by the Company and SaleCo arising from the Underwriter’s participation in the preparation of documents relating to the Offer or in relation to the making of the Offer.

7.10 Escrow arrangements

7.10.1 Voluntary Escrow

The Escrowed Shareholders have agreed to enter into voluntary Escrow Agreements with the Company under which they will be restricted from dealing with the Shares they hold on Completion ("Escrowed Shares") for a certain period.

In the case of:

+ Ellerston, where 30% of it's Shares, are escrowed for a period of up to 6 months. Where the Company's Share price on ASX is $1.40 or higher, or the Company notifies ASX of a profit downgrade, the escrow restrictions on Ellerston's Shares will cease to apply; and
+ entities associated with the Directors and Management, as well as Operating Business Owners and some external investors who hold Shares, the voluntary escrow period expires on the date that is one month after the Company's FY18 results are announced, with the exception of 453,500 Shares issued to senior management, where Escrow Agreements expire 1 month following the Company's 1H18 results.

Following Completion of the Offer, the Escrowed Shareholders will hold Shares as outlined in the table below[1]:

Escrowed Shareholder	Number of Escrowed Shares (on Completion of the Offer)	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Kelly Investments 1 Pty Ltd[2]	23,253,378	51.3%
Ellerston[3]	2,287,500	5.0%
Operating Business Owners[4]	3,445,451	7.6%
Senior Management	1,725,365	3.8%
External Investors	220,224	0.5%
Independent Directors	100,046	0.2%
Total	**31,031,964**	**68.4%**

[1] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus.

[2] An entity associated with Brett Kelly.

[3] Ellerston Shares are shown on a pro forma basis. Under the Note Deed, Ellerston will be issued with Shares prior to Listing.

[4] Includes Paul Kuchta.

The Company will have a free float of not less than 20% at the time of its admission to the Official List. "Free float" refers to the percentage of the entity's main class of securities that are not restricted securities or subject to voluntary escrow, and are held by non-affiliated security holders. Shares that are part of the free float can be traded freely as they are not subject to any restrictions.

Under the terms of the Escrow Agreements, holders of Escrowed Shares will be prevented from:

+ disposing of, or agree or offer to dispose of, the Escrowed Shares or any legal, beneficial or economic interest in them;
+ creating, or agreeing or offer to create, any security interest or other encumbrance in the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares; and
+ doing, or omiting to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares.

There are limited circumstances in which the Escrowed Shares may be released from escrow, namely:

+ to allow the holders of Escrowed Shares to accept a takeover bid made under Chapter 6 of the Corporations Act;
+ to allow the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; and
+ if required by applicable law (including an order of a court of competent jurisdiction).

7.10.2 Impact of Voluntary Escrow Arrangements on the Company

While the Voluntary Escrow Arrangements are in place, the Company will be deemed to hold a relevant interest in the Escrowed Shares pursuant to section 608 of the Corporations Act. As at Listing, the Company will have a relevant interest in approximately 31,031,964 Shares, which represents approximately 68.4% of the Company's issued capital. Unless an exemption applies, the Company will be restricted under the takeover provisions in Chapter 6 of the Corporations Act from increasing its voting power in Shares.

Further, a person who acquires more than 20% of the Shares in the Company may be deemed to hold the relevant interest that the Company holds in the Escrowed Shares pursuant to the operation of section 608 of the Corporations Act.

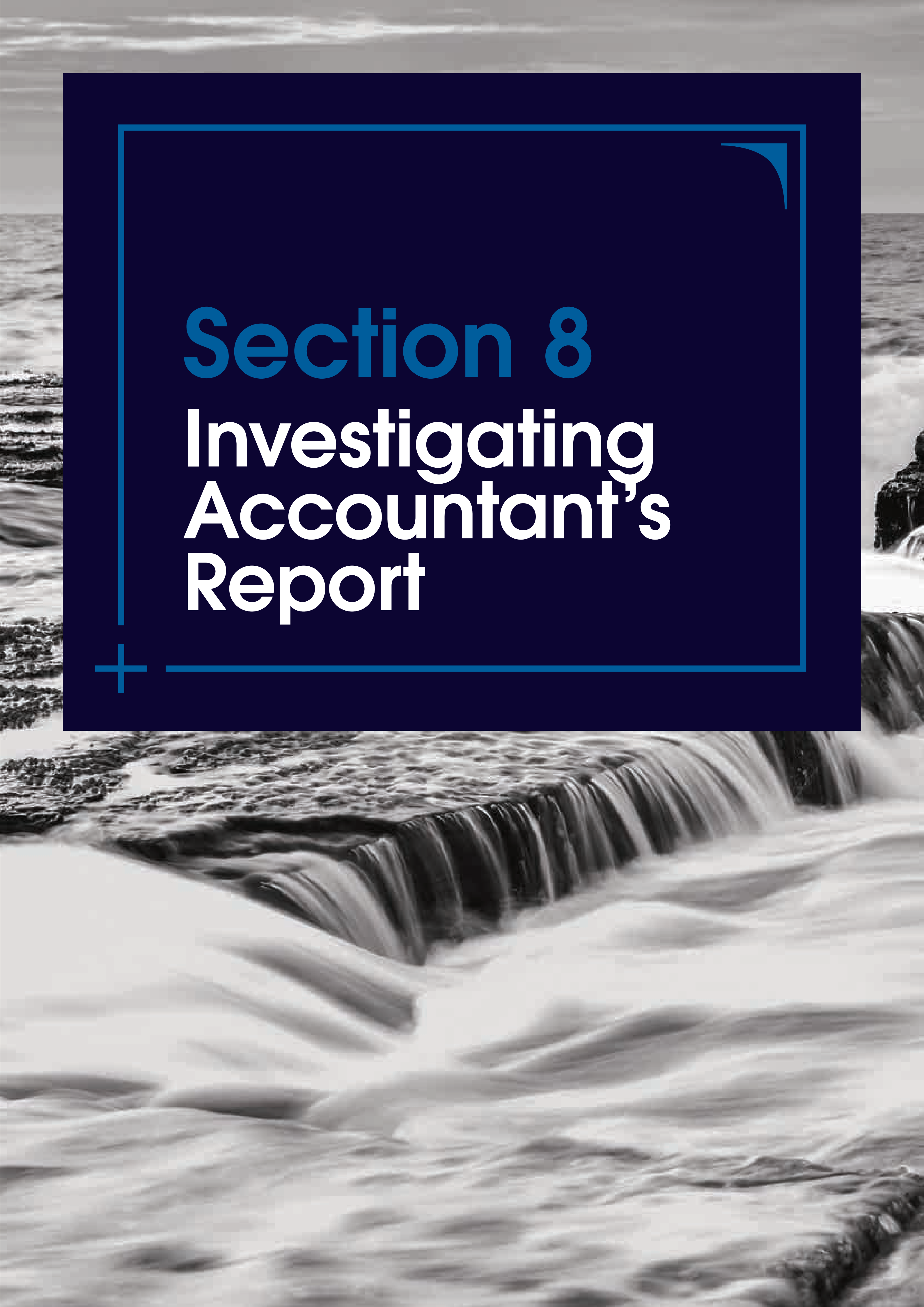
7.11 ASX listing

The Company will apply to ASX within 7 days of the date of this Prospectus for admission to the Official List and for Official Quotation of its securities.

The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the value or merit of the Company or the Shares offered under this Prospectus. Official Quotation if granted, will commence as soon as practicable after the issue of holding statements to Successful Applicants.

If the Company has not been admitted for Official Quotation within 3 months of the date of issue of this Prospectus, then the Company will refund all Application Monies in full.

The Directors will not allocate Shares unless and until ASX grants permission for the Shares to be listed for Official Quotation.



Section 8

Investigating Accountant's Report

Deloitte Corporate Finance Pty Limited
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AFSL 241457

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The Directors
Kelly Partners Group Holdings Ltd
L8, 32 Walker Street
Sydney NSW 2060

16 May 2017

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Kelly Partners Group Holdings Ltd (ACN 124 908 363) (the Company) (the Directors) for inclusion in the prospectus to be issued by the Company (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015 and 30 June 2016 and half years ended 31 December 2015 and 31 December 2016;
- Statutory historical consolidated cash flows before financing, taxation and dividends for the financial years ended 30 June 2015 and 30 June 2016; and
- Statutory historical consolidated statement of financial position as at 31 December 2016,

as set out in Figures 5.3.3, 5.4.1 and 5.5.1 of the Prospectus (together, the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the audited consolidated financial report of the Company and its controlled entities covering the financial years ended 30 June 2015 and 30 June 2016 and from the reviewed half year condensed consolidated financial statements for the half year ended 31 December 2016 (including comparative information). The audit of the consolidated financial report was undertaken by the Company's predecessor audit firm in accordance with Australian Auditing Standards, who issued an unmodified audit opinion. The half-year review was undertaken by Deloitte Touche Tohmatsu in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Statements Performed by the Independent Auditor of the Entity.* Deloitte Touche Tohmatsu issued an unmodified review conclusion on the half-year condensed consolidated financial statements.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Pro forma historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015 and 30 June 2016 and half years ended 31 December 2015 and 31 December 2016;
- Pro forma historical consolidated cash flows before financing, taxation and dividends for the financial years ended 30 June 2015 and 30 June 2016; and
- Pro forma historical consolidated statement of financial position as at 31 December 2016,

as set out in Figures 5.3.1, 5.4.1 and 5.5.1 respectively of the Prospectus (together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Figures 5.3.4, 5.4.2, and 5.5.1 of the Prospectus respectively (the Pro forma Adjustments). The Kelly + Partners Sydney CBD pro forma acquisition adjustment has been derived from the audited consolidated financial report of the BMF accounting and taxation business covering the financial years ended 30 June 2015 and 30 June 2016 and the half years ended 31 December 2015 and 31 December 2016. The special purpose financial reports were audited by Deloitte Touche Tohmatsu in accordance with Australian Accounting Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the financial reports.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory forecast consolidated statement of profit or loss and other comprehensive income and the Statutory forecast consolidated net cash flow of the Company for the financial years ending 30 June 2017 and 30 June 2018 as set out in Figure 5.3.1 and Figure 5.4.1 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 5.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- Pro forma forecast consolidated statement of profit or loss and other comprehensive income and the Pro forma forecast consolidated net cash flow of the Company for the financial years ending 30 June 2017 and 2018 as set out in Figure 5.3.1 and Figure 5.4.1 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Figures 5.3.4 and 5.4.2 of the Prospectus. An audit/review has not been conducted on the source from which the unadjusted financial information was prepared other than as described. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the Company's adopted accounting policies and the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2016. Due to its nature the Pro forma Forecast Financial

Information does not represent the Company's actual prospective financial performance and/ or cash flows for the financial years ending 30 June 2017 and 30 June 2018,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial years ending 30 June 2017 and 30 June 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 4 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 4 and Section 5.8 of the Prospectus.

The sensitivity analysis set out in Section 5.8 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- a review of the extraction of the Statutory Historical Financial Information from the audited consolidated financial report of the Company and its controlled entities covering the financial years ended 30 June 2015 and 30 June 2016 and the half year condensed consolidated financial statements for the half year ended 31 December 2016;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- enquiry of the Directors, management and others in relation to the Statutory Historical Financial Information.

Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial report and half year condensed financial statements of the Company for each of the periods mentioned above;
- consideration of the appropriateness of the Pro forma Adjustments described in Section 5.3, Section 5.4, and Section 5.5 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;

- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2.4 of the Prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 5.2.4 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information:

   a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 5.7 of the Prospectus;

   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

(ii) in all material respects, the Pro forma Forecast Financial Information:

   a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 5.7 of the Prospectus;

   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred prior to 1 July 2016; and

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 5 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

DELOITTE CORPORATE FINANCE PTY LIMITED

Steven Shirtliff
Authorised Representative of
Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR Number 461013

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

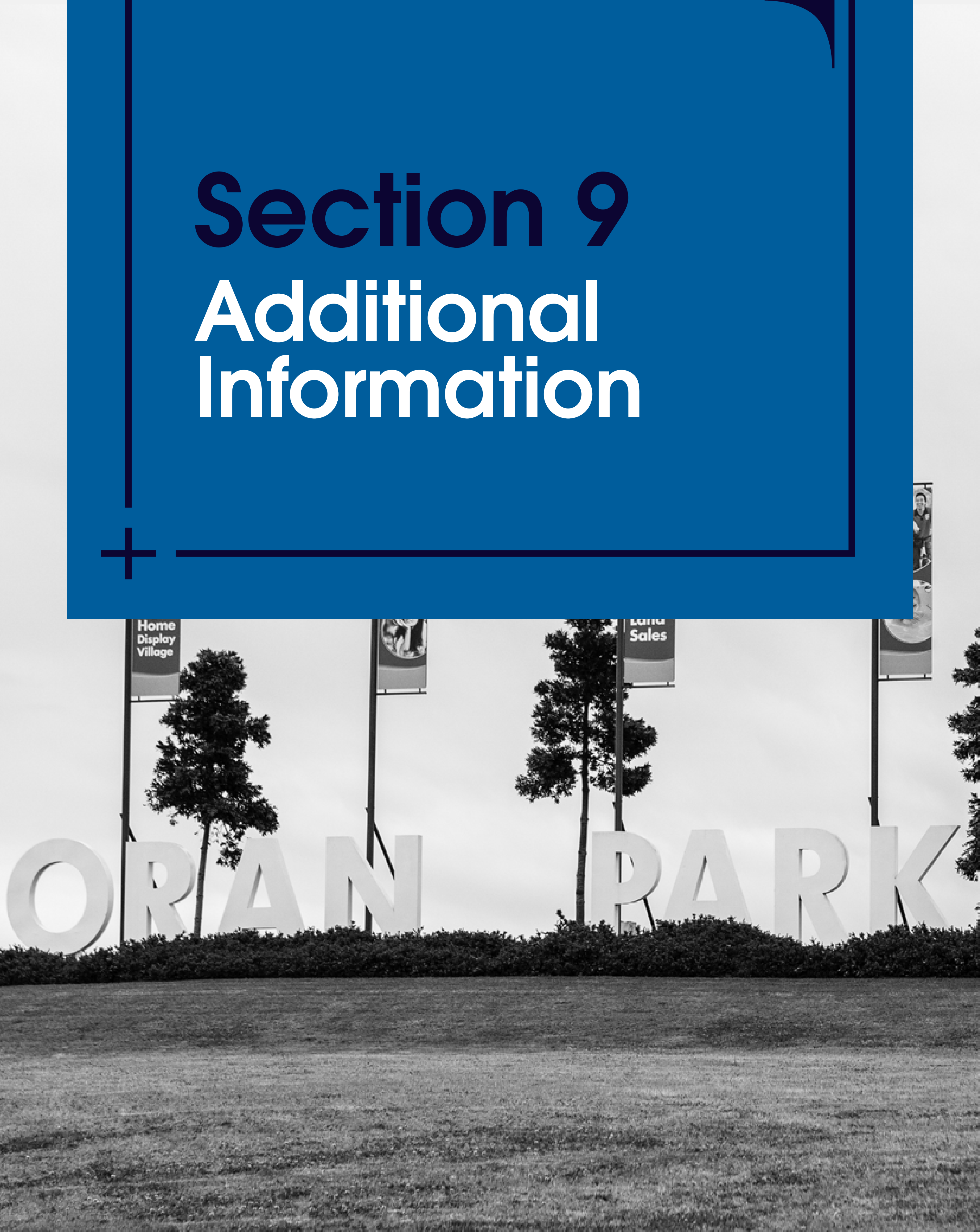
July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

Section 9
Additional Information



Section 9 Additional Information

9.1 Incorporation and company structure

The Company was incorporated in Victoria on 16 April 2007. The structure of Kelly+Partners as at the date of this Prospectus is outlined in Appendix B.

Each Operating Business (other than the Operating Businesses located in the Sydney CBD and Hong Kong) is structured as a separate partnership. A wholly-owned Subsidiary of the Company holds a majority interest in each Operating Business, varying from 50.05% to 58.5%, subject to some limited exceptions. The Operating Business Owners of each Operating Business hold the remaining interest in those Operating Businesses. With respect to Kelly Partners Oran Park, a Subsidiary of the Company holds an effective 25.3% interest through a trust controlled by the Company. Kelly Partners Strategy Consulting is 100% owned by the Company.

9.2 Share capital

As at the date of this Prospectus, the Company has ordinary shares on issue.

9.3 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of existing Shares by the Selling Shareholders.

The Selling Shareholders have offered to sell to SaleCo some of their existing Shares, which will be available for sale by SaleCo into the Offer, free from encumbrances and third party rights, and conditional on Listing.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable for these Existing Shares is the Offer Price. The Company will also issue Shares to Successful Applicants under the Offer.

SaleCo has no material assets or liabilities or operations other than its interest in and obligations under the share sale agreement with the Selling Shareholders. The sole director is Brett Kelly, who is the founder and a director of the Company. The company secretary is Pauline Michelakis, the Chief Financial Officer of the Company. The sole shareholder is Brett Kelly. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer.

9.4 Major shareholders

Details of Shareholders who hold 5% or more of the Shares on issue as at the date of this Prospectus, and who will hold more than 5% after Completion of the Offer, are set out below[1].

Shareholder	Shares held at date of Prospectus (pro forma)	% of total Shares at date of Prospectus (pro forma)	Shares held after completion of Offer	% of total Shares after completion of Offer
Kelly Investments 1 Pty Ltd[2]	25,353,378	59.7%	23,253,378	51.3%
Ellerston[3]	8,125,000	19.1%	7,625,000	16.8%

[1] Share data excludes the Employee Share Scheme, which has been adopted by the Board but no grants have been made as of the date of this Prospectus.

[2] An entity associated with Brett Kelly.

[3] Ellerston Shares are shown on a pro forma basis. Under the Note Deed, Ellerston will be issued with Shares prior to Listing.

9.5 Material contract summaries

The Directors consider that the contracts summarised in this Section 9 are significant or material to the Company and that an investor may wish to know their key details in deciding whether to invest in the Company. These summaries are not complete and are qualified by the text of the contracts themselves.

9.5.1 Partnership Agreements

As noted in Section 9.1, the majority of the Operating Businesses are structured as Partnerships. A Partnership Agreement governs the relationship of each Operating Business structured as a Partnership. Each Partnership Agreement is predominately on identical terms. The key terms of the Partnership Agreements are:

- **Agent Company**: A company ("Agent Company") is incorporated to act as the undisclosed agent for each Partnership, and enters into contracts including leases for and on behalf of the Partnership. The intention of the Company is that the shareholding of each Agent Company is identical to the proportions in which the Partnership interests are held.
- **Key Persons**: The relevant key person nominee of the Company's Subsidiaries (currently Brett Kelly) and a principal of the Partnership are parties to the Partnership Agreement as 'key persons'. The key persons (other than Brett Kelly) agree to provide services for the Partnership, and guarantee in favour of the other parties, the performance of the Partnership Agreement by their relevant nominee partner.
- **Central Charge and IP**: The Partnership agrees to pay fees based on revenue for centralised management services to the Company. Under the terms of a central charge fee deed entered into between the Company and each Agent Company as agent for its Partnership, the Company can appoint a nominee to receive the fee payable under the central charge fee deed. The Company licences to each Partnership a right to use the Company's intellectual property, including the Kelly+Partners name, logo, business names, domain names and its systems and processes under the terms of an IP fee deed. Each Partnership pays a fixed fee based on revenue to the Company for the use of the intellectual property.
- **Profits**: The pretax profits of the Partnership are distributed to the Company's Subsidiary and the Operating Business Owner in proportion to their Partnership interest on a monthly basis.
- **Decision Making**: A quorum of the Partnership or Agent Company (as applicable) is 2 partners or directors (as applicable) and must include Brett Kelly as the Company's Subsidiary key person. Decisions are made either by 'Ordinary Resolution' (50%) or 'Special Resolution' (75%). Voting entitlements are in proportion to its Partnership interest.
- **10 Year Initial Term**: Partnerships are automatically extended for further periods of 10 years on each 10 year anniversary of the 'Initial Term' unless the parties to the Partnership Agreement unanimously agree otherwise. Within 28 days of the end of each 'Initial Term', a partner in the Partnership (other than the Company's Subsidiary holding the Partnership interest) may give notice to the other parties to the Partnership Agreement that it wishes to terminate or retire from the Partnership. If the Company's Subsidiary wishes the 'Initial Term' to be extended but each of the other partners do not wish to do so, then those other partners must acquire all of the Company's Subsidiary's interest in the Partnership at an agreed price, based on the higher of 1) an independent expert's determination of fair market value, or 2) a multiple of the Partnership's EBITDA.
- **Transfer of Interests**: The Company's Subsidiary may transfer its ownership interest to a third party at any time, however it must first offer the other partners a right of first refusal to match any third party offer.
- **Drag Along:** If a third party wishes to acquire the Partnership, and partners who hold more than 50% of the Partnership interests wish to sell their interests to the third party, those partners may require the other partners to dispose of their interests to the third party on the same terms.

9.5 Material contract summaries (continued)

- **Death / disability**: If the 'key person' (other than Brett Kelly) dies or becomes permanently disabled, that partner grants to the other partners and the Company's Subsidiary the option to acquire their interest in the Partnership at an agreed price.

9.5.2 Acquisition Agreements

The Company generally adds additional Operating Businesses to its network by acquiring existing accounting businesses. This acquisition is typically governed by an agreement for termination of existing interests and formation of a new Operating Business (typically as a Partnership).

9.5.3 Acquisition of the Kelly Partners Sydney CBD business

In January 2017, the Company acquired a 50.05% interest in Kelly Partners Sydney CBD (being the Operating Business located in the Sydney CBD).

The Company's Subsidiary's shareholding interest in the Operating Business located in Sydney CBD is governed by the terms of a shareholders agreement. The terms of that agreement are substantially the same as the terms of the Partnership Agreements described in Section 9.5.1 above, other than the Agent Company and 10 year term provisions. Key terms to note in respect of the Company's Subsidiary's acquisition of this Operating Business are:

- **Earn Out**: An earn out is payable if Kelly Partners (Sydney) Pty Ltd reaches a certain revenue target during the Earn Out Period. The 'Earn Out Period' is 1 January 2018 – 31 December 2018 and the earn out amount is calculated by reference to the actual revenue of Kelly Partners (Sydney) Pty Ltd.
- **Contribution**: The pro forma contribution of this acquisition to the consolidated financial pro forma of the Company is included in the pro forma consolidated income statement set out in Figure 5.3.1 in Section 5.3.

9.5.4 Ellerston Convertible Note

In December 2016, the Company issued a convertible note in the amount of $6,500,000 ("Note") to Ellerston pursuant to the terms of a convertible note deed between the Company, Ellerston and Brett Kelly ("Note Deed").

The Company provided warranties to Ellerston in the Note Deed including title and capacity, information, financial information, litigation and compliance with laws warranties. The time limitation period for Ellerston to make a claim for a breach of warranty is the later of the date of the Listing and the expiry of any escrow period relating to the Listing. The maximum liability of the Company as a result of any claims by Ellerston is $6,500,000.

The Note is convertible into shares in the Company (at a specified discount) on the occurrence of this IPO. Upon Completion of the Offer, Ellerston will hold 7,625,000 of Shares equal to approximately 16.8% of the Company on a fully diluted basis. Ellerston has agreed to a voluntary escrow period of up to 6 months from the date of Listing for 30% of it's Shares. Where the Company's Share price on ASX is $1.40 or higher, or the Company notifies ASX of a profit downgrade, the escrow restrictions on Ellerston's Shares will cease to apply. If the Company does not become admitted to the Official List by 20 June 2017, interest of 10% per annum will become payable on the Note.

9.5.5 Issue of Shares to management team

In aggregate, the Company's management team received 453,500 Shares prior to the date of this Prospectus for services provided to the Company.

9.5.6 Moriah College Scholars in Entrepreneurship

Kelly+Partners has agreed to provide funding of up to $500,000 over 10 years to support the establishment of The Moriah College Scholars in Entrepreneurship. This offers high school students of Moriah College located in Queens Park, Sydney, the opportunity to travel to Israel to develop their entrepreneurial skills.

9.6 Borrowings

Part of the funds raised in the Offer will be used to repay the Company's borrowings, the Company will retain a redraw facility with Westpac Banking Corporation. However, the Operating Businesses will continue to have secured loan facilities provided by Westpac Banking Corporation. These borrowings consist of overdraft facilities, term loans and equipment finance facilities, and these loans are recourse only to the cashflows and assets of that Operating Business. The loans are typically secured over the Operating Businesses as well as personal guarantees from the Operating Business Owners. All Operating Business loans are non-recourse to the Company.

9.7 Employee Share Scheme

The Company has adopted the Employees Share Scheme in order to assist in the motivation and retention of selected employees of the Company. The Employee Share Scheme is designed to align the interest of eligible employees more closely with the interest of Shareholders, by providing an opportunity for eligible employees to receive equity interest in the Company.

There are no grants under the Employee Share Scheme at this time and future grants will be made by the Company as part of its remuneration process. The Company may offer additional incentive schemes to our senior management over time.

A summary of the key terms of the Employee Share Scheme is outlined below.

Term	Meaning
Eligibility	Participants must be a permanent full-time or part-time employee, an executive director or a selected casual employee or selected contractor of Kelly+Partners ("Participant").
Administration	The Employee Share Scheme will be administered by a committee selected by the Board ("Plan Committee"), or if no committee has been selected, by the Board.
Consideration	Tax exempt Shares ("Plan Shares") will be offered at no cost to the Participant.
Maximum discount	The total discount on Plan Shares issued to a Participant must not exceed $1,000.
Non-discriminatory basis	At least 75% of Australian resident permanent employees who have completed their probationary period as at the date of the Prospectus will be offered Plan Shares.
Plan Shares	Plan Shares will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time.
Quotation	If other shares are officially quoted on the ASX at the time of issue of Plan Shares, the Company will apply for Official Quotation of the Plan Shares.
Disposal restrictions	In addition to any disposal restrictions set out in a letter of offer, a Participant must not sell, transfer, encumber or otherwise deal with any Plan Shares until the earlier of three years after the date of issue or when the Participant ceases to be employed by Kelly+Partners.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the Employee Share Scheme, provided that no amendment may reduce the accrued rights of Participants unless (1) consented to by Participants holding 75% of Plan Shares issued under the Employee Share Scheme, (2) required by law, (3) to correct any manifest error or mistake or (4) for certain tax reasons.
Other terms	The Employee Share Scheme also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the Employee Share Scheme.

9.8 Rights and liabilities attaching to Shares in the Company

A summary of the key rights and obligations attaching to the Shares is set out below. The provisions of the Constitution relating to the rights attaching to the Shares must be read subject to the Corporations Act and other statutory law, the Listing Rules and general law.

This summary is not exhaustive and is not a definitive statement of the rights, liabilities and restrictions attaching to the Shares. To obtain such a statement, Applicants should seek independent legal advice.

9.8.1 Ranking

The Shares will be fully paid ordinary shares and will rank equally in all respects with the existing fully paid ordinary shares in the Company.

9.8 Rights and liabilities attaching to Shares in the Company (continued)

9.8.2 Reports and Notices

Members are entitled to receive all notices, reports, accounts and other documents required to be sent to members under the Constitution and the Corporations Act.

9.8.3 General Meetings

Members are entitled to receive at least 28 days' notice of a general meeting and to attend and vote at general meetings.

Members are entitled to be present in person, or by proxy, attorney or representative (where the member is a body corporate) to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution.

9.8.4 Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present there is only one class of shares), at a general meeting of the Company:

(i) every member present in person, or by proxy, attorney or representative has one vote on a show of hands; and

(ii) upon a poll every member present in person or by proxy, attorney or representative has one vote for every fully paid share held.

The Directors may determine that direct voting will be available for any general meeting or class meeting.

In the case of joint holders of a Share, where more than one joint holder votes, the vote of the holder whose name appears first in the share register will be accepted to the exclusion of the others whether the vote is given personally, by attorney or proxy.

A poll may be demanded by the Chairperson, or by at least 5 members present and entitled to vote at the general meeting, or by a member or members present and with at least 5% of the votes that may be cast on the resolution on a poll.

9.8.5 Dividends

The Directors may resolve to pay any dividend they think appropriate. Subject to any special rights or restrictions attaching to any Shares, dividends must be paid equally on all fully paid Shares (which were fully paid for the entire period to which the dividend relates).

9.8.6 Winding Up

In a winding up:

(i) members are entitled to share in any surplus assets available for distribution / dividend in proportion to the capital paid up (or which ought to have been paid up) on the Shares held by them; and

(ii) if there is a deficiency in the assets available for distribution / dividend to repay the whole of the paid up capital, the assets will be distributed so that the losses are borne by the members in proportion to the capital paid up or which ought to have been paid up, on the Shares held by them.

9.8.7 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's Shares, a member may transfer any of the member's Shares by a proper ASX Settlement transfer, a written transfer in any usual form or in any other form approved by the Directors.

The Directors may decline to register a transfer of Shares or apply for a holding lock to prevent a transfer in accordance with the Corporations Act or Listing Rules if:

(i) the Company has a lien on the Shares the subject of the transfer;

(ii) the Company is served with a court order that restricts a member's capacity to transfer the Shares;

(iii) registration of the transfer may break an Australian law;

(iv) the Constitution or the Listing Rules permits them to do so (including during the escrow period for restricted securities);

(v) if the transfer is paper-based, either a law related to stamp duty prohibits the Company from registering it or registration of the transfer will create a new holding which at the time the transfer is lodged is less than a marketable parcel;

(vi) if the transfer does not comply with the terms of any employee incentive scheme of the Company; or

(vii) the member has agreed in writing to the application of a holding lock (which must not breach an ASX Settlement Operating Rule) or that the Company may refuse to register a paper-based transfer.

9.8.8 Future Increases in Capital

The issue of Shares and other securities of the Company is under the control of the Directors and is also subject to the Constitution, the Listing Rules and the Corporations Act. Any Share, option or other security may be issued with such preferred, deferred or other special rights or restrictions, whether with regard to dividends, voting, return of capital, payment of calls or otherwise, as the Directors decide.

The Company may issue preference Shares, including preference Shares which are liable to be redeemed or converted into Shares.

9.8.9 Variation of Rights

The rights attaching to any class of Shares may be varied with:

(i) the consent in writing of the holders of at least 75% of the issued Shares of that class; or

(ii) the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the class.

9.8.10 Alteration of Share capital

The Company may, by resolution, make any reduction or alteration to the Company's Share capital which is permitted by the Corporations Act.

9.8.11 Proportional takeover provisions

The Constitution contains provisions requiring approval from at least 50% of members (entitled to vote) before a proportional takeover can proceed. These provisions must be renewed after 3 years from their adoption or they will lapse.

9.8.12 Directors – appointment and retirement

The Constitution contains provisions relating to the rotation of Directors (other than the Chief Executive Officer). Directors (other than the Chief Executive Officer) must retire at the end of the third annual general meeting following their appointment and can stand for re-election. If at an annual general meeting there are no Directors required to retire by rotation, the Director (excluding the Chief Executive Officer) who has been in office the longest must retire and may stand for re-election.

9.9 Corporations Act

The takeovers provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain restrictions apply.

While the Voluntary Escrow Arrangements are in place, the Company will be deemed to hold a relevant interest in the Escrowed Shares pursuant to section 608 of the Corporations Act. As at Listing, the Company will have a relevant interest in approximately 31,031,964 Shares, which represents approximately 68.4% of the Company's issued capital. Unless an exemption applies, the Company will be restricted under the takeover provisions in Chapter 6 of the Corporations Act from increasing its voting power in Shares. A person who acquires more than 20% of the Shares in the Company will be deemed to also hold the relevant interest that the Company holds in the Escrowed Shares, pursuant to the operation of section 608(3) of the Corporations Act.

The Corporations Act also imposes notification requirements on persons having voting power of more than 5% in the Company.

9.10 Tax considerations

The following comments provide a general summary of the Australian income tax, capital gains tax (CGT), GST and stamp duty issues for Shareholders who acquire Shares under the Offer.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who acquired Shares in connection with an employee share scheme, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (Cth) (the Taxation of Financial Arrangements or TOFA regime).

9.10 Tax Considerations (continued)

9.10.1 Disclaimers

This summary is based on the tax laws in Australia in force at the time of the Offer (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. If there is a change, including a change having retrospective effect, the tax, stamp duty and GST consequences would have to be re-considered in light of the changes. Other than as required by law, the Company has no responsibility to update this summary for events, transactions, circumstances or changes in any of the facts, assumptions or representations occurring after this date.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholder's specific circumstances, Shareholders should obtain independent advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances (including whether they are Australian tax resident).

To the extent permitted by applicable law, the Company disclaims all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the shareholder or other party.

9.10.2 Taxation of Dividends- Australian tax resident shareholders

9.10.2.1 Individuals and complying superannuation entities

Individuals and complying superannuation entities who receive a dividend should include the dividend in their assessable income. If the Shareholder satisfies the "qualified person" rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However, such Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

9.10.2.2 Companies

Corporate Shareholders should include the dividend in their assessable income. Subject to satisfaction of the qualified person rules, corporate Shareholders should also include any franking credits attached to the dividend in their assessable income. A tax offset should then be allowed up to the amount of any franking credit attached to the dividend. In addition, the corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend. The corporate Shareholder can then pass on the benefit of the franking credit to its own Shareholder(s) on the payment of dividends by the corporate Shareholder.

Where franking credits received by a corporate Shareholder exceed the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

9.10.2.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

Notably, as the qualified person rules can be complex in the context of distributions / dividends received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

9.10.2.4 Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares continuously "at risk" for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the day on which the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for a continuous period of 45 days (not including the date of acquisition or disposal) during the period which commences on the 45th day before, and ends on the 45th day after the day on which the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holdings exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than $5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions / dividends received by a Shareholder indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent tax advice.

9.10.2.5 Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

9.10.3 Future Share Disposals - Australian tax resident shareholders

The disposal of a Share by a Shareholder should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been satisfied. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions / dividends to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

9.10 Tax Considerations (continued)

9.10.4 Dividends – Non-Australian tax resident Shareholders

Shareholders who are not tax resident in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends paid by the Company. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends paid by the Company which are fully franked should not be subject to Australian dividend withholding tax.

9.10.5 Future Share Disposals – Non-Australian tax resident Shareholders

The disposal of a Share by a Shareholder who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (refer to Section 9.10.3 for further details).

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes "taxable Australian property". Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

+ the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
+ the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company's assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder's marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal (refer to Section 9.10.3 for further details). However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

9.10.6 Non-resident CGT withholding

New rules have recently been introduced which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2016. Pursuant to the new rules, a 10% non-final withholding tax may be applied to such transactions at settlement. However, the new rules should not apply to the disposal of a Share on ASX (in accordance with a specific exemption).

9.10.7 Stamp Duty

No stamp duty should be payable by successful applicants on the issue or transfer of Shares to them under the Offer. In addition, no stamp duty should be payable on any subsequent transfer of Shares provided the Shares remain quoted on the ASX.

9.10.8 Goods and Services Tax (GST)

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

9.10.9 Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their TFN, Australian Business Number (ABN) or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, pursuant to the TFN withholding rules, tax should be automatically be deducted at the highest marginal rate, including where relevant, the Medicare levy and Temporary Budget Repair Levy, from unfranked dividends and / or other applicable distributions / dividends. However, Australian tax resident Shareholders may be able to claim a tax credit/ rebate (as applicable) in respect of the tax deducted in their income tax returns.

9.11 Consents

Each party referred to in this Section:

+ does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in the Prospectus is based other than as specified in this Section; and
+ to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each of the following parties has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

+ Deloitte Corporate Finance Pty Limited as Investigating Accountant has also given its consent to the inclusion of the Investigating Accountant's Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus;
+ Deloitte Touche Tohmatsu as auditor;
+ Morgans Corporate Limited as Lead Manager and Underwriter to the Offer;
+ K&L Gates as solicitors to the Offer;
+ Computershare Investor Services Pty Ltd as the Share Registry;
+ Franks & Associates as the Company Secretary; and
+ Grant Samuel Securities Pty Limited as the independent adviser in connection with the Offer.

9.12 Interests of advisers and named persons

This Section applies to persons named in the Prospectus as performing a function as a financial services licensee or in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or promoters of the Company (collectively referred to as "Prescribed Persons"). Except as otherwise set out below or elsewhere in this Prospectus, no Prescribed Person has or during the last 2 years has had any interest in the formation or promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

No sums have been paid or agreed to be paid to a Prescribed Person for services rendered by the Prescribed Person in connection with the promotion or formation of the Company or the Offer except as set out below:

+ Deloitte Corporate Finance Limited will receive professional fees of approximately $382,500 (excluding GST) for accounting services in connection with this Prospectus including the provision of the Investigating Accountant's Report;
+ Morgans Corporate Limited will receive professional fees of approximately $325,000 (excluding GST) for acting as Lead Manager and Underwriter in connection with the Offer;
+ K&L Gates will receive professional fees of approximately $330,000-$350,000 (excluding GST) for legal work undertaken in connection with this Prospectus and the Offer;
+ Grant Samuel Securities Pty Limited will receive professional fees of approximately $500,000 (excluding GST) for acting as Independent Adviser in connection with the Offer; and
+ Computershare Investor Services Pty Ltd has been appointed as the Share Registry and will receive professional fees of approximately $3,000 (excluding GST) for share registry services.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.3 (Purpose of the Offer and use of funds raised).

9.13 Interests of Directors

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

The non-Executive Directors are entitled to be paid for their services as Directors such annual fees as the Directors determine, provided the annual fees do not exceed in aggregate the maximum sum that is from time to time approved by the Members in a general meeting in accordance with the Listing Rules.

Directors are also entitled to be paid or reimbursed for travelling and other expenses properly incurred in attending meetings. The Directors may approve the payment of special remuneration (in addition to the annual fees described above) to any Director who performs extra services or makes special exertions for the Company.

9.14 Costs

If the Offer proceeds, the total estimated costs of the Offer, including legal fees, registration fees, fees for other advisors, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $1.6 million (excluding any applicable GST).

9.15 ASIC and ASX waivers

The Company has not applied for relief from ASIC or sought any ASX waivers.

9.16 Applications outside Australia

This Prospectus does not, and is not intended to constitute an Offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue of Shares to them under this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals have been obtained. Applicants who are nominees or persons proposing to act as nominees should seek independent advice as to how they should proceed.

9.17 CHESS

The Company will apply to be admitted to participate in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement, a wholly owned Company's Subsidiary of ASX, operates CHESS in accordance with the Listing Rules and ASX Settlement Operating Rules.

On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of shares.

The Company will not issue certificates to Shareholders. Shareholders who are issued Shares under this Prospectus will be provided with a transaction confirmation statement which sets out the number of Shares allocated to the Shareholder. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allocated to the Shareholder under this Prospectus. For Shareholders who elect to hold their Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allocated to the Shareholder under this Prospectus. At the end of the month of allocation, CHESS, acting on behalf of the Company, will provide Shareholders with a holding statement that confirms the number of Shares held and any transactions during that month.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register, or Shareholder Reference Number in the case of a holding on the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

A Shareholder may request a holding statement at any other time. However, a charge may be made by the Share Registry for additional statements.

9.18 Dividend policy

It is the Board's current intention to target a dividend payout ratio of approximately 50% of statutory NPAT, after non-controlling interests, and before amortisation of intangibles, per annum.

The Board intends to pay dividends quarterly in arrears in the months of December, March, June and September each year, and it is expected that all future dividends will be franked to the maximum extent possible.

Given the anticipated listing date, no dividends will be paid for the FY17 year. The Board anticipate that the first dividend to Shareholders will be in relation to the quarter ending 30 September 2017, and is expected to be paid in December 2017, subject to the factors outlined below.

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant.

No assurances can be given by any person, including the Directors of the Board, about the payment of any dividend and the level of franking on any such dividend. See Section 9.10 for information regarding certain Australian tax consequences of investing in Shares.

All dividends will be paid electronically. Payment will be credited on the dividend payment date and confirmed by a payment advice sent to the Shareholder.

9.19 Taxation and Tax File Numbers

The acquisition and disposal of Shares will have taxation consequences which will differ depending on the individual circumstances of each investor. All potential investors in the Company should seek their own independent advice in relation to taxation matters.

Please see Section 9.10 (Additional Information) for a general summary of the Australian tax consequences for investors who acquire Shares under this Prospectus.

It is not necessary for Applicants to quote their tax file number. However, Applicants should read the instructions in the Application Form regarding the provision of their tax file number.

All dividends will be paid electronically. Payment will be credited on the dividend payment date and confirmed by a payment advice sent to the Shareholder.

9.20 International Offer restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

9.20.1 Singapore

This document and any other materials relating to the Offer Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Offer Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.20 International Offer restriction (continued)

9.20.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstancesthat amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.20.3 New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer.

If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

9.21 Enquiries regarding the Offer

If Applicants have any queries about the terms of the Offer or how to apply for Shares, Applicants should contact their financial advisor or the Kelly Partners Group Holdings IPO Information Line on 1300 108 618 (within Australia) or +61 3 9415 4318 (outside Australia).

9.22 Privacy statement

By filling out an Application Form, you ("the Applicant") will provide personal information to the Company and the Share Registry. Company laws and tax laws require some of the information to be collected and kept.
The Company, and the Share Registry on its behalf, will collect, hold and use the information provided by Applicants to process Applications, service their needs as Shareholders, provide services requested by Shareholders and to carry out appropriate administration.

If the information requested in the Application Form is not provided, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may be disclosed to the Company's agents and service providers on the basis that they deal with it in accordance with the Company's privacy policy. The types of agents and service providers that may be provided with personal information and the circumstances in which personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research advisers for the purpose of analysing the Shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

You can obtain a copy of the Company's privacy policy from the Company's website at www.kellypartnersgroup.com.au.

Shareholders may request access to their personal information held by (or on behalf of) the Company, and may be required to pay a reasonable charge to the Share Registry in order to access this personal information. Request for access to personal information should be made by writing to or telephoning the Share Registry, the address and contact details for which are given in the Corporate Directory in this Prospectus.

9.23 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

9.24 Directors' responsibility statement

The Directors of the Company state that for the purposes of section 731 of the Corporations Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716(2) of the Corporations Act and have not withdrawn that consent before lodgment of this Prospectus with ASIC.

Each Director and the SaleCo Director consents to the lodgment of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult
- information is known to Applicants or their professional advisers by virtue of any legislation or laws of any State or Territory of Australia or the Commonwealth of Australia

This Prospectus is dated Tuesday 16 May 2017.

Signed on behalf of the Company

Brett Kelly

Brett Kelly

Founder, Executive Chairman and Chief Executive Officer
Kelly Partners Group Holdings Limited

Section 10

Glossary

Section 10 Glossary

10. Glossary

Unless the context requires otherwise:

(a) terms defined in the independent experts' reports included in this Prospectus have the same meaning when used throughout this Prospectus; and

(b) each term below has the meaning set out below, unless this is inconsistent with the context in which the expression is used.

1H	First half of the relevant financial year
2H	Second half of the relevant financial year
AASB	Australian Accounting Standards Board
AEST	Australian Eastern Standard Time
AFSL	Australian Financial Services Licence
Agent Company	has the meaning given in Section 9.5.1 of this Prospectus
Applicant	a person who submits an Application or who will receive Shares if the Offer is Completed
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus
Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited ABN 98 008 624 691
ASX Listing Rules or Listing Rules	the rules of ASX that govern the admission, quotation and removal of securities from the ASX official list as amended, varied or waived from time to time
ASX Principles	the 3rd edition of the ASX Corporate Governance Principles and Recommendations developed and released by the ASX Corporate Governance Council
ASX Settlement Operating Rules	the settlement rules of the ASX as amended, varied or waived from time to time

ATO	Australian Taxation Office
AUD, A$ or $	Australian dollar
Australian Accounting Standards or AAS	Accounting Standards as defined in the Corporations Act 2001
Base Distribution	monthly pretax payment to Operating Business Owners from the Operating Businesses as agreed with the Company
Board	the Board of Directors
Broker	any ASX participating organisation selected by the Company to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker and are not a US Person
Business Day	has the meaning given in the Listing Rules
CA	Chartered Accountant
CAGR	compound annual growth rate
CGT	capitals gains tax
CHESS	Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Chief Executive Officer	the chief executive officer of the Company
Chief Financial Officer	the chief financial officer of the Company
Client Director	refers to Operating Business Owners, as that term is used in the case studies in Section 3
Closing Date	5:00pm (AEST) on the date the Offer closes, which is set out in the "Key Offer Information" Section and may be varied by the Company
Company	Kelly Partners Group Holdings Limited ACN 124 908 363
Completion	the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	the constitution of the Company

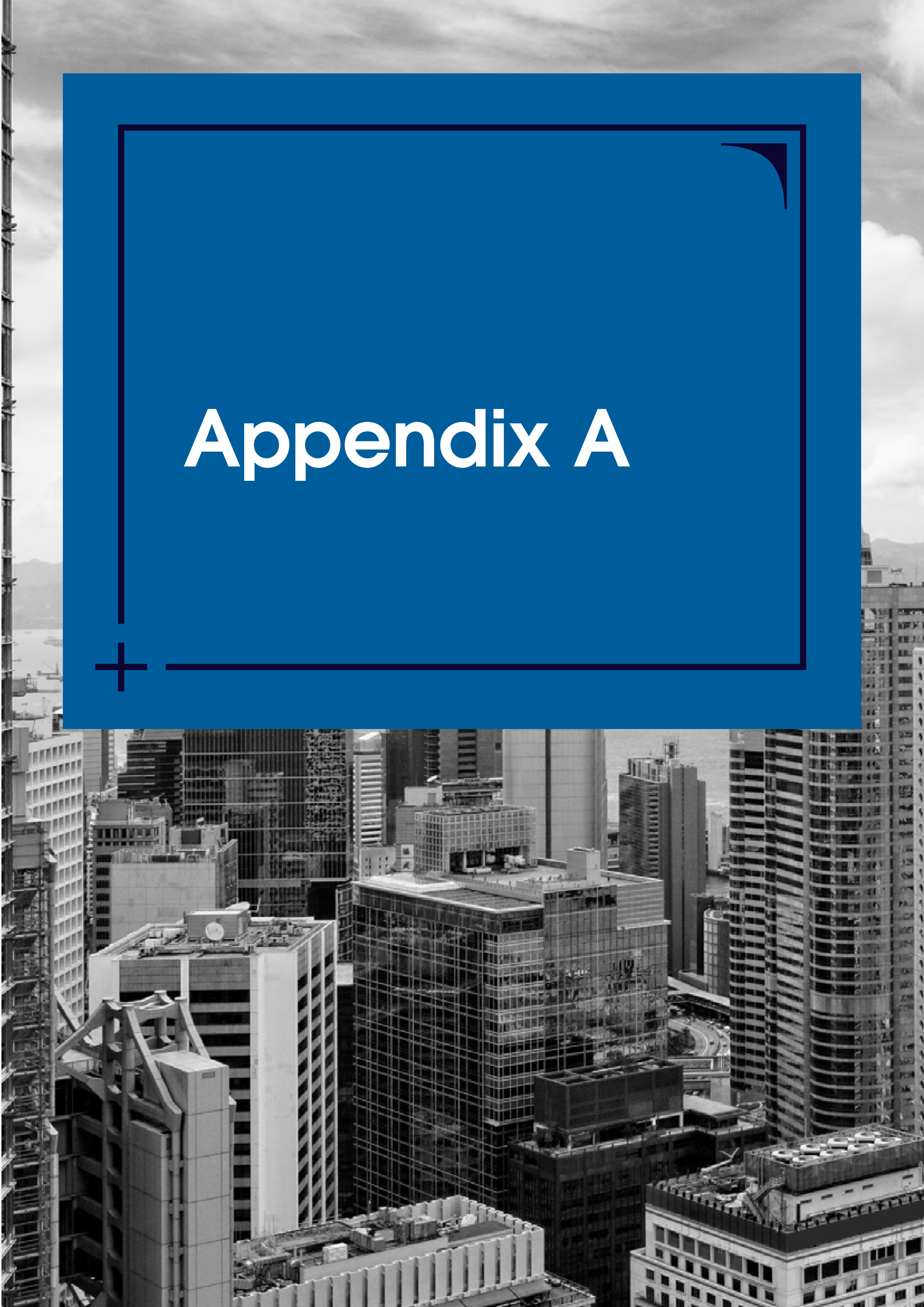
Corporations Act	Corporations Act 2001 (Cth)
CPA	Certified Practicing Accountant
Directors	each of the directors of the Company from time to time
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
Ellerston Capital Limited	Ellerston ACN 110 397 674 as trustee for Kelly Partners Compartment of the Ellerston Special Opportunities Platform
Employee Share Scheme	means the Company's employee share scheme outlined in Section 9.7
Escrow Agreements	escrow agreements that will be entered into between the Escrowed Shareholders and the Company, as described in Section 7.10
Escrowed Shareholders	the following shareholders in the Company whose shares are subject to the Voluntary Escrow Arrangements as set out in Section 7.10: + All Directors and their associated entities (including Brett Kelly and his associated entities) + Ellerston + All senior managers of the Company + All Operating Business Owners who hold Shares + Any other Company employee who holds Shares at the date of this Prospectus
Escrowed Shares	the Shares held by Escrowed Shareholders subject to the Voluntary Escrow Arrangements, as described in Section 7.10
Existing Shareholders	those persons holding Shares as at the date of this Prospectus
Exposure Period	the seven day period after the date of this Prospectus, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
Financial Information	has the meaning given in Section 5.1.1
Fiscal Year or FY	year to 30 June
Forecast Financial Information	has the meaning given in Section 5.1.1
FY15 / 16	the Historical Financial Information for FY15 and FY16
FY17 / 18 Forecast	the Forecast Financial Information for FY17 and FY18
GST	has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Historical Financial Information	has the meaning given in Section 5.1.1
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards

Institutional Investor	an investor: + in Australia who is a "wholesale client" for the purpose of section 761G of the Corporations Act and who is either a "professional investor" or "sophisticated investor" within the meaning of sections 708(11) and 708(8) of the Corporations Act; + in New Zealand to whom an offer or invitation can be made without the need for a product disclosure statement under the NZ FMCA, being persons who are an investment business within the meaning of clause 37 of schedule 1 of the NZ FMCA, persons who meet the investment activity criteria within the meaning of clause 38 of schedule 1 of the NZ FMCA, persons who are large within the meaning of clause 39 of schedule 1 of the NZ FMCA, or persons who are a governmental agency within the meaning of clause 40 of schedule 1 of the NZ FMCA; or + in certain other jurisdictions, in the absolute discretion of the Lead Manager, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply), and in all cases, provided that such person is not in the United States
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.7
Investigating Accountant's Report	Deloitte Corporate Finance Pty Limited's ABN 19 003 833 127 Report included in section 8
IPO	initial public offering of Shares
Issue	the issue of Shares pursuant to this Prospectus
Kelly+Partners	the Company and its Operating Businesses
Kelly Partners Sydney CBD	the accounting and taxation business of BMF Chartered Accountants and Business Services (Barry Mendel Frank & Co Services Pty Ltd)
KPG	expected ASX code for the Company
Lead Manager and Underwriter	Morgans Corporate Limited ACN 010 539 607
Listing	the admission of the Company to the official list of the ASX and quotation of the Shares on the ASX and commencement of unconditional trading of Shares on ASX
Management	the management team of the Company
NCI	Non Controlling Interests, comprising the minority equity interests in the Operating Businesses attributable to the Operating Businesses Owners
New Shareholders	persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
New Shares	the new Shares to be issued by the Company under the Offer

Note Deed	means the convertible note deed between the Company, Ellerston and Brett Kelly, as described in Section 9.5.4
NPAT	net profit after tax
NZ FMCA	the Financial Markets Conduct Act 2013 of New Zealand
Offer	the offer to the public to apply for 7.3 million Shares under this Prospectus
Offer Period	the period from the Opening Date and ending on the Closing Date
Offer Price	$1.00 price per Share
Official List	the official list of the ASX
Official Quotation	Official quotation of securities by ASX
Opening Date	the date the Offer opens, which is set out in the "Key Offer Information" Section and may be varied by the Company
Operating Business	a partnership, company or trust in which the Company has an interest
Operating Business Owner	a partner or shareholder in an Operating Business (other than those partners or shareholders which are wholly-owned Company's Subsidiaries of the Company)
Partnership	an Operating Business which is structured as a partnership
Partnership Agreement	in the case of an Operating Business structured as a partnership, the partnership agreement between the Operating Business Owners and the Company's Subsidiary
Prospectus	this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time
SaleCo	KPGH SaleCo Pty Ltd ACN 618 817 566
Sale Shares	has the meaning given in Section 7.1
SaleCo Director	Brett Kelly
Section	a section of this Prospectus
Selling Shareholder	existing Shareholders who may elect to to sell Shares to SaleCo as discussed in Section 7
Settlement	means settlement in respect of the Shares the subject of the Offer, occurring under the Underwriting Agreement
Share	a fully paid ordinary share in the capital of the Company
Share Registry	Computershare Investor Services Pty Ltd
Shareholder	means a person who holds one or more Shares
SME	small and medium enterprise

SMSF	self managed superannuation funds
Subsidiaries	as defined in the Corporations Act
Successful Applicant	an Applicant who is issued or transferred Shares under the Offer
Sydney Time	Australian Eastern Daylight Time (AEST)
TPB	Tax Practitioners Board
Underwriting Agreement	the underwriting agreement dated Tuesday 16 May 2017 between the Company, SaleCo and the Lead Manager
US Person	has the meaning given in Regulation 5 of the US Securities Act
US Securities Act	US Securities Act of 1933, as amended
Voluntary Escrow Arrangements	the voluntary escrow arrangements between the Escrowed Shareholders and the Company, under which the Escrowed Shareholders will be restricted from dealing in Shares that they hold on Completion, as set out in Section 7.10

Appendix A



Appendix A

11.1 Summary of Significant Accounting Policies

11.1.1 Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Company's Subsidiaries

Company's Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

11.1.2 Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, which is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

11.1.3 Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost model as specified below. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line or diminishing value method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets' useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class Depreciation rate

Plant and Equipment 10% - 40%
Motor Vehicles 12.5%
Improvements 10% - 30%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an assets is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

11.1.4 Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

+ loans and receivables; and
+ available-for-sale financial assets.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the condensed consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to clients but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Company renegotiates repayment terms with clients which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Company's available for-sale financial assets comprise listed securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period consolidated condensed consolidated statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the condensed consolidated statement of profit or loss and other comprehensive income , if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account. All other impairment losses on financial assets at amortised cost are taken directly to the asset.

11.1.5 Impairment of non-financial assets

At the end of each reporting period, the Company determines whether there is any evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the valuein use. Value in use is the present value of the future cash flows expected to be derived from an asset or cashgenerating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

11.1.6 Intangible Assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum

of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each Company's Subsidiary in which the Company holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Company can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the Company's Subsidiary's identifiable net assets ('proportionate interest method'). The Company determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Client relationships

Client relationships acquired separately or in a business combination are initially measured at cost. The cost of the client relationships acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, client relationships are carried at cost less an accumulated amortisation and provision for impairment.

Client relationships are amortised over their useful lives, currently estimated to be up to 8 years, and the useful lives are reviewed annually.

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years. It is assessed annually for impairment.

11.1.7 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the interim statement of cash flows and are presented within current liabilities on the condensed consolidated statement of financial position .

11.1.8 Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled .

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Employee benefits are presented as current liabilities in the condensed consolidated statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

11.1.9 Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

11.1.10 Income Tax

The tax expense recognised in the condensed consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the half year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the half year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

+ the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
+ taxable temporary differences arising on the initial recognition of goodwill; and
+ temporary differences related to investment in Company's Subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Tax consolidated group

From 1 July 2012 the Company and its wholly-owned Australian controlled entities formed a tax-consolidated group under the legislation and as a consequence these entities are taxed as a single entity.

11.1.11 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

11.1.12 Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

11.1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

11.1.14 Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the condensed consolidated statement of financial position .

Cash flows in the interim statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

11.1.15 Critical accounting estimates and judgments

The director evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimates - impairment of goodwill

Goodwill is tested for impairment annually and whenever there is an indicator of impairment. There were no indicators of impairment of goodwill at 31 December 2016 and no impairment test has been performed at this date.

11.1.16 Adoption of new and revised accounting standards

The group has adopted all of the new, revised or amended Accounitng 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 impact on the financial performance or position of the group.

11.1.17 New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The group has decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the group.

AASB 9 Financial Instruments (effective 30 June 2019)

The Standard contains significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using IFRS 9 are to be measured at fair value.

Impairment of assets is now based on expected losses in IFRS 9 which requires entities to measure: (i) the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or (ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The impact of the adoption of this standard is yet to be assessed by the group.

AASB 15 Revenue from contracts with customers (effective 30 June 2019)

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

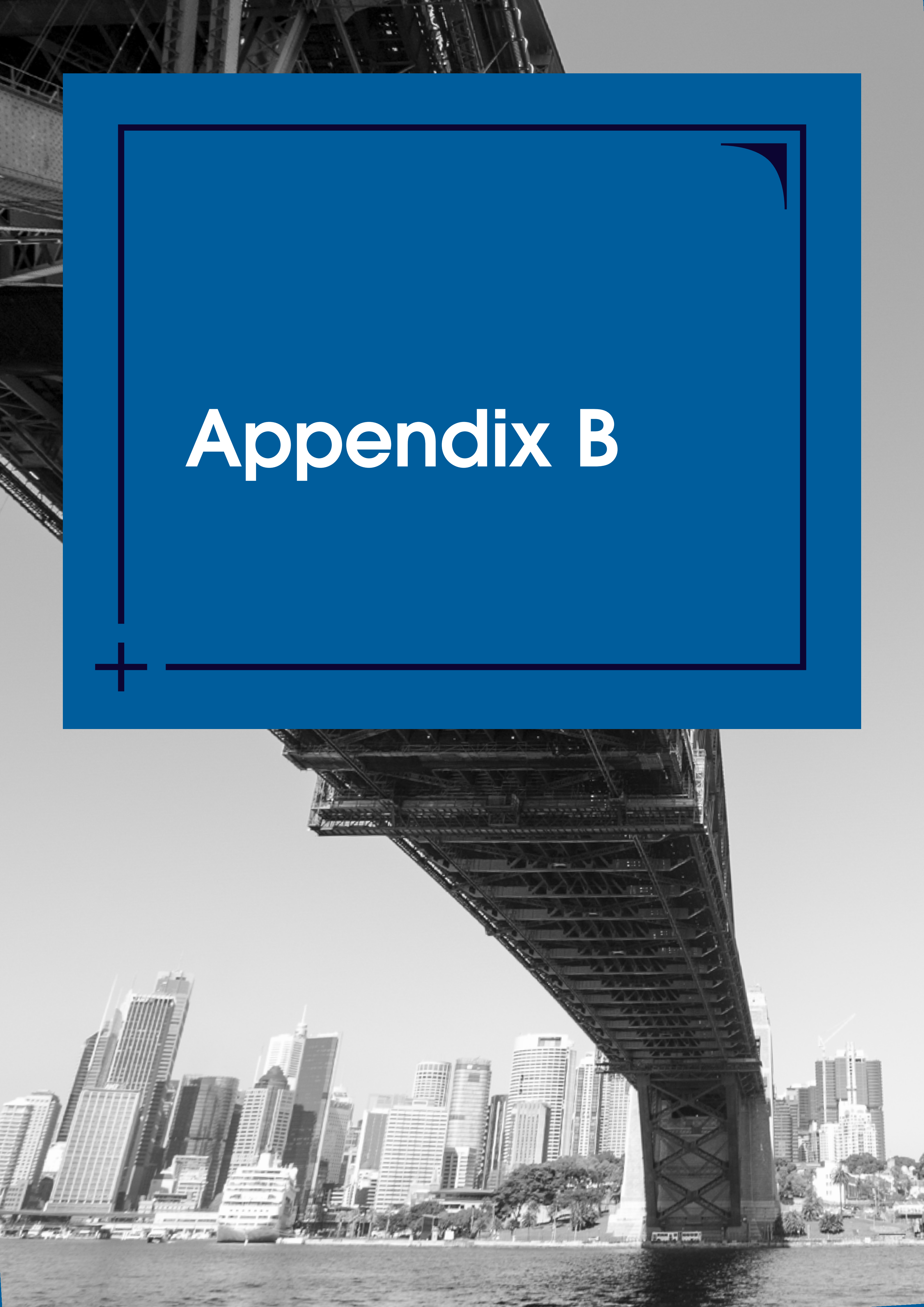
The impact of the adoption of this standard is yet to be assessed by the group.

AASB 16 Leases (effective 30 June 2020)

AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.

Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating leases which it is anticipated will be brought onto the statement of financial position. Interest and amortisation expense will increase and rental expense will decrease.

Appendix B

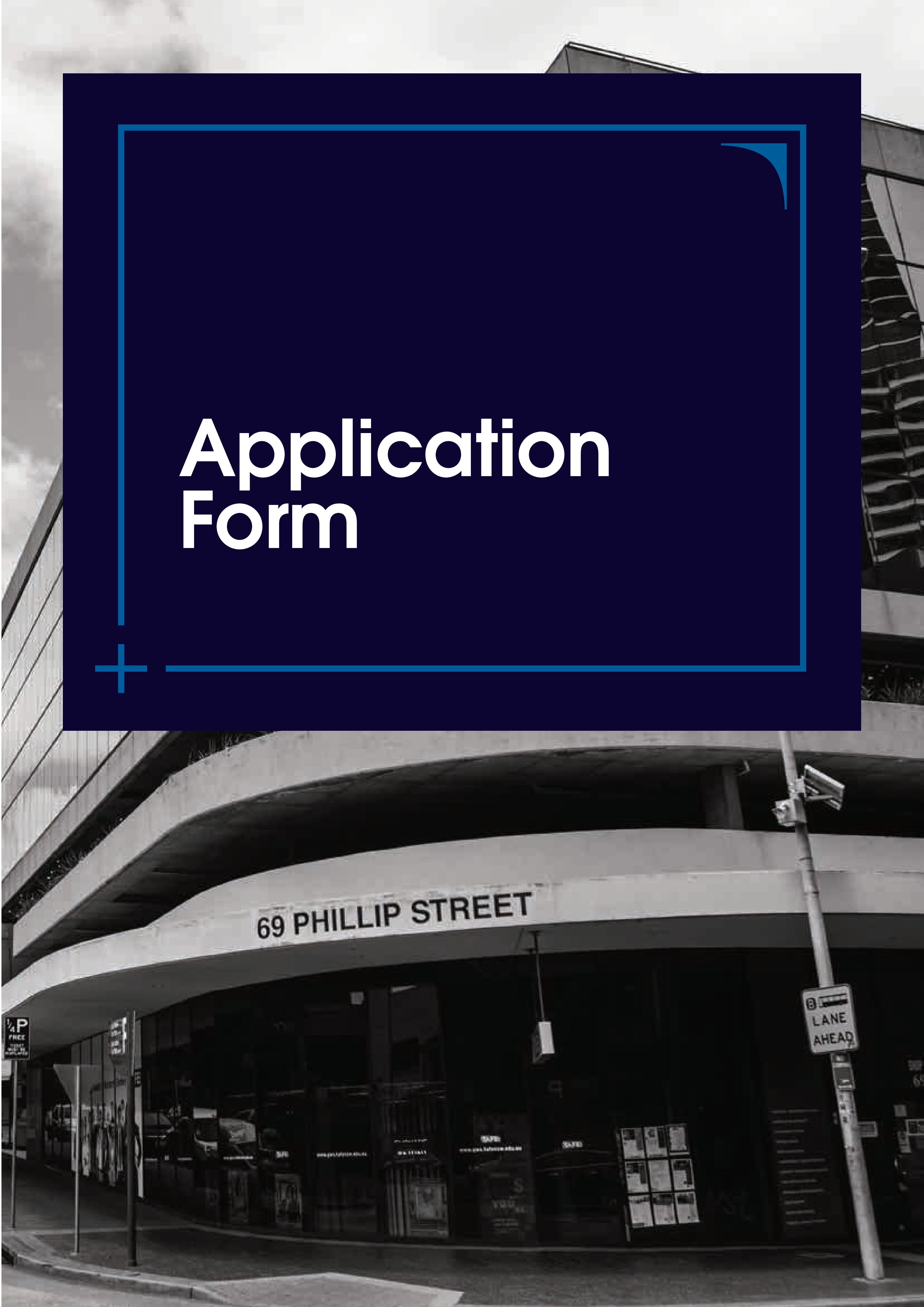


Kelly+Partners Group Structure

Kelly Partners Group Holdings Limited
ACN 124 908 363 | ABN 25 124 908 363

- 100% — **KP GH NS Pty Ltd** ABN 76 143 929 444
  - 58.5% — **Kelly Partners North Sydney Partnership** ABN 68 390 743 240
- 100% — **KP GH CC Pty Ltd** ABN 68 143 929 408
  - 50.1% — **Kelly Partners Central Coast Partnership** ABN 60 549 269 281
- 100% — **KP GH WS Pty Ltd** ABN 11 123 933 497
  - 51.0% — **Kelly Partners (Western Sydney) Partnership** ABN 89 349 669 643
- 100% — **KP GH NW Pty Ltd** ABN 55 154 336 160
  - 51.0% — **Kelly Partners Norwest Partnership** ABN 75 229 729 985
- 100% — **KP GH CT Pty Ltd** ABN 73 161 730 347
  - 51.0% — **Kelly Partners Central Tablelands Partnership** ABN 72 715 250 906
- 100% — **KP GH SWS Pty Ltd** ABN 70 150 236 865
  - 50.5% — **Kelly Partners South West Sydney Partnership** ABN 74 977 815 661
- 100% — **KP GH SYD CBD Pty Ltd** ABN 13 614 633 073
  - 50.05% — **Kelly Partners (Sydney) Pty Ltd** ABN 62 616 117 634
- 100% — **KP GH WM Pty Ltd** ABN 33 609 723 828
  - 51.0% — **Kelly Partners Wealth Management Partnership** ABN 75 616 753 947
- 100% — **Kelly Partners Management Services Pty Ltd** ACN 150 368 013
  - 100% — **Trustee of Kelly Partners Services Trust** ABN 11 253 578 717
- 100% — **KP GH WO Pty Ltd** ABN 70 164 103 628
  - 51.0% — **Kelly Partners Wollongong Partnership** ABN18 774 283 070
- 100% — **KP GH NB Pty Ltd** ABN 60 601 734 892
  - 51.0% — **Kelly Partners Northern Beaches Partnership** ABN 98 657 707 381
- 100% — **KP GH SH Pty Ltd** ABN 45 607 785 179
  - 51.0% — **Kelly Partners Southern Highlands Partnership** ABN 16 537 159 939
- 100% — **KP GH TC Pty Ltd** ABN 30 154 570 591
  - 51.0% — **Kelly Partners Tax Consulting Partnership** ABN 61 090 699 320
- 50.5% — **Kelly Partners (South West Sydney) Trust**
  - 50.1% — **Kelly Partners Oran Park Partnership** ABN 30 237 410 625
- 100% — **KP GH HK Pty Ltd** ABN 60 611 195 673
  - 51.0% — **Kelly Partners Management Services (Hong Kong) Limited** Company No. 2267447
- 100% — **KP GH PM Pty Ltd** ACN 616 248 590
  - 51.0% — **Kelly Partners Parramatta Partnership** ABN 12 970 921 154
- 100% — **Kelly Partners Strategy Consulting Pty Ltd** ABN 43 159 477 273

Application Form



Kelly Partners Group Holdings Ltd

ACN 124 908 363

Broker Firm Offer - Return your form to your broker

For all enquiries:

(within Australia) 1300 108 618
(outside Australia) +61 3 9415 4318
Monday to Friday 9.00am to 5.00pm (Sydney time)

Broker Firm Offer Application Form

Broker Firm Offer closes 5.00pm (Sydney time) on Friday, 2 June 2017

This Application Form relates to the Broker Firm Offer by Kelly Partners Group Holdings Ltd (the "Company") of fully paid ordinary shares ("Shares") in the Company, made under the prospectus ("Prospectus") lodged with the Australian Securities and Investments Commission on 16 May 2017 (or any supplementary or replacement prospectus).
You may apply for a mimimum of A$2,000 worth of Shares and in multiples of A$500 thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.
This Application Form is important. If you are in doubt as to how to deal with it, please contact your financial or other professional adviser. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus. Capitalised terms have the meaning given to them in the Prospectus.

By applying under the Broker Firm Offer, you make the acknowledgments, declarations, representations and warranties set out in the Prospectus.

STEP 1 Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares (A$2,000.00). Enter the amount of the Application Monies. Applications for greater than 2,000 Shares must be in multiples of 500 Shares (A$500.00). To calculate this amount, multiply the number of Shares applied for by the offer price which is A$1.00.

STEP 2 Applicant name(s) and postal address

Enter the full name you wish to appear on the confirmation statement. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table overleaf for the correct forms of registrable title(s). Applications using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in CHESS. Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered. Enter your contact name and telephone number. This information may be used to communicate other matters to you subject to the Company's privacy statement. This is not compulsory but will assist us if we need to contact you.

STEP 3 CHESS holdings only

The Company will apply to ASX for Shares to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX. In CHESS, the Company will operate an electronic CHESS subregister of securityholdings and an electronic issuer sponsored subregister of securityholdings.
Together, the two subregisters will make up the Company's principal register of Shares. The Company will not be issuing certificates to applicants in respect of Shares allotted.
If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN.
Otherwise, leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ("SRN") will be allocated to you.
Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued will be held on the issuer sponsored subregister.

STEP 4 Application payment

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with Morgans Financial Limited in order to receive their firm allocation. Applicants under the Broker Firm Offer must not return this Application Form or Application Monies to the Share Registry.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable to "Morgans Financial Limited".

Please note that funds are unable to be directly debited from your bank account. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.

Lodgement instructions

The Broker Firm Offer is expected to close at 5.00pm (Sydney time) on Friday, 2 June 2017, unless varied in accordance with the Corporations Act and ASX Listing Rules.

Application Forms must be received by Morgans Financial Limited by no later than 5:00pm (Sydney time) on the closing date of the offer.

You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Morgans Financial Limited
GPO Box 202
Brisbane QLD 4001

Neither the Share Registry, Morgans Corporate Limited or the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application, please contact your Broker.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS), as registry for Kelly Partners Group Holdings Pty Ltd for the purpose of maintaining registers of securities and facilitating payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Kelly Partners Group Holdings Pty Ltd in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this Application Form or e-mail privacy@computershare.com.au.

Kelly Partners Group Holdings Ltd

ACN 124 908 363

Broker Firm Offer Application Form

STEP 1 **Enter the number of Shares you wish to apply for**

I/we apply for: Price per Share **A$1.00** Application payment **A$** .

STEP 2 **Applicant names(s) and postal address**

Individual / joint applications - refer to naming standards for correct form of registrable title(s)

Title or company name Given name(s) Surname

Joint applicant 2 or account designation

Joint applicant 3 or account designation

Postal address

Unit Street number Street name or PO box

Street name or PO box (continued)

City/Suburb/Town State Postcode

Contact details

( )

Contact name

STEP 3 **CHESS Holdings Only - supply your Holder Identification Number** X

STEP 4 **Cheque(s) must be crossed 'Not Negotiable' and made payable to "Morgans Financial Limited".**

Drawer	Cheque number	BSB number	Account number	Amount of payment
				A$.

Acceptance of the Offer

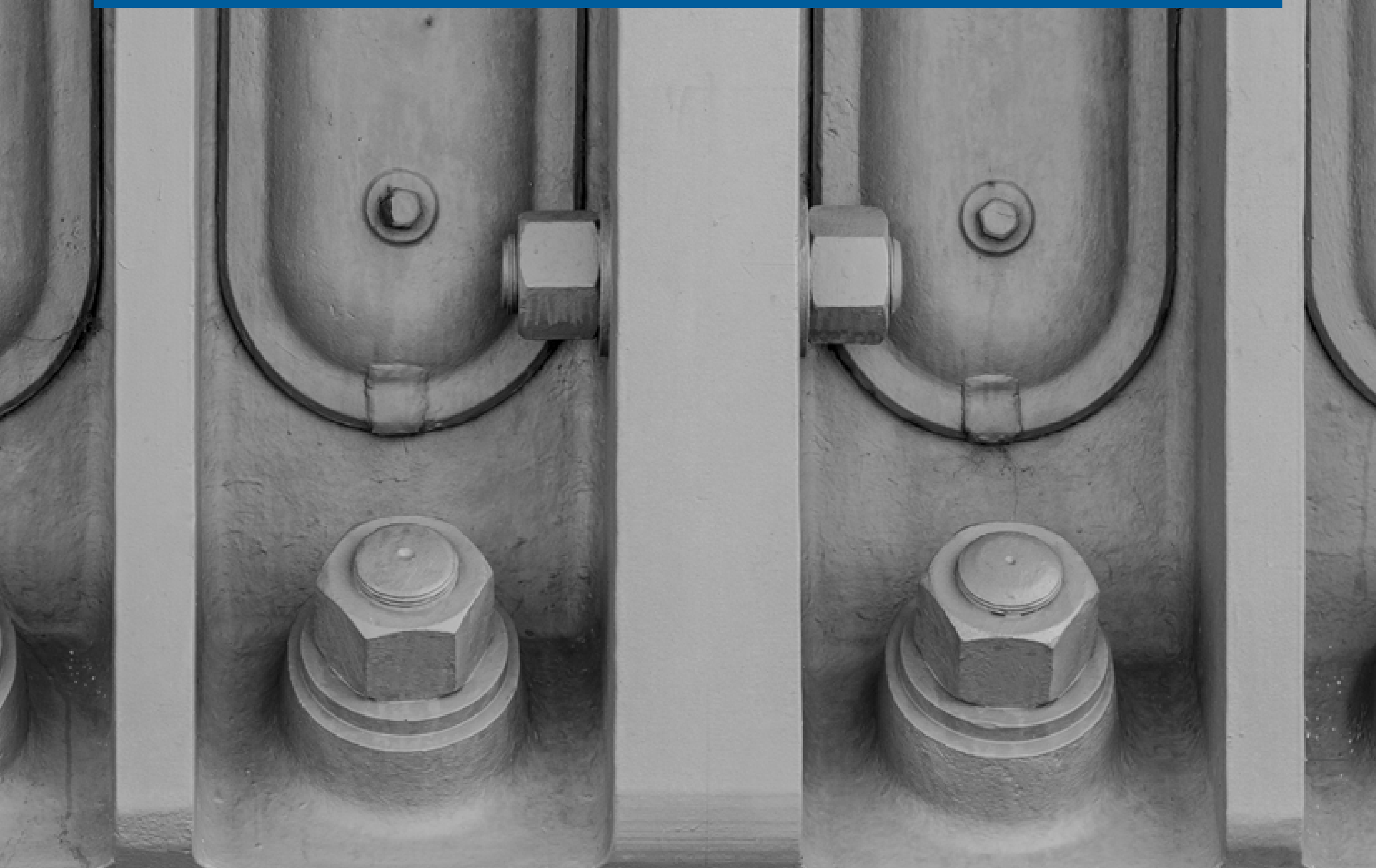
By returning this Application Form with your Application Monies:
- you declare that this Application is completed and lodged according to the Prospectus and the declarations/statements on this Application Form;
- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- you declare that all details and statements made are complete and accurate;
- you declare that each applicant, if a natural person, is at least 18 years old;
- you declare that you are located in Australia or New Zealand, not acting for the account or benefit of any person in the United States;
- you represent and warrant that the law of any other place does not prohibit you from being given the Prospectus and any supplementary or replacement prospectus or making an Application on this Application Form;
- you provide authorisation to be registered as the holder of Shares issued to you and agree to be bound by the Constitution and the Prospectus;
- you apply for the number of Shares set out on or determined in accordance with this Application Form and agree to be issued or transferred such number of Shares, a lesser number or none;- you agree to become a member of the Company and to be bound by and comply with the terms of its Constitution;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement prospectus) is not investment advice or a recommendation that Shares are suitable for you, given your investment objectives, financial situation or particular needs and that the investment performance of shares is not guaranteed by the Company;
- your Application to acquire Shares is irrevocable and may not be varied or withdrawn except as allowed by law;
- you acknowledge that an Application may be rejected without giving any reason, including where this Application Form is not properly completed or where a cheque submitted with this Application Form is dishonoured or for the wrong amount and you authorise the Company to complete or correct this Application Form; and
- you acknowledge that if you are not issued any Shares or you are issued fewer Shares than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) in accordance with the Corporations Act.

Correct forms of registrable titles

Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation or completed as described in the correct forms of registrable title(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L; ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr William Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr William Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Corporate Directory



Corporate Directory

Directors

Brett Kelly
Founder, Executive Chairman and Chief Executive Officer

Stephen Rouvray
Deputy Chairman and Non-Executive Director

Pauline Michelakis
Executive Director and Chief Financial Officer

Paul Kuchta
Executive Director

Ryan Macnamee
Non-Executive Director

Company Secretary

David Franks

ASX Code

KPG

Registered Office

Level 8, 32 Walker Street,
North Sydney NSW 2060 Australia

Telephone: + 61 2 9923 0800
Fax: + 61 2 9923 0888
Email: info@kellypartners.com.au
Website: www.kellypartnersgroup.com.au

Kelly Partners Group Holding IPO Information Line

1300 108 618 (within Australia)
+61 3 9415 4318 (outside Australia)
Hours of operation 8:30am to 5:00pm (AEST) Monday to Friday during the Offer Period

Lead Manager and Underwriter to the Offer

Morgans Corporate Limited
Level 21, Aurora Place 88 Phillip Street
Sydney NSW 2000
Website: www.morgans.com.au

Independent Adviser

Grant Samuel Securities Pty Limited
Level 19 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000 Australia
Telephone: + 61 2 9324 4211
Website: www.grantsamuel.com.au

Investigating Accountant

Deloitte Corporate Finance Pty Limited
Grosvenor Place, 225 George Street,
Sydney NSW 2000 Australia
Telephone: + 61 2 9322 7000
Website: www.deloitte.com.au

Auditor

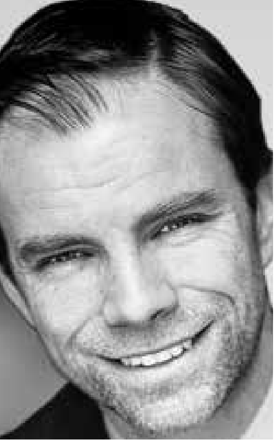
Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street,
Sydney NSW 2000 Australia
Telephone: + 61 2 9322 7000
Website: www.deloitte.com.au

Solicitors to the Offer

K&L Gates
Level 31, 1 O'Connell Street,
Sydney NSW 2000 Australia
Telephone: + 61 2 9513 2300
Website: www.klgates.com

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
Telephone: +61 2 8234 5000
Website: www.computershare.com.au

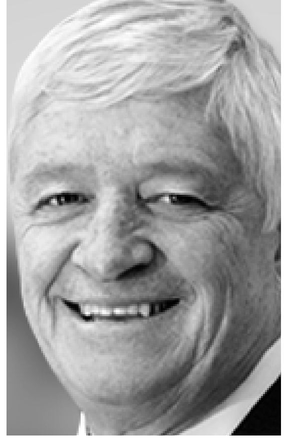


Brett Kelly

Scott Elwin

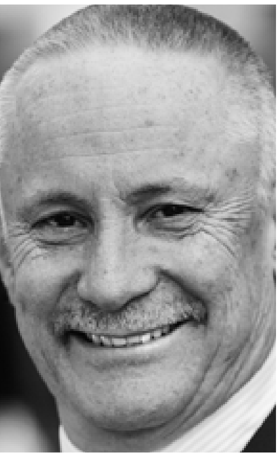
Craig Bullock

Ada Poon



Rex Hoeben

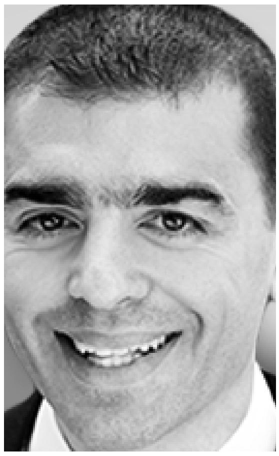
Peter D



Bill Croker

Andrew Howe

Paul Kuchta

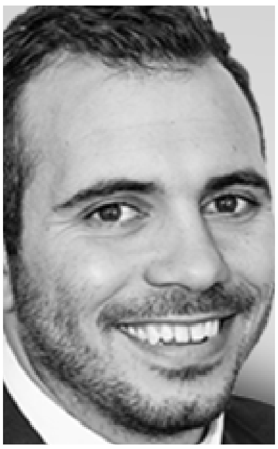


Tony Nunes

Adam Quinn

Anna

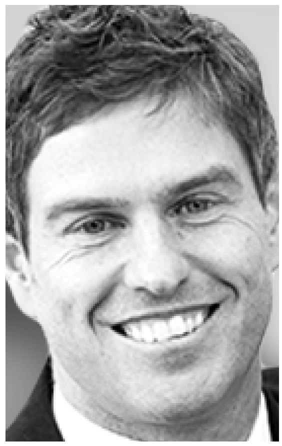
Dylan Barry



Daniel Chiha

Darren Hodgson

Lauren Helmrich

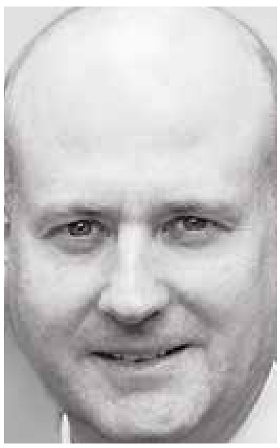


Joel Russell

Ryan Bu

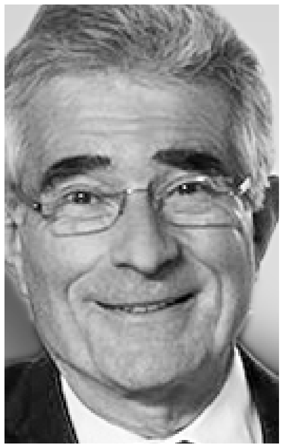
Elisha Hill

Karina Rauch



Trent Doughty

Vanessa Sirotic



Barry Frank

Mark


awkins


Andrew Zoghbi

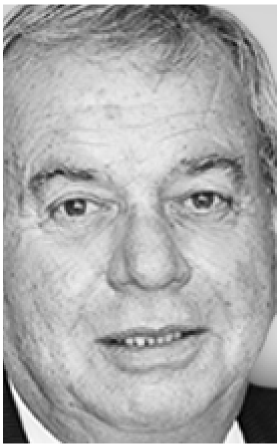

Kim Meredith

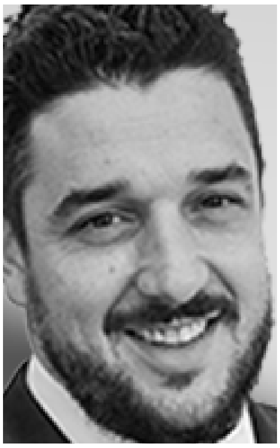

Daniel Kuchta


Charbel Geagea


Peter Campbell

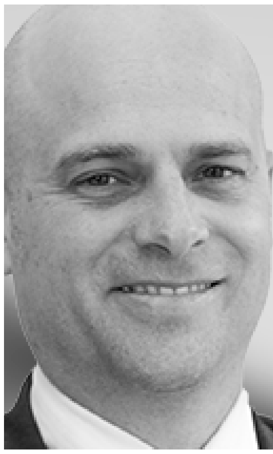

Lewis


Albert Cachia


Ben Twyford


Bill Bartlett

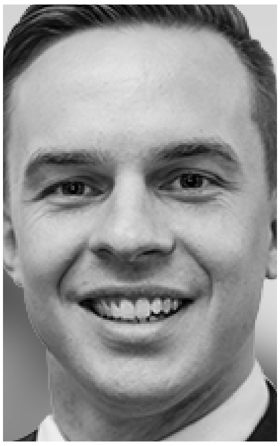

Ryan McCabe


Troy Marsh Apps


ultitude


Kenneth Ko


Linda Chapman


Scott Coombes


Duncan Kerr


David Duff


Prag


Suketu Majithia


Ming Lew


David Irwin


Chris Dent


Kim Lim