Kelly Partners Group Holdings limited

ABN 25 124 908 363

2020
ANNUAL REPORT

Directors	Brett Kelly – Chairman, Executive Director Stephen Rouvray – Deputy Chairman, Non-Executive Independent Director Ryan Macnamee – Non-Executive Independent Director Paul Kuchta – Executive Director Ada Poon - Executive Director
Company secretary	Joyce Au
Notice of annual general meeting	The details of the annual general meeting of Kelly Partners Group Holdings Limited are: Level 53 MLC Centre 19 Martin Place Sydney, NSW 2000 10 a.m. on Wednesday 25 November 2020
Registered office	Level 8 32 Walker Street North Sydney, NSW 2060 Telephone: (02) 9923 0800
Share register	Computershare Investor Services Pty Limited Level 3 60 Carrington Street Sydney, NSW 2000 Telephone: 1300 787 272
Auditor	William Buck Accountants & Advisors Level 29 66 Goulburn Street Sydney, NSW 2000
Stock exchange listing	Kelly Partners Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: KPG) since 21 June 2017
Website	http://www.kellypartnersgroup.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Kelly Partners Group Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. Kelly Partners Group Holdings Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: www.kellypartnersgroup.com.au/investor-centre/corporate-governance-2

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Kelly Partners Group Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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

Brett Kelly - Chairman
Stephen Rouvray - Deputy Chairman
Ryan Macnamee
Paul Kuchta
Ada Poon (appointed on 6 September 2019)

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

Strategy
The Company aims to build per-share intrinsic value by:
- improving the earning power of our subsidiaries;
- further increase our subsidiaries' earnings through tuck-in acquisitions;
- participating in the growth of our subsidiaries and developing complementary businesses;
- repurchasing Company's shares when available at a meaningful discount from intrinsic value; and
- making an occasional large acquisition (i.e. greater than $5m in revenue).

The following table presents the performance of the business against the comparative year in delivering the above strategy:

	Strategy	Measure	FY20	FY19
●	Improving the earning power of our subsidiaries	EBITDA margin of operating businesses	32.5%	27.7%
●	Further increase their earnings through tuck-in acquisitions	Contribution to revenue growth from acquired businesses	6.6%	6.4%
●	Participating in the growth of our subsidiaries and developing complementary businesses	Contribution to revenue growth from existing businesses	9.4%	7.5%*
●	Repurchasing the Company's shares when available at a meaningful discount from intrinsic value	Number of shares repurchased	95,000	2,181
●	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-

* *Excludes Sydney CBD*

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

Return on equity
= Trailing 12 months NPATA/Equity
= $11,222,220 / $22,923,398
= 49.0%

Return on invested capital
= (Trailing 12 months NPATA + Trailing 12 months Cash Interest) / (Equity + Debt)
= ($11,222,220 + $822,514) / ($22,923,398 + $19,011,843)
= 28.7%

Earnings per share
Kelly Partners Group Holdings Limited uses Earnings Per Share ('EPS') as the key financial metric to measure the performance of the Group and its return to shareholders.

EPS	Profit attributable to owners / Weighted average number of shares $4,014,509 / 45,418,414 8.84 cents per share

	FY20	FY19	FY18	FY17 (IPO)
Profit attributable to owners ($)	4,014,509	2,435,695	4,382,654	(2,789,526)
Weighted average number of shares*	45,418,414	45,496,894	45,495,923	33,342,437
EPS (cents per share)	8.84	5.35	9.63	(8.37)
Dividends (cents per share)**	5.39	4.40	4.00	N/A
Dividends payout ratio***	60.97%	82.24%	41.54%	N/A

* Shares outstanding as at 30 June 2020 is 45,400,000 shares
** The Group targets ordinary DPS growth at 10% per annum as well as a 50-75% through-the-cycle payout ratio, with a 3 year average payout of 61.58% since the Initial Public Offering ('IPO') in 2017
*** Dividend per share / Earning per share

Owners' earnings
The Group uses owner's earnings to measure cash flow available to the group. Owner's earnings is a non-IFRS measure which is used to measure cash flow to the Group (after taxes and finance costs) and after taking into account the necessary:

- Additions or deductions of working capital investment (debtors, accrued Income, and other accrual movements) required as the business grows and makes acquisitions;
- Deductions required for the maintenance capital expenditure for the business to maintain on-going operations in the long term; and
- Deducting the repayment of lease liabilities from cash from operations (which AASB16 reclassifies to cash from financing activities).

In FY20, Owners' earnings for the 12 months were $12,516,188 (FY19: $9,673,451).

	$
Net cash from operating activities post implementation of AASB 16	14,644,222
Less: Repayment of lease liabilities	(1,978,034)
Less: Maintenance capex	(150,000)
Owners' earnings	12,516,188

The below table shows the Owners' earnings for the Group since IPO:

	FY20	FY19	FY18
Owners' earnings	$12,516,188	$9,673,451	$6,304,912
YOY Growth %	29.4%	53.4%	

Review of operations

In the year ended 30 June 2020 ('FY20'), the Group has recorded a consolidated statutory net profit after providing for income tax of $10,359,306 (year ended 30 June 2019 ('FY19'): $7,147,654). The statutory net profit attributable to the members of the parent entity was $4,014,509 (FY19: $2,435,695), an increase of 64.8%.

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

Underlying EBITDA and Underlying NPATA are key measurements used by management and the board to assess and review business performance and accordingly the following table provides a reconciliation between profit after income tax expense and Underlying EBITDA.

	Consolidated 2020 $	2019 $
Statutory net profit after income tax ('NPAT')	10,359,306	7,147,654
Finance costs	1,535,539	868,595
Income tax expense	1,473,667	899,616
Depreciation and amortisation expense	3,740,900	1,249,279
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	17,109,412	10,165,144
Add: Non-recurring costs		
Restructuring costs	165,389	197,952
Acquisition costs	540,682	614,882
Other non-recurring expenses	-	131,721
Less: Non-recurring revenue		
One-off government grants in relation to COVID-19	(1,075,910)	-
Lease standard - impact on changes on extension of options	(557,012)	-
Change in fair value of contingent consideration	-	(220,463)
Underlying EBITDA	16,182,561	10,889,236
Impact on adoption of AASB 16	(2,456,469)	-
Underlying EBITDA before implementation of AASB 16	13,726,092	10,889,236
EBITDA	17,109,412	10,165,144
Impact on adoption of AASB 16	(2,456,469)	-
EBITDA before implementation of AASB 16	14,652,943	10,165,144

Underlying NPATA attributable to members of the parent entity was $4,002,232 (2019: $3,193,208), an increase of 25.3%.

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

	Consolidated 2020 $	Consolidated 2019 $
Statutory NPAT attributable to owners of Kelly Partners Group Holdings Limited	4,014,509	2,435,695
Amortisation of customer relationship intangibles	452,728	363,280
NPATA attributable to owners of Kelly Partners Group Holdings Limited	4,467,237	2,798,975
Add: Non-recurring costs		
Restructuring costs	97,914	181,488
Acquisition costs	372,142	347,312
Other non-recurring costs	-	192,861
Less: Non-recurring revenue		
One-off government grants in relation to COVID-19	(592,515)	-
Lease standard - impact on changes on extension of options	(322,321)	-
Change in fair value of contingent consideration	-	(128,971)
Less: Tax effect of non-recurring expenses	(20,225)	(198,457)
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	4,002,232	3,193,208

COVID-19

Management response and action

As at 30 June 2020, the Group has not experienced a slow down in revenue or collections. Out of an abundance of prudence and caution the Group has sought to protect margins through reducing expenses and protect the balance sheet by managing working capital and maximising liquidity through increasing its bank lines of credit. Operationally the Group has as its number one priority looked to protect the physical health, safety and mental well being of its people. The Group has also sought to maximise the integration and use of technology whilst simultaneously upgrading its IT infrastructure and security. In respect of acquisitions, the Group continues to see a strong pipeline and has adjusted its commercial terms and due diligence processes to reflect the current market environment.

In FY20 management undertook the following specific actions:

Income and expenses

- Reduced parent company senior executive salaries by 20% for the months of April, May and June.
- Reduced ongoing expenses in both the parent and the operating businesses through renegotiating spend on overheads, advertising, marketing and other discretionary expenses.
- The Group has negotiated rent abatements for some of its leases where the business operating from the premise has, or is expected, to be impacted by the pandemic.
- Reduced team size. There was no reduction in partner numbers. This was not an easy decision for the business and management sought to limit the impact on staff through firstly reducing non-salary overheads and secondly through voluntary attrition.
- Received government assistance of $1,075,910 for the period 1 April 2020 to 30 June 2020. This income is non-taxable and has been excluded from underlying performance measures.
- Dividend grew but at a slower rate than profits with payout ratio reduced to 61.0% (FY19: 82.2%).

Balance sheet

- Increased group working capital facility limits by $4,179,000 (an increase of 99% on the working capital facilities available to the group in the prior year as at 30 June 2019) to provide additional liquidity lines of credit out of an abundance of caution. There were no changes to the Group's financial covenants as part of this arrangement and the Group's unused limits at 30 June 2020 were $8,745,859 (30 June 19: $3,356,862). There are no facilities due for refinance prior to 30 June 2021. The implementation of AASB 16 increased headroom under the Group's gearing covenant.
- The Group applied additional focus on managing the invoicing of work in progress (WIP) and the collection of debtors. Notably the Group's Working Capital reduced by 15.4% over the year to $4,562,337 (30 June 19: $5,395,745) and runs at 35.9 days.
- Non-essential capital expenditure, including fit-out upgrades, have been indefinitely deferred.

Financial performance

Acquisitions and integration

During FY20 the Group acquired two accounting businesses located in Melbourne and Glenbrook (Blue Mountains) as well as purchasing a small fee base in Bathurst. The Melbourne and Glenbrook acquisitions were both completed on 1 November 2019. These two acquisitions have contributed eight months revenue of $2,293,584 and are expected to contribute approximately $3,200,000 to $3,950,000 in recurring revenue on a full year basis. The Bathurst fee purchase was completed on 17 June 2020 and is expected to contribute $270,000 in recurring revenue on a full year basis. The Bathurst transaction is not considered to have a material impact on earnings.

Strategically, the Melbourne acquisition sees Kelly Partners expand into Victoria in the highly renowned 333 Collins Street address. The Melbourne acquisition is expected to contribute $2,000,000 to $2,550,000 in annual recurring revenue to the consolidated Group and approximately $500,000 of EBITDA to the parent entity post transaction improvement.

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

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

During FY20, the Group also benefited from the contribution for the full year from the four acquisitions made in FY19 (Inner West, Northern Beaches, North Sydney and Oran Park).

Post balance date, on 6 July 2020 the Group completed the acquisition of a small fee base located in Rozelle. The Rozelle transaction is expected to contribute $120,000 in recurring revenue on a full year basis and is not considered to have a material impact on earnings.

Offices and partners

As at 30 June 2020, the Group operates out of 15 offices (30 June 2019: 15), having opened offices in Glenbrook and combined the Parramatta office with the Rozelle office during the first half of the financial year. The Melbourne office is now fully operational with all team members working from home through the lockdown period.

As at 30 June 2020, total number of equity partners (excluding the CEO, Brett Kelly) was 44 (30 June 2019: 40) with 4 new partners promoted internally and 1 new partner as a result of acquisitions in the period. The equity partner of Kelly Partners Government Incentives & Innovation exited from the business following his successful election to Federal Parliament. The dissolution of the Kelly Partners Government Incentives & Innovation partnership is not expected to have any material or adverse impact on the Group. Post balance date, on 1 July 2020, two new partners were also promoted internally.

Properties

As at 30 June 2020, the Group holds controlling interests in two of the properties out of which the Group operate. These properties house the Central Coast and Central Tablelands offices which the Group acquired controlling interests in August 2019. Following a review of the property strategy, the Group has decided to unlock capital and is now aiming to sell these properties by 31 December 2020.

Revenue
Revenue for FY20 increased 15.9% to $46,354,466 (FY19: $39,975,031). A reconciliation of acquisition and organic growth is set out below:

	$	Growth rate %
FY19 Revenue	39,975,031	-
Accounting business growth	2,666,260	6.7
Complementary business growth	1,082,742	2.7
Total organic growth	3,749,002	9.4
FY20 in year acquisitions	2,293,584	5.7
FY19 Run Rate	336,849	0.8
Acquisition revenue	2,630,433	6.5
FY20 Revenue	46,354,466	15.9

Organic revenue contributed 9.4% of revenue growth, with accounting businesses contributing 6.7% and complementary businesses contributing 2.7%.

Acquired revenue of $2,630,433 contributed 6.5% of revenue growth, with in year acquisitions completed in FY20 contributing $2,293,584 and run rate from four acquisition completed in FY19 contributing $336,849.

Operating expenses
- Employment and related expenses are the Group's largest expense. Whilst the expense went up 11.3% to $21,762,214, importantly, the expense fell 2.00 percentage points to 46.9% of revenue (FY19: 48.9%) driven by strong revenue growth. Of the 11.3% increase, the acquired businesses made up $1,205,544 (6.2%), and the remainder (5.1%) came from existing businesses.
- Rent and utilities expense have dropped from $2,500,714 to $188,704. This predominantly reflects a reclassification of expenses on implementation of AASB 16 from rent to depreciation and finance costs.
- Other Expenses have increased by $1,365,079 or 19.0% to $8,540,865, with acquired businesses making up $408,808 (5.7%) of the increase. The remaining increase (13.3%) includes $475,301 from existing businesses and $480,970 from the parent entity as a result of increased compliance and marketing costs. Additional information technology costs of $350,870 were incurred to strengthen the Groups' IT infrastructure and security. These investments have allowed the businesses to operate productively with minimal interruptions during the COVID-19 period.

Underlying EBITDA
Underlying EBITDA (which measures EBITDA before one-off and non-recurring items) increased 48.6% to $16,182,561 (FY19: $10,889,236). The current period Underlying EBITDA is impacted by the implementation of AASB 16 and is not directly comparable to the prior period.

Underlying EBITDA on a like for like basis has increased 26.1% to $13,726,092 (FY19: $10,889,236). The underlying EBITDA margin before AASB 16 has increased to 29.6% (FY19: 27.2% and FY18: 36.6%). The business continues to target Underlying EBITDA margins (before AASB 16) of 32.5%. A reconciliation of Underlying EBITDA before and after the AASB 16 leasing adjustment is set out in the table below.

	2020 $	2019 $	2018 $
Underlying EBITDA	16,182,561	10,889,236	14,459,699
AASB 16 leasing adjustment - Rent expense	(2,456,469)	-	-
Underlying EBITDA before AASB 16 leasing adjustments	13,726,092	10,889,236	14,459,699
As a % of revenue	29.60%	27.20%	36.60%

Additional investments in the Parent Entity
The parent entity has since the IPO continued to invest significantly in growth in order to further develop the capabilities of the central services team and for the business to be positioned for long term growth as well as to grow its competitive advantage. These investments for growth have exceeded the central Services Fee and IP Fee income that the Company receives from its operating businesses, as shown in the table below. With these investments in place, the Company believes it is now well established and positioned to scale further and management intend to limit investment spend to the amount of fee income received by 30 June 2021.

	2020 $	2019 $	2018 $
Additional investments	1,630,905	742,439	371,913

Non-recurring and one-off items
Total non-recurring income for the Group for the year was $1,632,922 (FY19: $220,413) and included:
1) $1,075,910 in one-off government grants in relation to COVID-19. Of this amount $776,024 was received in cash in FY20 and $299,886 is to be received in the first quarter of FY21; and
2) $557,012 non-cash income relating to remeasurements of lease liabilities and right of use assets as a result of changes in the extension of options in a number of premise leases.

Non-recurring expenses for the year of $709,071 (FY19: $944,555) which included:
1) $300,527 in acquisition costs relating to the Melbourne and Glenbrook acquisitions;
2) $158,460 in non-cash adjustments in relation to interest on unwinding of the contingent consideration payable on the acquisitions, that were discounted to presented value on initial recognition per the accounting standards;
3) $123,589 in redundancy costs following restructuring initiatives completed during COVID-19;
4) $56,944 in costs relating to the surrender of the lease in Parramatta; and
5) $66,551 in other non-recurring costs including legal fees.

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

Depreciation and amortisation and finance costs
Depreciation and Amortisation expense increased to $3,740,900 (FY19: $1,249,279) and includes depreciation expense of $2,816,687 (FY19: $510,666). The increase in depreciation expense is predominantly due to the implementation of AASB 16 and reclassification of rent expense to finance and depreciation costs.

Finance costs increased to $1,535,539 (FY19: $868,595). The increase in finance costs is predominantly due to the implementation of AASB 16 and reclassification of rent expense to finance and depreciation costs. On a cash basis, finance costs of $822,514 is line with the prior year (FY19: $815,505).

Income tax expense
The Group's Income Tax Expense has increased to $1,473,667 (FY19: $899,616). As the majority of businesses are structured as partnerships, the income tax expense attributable to the minority interests in these partnerships is not included in the consolidated accounts.

Cash flow
Cash from operations
Receipts from customers increased 11.4% to $51,901,820 (FY19: $46,594,198) whilst payments to suppliers and employees increased by 3.6% to $35,946,225 (FY19: $34,724,287), with operating cashflow (defined as receipts from customers less payments to suppliers and employees) up 46.8% to $14,644,222. As a result of the implementation of AASB 16, the principal portion of lease payments are now disclosed separately in financing activities, while the interest portion is disclosed in finance costs paid within operating activities. Operating cashflow before AASB 16 is $12,666,189, up 27.0% from the prior year. This is predominantly attributable to increased billings as well as a $833,408 decrease in Net Working Capital Investment (defined as trade and other receivables plus accrued Income less trade payables and contract liabilities).

Cash from investing activities
In FY20, the Group spent $1,944,240 on property, plant and equipment capital expenditure. This included $1,459,588 on property purchases and $116,395 on leaseholds improvements and furniture and fittings to upgrade existing locations. The remaining $368,257 represents office equipment, new motor vehicles and other capital expenditures.

Cash from financing activities
In FY20, the Groups' borrowings increased by $384,210 to $19,011,843 (FY19: $18,627,633). Proceeds from borrowings of $6,037,413, included $1,817,000 relating to the Melbourne and Glenbrook acquisitions, $1,361,681 related to property purchases, $1,191,000 related to partner buy-in loans, and $1,667,732 in other items.

Repayment of borrowings of $5,761,572 relates to acquisition and partner-buy-in loans, with the Group maintaining a disciplined approach to the amortisation of its acquisition debt.

FY20 dividends of $2,398,743 includes the special dividend of $249,881 paid in September 2019.

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

Working capital
The Group continues to maintain a disciplined approach to managing its lockup (defined as trade receivables and accrued income less contract liabilities) , which reduced 9.8% to $6,875,094 (54.1 days) as at 30 June 2020 from $7,625,583 (70.0 days) as at 30 June 2019. This is a strong result and has been achieved despite acquisition and organic revenue growth.

Capital structure
The business continues to maintain an appropriately conservative capital structure. As at 30 June 2020 the Group's Gearing Ratio (defined as Net Debt / Underlying EBITDA pre AASB 16) reduced to 1.11x (30 June 2019: 1.35x). Net Debt is a non-IFRS measure and means total borrowings less cash and cash equivalents.

Equity to Total Assets ratio has decreased to 39.7% (30 June 2019: 48.7%). The decrease is predominantly due to the change in accounting standards (AASB 16). Reversing out the impact of AASB 16 on the balance sheet, the adjusted equity to adjusted total assets ratio is 46.3%, demonstrating the well capitalised nature of the balance sheet which includes $14,081,465 in issued capital and $7,028,325 in non-controlling equity interests.

AASB16
It is the Group's view that AASB16 creates a fundamental breakdown of the matching principal and does not capture the economic substance and contractual nature of the Group's rental lease agreements. AASB16 capitalises the future rent expenses (both contracted and optioned) onto the balance sheet as both an asset and a liability. There are several issues in applying this standard to the Group, as outlined below:

FY20 Balance Sheet	Reported $	Adjustment $	Adjusted $	Change $	Change %
Right-of-use assets	5,895,450	(5,895,450)	-	-	-
Other assets	51,836,993	-	51,836,993	5,895,450	11.40
Total assets	57,732,443	(5,895,450)	51,836,993	5,895,450	11.40
Lease liabilities	7,093,874	(7,093,870)	-	-	-
Other liabilities	27,715,171	-	27,715,171	7,093,874	25.60
Total liabilities	34,809,045	(7,093,870)	27,715,171	7,093,874	25.60
Net assets/equity	22,923,398	-	24,121,822	(1,198,424)	(5.00)
Equity ratio %	39.7%		46.5%	(6.8)%	

1) The standard results in an overall decrease to the Group's equity by 5.0% (or $1,198,424) and a 6.8 percentage point decrease to the equity ratio from 46.5% to 39.7%. The is because the Right-of- use assets are expensed on a straight-line basis, whilst the Lease liability is expensed on a declining value basis and in the earlier years the Lease liability exceeds the Right-of-use asset.
2) The standard requires management to assess whether it expects to exercise options on its property lease agreements. Whilst in the majority of cases management do expect to exercise those options, the resultant liability overlooks the (real) options in those lease agreements and instead capitalises those optioned period amounts to the balance sheet. The Group has disclosed the maturity profile of its leases, which including the option periods, have a weighted average lease expiry (WALE) of 5 years. However, excluding options, the contracted WALE is c.3 years. The contracted amounts due and payable (not taking into account the option periods) are $4,883,235 (after applying the same discount rate used in the standard). The commitment is significantly less (c. 31%) than as indicated on the balance sheet.
3) The standard creates a liability as if it were fact, when in economic substance, it is not fact. This is because the Group maintains the ability to 1) not exercise future option periods; 2) renegotiate leases in the Group's favour, (as has occurred during the COVID-19 period); 3) sublease space if desired; and 4) renegotiate more favourable lease agreements with landlords (as has occurred) if and when the Group's footprint requirements change.

Whilst AASB16 is here to stay, it is important that users of these accounts understand the reported impact of the standard compared to the economic substance of the underling lease agreements. The reality is there is no change to the way the cashflow of this business operates regardless of what the changes to the accounts say.

Dividends

Amounts recognised as dividends:

	Consolidated	
	2020 $	2019 $
For the year ended 30 June 2020:		
Special dividend of $0.0055 per ordinary share, paid on 18 September 2019	249,881	-
First interim dividend of $0.0121 per ordinary share, paid on 30 September 2019	549,737	-
Second interim dividend of $0.0121 per ordinary share, paid on 2 January 2020	549,340	-
Third interim dividend of $0.0121 per ordinary share, paid on 2 April 2020	549,340	-
Final dividend of $0.0121 per ordinary share, paid on 2 July 2020	549,340	-
	2,447,638	-
For the year ended 30 June 2019:		
First interim dividend of $0.011 per ordinary share, paid on 30 October 2018	-	500,469
Second interim dividend of $0.011 per ordinary share, paid on 31 December 2018	-	500,469
Third interim dividend of $0.011 per ordinary share, paid on 29 March 2019	-	500,469
Final dividend of $0.011 per ordinary share, paid on 1 July 2019	-	500,445
	-	2,001,852
For the year ended 30 June 2018:		
Final dividend of $0.01 per ordinary share, paid on 12 July 2018	-	454,972
	2,447,638	2,456,824

On 2 July 2020, the Company paid the final dividend for the year ended 30 June 2020 of $0.0121 per ordinary share. This dividend equates to a distribution of $549,340, based on the number of ordinary shares on issue as at 30 June 2020. The dividend was declared before the reporting date and is reflected in the 30 June 2020 financial statements.

Significant changes in the state of affairs

Acquisition

During the financial year, the Company acquired two accounting businesses in Melbourne CBD and Blue Mountains which were tucked into the existing businesses.

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

Share buy-back
As at 30 June 2019, the Company had total shares outstanding of 45,495,000. On 17 April 2019, the Company announced a share buy-back of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,549,718 shares at 17 April 2019). The Company announced the closure of this share buy-back on 2 September 2019. The Company purchased and cancelled a total of 64,372 shares during the period 17 April 2019 to 2 September 2019 including 62,191 during the financial year ended 30 June 2020.

On 9 September 2019, the Company announced a new share buy-back of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,543,280 shares at 9 September 2019) less shares bought back in the buy-back closed on 2 September 2019 (being 64,372 shares), therefore a total of 4,478,908 shares. During the financial year ended 30 June 2020, the Company purchased and cancelled 32,809 shares. At 30 June 2020, 4,446,099 shares are authorised for on-market buy-back.

As at 30 June 2020, the Company had total shares outstanding of 45,400,000.

COVID-19
Given the uncertainty regarding the duration of COVID-19 pandemic and its potential impact on trading, management have undertaken the following actions across the Group, including its controlled entities:

- The Executive Chair Brett Kelly, CFO Justin Sweeting, COO Kristian Haigh, Finance Manager Kenneth Ko have voluntarily reduced their salaries by 20%, for 3 months from 1 April 2020.
- The Group has reduced its headcount by 11%. There has been no reduction in partner numbers.
- The Group has reduced its expenses through renegotiating spend on outsourced services, advertising, marketing and other discretionary expenses.

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

Matters subsequent to the end of the financial year
On 1 July 2020, Kelly Partners (Inner West) Pty Ltd acquired a fee base in the Inner West with an estimate annual recurring fee of $127,000. The transaction is expected to contribute to the growth of the Kelly Partners (Inner West) business.

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

Apart from the matters discussed above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
The Group will continue to pursue its policy of increasing the profitability and market share in the markets within which it operates during the next financial year.

The Group’s growth plan is based on a three-pronged strategy: organic growth, network expansion (which includes acquisitions, tuck-ins and greenfields) and the introduction of new services.

Economic, environmental and social sustainability risks
The operations of the Group are not subject to any particular or significant Commonwealth, State or Territory environmental regulations.

Accounting services, which require associated expert advice typically provided by accountants, are important particularly in the case of small and medium enterprises where the complexity of taxation and other compliance requirements are increasing, and therefore it is unlikely that there would be a material risk in relation to economic sustainability. Risks that may arise include rapidity in changes in technology and simplification of tax legislation. The risks in relation to economic sustainability are considered as part of determining strategy and management regularly monitor market developments.

Part of the Group’s commitment to managing these risks is ensuring that it has governance systems, structures, values, principles, frameworks and policies to define its decision making context for managing its business sustainably.

Information on directors

Name:	Brett Kelly (appointed on 16 April 2017)
Title:	Executive Chairman and Chief Executive Officer
Qualifications:	BBus, CA, MTax, DipFS, RTA, JP
Experience and expertise:	Brett is the Founder and CEO of Kelly+Partners. He has more than 20 years of 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 PwC Australia, 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 21 businesses over 15 locations to date. Brett is also the best-selling author of four books on life, business and wisdom.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	23,400,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Stephen Rouvray (appointed on 2 May 2017)
Title:	Deputy Chairman and Non-Executive Independent Director
Qualifications:	BEc, CA
Experience and expertise:	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 Company Secretary which included its subsidiary companies operating in the life & 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 Group as a director for a number of its subsidiaries and associates.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Nomination and Remuneration Committee Chairman of the Audit and Risk Committee
Interests in shares:	100,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Ryan Macnamee (appointed on 2 May 2017)
Title:	Non-Executive Independent Director
Qualifications:	BCom, GACID
Experience and expertise:	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, with 6 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. Ryan has served as non-executive director on a number of boards, including Open Data Institute and Advanced Navigation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	Member of the Audit and Risk Committee
Interests in options:	145,046 ordinary shares
Interests in rights:	None
Contractual rights to shares:	None

Name:	Paul Kuchta (appointed on 2 May 2017)
Title:	Executive Director
Qualifications:	BBus, CA, FTIA, DipFP, RTA, JP
Experience and expertise:	Paul is a Chartered Accountant with more than 17 years' accounting experience specialising in the provision of compliance, tax and advisory services to private SME's 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 practice was launched in 2012.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	164,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Ada Poon (appointed on 6 September 2019)
Title:	Executive Director
Qualifications:	BCom, MCom, JP, Registered Tax Agent, SMSF Specialist Advisor
Experience and expertise:	Ada has more than 15 years' professional accountancy experience and has specialised in accounting and taxation services to Private Business Owners based in Sydney, business and personal taxation compliance self-managed super funds and outsourced finance department services.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	326,398 ordinary shares
Interests in options:	None
Interests in rights:	None

Company secretary

David Franks - BEc, CA, F Fin, FGIA JP (resigned on 30 April 2020)

David Franks is a former principal of Franks & Associates Pty Ltd, which merged with the Automic Group in 2018. David is a Director and Principal of the Automic Group. David is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years in finance and accounting, initially qualifying with Price Waterhouse in their Business Services and Corporate Finance Divisions, David 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 retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. David is also currently the Company Secretary for the following public entities: AUB Group Limited, Adcorp Australia Limited, Elk Petroleum Limited, JCurve Solutions Limited, Noxopharm Limited, Nyrada Inc, Tomorrow Entertainment Limited, White Energy Company Limited, White Energy Technology Limited and ZIP Co Limited. David is also a Non-Executive Director of JCurve Solutions Limited.

Joyce Au - BCom, MCom, MTax, MA(Law), MAppFin. CA (appointed on 1 May 2020 as Company Secretary and General Counsel)

Joyce is a solicitor admitted to the Supreme Court of NSW and a Chartered Accountant. Joyce has 15 years' experience across accounting, tax, finance, commercial law, corporate transactions and business operations. Joyce has worked with Kelly Partners for over 10 years since its inception in 2006 across a number of roles including accounting, audit, finance and operations. Most recently she worked as the Corporate Advisor and Investment Analyst in KP Corporate Advisory and KP Investment Office businesses, covering due diligence, transactions management, financial analysis and fund administration. Prior to that, Joyce practised commercial law for several years advising on corporate structures & transactions, taxation and Corporations Act matters. Joyce is an alumni of the University of Cambridge and have graduated with a first class honours in law. She also holds Masters degrees in Accounting, Tax and Applied Finance.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Brett Kelly	4	6	1	1	-	-
Stephen Rouvray	6	6	1	1	3	3
Ryan Macnamee	6	6	1	1	3	3
Paul Kuchta	6	6	-	-	3	3
Ada Poon*	2	4	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Appointed on 6 September 2019.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee and a Nomination and Remuneration Committee. Members acting on the Committees of the Board during the year were:

Audit and Risk Committee	Nomination and Remuneration Committee
Stephen Rouvray (Chairman)	Stephen Rouvray (Chairman)
Ryan Macnamee	Ryan Macnamee
Paul Kuchta	Brett Kelly

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. A maximum annual aggregate remuneration of $160,000 is currently in place.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Employee Incentive Plan ('EIP')
In December 2019, the Board approved the establishment of the EIP. The EIP is designed to assist in the attraction, motivation, retention and reward of employees by allowing them to participate in the overall success and growth of the Group. The EIP is also designed to align the interests of employees with the interests of shareholders by providing an opportunity for the participants to receive an equity interest in the Company. In FY2020 the EIP Trust purchased 9,729 shares on market for a total of $7,500 with an average share price of $0.77. As at 30 June 2020, the shares continue to be held in trust and have not been allocated to any employees.

Group performance and link to remuneration
For the year ended 30 June 2020 there was no link between Group performance and key management personnel remuneration.

Use of remuneration consultants
During the financial year ended 30 June 2020, the Group engaged Egan Associates, remuneration consultants, to review its existing remuneration policies and provide recommendations on short term incentive ('STI') and long term incentive ('LTI') programs. A total amount of $10,710 was paid to engage Egan Associates. The Board was satisfied that the remuneration recommendation received was free from undue influence by members of the key management personnel to whom the recommendation relates, because of strict protocols observed and complied with regarding any interaction between Egan Associates and management, and because all remuneration advice was provided to the Nomination and Remuneration Committee. At the date of the report, no recommendations have been implemented.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
The motion was carried on a show of hands and for the record the show of hands and proxy portion were in excess of 75% in favour of the resolution.

Details of remuneration
Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in this section.

The key management personnel of the Group consisted of the following directors of Kelly Partners Group Holdings Limited:
- Brett Kelly - Chairman, Chief Executive Officer, Executive Director
- Stephen Rouvray - Deputy Chairman, Non-Executive Independent Director
- Paul Kuchta - Executive Director
- Ryan Macnamee - Non-Executive Independent Director
- Ada Poon - Executive Director (appointed on 6 September 2019)
- Pauline Michelakis – Chief Financial Officer (resigned on 26 March 2019 with a 6 month notice period)

	Short-term benefits			Post employ-ment benefits	Leave	Share-based payments	
2020	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Annual /long service $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Stephen Rouvray	27,397	-	-	2,603	-	-	30,000
Ryan Macnamee	27,397	-	-	2,603	-	-	30,000
Executive Directors:							
Brett Kelly*	321,351	-	31,567	21,003	67,646	-	441,567
Paul Kuchta**	9,132	-	-	868	-	-	10,000
Ada Poon**	9,132	-	-	868	-	-	10,000
	394,409	-	31,567	27,945	67,646	-	521,567

* Brett Kelly voluntarily received a 20% reduction in his base salary from 1 April 2020 to 30 June 2020 in response to the uncertainty of COVID-19.

** The Nomination and Remuneration Committee approved an annual director fee of $12,000 inclusive of superannuation for executive directors Paul Kuchta and Ada Poon, commencing September 2019.

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post employment benefits: Super-annuation $	Leave: Annual /long service $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Stephen Rouvray	27,397	-	-	2,603	-	-	30,000
Ryan Macnamee	27,397	-	-	2,603	-	-	30,000
Executive Directors:							
Brett Kelly	339,509	-	63,511	20,531	10,839	-	434,390
Pauline Michelakis*	316,513	-	-	15,131	(1,308)	-	330,336
Other Key Management Personnel:							
Pauline Michelakis*	112,956	-	-	5,400	(467)	-	117,889
	823,772	-	63,511	46,268	9,064	-	942,615

Details of Paul Kuchta and Ada Poon's remuneration are outlined below under 'Service agreements'.

* Pauline resigned as the Chief Financial Officer on 26 March 2019 with a 6 month notice period. The amount set out in the table represents her remuneration from the beginning of the financial year till the end of her notice period.

The fixed and the variable at risk proportions of remuneration are as follows:

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:						
Stephen Rouvray	100%	100%	-	-	-	-
Ryan Macnamee	100%	100%	-	-	-	-
Executive Directors:						
Brett Kelly	100%	100%	-	-	-	-
Paul Kuchta	100%	-	-	-	-	-
Ada Poon	100%	-	-	-	-	-
Pauline Michelakis	-	100%	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Brett Kelly
Title:	Chairman, Chief Executive Officer, Executive Director
Agreement commenced:	16 May 2017
Term of agreement:	No fixed period
Details:	Base salary of $360,000 p.a. inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. Terms include a 12 month termination notice by either party, non-solicitation and non-compete clauses.

Name:	Stephen Rouvray
Title:	Deputy Chairman, Non-Executive Independent Director
Agreement commenced:	2 May 2017
Term of agreement:	No fixed period
Details:	Director fees $30,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee.

Name:	Ryan Macnamee
Title:	Non-Executive Independent Director
Agreement commenced:	2 May 2017
Term of agreement:	No fixed period
Details:	Director fees of $30,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee.

Name:	Paul Kuchta
Title:	Executive Director
Agreement commenced:	2 May 2017
Term of agreement:	No fixed period
Details:	Director fees of $12,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. Paul Kuchta is an Operating Business Owner in the Kelly Partners Norwest Partnership and receives a base distribution plus a distribution of profits from that Operating Business in accordance with the terms of the Partnership Agreement.

Name:	Ada Poon
Title:	Executive Director
Agreement commenced:	6 September 2019
Term of agreement:	No fixed period
Details:	Director fees of $12,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. Ada Poon is an Operating Business Owner in the Kelly Partners North Sydney Partnership and receives a base distribution plus a distribution of profits from that Operating Business in accordance with the terms of the Partnership Agreement.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

Additional information
The earnings of the Group for the four years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $
Revenue and other gains	48,148,806	40,342,134	40,824,551	30,331,286
EBITDA	17,109,412	10,165,144	13,553,603	2,914,140
Profit after income tax	10,359,306	7,147,654	9,964,034	1,085,446

The factors that are considered to affect total shareholders return **('TSR')** are summarised below:

	2020	2019	2018	2017
Share price at financial year end ($)	0.88	0.89	1.23	1.42
Basic earnings per share (cents per share)	8.84	5.35	9.63	(8.37)
Diluted earnings per share (cents per share)	8.84	5.35	9.63	(8.37)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions*	Other**	Balance at the end of the year
Ordinary shares				
Brett Kelly	23,276,378	123,622	-	23,400,000
Stephen Rouvray	50,000	50,000	-	100,000
Ryan Macnamee	125,046	20,000	-	145,046
Paul Kuchta	164,000	-	-	164,000
Ada Poon	-	326,398	-	326,398
Pauline Michelakis	1,000,000	-	(1,000,000)	-
	24,615,424	520,020	(1,000,000)	24,135,444

* There were no shares received as part of remuneration.
** Pauline is no longer a key management personnel as at 30 June 2020 and hence her shareholding is not disclosed.

Loans to key management personnel and their related parties

	$
Loans to directors:	
Balance at the beginning of the year	-
- loans advanced	333,623
- interest on loans	11,220
- repayment of loans advanced	(326,700)
Balance at the end of the year	18,143

On 18 March 2020, the Board of Directors resolved and approved the advancing of a short term loan facility between the Group and an associated entity of Brett Kelly and David Irwin, the Operating Partner in the Kelly Partners Inner West Partnership, to assist with the purchase of 766 Darling St, Rozelle ('the Rozelle Property'). The facility is unsecured, repayable on demand and interest is charged at commercial rates. As at 30 June 2020, there was $18,143 owing on this facility. The Kelly Partners (Inner West) Property Trust business operates out of the Rozelle Property. As at 30 June 2020, the operating business continues under the lease which was in place prior to the sale and purchase of the Rozelle Property.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Kelly Partners Group Holdings Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Kelly Partners Group Holdings Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of William Buck Accountants & Advisors
There are no officers of the Company who are former partners of William Buck Accountants & Advisors.

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

Auditor
William Buck Accountants & Advisors was appointed as auditor during the year and continues in office in accordance with section 327 of the Corporations Act 2001.

The appointment follows the resignation of Deloitte Touche Tohamatsu in accordance with section 329(5) of the Corporation Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Brett Kelly
Executive Chairman and Chief Executive Officer

21 August 2020
Sydney

Kelly Partners Group Holdings Limited

Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 21 August 2020

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	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue			
Professional services revenue	6	46,354,466	39,975,031
Other income	7	1,794,340	367,103
Total revenue and other income		48,148,806	40,342,134
Expenses			
Employment and related expenses	8	(21,762,214)	(19,555,935)
Rent and utilities		(188,704)	(2,500,714)
Other expenses		(8,540,865)	(7,175,786)
Business acquisition and restructuring costs		(547,611)	(944,555)
Depreciation and amortisation expense	8	(3,740,900)	(1,249,279)
Finance costs	8	(1,535,539)	(868,595)
Total expenses		(36,315,833)	(32,294,864)
Profit before income tax expense		11,832,973	8,047,270
Income tax expense	9	(1,473,667)	(899,616)
Profit after income tax expense for the year		10,359,306	7,147,654
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,440	1,585
Other comprehensive income for the year, net of tax		1,440	1,585
Total comprehensive income for the year		10,360,746	7,149,239
Profit for the year is attributable to:			
Non-controlling interest		6,344,797	4,711,959
Owners of Kelly Partners Group Holdings Limited		4,014,509	2,435,695
		10,359,306	7,147,654
Total comprehensive income for the year is attributable to:			
Non-controlling interest		6,345,531	4,712,736
Owners of Kelly Partners Group Holdings Limited		4,015,215	2,436,503
		10,360,746	7,149,239
		Cents	**Cents**
Basic earnings per share	28	8.84	5.35
Diluted earnings per share	28	8.84	5.35

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	10	3,779,132	3,955,119
Trade and other receivables	11	5,782,772	6,099,138
Lease receivables	12	92,956	-
Accrued income	13	1,656,656	2,009,017
Other financial assets	14	903,610	1,704,255
Other assets	15	635,113	687,972
Total current assets		12,850,239	14,455,501
Non-current assets			
Lease receivables	12	180,298	-
Financial assets	16	11,637	15,481
Other financial assets	14	2,865,078	3,212,503
Property, plant and equipment	17	5,188,052	3,957,842
Right-of-use assets	18	5,895,450	-
Intangible assets	19	30,299,572	27,227,897
Other assets	15	442,117	633,005
Total non-current assets		44,882,204	35,046,728
Total assets		57,732,443	49,502,229
Liabilities			
Current liabilities			
Trade and other payables	20	2,312,757	2,229,838
Contract liabilities		564,334	482,572
Borrowings	21	6,291,235	5,874,545
Lease liabilities	22	1,742,850	-
Current tax liabilities	9	886,105	570,187
Provisions	23	2,202,475	1,981,007
Contingent consideration	24	637,256	-
Other financial liabilities	25	10,992	-
Other liabilities	26	-	193,991
Total current liabilities		14,648,004	11,332,140
Non-current liabilities			
Borrowings	21	12,720,608	12,753,088
Lease liabilities	22	5,351,024	-
Deferred tax liabilities	9	307,394	412,468
Provisions	23	237,313	285,385
Contingent consideration	24	808,544	544,719
Other financial liabilities	25	689,914	-
Other liabilities	26	46,244	46,244
Total non-current liabilities		20,161,041	14,041,904
Total liabilities		34,809,045	25,374,044
Net assets		22,923,398	24,128,185

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Equity			
Issued capital	27	14,081,465	14,169,601
Reserve	29	1,514	808
Retained profits		1,812,094	698,437
Equity attributable to the owners of Kelly Partners Group Holdings Limited		15,895,073	14,868,846
Non-controlling interest		7,028,325	9,259,339
Total equity		22,923,398	24,128,185

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

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	14,171,477	-	719,566	9,228,760	24,119,803
Profit after income tax expense for the year	-	-	2,435,695	4,711,959	7,147,654
Other comprehensive income for the year, net of tax	-	808	-	777	1,585
Total comprehensive income for the year	-	808	2,435,695	4,712,736	7,149,239
Transactions with owners in their capacity as owners:					
Share buy-back (note 27)	(1,876)	-	-	-	(1,876)
Adjustment to non-controlling interest	-	-	-	65,846	65,846
Amounts recognised as dividends (note 30)	-	-	(2,456,824)	-	(2,456,824)
Distributions to non-controlling interests	-	-	-	(4,748,003)	(4,748,003)
Balance at 30 June 2019	14,169,601	808	698,437	9,259,339	24,128,185

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	14,169,601	808	698,437	9,259,339	24,128,185
Adjustment for change in accounting policy (note 4)	-	-	(453,214)	(488,852)	(942,066)
Balance at 1 July 2019 - restated	14,169,601	808	245,223	8,770,487	23,186,119
Profit after income tax expense for the year	-	-	4,014,509	6,344,797	10,359,306
Other comprehensive income for the year, net of tax	-	706	-	734	1,440
Total comprehensive income for the year	-	706	4,014,509	6,345,531	10,360,746
Transactions with owners in their capacity as owners:					
Share buy-back (note 27)	(88,136)	-	-	-	(88,136)
Amounts recognised as dividends (note 30)	-	-	(2,447,638)	-	(2,447,638)
Distributions to non-controlling interests	-	-	-	(8,087,693)	(8,087,693)
Balance at 30 June 2020	14,081,465	1,514	1,812,094	7,028,325	22,923,398

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers		51,901,820	46,594,198
Payments to suppliers and employees		(35,946,225)	(34,724,287)
Government grants received		776,024	-
Finance costs paid		(822,514)	(819,926)
Income taxes paid		(1,264,883)	(1,076,534)
Net cash from operating activities	40	14,644,222	9,973,451
Cash flows from investing activities			
Payment for purchase of business	38	(2,531,000)	(2,827,771)
Payment in respect of contingent consideration		-	(231,418)
Payments for property, plant and equipment		(1,944,240)	(2,223,624)
Payments for intangibles		(236,438)	(163,702)
Loans to partners - loans advanced		(305,009)	(2,371,809)
Loans to partners - proceeds from repayments		2,153,985	1,000,900
Proceeds from disposal of property, plant and equipment		20,000	167,804
Proceeds from release of deposits		190,888	65,440
Net cash used in investing activities		(2,651,814)	(6,584,180)
Cash flows from financing activities			
Proceeds from borrowings	40	6,037,413	6,506,684
Repayment of borrowings	40	(5,761,572)	(3,201,279)
Payments for share buy-backs	27	(88,136)	(1,876)
Dividends paid		(2,398,743)	(1,956,379)
Distributions paid to non-controlling interests		(8,087,693)	(4,748,003)
Repayment of lease liabilities	40	(2,158,946)	-
Proceeds from sub lease		180,913	-
Net cash used in financing activities		(12,276,764)	(3,400,853)
Net decrease in cash and cash equivalents		(284,356)	(11,582)
Cash and cash equivalents at the beginning of the financial year		1,428,680	1,440,262
Cash and cash equivalents at the end of the financial year	10	1,144,324	1,428,680

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

Note 1. General information

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

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

Level 8, 32 Walker Street
North Sydney
NSW 2060

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards, amendments and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards, amendments and Interpretations adopted during the year are most relevant to the Group:

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

Refer to note 4 for impact of adoption of AASB 16 Leases.

AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions
The Group has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. The Group has applied the practical expedient to all rent concessions that meet the above mentioned criteria and the profit or loss impact from the adoption is minimal.

Note 2. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kelly Partners Group Holdings Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Kelly Partners Group Holdings Limited's functional and presentation currency.

Note 2. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

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

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

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

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

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Kelly Partners Group Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 2. Significant accounting policies (continued)

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

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

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

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

When a customer pays in advance, the amount received by the Group is recognised as a contract liability until the service has been provided to the customer.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Land and buildings	Not depreciated
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Motor vehicles	8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

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

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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

Customer relationships
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 7 years.

Note 2. Significant accounting policies (continued)

Software - Computer software
Significant costs associated with computer software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 to 3 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities represent the Group's obligation to transfer services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the services to the customer.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans and borrowings are classified as non-current.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of COVID-19 and which relate to payments originally due on or before 30 June 2021.

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

Group as a lessor
When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Note 2. Significant accounting policies (continued)

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as a finance lease, where the asset is recognised on the statement of financial position and presented as a lease receivable at an amount equal to the net investment in the lease. The interest rate implicit in the lease is used to measure the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease.

Finance costs
All finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation
Equity-settled compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Share buy-back
Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Kelly Partners Group Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Kelly Partners Group Holdings Limited.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kelly Partners Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 2. Significant accounting policies (continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

COVID-19
Judgement has been exercised in considering the impacts that COVID-19 has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of COVID-19.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on shared credit risk characteristics and on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include past default experience of the debtor profile and an assessment of the historical loss rates.

Accrued income
An accrued income asset arises where the Group has performed by transferring goods or services to a customer prior to the receipt of consideration from the customer and represents the Group's right to consideration for the transferred good or service. While assessing the accrued income balance, a degree of estimation needs to be applied on its recoverability and the assessment is primarily based on the Operating Business Owner's professional judgement on the proportionate completion of the performance obligations in comparison to the transaction price stated in the contract .

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Impact of adoption of AASB 16 Leases

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

Note 4. Impact of adoption of AASB 16 Leases (continued)

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

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

Note 5. Operating segments

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

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

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

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

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

Operating reportable segment information

	Accounting $	Other services $	Total $
Year ended 30 June 2020:			
Revenue	43,396,473	2,957,993	46,354,466
EBITDA	15,745,339	1,364,073	17,109,412
Profit before income tax expense	10,500,324	1,332,649	11,832,973
Segment assets, liabilities and net assets at 30 June 2020:			
Current assets	12,080,406	769,833	12,850,239
Non-current assets	44,837,660	44,544	44,882,204
Current liabilities	(14,157,099)	(490,905)	(14,648,004)
Non-current liabilities	(20,137,154)	(23,887)	(20,161,041)
Net assets	22,623,812	299,586	22,923,398

Note 5. Operating segments (continued)

	Accounting $	Other services $	Total $
Year ended 30 June 2019:			
Revenue	38,099,780	1,875,251	39,975,031
EBITDA	9,726,049	439,095	10,165,144
Profit before income tax expense	7,626,128	421,142	8,047,270
Segment assets, liabilities and net assets at 30 June 2019:			
Current assets	13,893,346	562,155	14,455,501
Non-current assets	35,029,513	17,215	35,046,728
Current liabilities	(11,188,084)	(144,056)	(11,332,140)
Non-current liabilities	(13,945,216)	(96,688)	(14,041,904)
Net assets	23,789,560	338,625	24,128,185

Note 6. Professional services revenue

	Consolidated 2020 $	2019 $
Professional services revenue	46,354,466	39,975,031

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

Refer to note 5 for revenue by operating segments.

Note 7. Other income

	Consolidated 2020 $	2019 $
Government grants	1,075,910	-
Remeasurement of lease liabilities	557,012	-
Change in fair value of contingent consideration	-	220,463
Commissions	109,238	110,667
Other income	52,180	35,973
Other income	1,794,340	367,103

Government grants
Of the $1,075,910 recognised in government grants relating to the Australian Governments' supporting measures in response to COVID-19, $776,024 has been received in cash and $299,886 has been accrued relating to FY20 amounts expected to be received in FY21.

Note 8. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use of assets	2,102,657	-
Depreciation property, plant and equipment	714,030	510,666
Amortisation	924,213	738,613
	3,740,900	1,249,279
Finance costs		
Interest and finance charges paid/payable on lease liabilities	554,565	-
Interest on bank overdrafts and loans	822,514	815,505
Interest on unwinding retention	158,460	53,090
	1,535,539	868,595
Net loss on disposal		
Net loss on disposal of property, plant and equipment	20,488	26,971
Leases (included in rent and utilities expense)		
Minimum lease payments	-	2,092,480
Short-term lease payments	55,026	-
	55,026	2,092,480
Employment and related expenses		
Salaries, wages and contractors	19,763,668	17,314,745
Superannuation	1,391,764	1,330,840
Other on costs	877,256	846,612
Employee leave	(270,474)	63,738
Total employment and related expenses	21,762,214	19,555,935

Note 9. Income tax

	Consolidated 2020 $	Consolidated 2019 $
Income tax expense		
Current tax	1,596,483	1,497,755
Origination and reversal of temporary differences	(57,578)	(634,585)
Adjustment recognised for prior periods	(65,238)	36,446
Aggregate income tax expense	1,473,667	899,616
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	11,832,973	8,047,270
Tax at the statutory tax rate of 27.5%	3,254,068	2,212,999
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-taxable items	(226,345)	(58,207)
	3,027,723	2,154,792
Adjustment recognised for prior periods	(65,238)	36,446
Distributions to non-controlling interests	(1,488,818)	(1,196,562)
Change in tax rate to 27.5%	-	(95,060)
Income tax expense	1,473,667	899,616

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

	Consolidated 2020 $	Consolidated 2019 $
Net deferred tax liability		
Amounts recognised in profit or loss:		
Accrued expenses	(425,655)	(431,982)
Income assessable on receipt	297,771	374,723
Differences between accounting and tax depreciation	242,097	67,388
Customer relationship intangibles	594,596	754,646
Expenses deductible over five years	(212,015)	(352,307)
Leases	(189,400)	-
Deferred tax liability	307,394	412,468
Movements:		
Opening balance	412,468	827,427
Credited to profit or loss	(57,578)	(634,585)
Additions through business combinations (note 38)	223,643	235,134
Other movements	(271,139)	(15,508)
Closing balance	307,394	412,468

Note 9. Income tax (continued)

	Consolidated 2020 $	Consolidated 2019 $
Provision for income tax		
Provision for income tax	886,105	570,187

Note 10. Cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank and in hand	3,779,132	3,955,119

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

	2020 $	2019 $
Balances as above	3,779,132	3,955,119
Bank overdrafts (note 21)	(2,634,808)	(2,526,439)
Balance as per statement of cash flows	1,144,324	1,428,680

Note 11. Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Current assets		
Trade receivables	5,738,538	6,424,827
Less: Allowance for expected credit losses	(253,954)	(339,956)
	5,484,584	6,084,871
Other receivables	298,188	14,267
	5,782,772	6,099,138

Allowance for expected credit losses
The Group has written off a loss of $60,059 (2019: $79,282) in respect of credit losses during the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2020 %	Expected credit loss rate 2019 %	Carrying amount 2020 $	Carrying amount 2019 $	Allowance for expected credit losses 2020 $	Allowance for expected credit losses 2019 $
0 to 3 months overdue	0.88%	1.17%	4,939,036	4,945,247	43,398	58,037
3 to 6 months overdue	6.17%	5.59%	362,767	939,921	22,376	52,552
Over 6 months overdue	43.09%	42.50%	436,735	539,659	188,180	229,367
			5,738,538	6,424,827	253,954	339,956

Note 11. Trade and other receivables (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As at 30 June 2020 the historic roll rates, including those roll rates through the COVID-19 pandemic period, do not indicate a slow down in collections. Furthermore management are not aware of forward looking information which indicates or identifies a slow down in collection rates in its 30 June 2020 trade receivables balance and as such, the calculation of expected credit loss is based on the historic roll rates without further adjustments.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020 $	2019 $
Opening balance	339,956	261,958
Additional provisions recognised	-	157,280
Reductions in provisions recognised	(25,943)	-
Receivables written off during the year as uncollectable	(60,059)	(79,282)
Closing balance	253,954	339,956

Note 12. Lease receivables

	Consolidated	
	2020 $	2019 $
Current assets		
Lease receivables	92,956	-
Non-current assets		
Lease receivables	180,298	-
	273,254	-

Note 13. Accrued income

	Consolidated	
	2020 $	2019 $
Current assets		
Accrued income	1,656,656	2,009,017

Note 14. Other financial assets

	Consolidated	
	2020 $	2019 $
Current assets		
Loans to partners	903,610	1,704,255
Non-current assets		
Loans to partners	2,865,078	3,212,503
	3,768,688	4,916,758

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Note 14. Other financial assets (continued)

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

Note 15. Other assets

	Consolidated	
	2020 $	2019 $
Current assets		
Prepayments	635,113	687,972
Non-current assets		
Deposits	442,117	633,005
	1,077,230	1,320,977

Deposits primarily comprise of amounts used as security for bank guarantees. Refer to note 34 for further information on guarantees.

Note 16. Financial assets

	Consolidated	
	2020 $	2019 $
Non-current assets		
Shares in listed entities - at fair value	11,637	15,481

Note 17. Property, plant and equipment

	Consolidated	
	2020 $	2019 $
Non-current assets		
Land and buildings - at cost	2,085,413	625,825
Leasehold improvements - at cost	3,172,594	3,127,492
Less: Accumulated depreciation	(1,274,334)	(960,322)
	1,898,260	2,167,170
Plant and equipment - at cost	2,133,789	1,879,397
Less: Accumulated depreciation	(1,326,961)	(1,074,484)
	806,828	804,913
Motor vehicles - at cost	624,503	581,842
Less: Accumulated depreciation	(226,952)	(221,908)
	397,551	359,934
	5,188,052	3,957,842

Note 17. Property, plant and equipment (continued)

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

Consolidated	Land and buildings $	Leasehold improve-ments $	Plant and equipment $	Motor vehicles $	Total $
Balance at 1 July 2018	625,825	751,237	626,061	436,536	2,439,659
Additions	-	1,646,533	409,486	167,605	2,223,624
Disposals - written down value	-	(5,893)	(10,072)	(178,810)	(194,775)
Depreciation expense	-	(224,707)	(220,562)	(65,397)	(510,666)
Balance at 30 June 2019	625,825	2,167,170	804,913	359,934	3,957,842
Additions	1,459,588	98,974	333,523	141,546	2,033,631
Disposals - written down value	-	(11,554)	(43,852)	(37,345)	(92,751)
Other movements	-	(1,000)	702	3,658	3,360
Depreciation expense	-	(355,330)	(288,458)	(70,242)	(714,030)
Balance at 30 June 2020	2,085,413	1,898,260	806,828	397,551	5,188,052

Note 18. Right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Non-current assets		
Land and buildings - right-of-use assets	13,432,769	-
Less: Accumulated depreciation	(7,597,420)	-
	5,835,349	-
Plant and equipment - right-of-use	174,247	-
Less: Accumulated depreciation	(114,146)	-
	60,101	-
	5,895,450	-

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

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

Note 18. Right-of-use assets (continued)

	Land and buildings $	Plant and equipment $	Total $
Balance at 1 July 2019	-	-	-
Recognised on adoption of AASB 16	9,325,329	88,332	9,413,661
Additions through business combinations (note 38)	587,611	8,623	596,234
Disposals	(114,884)	-	(114,884)
Adjustments as a result of a different treatment of extension and termination options	(1,896,904)	-	(1,896,904)
Depreciation expense	(2,065,803)	(36,854)	(2,102,657)
	5,835,349	60,101	5,895,450

Note 19. Intangible assets

	Consolidated 2020 $	Consolidated 2019 $
Non-current assets		
Goodwill - at cost	22,438,348	20,211,955
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	9,359,097	7,605,813
Less: Accumulated amortisation	(4,916,586)	(4,053,672)
	4,442,511	3,552,141
Computer software - at cost	221,986	218,771
Less: Accumulated amortisation	(103,273)	(54,970)
	118,713	163,801
	30,299,572	27,227,897

Note 19. Intangible assets (continued)

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

Consolidated	Goodwill $	Brand names and intellectual property $	Customer relationships $	Computer Software $	Total $
Balance at 1 July 2018	17,847,638	3,300,000	2,651,958	77,261	23,876,857
Additions	-	-	35,750	130,249	165,999
Additions through business combinations (note 38)	2,364,317	-	1,561,634	-	3,925,951
Disposals	-	-	-	(2,297)	(2,297)
Amortisation expense	-	-	(697,201)	(41,412)	(738,613)
Balance at 30 June 2019	20,211,955	3,300,000	3,552,141	163,801	27,227,897
Additions	-	-	344,198	21,144	365,342
Additions through business combinations (note 38)	2,226,393	-	1,409,086	-	3,635,479
Disposals	-	-	-	(4,933)	(4,933)
Amortisation expense	-	-	(862,914)	(61,299)	(924,213)
Balance at 30 June 2020	22,438,348	3,300,000	4,442,511	118,713	30,299,572

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

Impairment testing
In disclosing the carrying amount of goodwill allocated to each cash-generating units ('CGU'), a materially threshold of 10% of the total value of goodwill was used. Any individual CGU with a carrying amount of goodwill under the threshold is grouped in the "Other partnerships" category. The aggregate carrying amount of goodwill allocated to each CGU is:

2020 - Consolidated	Goodwill $	Brand names and intellectual property $	Total $
Kelly Partners (Sydney) Pty Ltd	3,538,147	520,354	4,058,501
Kelly Partners South West Sydney Partnership	5,246,636	771,621	6,018,257
Kelly Partners Wollongong Partnership	3,391,692	498,815	3,890,507
Other partnerships	10,261,873	1,509,210	11,771,083
	22,438,348	3,300,000	25,738,348

Note 19. Intangible assets (continued)

2019 - Consolidated	Goodwill $	Brand names and intellectual property $	Total $
Kelly Partners (Sydney) Pty Ltd	3,538,147	577,672	4,115,819
Kelly Partners South West Sydney Partnership	5,246,636	856,617	6,103,253
Kelly Partners Wollongong Partnership	3,391,692	553,761	3,945,453
Other partnerships	8,035,480	1,311,950	9,347,430
	20,211,955	3,300,000	23,511,955

The recoverable amount of each CGU above is determined based on value in use calculations. These calculations use cashflow projections over a five year period, based on financial budgets approved by management. These budgets use historical growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated inflation rates over the period which are consistent with inflation rates applicable to the locations in which the CGU operates. With regard to the assessment of the CGU's, management believes that no reasonable possible change in any of the key assumptions used would cause the carrying value of the unit to materially exceed its recoverable amount.

The following assumptions were used in the calculations:

	Consolidated 2020 %	Consolidated 2019 %
Terminal growth rate	2.5%	2.5%
Post-tax discount rate	11.3%	16.5%

The post-tax discount rate is calculated using the Weighted Average Cost of Capital (WACC) of the Group, taking into account the Group's sources of capital including listed equity, unlisted equity and bank debt.

Note 20. Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Trade payables	479,951	352,791
GST payable	914,711	838,331
Sundry payables and accrued expenses	918,095	1,038,716
	2,312,757	2,229,838

Refer to note 31 for further information on financial instruments.

Note 21. Borrowings

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Bank overdrafts	2,634,808	2,526,439
Bank loans	3,656,427	3,348,106
	6,291,235	5,874,545
Non-current liabilities		
Bank loans	12,720,608	12,753,088
	19,011,843	18,627,633

Refer to note 31 for further information on financial instruments.

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

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

In the prior year ended 30 June 2019, the Group commenced restructuring its debt facilities with Westpac. As at 30 June 2020, all subsidiaries had entered into the new facility structure. The facilities provide the Group with consistent terms and conditions, consistent reporting and undertaking requirements, consistent risk margins and a consistent security structure across its subsidiaries. Each subsidiaries debt facilities is granted security by that entity, the corporate partners of that entity, limited personal guarantees of the operating business owners, and a guarantee provided by the parent over all existing and future assets and undertakings.

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

Parent entity facilities
As at 30 June 2020, the parent has a $2,000,000 revolving line of term credit, as well as a $894,976 term amortising loan. The debt facilities are granted security over the parent entity, as well as the guarantor group which comprises Kelly Partners Group Holdings Limited and the majority of its wholly owned subsidiaries. The guarantor group does not include the local owner-driven operating partnerships.

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

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

Note 21. Borrowings (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Total facilities		
Bank overdraft	10,559,000	4,224,506
Bank loans	17,198,702	17,759,989
	27,757,702	21,984,495
Used at the reporting date		
Bank overdraft	2,634,808	2,526,439
Bank loans	16,377,035	16,101,194
	19,011,843	18,627,633
Unused at the reporting date		
Bank overdraft	7,924,192	1,698,067
Bank loans	821,667	1,658,795
	8,745,859	3,356,862

Note 22. Lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Lease liabilities	1,742,850	-
Non-current liabilities		
Lease liabilities	5,351,024	-
	7,093,874	-

Refer to note 31 for further information on financial instruments.

Contractual maturities of lease liabilities at 30 June 2020 is set below:

Consolidated	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Lease liabilities	1,742,850	1,301,710	2,924,862	1,124,452	7,093,874

Note 23. Provisions

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Employee entitlements	1,453,135	1,480,562
Dividends	549,340	500,445
Lease make good	200,000	-
	2,202,475	1,981,007
Non-current liabilities		
Employee entitlements	237,313	285,385
	2,439,788	2,266,392

Note 24. Contingent consideration

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Contingent consideration	637,256	-
Non-current liabilities		
Contingent consideration	808,544	544,719
	1,445,800	544,719

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

A reconciliation of the movement in contingent consideration for the financial year is set out below:

	Consolidated 2020 $	Consolidated 2019 $
Opening balance	544,719	231,418
Recognition on acquisition	742,621	716,513
Change in fair value of contingent consideration	-	(220,463)
Settled in cash	-	(231,418)
Unwinding of interest over contingent period	158,460	48,669
	1,445,800	544,719

Note 25. Other financial liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Loans from partners	10,992	-
Non-current liabilities		
Loans from partners	689,914	-
	700,906	-

Refer to note 14 for details on loans to and from partners.

Note 26. Other liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Deferred rent	-	193,991
Non-current liabilities		
Deposits held	46,244	46,244
	46,244	240,235

Note 27. Issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	45,400,000	45,495,000	14,081,465	14,169,601

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	45,497,181		14,171,477
Share buy-back	14 May 2019	(2,181)	$0.860	(1,876)
Balance	30 June 2019	45,495,000		14,169,601
Share buy-back	01 July 2019	(4,353)	$0.830	(3,613)
Share buy-back	20 August 2019	(40,647)	$0.900	(36,582)
Share buy-back	27 August 2019	(1,000)	$0.930	(930)
Share buy-back	28 August 2019	(1,000)	$0.880	(879)
Share buy-back	29 August 2019	(1,000)	$0.880	(880)
Share buy-back	30 August 2019	(14,191)	$0.930	(13,158)
Share buy-back	21 October 2019	(25,745)	$0.970	(24,960)
Share buy-back	22 October 2019	(7,064)	$1.010	(7,134)
Balance	30 June 2020	45,400,000		14,081,465

Note 27. Issued capital (continued)

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

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

Share buy-back
On 9 September 2019, the Company announced a new share buy-back of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,543,280 shares at 9 September 2019) less shares bought back in the buy-back closed on 2 September 2019 (being 64,372 shares), therefore a total of 4,478,908 shares. During the financial year ended 30 June 2020, the Company purchased and cancelled 32,809 shares. At 30 June 2020, 4,446,099 shares are authorised for on-market buy-back.

On 17 April 2019, the Company announced a share buy-back of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,549,718 shares at 17 April 2019). The Company announced the closure of this share buy-back on 2 September 2019. The Company purchased and cancelled a total of 64,372 shares during the period 17 April 2019 to 2 September 2019 including 62,191 during the financial year ended 30 June 2020.

Capital risk management
Management controls the capital of the Group in order to maintain acceptable debt to equity and debt to EBITDA ratios, provide the shareholders and partners with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements other than the financial covenants outlined in note 21.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels, distributions to shareholders and partners and share issues.

There have been no changes to the strategy adopted by management to manage the capital of the Group since the prior year.

Note 28. Earnings per share

	Consolidated	
	2020	2019
	$	$
Profit after income tax	10,359,306	7,147,654
Non-controlling interest	(6,344,797)	(4,711,959)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	4,014,509	2,435,695
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	45,418,414	45,496,894
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,418,414	45,496,894
	Cents	Cents
Basic earnings per share	8.84	5.35
Diluted earnings per share	8.84	5.35

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Note 29. Reserve

	Consolidated 2020 $	Consolidated 2019 $
Foreign currency reserve	1,514	808

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in reserve
Movements in reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $
Balance at 1 July 2018	-
Foreign currency translation	1,585
Less: share of non-controlling interest	(777)
Balance at 30 June 2019	808
Foreign currency translation	1,440
Less: share of non-controlling interest	(734)
Balance at 30 June 2020	1,514

Note 30. Dividends

Amounts recognised as dividends:

	Consolidated 2020 $	Consolidated 2019 $
For the year ended 30 June 2020:		
Special dividend of $0.0055 per ordinary share, paid on 18 September 2019	249,881	-
First interim dividend of $0.0121 per ordinary share, paid on 30 September 2019	549,737	-
Second interim dividend of $0.0121 per ordinary share, paid on 2 January 2020	549,340	-
Third interim dividend of $0.0121 per ordinary share, paid on 2 April 2020	549,340	-
Final dividend of $0.0121 per ordinary share, paid on 2 July 2020	549,340	-
	2,447,638	-
For the year ended 30 June 2019:		
First interim dividend of $0.011 per ordinary share, paid on 30 October 2018	-	500,469
Second interim dividend of $0.011 per ordinary share, paid on 31 December 2018	-	500,469
Third interim dividend of $0.011 per ordinary share, paid on 29 March 2019	-	500,469
Final dividend of $0.011 per ordinary share, paid on 1 July 2019	-	500,445
	-	2,001,852
For the year ended 30 June 2018:		
Final dividend of $0.01 per ordinary share, paid on 12 July 2018	-	454,972
	2,447,638	2,456,824

On 2 July 2020, the Company paid the final dividend for the year ended 30 June 2020 of $0.0121 per ordinary share. This dividend equates to a distribution of $549,340, based on the number of ordinary shares on issue as at 30 June 2020. The dividend was declared before the reporting date and is reflected in the 30 June 2020 financial statements.

Note 30. Dividends (continued)

Franking credits

	Consolidated 2020 $	Consolidated 2019 $
Franking credits available for subsequent financial years	2,293,566	1,678,058

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 31. Financial instruments

Financial risk management objectives
The Group is exposed to a variety of financial risks through its use of financial instruments: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not use derivative financial instruments or speculate in financial assets.

Risk management is carried out by senior management under policies approved by the Board of Directors ('the Board'). The policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Management identifies and evaluates financial risks within the Group's businesses and reports to the Board on a regular basis.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and overdrafts, loans to and from subsidiaries, and leases.

Market risk

Price risk
The Group is not exposed to any significant market risk in relation to the prices it charges for the provision of professional services.

Interest rate risk
The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity on the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2019: +1% and -1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

Note 31. Financial instruments (continued)

	2020			2019		
Borrowings	**Weighted average interest rate %**	**+1% $**	**-1% $**	**Weighted average interest rate %**	**+1% $**	**-1% $**
Bank overdrafts	4.16%	(26,348)	26,348	5.07%	(25,264)	25,264
Bank loans	4.27%	(163,770)	163,770	4.73%	(161,012)	161,012

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As at 30 June 2020 the historic roll rates, including those roll rates through the COVID-19 pandemic period, do not indicate a slow down in collections. Furthermore management are not aware of forward looking information which indicates or identifies a slow down in collection rates in its 30 June 2020 trade receivables balance and as such, the calculation of expected credit loss is based on the historic roll rates without further adjustments.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan and no active enforcement activity.

Liquidity risk
Liquidity risk arises from the Group’s management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group maintains cash and available facilities to meet its liquidity requirements for up to a minimum 30-day period.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-by-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day periods are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The Group’s liabilities have contractual maturities which are summarised below:

Note 31. Financial instruments (continued)

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	479,951	-	-	-	479,951
Other payables	-	1,832,806	-	-	-	1,832,806
Contract liabilities	-	564,334	-	-	-	564,334
Contingent consideration	-	637,256	789,532	19,012	-	1,445,800
Interest-bearing						
Bank overdrafts	4.16%	2,634,808	-	-	-	2,634,808
Bank loans*	4.27%	3,656,427	7,262,412	5,458,196	-	16,377,035
Lease liabilities	5.05%	1,742,850	1,301,710	2,924,862	1,124,452	7,093,874
Total non-derivatives		11,548,432	9,353,654	8,402,070	1,124,452	30,428,608

Lease liabilities of $1,742,850 includes $1,083,770 payable within 6 months.

* As at 30 June 2020, bank loans of $3,568,388 represents the current portion of long term debt which is being repaid under scheduled amortisation repayments, and is not expected to be refinanced or face refinance risk.

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	352,791	-	-	-	352,791
Other payables	-	1,877,047	-	-	-	1,877,047
Contract liabilities	-	482,572	-	-	-	482,572
Contingent consideration	-	-	544,719	-	-	544,719
Interest-bearing						
Bank overdraft	5.07%	2,526,439	-	-	-	2,526,439
Bank loans*	4.73%	3,348,106	6,295,308	6,457,780	-	16,101,194
Total non-derivatives		8,586,955	6,840,027	6,457,780	-	21,884,762

* As at 30 June 2019, bank loans of $3,348,106 represents the current portion of long term debt which is being repaid under scheduled amortisation repayments, and is not expected to be refinanced or face refinance risk.

Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade and other receivables and of trade and other payables is a reasonable approximation of their fair values due to the short-term nature of these balances.

Note 32. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2020 $	Consolidated 2019 $
Short-term employee benefits	490,486	895,142
Post-employment benefits	26,208	46,268
Long-term benefits	4,873	1,205
	521,567	942,615

Other key management personnel transactions
For details of other transactions with key management personnel, refer to note 36.

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Accountants & Advisors, the auditor of the Company, and unrelated firms:

	Consolidated 2020 $	Consolidated 2019 $
Audit services - William Buck Accountants & Advisors (2019: Deloitte Touche Tohmatsu)		
Audit or review of the financial statements	53,800	147,000
Other services - William Buck Accountants & Advisors (2019: Deloitte Touche Tohmatsu)		
Other services	7,900	7,000
	61,700	154,000
Audit services - unrelated firms (Deloitte Touche Tohmatsu)		
Audit or review of the financial statements	60,587	-

Note 34. Contingent liabilities

Bank guarantees totalling $806,339 have been provided in relation to the leases of various premises by the Group. These guarantees will only be payable in specific circumstances, such as failure to meet rental liabilities. In the opinion of the directors, no loss will result to the Group as a result of these guarantees.

Guarantees have been provided in relation to the banking facilities of the operating businesses by the parent entity. These guarantees will only be payable in specific circumstances, such as when the operating business is unable to meet its repayment obligations.

Contingent considerations in respect of acquisitions are carried on balance sheet and are not classified as contingent liabilities by the management.

Except as noted above, in the opinion of the directors, the Group did not have any contingencies at 30 June 2020 (30 June 2019: $766,000).

Note 35. Commitments

	Consolidated 2020 $	Consolidated 2019 $
Short-term lease commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	8,845	-
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Land and buildings	-	1,332,745

Capital commitments in FY2019 relate to two property purchases made in FY2020.

Note 36. Related party transactions

Parent entity
Kelly Partners Group Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 39.

Key management personnel
Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

On 18 March 2020, the Board of Directors resolved and approved the sale of the Group's 51 units (representing 51%) in the Kelly Partners (Inner West) Property Trust ('KP(IW)PT') for consideration of $1.00 (actual) to an associated entity of Brett Kelly and David Irwin, the Operating Partner in the Kelly Partners Inner West Partnership. At the time of sale, the net assets of KP(IW)PT were $nil, the transaction was completed on arms length terms and the Group made a gain on sale of $1.00.

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

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

Note 36. Related party transactions (continued)

Loans (to)/from related parties

Key management personnel

	2020 $	2019 $
Loans to directors:		
Balance at the beginning of the year	-	-
- loans advanced	333,623	-
- interest on loans	11,220	-
- repayment of loans advanced	(326,700)	-
Balance at the end of the year	18,143	-

On 18 March 2020, the Board of Directors resolved and approved the advancing of a short term loan facility between the Group and an associated entity of Brett Kelly and David Irwin, the Operating Partner in the Kelly Partners Inner West Partnership, to assist with the purchase of 766 Darling St, Rozelle ('the Rozelle Property'). The facility is unsecured, repayable on demand and interest is charged at commercial rates. As at 30 June 2020, there was $18,143 owing on this facility. The KW(IW)PT business operates out of the Rozelle Property. As at 30 June 2020, the operating business continues under the lease which was in place prior to the sale and purchase of the Rozelle Property.

Partners
Loans (to)/from partners are set out in note 14 and note 25.

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

Related party	Subsidiary	2020 Interest held	2019 Interest held
Paul Kuchta	Kelly Partners Norwest Partnership	25.50%	25.50%
Ada Poon	Kelly Partners North Sydney Partnership	10.00%	12.25%

Note 37. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2020 $	2019 $
Profit after income tax	3,537,134	2,265,359
Total comprehensive income	3,537,134	2,265,359

Note 37. Parent entity information (continued)

Statement of financial position

	2020 $	2019 $
Total current assets	6,752,174	5,297,300
Total assets	25,154,690	24,283,099
Total current liabilities	1,832,525	3,604,531
Total liabilities	7,002,102	8,963,742
Net assets	18,152,588	15,319,357
Equity		
Issued capital	14,081,465	14,169,601
Retained profits	4,071,123	1,149,756
Total equity	18,152,588	15,319,357

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
In the financial year ended 30 June 2019, the Group commenced restructuring its debt facilities with Westpac. The facility restructure was completed in November 2019. The facility restructure provides the Group with consistent and improved terms and conditions, consistent and reduced reporting and undertaking requirements, consistent risk margins and a consistent security structure across its subsidiaries. Each subsidiary's debt facilities are granted security by that entity, the corporate partners of that entity, limited personal guarantees of the operating business owners, and a guarantee provided by the parent over all existing and future assets and undertakings.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 38. Business combinations

Acquisitions during the year ended 30 June 2020

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

The acquired business contributed revenues of $1,636,214 and net profit before tax of $60,962 to the Group for the period from 1 November 2019 to 30 June 2020. The profit includes one off transaction and implementation costs. The business continues to be integrated in to the Kelly Partners group and management expect the business to be profitable on a full 12 month basis.

Note 38. Business combinations (continued)

Details of the acquisition are as follows:

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

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

The acquired business contributed revenues of $657,370 and net profit before tax of $65,976 to the Group for the period from 1 November 2019 to 30 June 2020. The profit includes one off transaction and implementation costs. The business continues to be integrated in to the Kelly Partners group and management expect the business to be profitable on a full 12 month basis.

Details of the acquisition are as follows:

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

Note 38. Business combinations (continued)

Acquisitions during the year ended 30 June 2019

Kelly Partners North Sydney
On 1 September 2018, Kelly Partners (North Sydney) Pty Ltd acquired an accounting business in North Sydney, NSW.

The acquired business contributed revenues of $965,688 and profit before tax of $123,080 to the Group for the period from 1 September 2018 to 30 June 2019.

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

Kelly Partners Inner West
On 4 September 2018, Kelly Partners (Inner West) Pty Ltd acquired an accounting business in Rozelle, NSW.

The acquired business contributed revenues of $879,493 and profit before tax of $120,764 to the Group for the period from 4 September 2018 to 30 June 2019.

Details of the acquisition are as follows:

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

Note 38. Business combinations (continued)

Kelly Partners Northern Beaches
On 3 December 2018, Kelly Partners (Northern Beaches) Pty Ltd acquired an accounting business in Warriewood, NSW.

The acquired business contributed revenues of $502,857 and profit before tax of $42,609 to the Group for the period from 3 December 2018 to 30 June 2019.

Details of the acquisition are as follows:

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

Kelly Partners Oran Park
On 1 February 2019, Kelly Partners (Oran Park) Pty Ltd acquired an accounting business in South West Sydney, NSW.

The acquired business contributed revenues of $158,758 and a net loss before tax of $16,076 to the Group for the period from 1 February 2019 to 30 June 2019.

Details of the acquisition are as follows:

	Fair value $
Customer relationships	157,706
Deferred tax liabilities	(7,619)
Employee benefits	(36,467)
Net assets acquired	113,620
Goodwill	146,342
Acquisition-date fair value of the total consideration transferred	259,962
Representing:	
Cash paid to vendor	224,493
Contingent consideration	35,469
	259,962

Note 39. Interests in subsidiaries

(a) Subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Country on incorporation	Ownership interest 2020 %	Ownership interest 2019 %
KP GH NS Pty Ltd	Australia	100.00%	100.00%
Kelly Partners North Sydney Partnership	Australia	58.25%	58.50%
KP GH CC Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Central Coast Partnership	Australia	50.10%	50.10%
KP GH WS Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Western Sydney) Partnership	Australia	51.00%	51.00%
KP GH SWS Pty Ltd	Australia	100.00%	100.00%
Kelly Partners South West Sydney Partnership	Australia	50.50%	50.50%
Kelly Partners Management Services Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Services Trust	Australia	100.00%	100.00%
KP GH NW Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Norwest Partnership	Australia	51.00%	51.00%
KP GH TC Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Tax Consulting Partnership	Australia	51.00%	51.00%
Kelly Partners (Strategy Consulting) Pty Ltd	Australia	100.00%	100.00%
KP GH BMCT Pty Ltd (formerly KP GH CT Pty Ltd)	Australia	100.00%	100.00%
Kelly Partners Blue Mountains & Central Tablelands Partnership (formerly Kelly Partners Central Tablelands Partnership)	Australia	68.00%	68.00%
KP GH WO Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Wollongong Partnership	Australia	51.00%	51.00%
KP GH NB Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Northern Beaches Partnership	Australia	51.00%	51.00%
KP GH SH Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Southern Highlands Partnership	Australia	51.00%	51.00%
Kelly Partners (South West Sydney) Trust	Australia	50.50%	50.50%
Kelly Partners Oran Park Partnership	Australia	25.30%	25.30%
Super Certain Pty Ltd	Australia	50.50%	50.50%
Kelly Partners Management Services (Hong Kong) Limited	Hong Kong	51.00%	51.00%
KP GH FIN Pty Ltd	Australia	100.00%	100.00%
KP GH WM Pty Ltd	Australia	100.00%	100.00%
KP GH HK Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Finance Partnership	Australia	51.00%	51.00%
Kelly Partners Private Wealth Sydney Partnership (formerly Kelly Partners Wealth Management Partnership)	Australia	51.00%	51.00%
Kelly Partners Marketing Advisory Pty Ltd (deregistered)	Australia	51.00%	51.00%
Kelly Partners Property Group Holdings Pty Ltd	Australia	100.00%	100.00%
Kelly Property Group Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Central Coast) Property Trust	Australia	51.00%	51.00%
KP GH SYD CBD Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Sydney) Pty Ltd	Australia	50.05%	50.05%
KP GH IW Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Inner West Partnership	Australia	51.00%	51.00%
Kelly Partners (Tax Legal) Pty Ltd	Australia	51.00%	51.00%
Kelly Partners (Sydney) Audit Partnership	Australia	50.04%	50.04%
Kelly Partners Private Wealth Group Holdings Pty Ltd	Australia	100.00%	100.00%

Note 39. Interests in subsidiaries (continued)

Name	Country on incorporation	Ownership interest 2020 %	Ownership interest 2019 %
KP GH MCBD Pty Ltd (formerly KP GH WM MCBD Pty Ltd)	Australia	100.00%	100.00%
Kelly Partners Private Wealth Melbourne Partnership (did not commence operation)	Australia	-	51.00%
KP GH CA Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Corporate Advisory Partnership	Australia	51.00%	51.00%
KP GH NZ Pty Ltd	New Zealand	100.00%	100.00%
Kelly Partners New Zealand Partnership	New Zealand	51.00%	51.00%
KP GH GII Pty Ltd (deregistered)	Australia	-	100.00%
Kelly Partners Government, Incentives & Innovation Partnership (dissolved)	Australia	-	51.00%
Kelly Partners SMSF Advisory Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Investment Office) Pty Ltd	Australia	75.50%	75.50%
Kelly Partners Legacy Team Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Sports & Entertainment) Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Private Wealth Pty Ltd	Australia	100.00%	100.00%
KP GH MEL Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Melbourne CBD Partnership	Australia	51.00%	51.00%
Kelly Partners (Melbourne CBD) Pty Ltd (formerly Kelly Partners Private Wealth (Melbourne) Pty Ltd)	Australia	100.00%	100.00%
Kelly Partners Private Wealth (International) Pty Ltd	Australia	100.00%	100.00%
Kelly Partners (Estate Office) Pty Ltd	Australia	100.00%	100.00%
KP GH ES Pty Ltd	Australia	100.00%	100.00%
Kelly Partners Private Wealth Wholesale Partnership	Australia	51.00%	-

The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

The Group has control over the Kelly Partners Oran Park Partnership because it controls the controlling partner of the partnership, the Kelly Partners (South West Sydney) Trust.

(b) Subsidiaries with non-controlling interests
The following table summarises the aggregate financial information in relation to the share of the Group's subsidiaries held by non-controlling interests. The information is before inter-company eliminations with other companies within the Group.

	Consolidated 2020 $	Consolidated 2019 $
Revenue	22,005,678	18,745,766
Profit attributable to non-controlling interests	6,344,797	4,711,959
Distributions to non-controlling interests	8,087,693	4,748,003
Current assets	6,100,394	4,472,327
Non-current assets	12,230,579	15,320,414
Current liabilities	(2,606,778)	(1,878,047)
Non-current liabilities	(6,036,802)	(6,322,736)
Net assets	9,687,393	11,591,958

(c) Consequences of changes in a parent's ownership in a subsidiary that do not result in a loss of control
There were no material changes to the parent entity's ownership in subsidiaries during the current and prior financial year.

(d) Significant restrictions
There are no significant restrictions on the ability of the holding company or its subsidiaries to access or use the assets and settle the liabilities of the Group.

Note 40. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2020 $	Consolidated 2019 $
Profit after income tax expense for the year	10,359,306	7,147,654
Adjustments for:		
Depreciation and amortisation	3,740,900	1,249,279
Loss on disposals	-	26,971
Net fair value gain on other financial assets	-	(701)
Change in fair value of contingent consideration	-	(220,463)
Repayments of lease liabilities	(1,978,034)	-
Unwinding of interest on contingent consideration	158,460	48,669
Other non-cash movements	785,190	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	803,348	1,772,387
Increase in deferred tax assets	(105,074)	(650,093)
Increase in trade and other payables	564,208	126,573
Increase in provision for income tax	315,918	473,175
Net cash from operating activities	14,644,222	9,973,451

Changes in liabilities arising from financing activities

Consolidated	Bank loans $	Lease liabilities $	Total $
Balance at 1 July 2018	12,795,789	-	12,795,789
Proceeds from borrowings	6,506,684	-	6,506,684
Repayment of borrowings	(3,201,279)	-	(3,201,279)
Balance at 30 June 2019	16,101,194	-	16,101,194
Net cash used in financing activities	-	(2,158,946)	(2,158,946)
Proceeds from borrowings	6,037,413	-	6,037,413
Repayment of borrowings	(5,761,572)	-	(5,761,572)
Leases recognised on the adoption of AASB 16	-	11,225,389	11,225,389
Acquisition of leases	-	596,234	596,234
Adjustments as a result of a different treatment of extension and termination options	-	(2,568,803)	(2,568,803)
Balance at 30 June 2020	16,377,035	7,093,874	23,470,909

Note 41. Events after the reporting period

On 1 July 2020, Kelly Partners (Inner West) Pty Ltd acquired a fee base in the Inner West with an estimate annual recurring fee of $127,000. The transaction is expected to contribute to the growth of the Kelly Partners (Inner West) business.

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

Apart from the matters discussed above and dividend declared as disclosed in note 30, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Brett Kelly
Executive Chairman and Chief Executive Officer

21 August 2020
Sydney

Kelly Partners Group Holdings Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kelly Partners Group Holdings Limited (the Company and its subsidiaries [the Group]), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th colspan="2">KEY AUDIT MATTER</th></tr>
<tr><th>Recovery of Goodwill and Intangible Assets
Refer also to note 19</th><th>How our audit addressed it</th></tr>
<tr><td>The Group has $30,299,572 of intangible assets including:
— Goodwill of $22,438,348
— Brand names and intellectual property of $3,300,000
— Customer relationships of $4,442,511
— Computer software of $118,713
The Group has assessed that the customer relationships and computer software have finite lives and are amortising these assets over their useful lives. The other intangible assets have indefinite lives.

The carrying values of the identifiable intangible assets are contingent on future cash flows and there is a risk that, if these cash flows do not meet the Group's expectations, the assets might be impaired.

These recoverable amounts use cash flow forecasts in which the Directors make judgements over certain key inputs, for example, but not limited to, revenue growth, discount rates applied, long term growth rates and inflation rates.</td><td>We have performed procedures to respond to the risk of misstatement of Goodwill and Intangible Assets, these procedures included:
— Assessing the Group's determination of finite and indefinite lives of intangible assets;
— Evaluating the Group's budgeting procedures (upon which the forecasts are based);
— Assessing the principles and integrity of the cash flow models;
— Consulting our own valuation specialists when considering the appropriateness of the discount rates and the long-term growth rates;
— Testing the sensitivity of the value in use calculations to variations in the underlying assumptions;
— Reviewing the historical accuracy by comparing actual results with the original forecasts; and
— Assessing the amortisation rates used for customer relationships and computer software as well as testing the corresponding charges made in the year.

We have also assessed the adequacy of the Group's disclosures in respect of the intangible assets.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 20 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Kelly Partners Group Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

L.E. Tutt
Partner
Sydney, 21 August 2020

The shareholder information set out below was applicable as at 22 July 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	212	-
1,001 to 5,000	137	-
5,001 to 10,000	78	-
10,001 to 100,000	143	-
100,001 and over	40	-
	610	-
Holding less than a marketable parcel	27	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Kelly Investments 1 Pty Ltd	23,276,378	51.27
HSBC Custody Nominees (Australia) Limited	5,010,424	11.04
Sandhurst Trustees Ltd	1,442,655	3.18
Kalumic Pty Ltd	636,000	1.40
BNP Paribas Nominees Pty Ltd IB AU Noms Retail Client DRP	504,932	1.11
Eric Golf Pty Ltd	491,338	1.08
Gildale Super Fund Pty Ltd	466,420	1.03
David Bullock + Kay Bullock + Anthony Bullock	458,984	1.01
BNP Paribas Nominees Pty Ltd Hub24 Cust Serv Ltd DRP	455,446	1.00
Dr David John Ritchie + Dr Gillian Joan Ritchie	400,000	0.88
Kenneth Ko	393,504	0.87
J P Morgan Nominees Australia Pty Limited	371,450	0.82
Mikalu Pty Ltd	364,000	0.80
ACLC Super Pty Ltd	336,000	0.74
Brojo Investments Pty Ltd	326,767	0.72
Skyplaza Investments Pty Ltd	300,000	0.66
BRJT Accounting Pty Ltd	286,120	0.63
Winda Holdings Pty Ltd	278,172	0.61
David Bullock + Kay Bullock + Anthony Bullock	264,263	0.58
Scott Elwin Family Co Pty Ltd	264,263	0.58
	36,327,116	80.01

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Kelly Investments 1 Pty Ltd	23,276,378	51.27
HSBC Custody Nominees (Australia) Limited	5,010,424	11.04

Voting rights

The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

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