KELSIAN GROUP LIMITED
AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

ABN: 49 109 078 257	**Statutory Results**			**Underlying Results #**		
Previous corresponding period:	**Consolidated Kelsian**			**Consolidated Kelsian**		
31 December 2021	**Period Ended 31 Dec 2022**			**Period Ended 31 Dec 2022**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Results in brief	**$m**	**$m**	**%**	**$m**	**$m**	**%**
Revenue from Ordinary Activities	678.3	638.8	6.2%	678.3	638.8	6.2%
EBITDA *	**69.8**	**78.1**	**(10.6%)**	**79.8**	**78.7**	**1.4%**
Depreciation	(26.3)	(29.2)	(9.9%)	(26.3)	(29.2)	(9.9%)
EBITA	**43.5**	**48.9**	**(11.0%)**	**53.5**	**49.5**	**8.1%**
Amortisation of customer contracts	(8.6)	(11.4)	(24.6%)	(8.6)	(11.4)	(24.6%)
EBIT	**34.9**	**37.5**	**(6.9%)**	**44.9**	**38.1**	**17.8%**
Net finance costs	(9.0)	(9.6)	(6.3%)	(9.0)	(9.6)	(6.3%)
Net Profit before Tax	**25.9**	**27.9**	**(7.2%)**	**35.9**	**28.5**	**26.0%**
Tax	(8.7)	(6.7)	29.9%	(9.4)	(6.6)	42.4%
Profit after Tax and before Amortisation	**25.8**	**32.6**	**(20.9%)**	**35.0**	**33.3**	**5.1%**
Profit after Tax	17.2	21.2	(18.9%)	26.5	21.8	21.6%

# Underlying Results adjusted for significant items for the period.		
Acquisition, transaction related costs and other ^	*10.9*	*1.6*
Gain on investment in UK Joint Venture	*(0.9)*	*(1.0)*
Total significant items	***10.0***	***0.6***
Tax impact adjustment for significant items	*(0.7)*	*0.1*

** EBITDA - Earnings Before Interest, Tax, Depreciation & Amortisation. EBITDA, EBITA and EBIT are all non-IFRS measures.*
^ Costs associated with the Go Ahead transaction, Channel Islands and North Stradbroke Island Bus acquisition and additional proceeds of the UK East London operations sale including stamp duty, legal, accounting, tax and other costs.

Dividends	**Amount** Cents per share	**Franked Amount** Cents per share
2022 Fully Franked Final Dividend (paid 5 October 2022)	9.5	9.5
2023 Fully Franked Interim Dividend*	7.5	7.5
2022 Fully Franked Interim Dividend (previous corresponding period)	7.0	7.0

*Record date for determining entitlements to 2023 interim dividend is 3 March 2023. Payment date for the interim dividend is 17 March 2023.

Ratio of net tangible assets	**31 Dec 2022**	**30 June 2022**
Ratio of net tangible assets per ordinary share	0.35	0.35

The report is based on the consolidated financial statements which have been reviewed by Ernst & Young. Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements.

Signed 23 February 2023

J.R. Ellison AM

Chair, Kelsian Group Limited

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Kelsian') consisting of Kelsian Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

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

Jeffrey R. Ellison AM (B. Acc, FCA, FAICD) - Chair
Christopher D. Smerdon (MAICD) - Non-Executive Director
Andrea J.P. Staines OAM (MBA, B.Ec, FAICD) - Non-Executive Director (resigned 25 October 2022)
Terry J. Dodd - Non-Executive Director
Fiona A. Hele (B.Com, FCA, FAICD) - Non-Executive Director
Neil E. Smith (MTM, B.Arts, FCILT) – Non-Executive Director
Lance E. Hockridge (FCILT, FIML, MAICD) – Non-Executive Director
Diane J. Grady AO (B. Arts, M. Arts, MBA, FAICD) - Non-Executive Director (appointed 1 September 2022)

Company Secretary
Joanne H. McDonald (LLB, B.Ec, GAICD) and Andrew D. Muir (B.Ec, MBA)

Principal activities
During the financial half-year the principal continuing activities of the Group consisted of:
- domestic public bus transport operations
- international public bus transport operations
- urban, regional and school bus charter and coach tours
- domestic ferry services
- tourism cruises, charter cruises and accommodated cruising
- travel agency services and packaged holidays
- tourist accommodation.

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

	Consolidated 31 December 2022 $'000	Consolidated 31 December 2021 $'000
Final dividend for the year ended 30 June 2022 paid on 5 October 2022 of 9.5 cents (2021: 9.0 cents) per ordinary share	20,748	19,656

Kelsian's Directors declared on 23 February 2023 a 7.5 cents per share fully franked interim dividend (up 0.5 cents per share from last year) payable on 17 March 2023 to shareholders registered on 3 March 2023. The Company's policy is to aim to return to shareholders 50% - 70% of underlying net profit after tax and before amortisation on an annualised basis, subject to business needs and ability to pay.

The Board will continue to consider Kelsian's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

Review of operations
Kelsian has recorded strong results for the first half of FY23, notwithstanding the ongoing effects and challenges of labour availability on parts of Kelsian's bus operations. The resilience of the contracted earnings base provides a sound foundation for the business. We have taken advantage of the strong cash flow and continued to invest in the business, including expanding the geographic reach of the operations during the period.

Kelsian recorded a statutory Net Profit after Tax (NPAT) of $17.2m for the December 2022 half year compared to a NPAT of $21.2m in the previous corresponding half year to 31 December 2021.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $79.8m compared to an EBITDA of $78.7m for the December 2021 half-year. Underlying EBITDA has been adjusted for significant one-off items during the period.

Kelsian's achievements in its key business segments for the first half were:

- Underlying Net Profit After Tax and before Amortisation of $35.0m, up 5.1% on prior year with total revenue of $678.3m
- Interim dividend increased by 0.5 cents per share to 7.5 cents per share
- Deployment of $44.6m of capital expenditure to replace bus fleet and advance ship builds
- Completion of the acquisitions of bus operations in the Channel Islands of Guernsey and Jersey (September 2022), North Stradbroke Island Bus Lines (December 2022) and agreements to purchase Horizons West Bus and Coachlines and Grand Touring (NT) post balance sheet date (refer below)
- Award of two new 10-year contracts to provide marine services to ConocoPhillips and Shell Santos in Gladstone
- Successful contract retention (Region 3) and organic growth through winning an additional contracted bus service (Region 13). Combined services contracted for seven years from August 2023
- Purchase of several new vessels – Starship, Starship Aqua and Sydney Crystal in Sydney Harbour and Reef Quest for Whitsundays/Hayman Island operations

Kelsian's underlying cashflow profile and the cash position at 31 December 2022 is strong with all financial covenants comfortably met. Gearing (net interest-bearing debt to net debt + equity) at 31 December 2022 was 34.1% (up from 31.2% at 30 June 2022), which is well within target gearing levels and positions Kelsian well for future investment and growth.

Despite the emerging cost base pressures particularly around fuel and wages, the majority of the business has contracted indexed price adjustment structures that hedge these exposures. Fare increases have allowed us to reduce the impact on those parts of the business which do not enjoy this protection.

Kelsian continues to be focused on the needs of our customers and growing its contract portfolio through sustainable and profitable bidding opportunities, complemented by growth through acquisition. Kelsian is constantly seeking to maximise its organic revenue growth and profitability from its existing businesses, including the addition of new contracts, routes and products. We have an ongoing focus and commitment to margin enhancement initiatives, via pricing strategies as well as cost savings and efficiency gains.

We remain focussed on building a diverse geographic portfolio of contracted essential services and leveraging the strong market position we have in Australia in capital cities and regional areas and the large number of iconic island destinations we operate.

Review of operations - Australian Bus

During the period under review, the Australian Bus operations remained focussed on addressing the industry wide labour shortage issue impacting drivers and mechanics. Whilst good progress has been made in most regions, our operations in South Australia and Region 6 in NSW remain below required staffing levels and this did impact performance. The consequences of the labour shortages has meant additional overtime has been incurred in an attempt to maintain service levels and opportunities for additional higher margin charter work have been postponed as the industry as a whole has not been able to meet demand. We continue to work closely with our government clients to find solutions to this issue.

During the period we have seen patronage on the network increase, and the operating environment (congestion, on time running, accidents and fuel consumption etc) have returned to pre COVID-19 levels. The inflationary protection mechanisms in our bus contracts with government continue to work effectively around our cost base in what has been an exceptionally high inflationary period.

The Go West Tours operation has performed well and continues to build on opportunities in the Pilbara to service existing clients as well as explore opportunities.

During the period we continued to work with government on de-carbonisation solutions. At December we had a fleet of 60 Battery Electric Buses (BEBs) and two Hydrogen Fuel Cell Buses (HFCBs), with work underway across the country (including grid upgrades and charging infrastructure) to more than double this to 168 x BEBs and 4 x HFCBs in calendar year 2023.

The acquisition of Horizons West Bus and Coachlines which was announced in late October 2022 and completed on 31 January 2023 has provided an exciting opportunity to enter the education sector from a transport operator perspective and is complementary to our Western Australian operations. The integration of the business will be completed during the second half of FY23, and the business is performing in line with initial expectations. During the period we also acquired several smaller and strategic businesses including North Stradbroke Island Bus Lines, a business complementary to our marine operations to Stradbroke Island. This further strengthens our position in Southeast Queensland and provides a base from which to grow our Queensland bus presence. We also acquired Grand Touring in the Northern Territory, a business that provides coach and charter solutions in Darwin and Katherine.

Safety remains a key focus across the Australian Bus Division and we have continued to see the roll out of collision avoidance systems and the fitment of vehicle telematics to buses is ongoing to provide a safer operating environment for employees, customers, and other road users.

Review of operations - International Bus
From an operational perspective in Singapore, the driver shortages experienced at the beginning of the period had been resolved by year end and with support from the LTA (Land Transport Authority) there has been a gradual increase in the resumption of route services and an increase in patronage levels across the network.

In the UK, we acquired two businesses in the Channel Islands operating contracted bus services on an exclusive basis on the Isles of Guernsey and Jersey. These businesses operate 120 buses from 2 depots and have 237 employees. Both businesses have performed in line with expectations and have recently secured contract extensions.

There has and continues to be a high level of tender and organic growth opportunities for the International Bus Division with tender opportunities in Manchester well underway and the release of two large tender packages in Singapore.

Review of operations - Marine & Tourism
The Australian tourism industry has rebounded during the period following the removal of domestic travel restrictions and a general increase in consumer confidence in the ability to travel. Despite generally higher costs of airline travel, domestic demand has been very strong and there has been a gradual recovery and increase in international visitors albeit still well below pre COVID levels.

Operationally, most parts of the portfolio performed well with accommodation and touring numbers on K’gari (Fraser Island) rebounding strongly and pleasing levels of visitation to Kangaroo, Magnetic and North Stradbroke Islands in particular. Our operations on Sydney Harbour and Rottnest Island finished the period well and have continued to maintain that momentum into the early part of 2023. Offsetting this somewhat was the impact of flooding experienced throughout the Murray River which resulted in river cruising being suspended in November 2022 due to access restrictions and safety concerns. This was at a time when occupancy and forward bookings were at or near capacity for the Murray Princess and it is unlikely cruising will resume until March/April 2023.

From a cost and margin perspective, the high inflationary environment during the period has seen pressure on margins with increases in fuel and wages (overtime / agency staff) due to staff shortages. Several fare increases were implemented at various times during the period in an attempt to offset cost increases. The cost environment has stabilised and the labour availability situation slightly improved. Also, during the period, several of our larger vessels in the fleet had major out of water repair and maintenance works undertaken which had been delayed due to COVID and did not occur in the prior period.

It was pleasing to be awarded two new 10-year contracts to provide marine services to ConocoPhillips and Shell Santos in Gladstone as well as a new 15-year contract to provide passenger transport services to Lane Cove for TfNSW on Sydney Harbour.

Investment in our fleet continued with construction progressing on two passenger/vehicle ferries and one passenger ferry for the Southern Moreton Bay Islands service and the commencement of construction for the two new vessels to service the Kangaroo Island operations.

Several vessels were acquired including the Starship, Aqua and Sydney Crystal vessels on Sydney Harbour which target the event and conference market and a new vessel to support the demand for our recently established Whitsundays/Hayman Island business.

At the corporate level, a number of key appointments in Sustainability and Compliance were made during the period, enhancements were made around our Cyber Security environment as well as the significant ongoing investment in the Marine & Tourism technology and customer relationship platform to enhance the customer digital experience and improve direct sales opportunities.

Matters subsequent to the end of the financial half-year
On 31 January 2023, Kelsian completed the acquisition of the following entities together referred to as the ‘Vendors’: Club Holdings Pty Ltd ACN 009 279 476 as trustee for Club Trust t/a Horizons West Bus and Coachlines ABN 58 023 512 074 (‘Club Trust’), Kiev Holdings Pty Ltd ACN 633 385 252, Swype Pty Ltd ACN 650 212 829, West Coast Bus and Coach Sales and Service Pty Ltd ACN 606 297 349, including the assets used in and comprising the business trading as ‘Horizons West Bus and Coachlines’ (“Horizons West”) together with ancillary assets for an enterprise value of A$23.4 million plus a contingent, deferred consideration and earn-out component of up to A$7.0 million.

In addition, Kelsian has purchased strategic property assets in Perth comprising two depots for A$16.7 million (together the ‘Acquisition’).

Horizons West is a market leading provider of contracted bus services and bus charter services to the education sector in Western Australia.

In February 2023, Kelsian also acquired Grand Touring in the Northern Territory, a business that provides coach and charter solutions in Darwin and Katherine.

On 18 February 2023, Kelsian through a wholly owned subsidiary was awarded a new contract for operating bus services in a newly formed Region 2 (combination of existing Regions 2 and 15), from October 2023.

In addition, a fully franked dividend of 7.5 cents per share was declared by Kelsian’s Directors on 23 February 2023, representing a total payment of $16,390,634 to be paid 17 March 2023 based on the current number of ordinary shares on issue.

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

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

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

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

On behalf of the Directors

Jeffrey R Ellison AM
Chair

23 February 2023

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's independence declaration to the directors of Kelsian Group Limited

As lead auditor for the review of the half-year financial report of Kelsian Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kelsian Group Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

David Sanders Partner
23 February 2023

General information

The financial statements cover Kelsian Group Limited as the Consolidated entity (referred to hereafter as 'Group' or 'Kelsian') consisting of Kelsian Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Kelsian's functional and presentation currency.

Kelsian is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3
26 Flinders Street
Adelaide SA 5000

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 23 February 2023.

Kelsian Group Limited
Interim condensed consolidated statement of profit or loss
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $'000	31 December 2021 Restated $'000
Revenue from contracts with customers	5	678,344	638,798
Other income	6	10,441	10,565
Interest income		687	86
Expenses			
Direct operating expenses:			
Direct wages		(339,870)	(347,309)
Repairs and maintenance		(43,312)	(37,457)
Fuel		(73,310)	(49,487)
Commission		(4,205)	(1,368)
Meals and beverage		(9,276)	(4,784)
Tour costs		(4,613)	(1,328)
Depreciation		(19,522)	(18,666)
Depreciation - ROUA		(6,820)	(10,497)
Other direct expenses		(45,427)	(42,219)
Administration expenses:			
Indirect wages		(52,717)	(50,881)
General and administration		(34,455)	(32,320)
Marketing		(3,265)	(2,747)
Financing charges		(9,732)	(9,744)
Amortisation of customer contracts and permits		(8,562)	(11,449)
Acquisition and transaction costs		(8,531)	(1,329)
Total expenses		(663,617)	(621,585)
Profit before income tax expense		25,855	27,864
Income tax expense	7	(8,651)	(6,647)
Profit after income tax expense for the half-year attributable to the owners of Kelsian Group Limited		17,204	21,217
		Cents	**Cents**
Basic earnings per share	20	7.87	9.71
Diluted earnings per share	20	7.85	9.69

Refer to note 3 for detailed information on Restatement of comparatives.

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes

Kelsian Group Limited
Interim condensed consolidated statement of other comprehensive income
For the half-year ended 31 December 2022

	Consolidated	
	31 December 2022 $'000	**31 December 2021 Restated $'000**
Profit after income tax expense for the half-year attributable to the owners of Kelsian Group Limited	17,204	21,217
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(627)	2,254
Foreign currency translation of foreign operations, net of tax	9,264	5,574
Other comprehensive income/(loss) for the half-year, net of tax	8,637	7,828
Total comprehensive income/(loss) for the half-year attributable to the owners of Kelsian Group Limited	25,841	29,045

Refer to note 3 for detailed information on Restatement of comparatives.

Kelsian Group Limited
Interim condensed consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 Restated $'000
Assets			
Current assets			
Cash and cash equivalents	8	95,015	141,093
Trade and other receivables		113,263	118,602
Inventories		21,337	19,338
Operating financial assets	9	3,344	-
Derivative financial instruments		2,977	3,211
Income tax refund due		1,390	-
Other		27,182	20,869
		264,508	303,113
Non-current assets classified as held for sale		-	7,657
Total current assets		264,508	310,770
Non-current assets			
Derivative financial instruments		3,050	3,711
Other financial assets	11	956	948
Property, plant and equipment	12	430,543	404,818
Right-of-use assets	10	102,051	105,897
Intangibles	13	589,277	584,820
Other		13,358	12,622
Total non-current assets		1,139,235	1,112,816
Total assets		1,403,743	1,423,586
Liabilities			
Current liabilities			
Trade and other payables		62,450	67,162
Contract liabilities		16,186	14,354
Borrowings		-	19,411
Lease liabilities		14,240	11,579
Income tax		-	3,057
Employee benefits		89,931	92,635
Provisions		28,039	27,589
Other		71,281	79,156
		282,127	314,943
Liabilities directly associated with assets classified as held for sale		-	997
Total current liabilities		282,127	315,940
Non-current liabilities			
Borrowings		366,082	345,000
Lease liabilities		80,644	83,128
Deferred tax		21,359	21,310
Employee benefits		8,603	8,451
Other		153	9,745
Total non-current liabilities		476,841	467,634
Total liabilities		758,968	783,574
Net assets		644,775	640,012

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

Kelsian Group Limited
Interim condensed consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 Restated $'000
Equity			
Issued capital		573,154	572,377
Reserves		12,608	5,078
Retained profits		59,010	62,554
Equity attributable to the owners of Kelsian Group Limited		644,772	640,009
Non-controlling interest		3	3
Total equity		644,775	640,012

Refer to note 3 for detailed information on Restatement of comparatives.

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

Kelsian Group Limited
Interim condensed consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2021	572,377	(8,862)	44,588	3	608,106
Adjustment for accounting change (note 3)	-	-	-	-	-
Balance at 1 July 2021 - restated	572,377	(8,862)	44,588	3	608,106
Profit after income tax expense for the half-year	-	-	21,217	-	21,217
Other comprehensive income/(loss) for the half-year, net of tax	-	7,828	-	-	7,828
Total comprehensive income/(loss) for the half-year	-	7,828	21,217	-	29,045
Transactions with owners in their capacity as owners:					
Share-based payments (note 21)	-	571	-	-	571
Dividends paid (note 14)	-	-	(19,656)	-	(19,656)
Balance at 31 December 2021 - restated	572,377	(463)	46,149	3	618,066

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2022	572,377	5,078	62,554	3	640,012
Profit after income tax expense for the half-year	-	-	17,204	-	17,204
Other comprehensive income/(loss) for the half-year, net of tax	-	8,637	-	-	8,637
Total comprehensive income/(loss) for the half-year	-	8,637	17,204	-	25,841
Transactions with owners in their capacity as owners:					
Share-based payments (note 21)	-	538	-	-	538
Options converted (note 21)	777	(1,645)	-	-	(868)
Dividends paid (note 14)	-	-	(20,748)	-	(20,748)
Balance at 31 December 2022	573,154	12,608	59,010	3	644,775

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

Kelsian Group Limited
Interim condensed consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $'000	31 December 2021 Restated $'000
Cash flows from operating activities			
Receipts from customers		698,063	642,793
Payments to suppliers and employees (inclusive of net GST)		(645,515)	(592,624)
		52,548	50,169
Interest received		687	86
Other income		7,360	8,943
Interest and other finance costs paid		(9,733)	(8,908)
Income taxes paid		(13,954)	(12,278)
Net cash from operating activities		36,908	38,012
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(28,319)	(68,027)
Payments for property, plant and equipment	12	(44,555)	(21,131)
Payments for intangibles	13	-	(230)
Proceeds from disposal of property, plant and equipment		12,667	1,222
Net cash used in investing activities		(60,207)	(88,166)
Cash flows from financing activities			
Drawdown facilities		60,000	79,000
Payments for leases		(4,034)	(4,869)
Repayment Sita Vendor Financing		(20,000)	-
Repayment of borrowings		(38,918)	-
Dividends paid	14	(20,748)	(19,656)
Net cash from/(used in) financing activities		(23,700)	54,475
Net increase/(decrease) in cash and cash equivalents		(46,999)	4,321
Cash and cash equivalents at the beginning of the financial half-year		141,093	103,497
Effects of exchange rate changes on cash and cash equivalents		921	603
Cash and cash equivalents at the end of the financial half-year	8	95,015	108,421

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' (AASB 134) and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New or amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Kelsian's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective for periods beginning on or after 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued by the Australian Accounting Standards Board ("AASB") but is not yet effective.

Several amendments and interpretations apply for the first time in the period commencing 1 July 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

Basis of preparation

From time to time comparative balances are restated to better align with current year classification or for compliance with the Group's accounting policies.

Comparatives have been restated to adjust for the reclassification of revenue previously reported in Other Income in the Marine & Tourism segment, this has resulted in $1.7m reclassification as at 31 December 2021 in the Marine & Tourism segment. There was also $1.3m reclassified from Indirect wages to Direct wages in the Australian Bus segment. Finally, $3.6m of rechargeable costs have been reclassified from General and Administration expenses to Other Direct expenses for the International Bus segment. (Refer note 4). There is no impact on the Group's reported profit or net operating cashflows for the comparative periods.

Going concern

The financial statements are prepared on a going concern basis. As at 31 December 2022, the Consolidated Statement of Financial Position reflected an excess of current liabilities over current assets of $17.6m (30 June 2022: $5.1m). The Group has the option of funding capital expenditure through financing rather than operating cashflow (a significant portion of Australian capital expenditure was funded from operating cashflow). In addition, there are amounts included in current liabilities which are not expected to be paid in the next 12 months, despite the accounting treatment requiring them to be disclosed as current liabilities, including leave liabilities and unearned income which historically have not all been paid out within 12 months. There is no indication the future operating cashflows of the business will be materially different to those achieved historically and the Company has undrawn borrowing facilities and other capital management options.

Note 2. 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of unregulated revenue for bus contracts
The Company has contracts with different government bodies to provide bus and ferry services across the Group. Management have assessed that where unregulated services are permitted under the respective contracts and such revenue streams are expected at contract inception to contribute to significant unregulated revenue compared to the total contract revenue, for the arrangement to fall out of scope of AASB Interpretation 12 'Service Concession Arrangements' (AASB Interpretation 12). The Company has exercised judgement on what is considers ‘significant’ in respect to unregulated revenue to cause a whole arrangement to fall out of scope of AASB Interpretation 12.

Note 3. Restatement of comparatives

Change in accounting
The Company has reviewed the recording of their lease payments in the International Bus segment (Singapore). Previously, lease payments made to the Singapore Land Transport Authority ("SLTA") for the use of buses to service contracts were recorded on a gross basis with right of use assets and associated lease liabilities being recorded on the balance sheet. As the lease payments to SLTA are ultimately re-funded, the arrangement will now be recorded on a net basis, resulting in the relevant right of use assets and lease liability being de-recognised from the balance sheet. No impact on Net Profit before Tax, Net Profit after Tax, net cashflows, net assets, financial covenants or Kelsian operations or prospects of the Company.

Statement of profit or loss and other comprehensive income

		Consolidated	
Extract	**31 December 2021 $'000 Reported**	**$'000 Adjustment**	**31 December 2021 $'000 Restated**
Revenue from contracts with customers	650,749	(11,951)	638,798
Expenses			
Depreciation - ROUA	(20,816)	10,319	(10,497)
Financing charges	(11,376)	1,632	(9,744)
Profit before income tax expense	27,864	-	27,864
Income tax expense	(6,647)	-	(6,647)
Profit after income tax expense for the half-year attributable to the owners of Kelsian Group Limited	21,217	-	21,217
Other comprehensive income/(loss) for the half-year, net of tax	7,828	-	7,828
Total comprehensive income/(loss) for the half-year attributable to the owners of Kelsian Group Limited	29,045	-	29,045
	Cents Reported	**Cents Adjustment**	**Cents Restated**
Basic earnings per share	9.71	-	9.71
Diluted earnings per share	9.69	-	9.69

Full year impact Statement of profit of loss for period ended 30 June 2022
The full year impact to prior year ending 30 June 2022 is a reduction of $27.3m revenue, $23.5m Depreciation - ROUA and $3.8m Financing charges resulting in net nil impact to Profit before income tax expenses and earnings per share.

Note 3. Restatement of comparatives (continued)

Statement of cash flows
For the prior interim period ended 31 December 2021 the net impact to the Statement of Cashflows of the change in accounting for leases was an increase in Payments to suppliers and employees (inclusive of net GST) of $11.9m and a reduction in financing charges of $1.6m (both in Net cash from operating activities) with a reduction of $10.3m in Payments for leases (Cash flows from financing activities).

For the prior period ended 30 June 2022 the net impact to the Statement of Cashflows of the change in accounting for leases was an increase in Payments to suppliers and employees (inclusive of net GST) of $27.3m and a reduction in financing charges of $3.8m (both in Net cash from operating activities) with a reduction of $23.5m in Payments for leases (Cash flows from financing activities).

Statement of financial position at the end of the earliest comparative period

		Consolidated	
Extract	**30 June 2022 $'000 Reported**	**$'000 Adjustment**	**30 June 2022 $'000 Restated**
Assets			
Current assets			
Trade and other receivables	119,900	(1,298)	118,602
Total current assets	312,068	(1,298)	310,770
Non-current assets			
Right-of-use assets	209,888	(103,991)	105,897
Total non-current assets	1,216,807	(103,991)	1,112,816
Total assets	1,528,875	(105,289)	1,423,586
Liabilities			
Current liabilities			
Lease liabilities	37,071	(25,492)	11,579
Total current liabilities	341,432	(25,492)	315,940
Non-current liabilities			
Lease liabilities	162,925	(79,797)	83,128
Total non-current liabilities	547,431	(79,797)	467,634
Total liabilities	888,863	(105,289)	783,574
Net assets	640,012	-	640,012

Note 3. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

Extract	1 July 2021 $'000 Reported	$'000 Adjustment	1 July 2021 $'000 Restated
Assets			
Trade and other receivables	92,398	(79)	92,319
Total of current assets	227,468	(79)	227,389
Non-current assets			
Right-of-use assets	206,119	(56,515)	149,604
Total of non-current assets	1,142,502	(56,515)	1,085,987
Total assets	1,369,970	(56,594)	1,313,376
Current liabilities			
Lease liabilities	27,193	(11,242)	15,951
Total current liabilities	306,073	(11,242)	294,831
Non-current liabilities			
Lease liabilities	133,120	(45,352)	87,768
Total non-current liabilities	455,791	(45,352)	410,439
Total liabilities	761,864	(56,594)	705,270
Net assets	1,034,550	-	1,034,550

Note 4. Operating segments

Identification of reportable operating segments
For management purposes the Consolidated entity is organised into four operating segments. The principal products and services of each of these operating segments are as follows:

Marine and Tourism – operates vehicle and passenger ferry services, barging, coach tours and package holidays, lunch, dinner and charter cruises and accommodation facilities throughout Australia;

Australian Bus – operates metropolitan public bus services on behalf of governments in Sydney, Melbourne, Perth, Adelaide and Darwin as well as services in regional WA primarily servicing the resources sector;

International Bus – operates or participates in the operation of metropolitan public bus services on behalf of governments in London, Channel Islands and Singapore; and

Corporate (Head Office) – provides finance, domestic and international sales and marketing, information and technology, business development, fleet management, health and safety and administration and risk management support.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors and Executive Committee (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Deferred taxes are not allocated to the individual segments below as the underlying instruments are managed on a Group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and commercial properties including assets from the acquisition of subsidiaries.

Note 4. Operating segments (continued)

The information reported to the CODM is on a monthly basis.

Intersegment transactions
Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties and inter-segment revenues are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Seasonality of results
Tourism services provided by Kelsian within the Marine and Tourism segment are seasonal in nature, with stronger turnover in the summer and autumn months. In particular, December and January have a high concentration of activity and turnover in the tourism sector. Revenues in the second half from tourism related services provided are expected to be similar to the first half.

This information is provided to allow for a proper appreciation of the results, however, management have concluded that this does not constitute "highly seasonal activity" as considered by AASB 134 *Interim Financial reporting*.

Operating segment information

Consolidated - 31 December 2022	Marine and Tourism $'000	Australian Bus $'000	International Bus $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	167,527	411,518	99,299	-	678,344
Interest revenue	84	331	272	-	687
Total revenue	167,611	411,849	99,571	-	679,031
EBITDA	37,302	50,841	4,331	(12,642)	79,832
Depreciation	(8,268)	(10,055)	(1,014)	(185)	(19,522)
Depreciation ROUA	(1,132)	(4,373)	(992)	(323)	(6,820)
Amortisation of customer contracts	(263)	(7,932)	(367)	-	(8,562)
Net finance costs	(79)	(993)	(64)	(7,909)	(9,045)
Acquisition and transaction expenses	(31)	-	(4,947)	(3,553)	(8,531)
Net foreign exchange gain/(loss)	-	6	(2,528)	87	(2,435)
Gain on divestment of UK operations	-	-	938	-	938
Profit/(loss) before income tax expense	27,529	27,494	(4,643)	(24,525)	25,855
Income tax expense					(8,651)
Profit after income tax expense					17,204
Assets					
Segment assets	357,292	731,410	269,868	45,173	1,403,743
Total assets					1,403,743
Liabilities					
Segment liabilities	89,417	208,280	65,341	374,571	737,609
Unallocated liabilities:					
Deferred tax liability					21,359
Total liabilities					758,968

Note 4. Operating segments (continued)

Consolidated - 31 December 2021	Marine and Tourism $'000	Australian Bus $'000	International Bus $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	118,972	393,065	126,761	-	638,798
Interest revenue	1	76	-	9	86
Total revenue	118,973	393,141	126,761	9	638,884
EBITDA	27,086	54,007	7,980	(10,310)	78,763
Depreciation	(7,643)	(9,975)	(894)	(154)	(18,666)
Depreciation ROUA	(1,463)	(2,707)	(5,961)	(366)	(10,497)
Amortisation of customer contracts	(303)	(11,146)	-	-	(11,449)
Net finance costs	(241)	(1,563)	(1,013)	(6,841)	(9,658)
Acquisition and transaction expenses	-	-	(1,104)	(225)	(1,329)
Net foreign exchange gain/(loss)	-	-	-	(300)	(300)
Gain on divestment of UK operations	-	-	1,000	-	1,000
Profit/(loss) before income tax expense	17,436	28,616	8	(18,196)	27,864
Income tax expense					(6,647)
Profit after income tax expense					21,217
Material items include:					
Net fair value gain on investment	-	-	1,000	-	1,000
Consolidated - 30 June 2022					
Assets					
Segment assets	299,108	798,889	262,647	62,942	1,423,586
Total assets					1,423,586
Liabilities					
Segment liabilities	73,904	181,991	72,968	433,401	762,264
Unallocated liabilities:					
Deferred tax liability					21,310
Total liabilities					783,574

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	31 December 2022 $'000	**31 December 2021 $'000**	**31 December 2022 $'000**	**30 June 2022 $'000**
Australia	579,045	512,037	950,184	937,150
Singapore	90,811	70,381	67,568	114,322
United Kingdom	8,488	56,380	121,483	61,346
	678,344	638,798	1,139,235	1,112,818

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 5. Revenue from contracts with customers

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Goods and services transferred at a point in time	143,908	111,049
Services transferred over time	534,436	527,749
Revenue from contracts with customers	678,344	638,798

The impact of business combinations in the current period is $26.4m refer note 18.

Due to a change in accounting there was a restatement in relation to our International segment. Refer note 3 for further details. In addition, $1.9m of Other Income was reclassified to Revenue from contracts with customers in the prior period.

Note 6. Other income

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Gain on divestment of UK operations	938	998
Gain on disposal of property, plant and equipment	3,081	143
Other income	6,422	9,424
Other income	10,441	10,565

The gain on disposal of property, plant and equipment includes $2.3m relating to assets required to be sold on cessation of the Territory Transit contract in Darwin on 1 July 2022.

Gain on divestment of UK operations reflects additional proceeds received in relation to the sale of Lea Interchange to Stagecoach (2021: Net fair value gain on divestment of assets related to RAPT Dev Joint Venture).

Note 7. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated annual effective tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense for the half years ended 31 December 2022 and 2021 are:

Note 7. Income tax expense (continued)

	Consolidated 31 December 2022 $'000	Consolidated 31 December 2021 $'000
Income tax expense		
Current tax expense	8,295	10,788
Deferred tax - origination and reversal of temporary differences current year	(95)	(4,141)
Adjustments recognised for prior periods	451	-
Aggregate income tax expense	8,651	6,647
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	25,855	27,864
Tax at the statutory tax rate of 30%	7,757	8,359
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based expenses	161	-
Non-taxable income	(1,499)	(1,930)
Other non-assessable income (foreign)	(19)	(100)
Non-deductible entertainment	-	60
Other non-deductible expenses	2,457	238
	8,857	6,627
Difference in overseas tax rates	171	20
Adjustment recognised for prior periods - current tax	451	-
Adjustment recognised for prior periods - deferred tax	(109)	-
Transferred losses	70	-
Other	(789)	-
Income tax expense	8,651	6,647

Note 8. Cash and cash equivalents

	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 $'000
Current assets		
Cash on hand	404	729
Cash at bank	87,334	109,092
Cash on deposit	7,277	31,272
	95,015	141,093

Note 9. Operating financial assets

	Consolidated 31 December 2022 $'000	30 June 2022 $'000
Current assets		
Operating financial assets	3,344	-

Operating financial assets is the amount due to be received as recompense for capital investment under AASB Interpretation 12.

Note 10. Right-of-use assets

Acquisitions and disposals
During the six months ended 31 December 2022, the Group acquired rights to use leased assets with a value of $3.4m (2021: $24.3m). The acquired rights included $2.0m relating to fleet replacement in Sydney.

No right of use assets were relinquished by the Group during the six months ended 31 December 2022 (2021: $34.3m).

Due to a change in accounting there was a restatement in relation to our International Bus segment. Refer note 3 for further details.

Note 11. Other financial assets

On 11 December 2021, Kelsian through it's Tower Transit subsidiaries, Tower Transit Operations Ltd and Tower Transit Ltd, completed entry into an incorporated joint venture with RAPT Dev UK Ltd called RATP Dev Transit London Ltd (Joint Venture Company) via transfer of net assets and liabilities. Kelsian's wholly owned subsidiary Tower Transit Ltd owns a 12.5% interest in the Joint Venture Company with a carrying value of $1.0m.

The Joint Venture formation provides increased scale efficiencies and synergies for both current operators in a very challenging London public bus transport market and facilitates the pooling of significant operational experience including transitions to new technology.

	Consolidated 31 December 2022 $'000	30 June 2022 $'000
Non-current assets		
Shares in RAPT Dev Transit London Ltd - at fair value	956	948

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

	31 December 2022 $'000	30 June 2022 $'000
Opening carrying amount	948	-
Additions	-	1,000
Foreign currency translation	8	(52)
Closing carrying amount	956	948

The investment in RAPT Dev Transit London Ltd is a level 3 financial instrument and its fair value is determined by the discounted cash flow method (DCF). The inputs used in the DCF calculations are consistent with those used previously in trading forecasts for the contributed Westbourne Park business assets and related net revenue streams.

Note 11. Other financial assets (continued)

Kelsian has not accounted for this as an equity accounted investment, but as an investment under AASB 9 Financial Instruments. The Group has made the election to present in Other Comprehensive Income (OCI) subsequent changes in the fair value of the investment.

Note 12. Property, plant and equipment

Acquisitions and disposals
During the six months ended 31 December 2022, the Group acquired assets (including capital work in progress) with a cost of $44.6m (2021: $24.9m) with a further $1.8m being acquired via business combinations (2021: $47.6m).

Assets with a net book value of $9.6m were disposed of by the Group during the six months ended 31 December 2022 (2021: $3.2m) resulting in a net gain on disposal of $3.1m (2021: $0.1m).

Capital work in progress as at 31 December 2022 was $31.5m (30 June 2022: $13.8m).

Note 13. Intangibles

Included in the movement of the carrying value of the Group's intangible assets during the six-months ended 31 December 2022 is $8.6m (2021: $11.4m) in amortisation of customer contracts and favourable exchange differences on translation of the goodwill relating to foreign operations $5.5m (2021: favourable $3.1m) recognised as part of the Transit Systems Group acquisition.

In addition, $6.9m of identifiable intangibles relating to customer contracts and relationships was recognised in relation to the acquisition of CT Plus Buses in the Channel Islands and North Stradbroke Island Buses in Queensland. In addition $0.4m of goodwill was recognised in relation to North Stradbroke Island Buses. Refer note 18. In 2021, $18.4m of goodwill and $15.4m of identifiable intangibles relating to customer contracts and relationships was recognised in relation to the acquisition of Go West Tours.

Impairment of Goodwill
Goodwill is tested for impairment annually (as at June 30) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 30 June 2022. There were no changes in the carrying value of goodwill allocated to the cash generating units nor any impairment of goodwill during the current half year.

Note 14. Dividends

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

	Consolidated	
	31 December 2022 $'000	**31 December 2021 $'000**
Final dividend for the year ended 30 June 2022 paid on 5 October 2022 of 9.5 cents (2021: 9.0 cents) per ordinary share	20,748	19,656

Kelsian’s Directors declared on 23 February 2023 a 7.5 cents per share fully franked interim dividend (up 0.5 cents per share from last year) payable on 17 March 2023 to shareholders registered on 3 March 2023. The Company’s policy is to aim to return to shareholders 50% - 70% of underlying net profit after tax and before amortisation on an annualised basis, subject to business needs and ability to pay.

The Board will continue to consider Kelsian’s growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

Note 15. Financial liabilities/(assets)

The Consolidated entity's financial liabilities at the reporting date were as follows:

	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 $'000
Derivative financial instruments designated as hedges - current:		
Fuel forward contract	53	186
Interest rate swaps	2,924	(803)
	2,977	(617)
Derivative financial instruments designated as hedges - non current:		
Fuel forward contract	-	470
Interest rate swaps	3,050	(47)
	3,050	423
Interest bearing borrowings - current:		
Vendor financing and other	-	19,411
	-	19,411
Interest bearing borrowings - non current:		
Commercial bills payable	366,082	345,000
Vendor financing and other	-	39,201
	366,082	384,201

During the period, the Consolidated entity has increased its international credit facilities by $2.8m as a result of the CT Plus, Channel Islands transaction (2021: decreased $34.1m). Domestic credit facilities were unchanged (2021: increased by $8.1m). The Consolidated entity has $128.9m (30 June 2022: $48.3m) in unused revolving credit facilities with the Group's financiers and $48.3m (30 June 2022: $50.3m) in available revolving letter of credit facilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Valuation techniques for fair value measurements categorised within level 2
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

The interest rate swap is categorised as a level 2 within the fair value hierarchy with the fair value determined using a present value valuation technique based on market inputs (including interest rates) which are actively traded and quoted through the Australian banking system.

The fuel forward contract is categorised as a level 2 within the fair value hierarchy with the fair value determined using a present value valuation technique based on market inputs (including commodity swap pricing) which are actively traded and quoted through the Australian banking system. The two product types we have under the fuel forward contract are PLATTS Sing Gas Oil 10ppm and ICE Gas Oil.

Valuation techniques for fair value measurements categorised within level 3
In December 2021 Kelsian acquired shares in RAPT Dev Transit London Ltd (refer note 11) and has made an election to account for the investment under AASB 9 Financial Instruments whereby movements in fair value are presented in Other Comprehensive Income (OCI). The fair value of the investment is determined using discounted cash flows (DCF) method.

Note 15. Financial liabilities/(assets) (continued)

As part of the purchase agreement with the previous owners of Go West Tours, dated 1 July 2021 (refer note 18), a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2022 the trading results of Go West Tours showed that it was highly probable the target would be achieved for both the deferred consideration and earn out consideration (consistent with the assumptions made on acquisition). The fair value is determined using the discounted cash flow (DCF) method. During the period, the first of two $8.05m deferred consideration instalments was paid and the remaining fair value was reassessed and $0.2m (2021: $0.5m) unrealised financing costs (no cashflow impact) were recognised. The remaining second and final instalment and earn out consideration of $9.6m is payable in August 2023.

During the period the final instalment of the non contingent deferred consideration was paid in relation to the Transit Systems Group acquisition. Refer to note 18 for further details.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Group are as follows:

Consolidated	31 December 2022 Carrying amount $'000	31 December 2022 Fair value $'000	30 June 2022 Carrying amount $'000	30 June 2022 Fair value $'000
Assets				
Shares in RAPT Dev Transit London Ltd	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000
Liabilities				
Vendor financing and other	-	-	19,411	19,411
Commercial bills	366,082	366,082	345,000	345,000
Deferred and earn out consideration (inc. Other Liabilities) note 18	9,599	9,599	16,170	16,170
	375,681	375,681	380,581	380,581

Note 16. Commitments

	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Vessels	47,982	13,930
Buses and motor vehicles	14,756	3,257
Other	5,087	773
	67,825	17,960

Note 17. Related party transactions

Parent entity
Kelsian Group Limited is the parent entity.

Note 17. Related party transactions (continued)

Transactions with related parties
During the half year, the following purchases/services were made with entities associated with directors on a arms length basis at normal market prices:

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Payment for goods and services:		
ST Property Trust, ST Property Trust No. 2, Newton No. 2 Trust (associated with Mr N Smith) - Rental for bus depots operated by Transit Systems Group in Australia.	1,497	1,435

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 18. Business combinations

Acquisition of CT Plus and Liberty Bus, Channel Islands
On 20 September 2022, Kelsian through it's subsidiary Kelsian UK Ltd, acquired 100% of the voting shares of CT Plus Jersey Limited (Liberty Bus) and CT Plus Guernsey Limited (CT Plus), a passenger transport group operating in the Channel Islands, for total cash consideration of $5.1m. The acquisition supports our strategy to add to our growing contracted international bus fleet and will be reported in the International Bus segment. The acquired business contributed revenues of $8.5m and profit after tax of $0.9m to the Group for the period from 20 September 2022 to 31 December 2022. The acquired business would have contributed full year revenues of $26.4m and profit after tax of $1.8m to the Group had it been acquired on 1 July 2022. The values identified in relation to the acquisition of CT Plus Channel Islands are provisional as at 23 February 2023.

Note 18. Business combinations (continued)

Provisional details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	55
Trade receivables	67
Other receivables	165
Operating financial assets	3,361
Inventories	840
Accrued revenue	398
Prepayments	35
Property, plant & equipment	724
Customer contracts	4,775
Trade payables	(1,873)
Other payables	(285)
Other provisions	(72)
Accrued expenses	(274)
Lease liability	(2,816)
Acquisition-date fair value of the total consideration transferred	5,100
Representing:	
Cash paid or payable to vendor	5,100
Acquisition costs expensed to profit or loss	544
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,155
Less: cash and cash equivalents	(55)
Net cash used	5,100

Other acquisitions
During the period Kelsian also acquired a bus business on North Stradbroke Island (North Stradbroke Island Bus Service) on 2 December 2022 (through it's subsidiary Transit Systems Queensland Pty Ltd) for $3.1m comprising buses with fair value of $1.0m and recognition of a customer contract intangible $2.1m and goodwill of $0.4m. This acquisition further complements and supports our marine operations to North Stradbroke Island.

Deferred and contingent consideration - prior period acquisition
As part of the purchase agreement with the previous owners of Go West Tours, there is a deferred contingent consideration of $16.1m payable in equal instalments over two years provided current earnings levels are maintained in FY22 and FY23. The first of these instalments $8.05m was paid during the period. Refer note 15 for commentary on the DCF method used to calculate the fair value.

In addition, there is earn-out consideration up to $25.0m based on exceeding specific financial hurdles over the period to 30 June 2023. Management's expectation is that $1.8m in earn-out consideration will be achieved. Refer note 15 for commentary on the DCF method used to calculate the fair value.

Total cashflows of current period acquisitions $8.2m and deferred consideration in relation to prior period of $20.1m is $28.3m.

Note 19. Events after the reporting period

On 31 January 2023, Kelsian completed the acquisition of the following entities together referred to as the 'Vendors': Club Holdings Pty Ltd ACN 009 279 476 as trustee for Club Trust t/a Horizons West Bus and Coachlines ABN 58 023 512 074 ('Club Trust'), Kiev Holdings Pty Ltd ACN 633 385 252, Swype Pty Ltd ACN 650 212 829, West Coast Bus and Coach Sales and Service Pty Ltd ACN 606 297 349, including the assets used in and comprising the business trading as 'Horizons West Bus and Coachlines' ("Horizons West") together with ancillary assets for an enterprise value of A$23.4 million plus a contingent, deferred consideration and earn-out component of up to A$7.0 million.

In addition, Kelsian has purchased strategic property assets in Perth comprising two depots for A$16.7 million (together the 'Acquisition').

Horizons West is a market leading provider of contracted bus services and bus charter services to the education sector in Western Australia.

Given the timing of the acquisition, it has been impracticable to complete the initial accounting for the business combination. As such, Kelsian cannot make disclosures relating to the fair value of assets and liabilities acquired and the contribution of any intangible assets including goodwill. As the acquisition date is after 31 December 2022, there has not been any contribution to revenue or profit of Kelsian Group recorded for the period.

In February 2023, Kelsian also acquired Grand Touring in the Northern Territory, a business that provides coach and charter solutions in Darwin and Katherine.

On 18 February 2023, Kelsian through a wholly owned subsidiary was awarded a new contract for operating bus services in a newly formed Region 2 (combination of existing Regions 2 and 15), from October 2023.

In addition, a fully franked dividend of 7.5 cents per share was declared by Kelsian's Directors on 23 February 2023, representing a total payment of $16,390,634 to be paid 17 March 2023 based on the current number of ordinary shares on issue.

Note 20. Earnings per share

	Consolidated	
	31 December 2022 $'000	**31 December 2021 $'000**
Profit after income tax attributable to the owners of Kelsian Group Limited	17,204	21,217
	Cents	**Cents**
Basic earnings per share	7.87	9.71
Diluted earnings per share	7.85	9.69
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	218,492,138	218,399,048
Adjustments for calculation of diluted earnings per share:		
Performance rights	671,131	594,891
Weighted average number of ordinary shares used in calculating diluted earnings per share	219,163,269	218,993,939

Note 21. Share options and performance rights

Employee Performance Rights

In October 2021, 188,572 performance rights were granted to Key Management Personnel and senior staff under the Kelsian Group Rights Plan.

Note 21. Share options and performance rights (continued)

In September 2022 two groups of performance rights granted in 2020 vested and were exercised by the rights holders resulting in an issue of 142,738 new Kelsian shares at $5.45 per share and purchase on market of 156,932 shares at $5.53 to satisfy exercised rights.

In October 2022, 176,658 and in December 2022, 123,761 performance rights were granted to Key Management Personnel and Senior Executives.

The performance rights in October 2021, October 2022 and December 2022 will vest after a period of 3 years subject to the terms of the Kelsian Group Rights Plan (formerly the SeaLink Travel Group Limited Rights Plan) including requirements for the senior employee to remain employed on such date, achievement of the performance hurdles attaching to the performance rights and Board discretion. Further information on the Kelsian Group Rights Plan may be found in the notice of 2022 Annual General Meeting issued in September 2022 and available via the corporate website or via the ASX website for announcements.

Employee Share Options

There were no share options issued or outstanding during the period.

The amount recognised as an expense is only adjusted when performance rights do not vest due to non-market-related conditions.

For the six months ended 31 December 2022, the Group recognised $538,000 of share-based payments expense (2021: $571,000).

Kelsian Group Limited
Directors' declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the Directors

Jeffrey R Ellison AM
Chair

23 February 2023

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Independent auditor's review report to the members of Kelsian Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Kelsian Group Limited and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Building a better working world

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

Ernst + Young

Ernst & Young

David Sanders Partner
Adelaide
23 February 2023