KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

ABN: 49 109 078 257	Statutory Results			Underlying Results #		
Previous corresponding period:	Consolidated Kelsian			Consolidated Kelsian		
31 December 2022	Period Ended 31 Dec 2023			Period Ended 31 Dec 2023		
	2023	2022	Change	2023	2022	Change
Results in brief	$m	$m	%	$m	$m	%
Revenue from Ordinary Activities	982.7	678.3	44.9%	982.7	678.3	44.9%
EBITDA *	133.2	72.1	84.7%	130.5	79.8	63.5%
Depreciation	(55.7)	(25.6)	117.6%	(55.7)	(25.6)	117.6%
EBITA	77.5	46.5	66.7%	74.8	54.2	38.0%
Amortisation	(16.7)	(9.3)	79.6%	(16.7)	(9.3)	79.6%
EBIT	60.8	37.2	63.4%	58.1	44.9	29.4%
Net finance costs	(25.2)	(9.0)	180.0%	(25.2)	(9.0)	180.0%
Profit before Tax	35.6	28.2	26.2%	32.9	35.9	(8.4%)
Tax	(7.5)	(8.7)	(13.8%)	(6.5)	(9.4)	(30.9%)
Profit after Tax and before Amortisation	44.8	28.8	55.6%	43.1	35.8	20.4%
Profit after Tax	28.1	19.5	44.1%	26.4	26.5	(0.4%)

# Underlying Results adjusted for significant items for the period.		
Acquisition, transaction related costs and other ^	2.7	(8.6)
Net gain on investments	-	0.9
Total significant items	2.7	(7.7)
Tax effect of significant trading items and one off tax adjustments	(1.0)	(0.7)

* EBITDA - Earnings Before Interest, Tax, Depreciation & Amortisation. EBITDA, EBITA and EBIT are all non-IFRS measures.

^ Costs associated with the acquisition of All Aboard America! Holdings, Inc, Horizons West Bus and Coachlines and other minor acquisitions including stamp duty, legal, due dilligence, accounting, tax, unrealised FX gain/loss and other costs.

Dividends	Amount Cents per share	Franked Amount Cents per share
2023 Fully Franked Final Dividend (paid 20 October 2023)	9.5	9.5
2024 Fully Franked Interim Dividend*	8.0	8.0
2023 Fully Franked Interim Dividend (previous corresponding period)	7.5	7.5

*Record date for determining entitlements to 2024 interim dividend is 21 March 2024. Payment date for the interim dividend is 17 April 2024.

Net tangible assets*	31 Dec 2023	30 June 2023
Net tangible assets per ordinary share	0.15	0.15

*Net tangible asset calculation includes Right of use assets and lease liabilities.

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

Signed 28 February 2024

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 2023.

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
Fiona A. Hele (B.Com, FCA, FAICD) - Deputy Chair
Clinton Feuerherdt (B. Ecom, B.Com (Hons)) – Managing Director (appointed 3 July 2023)
Terry J. Dodd - 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
Christopher D. Smerdon (MAICD) - Non-Executive Director (retired 24 October 2023)
Jacqueline McArthur (B.Eng, MAICD) – Non-Executive Director (appointed 15 January 2024)

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 and motor coach operations
- urban, regional and school bus charter and coach tours
- domestic passenger and vehicle ferry services
- tourism cruises, charter cruises and accommodated cruising
- tourist accommodation.

Dividends

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

	Consolidated	
	31 December 2023	31 December 2022
	$'000	$'000
Final dividend for the year ended 30 June 2023 paid on 20 October 2023 of 9.5 cents (2022: 9.5 cents) per ordinary share	25,594	20,761

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 Group is a diversified, global business with a majority of highly defensive long-term government-backed service contracts, most with very effective cost base protection. As well as diversified revenues, the business is a truly scalable, global, essential transport operator with a portfolio of assets across Australia, USA, Singapore, and UK (Channel Islands).

Kelsian has a vision to work with State and Federal government agencies to move towards a zero-emission public transport system. Kelsian is at the forefront of using zero emission vehicle technology and it has the experience to effectively operate and maintain all variations of zero and low emission powered transport vehicles. Kelsian has the largest number of zero-emission buses of any privately owned public transport bus operators in Australia and the largest electrified bus depot in Australia. As at 31 December 2023, Kelsian operated a fleet of 94 Battery Electric Buses ("BEB"s), and four Hydrogen Fuel Cell Buses ("HFCB"s), with committed plans underway (including grid upgrades and charging infrastructure) to 375 BEBs and four HFCBs by the end of 2025.

The transition to a zero-emission future is a capital intensive path and Kelsian benefits from the structure of its contracts with government and corporate entities, where that capital is either supplied by the customer (government owned assets) or at least funded by them. Kelsian has also worked with its clients to develop sophisticated (limited recourse) funding vehicles that reflect the essential nature of the assets and allows very cost effective funding that is non-recourse to Kelsian.

The 1HFY24 result reflects a period of substantial growth with the integration of the All Aboard America! Holdings, Inc. (AAAHI) acquisition which completed on 1 June 2023, and the mobilisation of three new government contracted bus regions in Western Sydney. During the half there were upfront costs associated with the transition and integration of new contracts in Sydney, but revenue was only generated for part of the period. These initiatives are anticipated to underpin further near-term growth for the Group.

Kelsian has recorded strong results for 1HFY24, notwithstanding the ongoing impacts 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 $28.1m for the December 2023 half year compared to a NPAT of $19.5m in the previous corresponding half year to 31 December 2022.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $130.5m compared to an EBITDA of $79.8m for the December 2022 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 $43.1m, up 20.4% on prior year with total revenue of $982.7m, up 44.9% on the prior year.
- Fully franked interim dividend of 8.0 cents per share, (7.5 cents per share in 1HFY23);
- Strong operating cashflow, up 63.4% to $60.3m, with $113.1m in cash reserves at the end of the period;
- Deployment of $56.1m of capital expenditure to replace USA bus fleet and advance ship builds in Marine and Tourism. Additional $81.6m ring fenced assets and total capital expenditure 1HFY24 $137.7m
- Operating in the United States through the integration of AAAHI, the fourth largest motorcoach operator in the USA, which was acquired on 1 June 2023;
- AAAHI Coach charter and contracted operations continued to perform strongly reflecting both new contracts and renewals;
- Successful commencement and integration of new bus contract Regions 2, 13 and 15 in Sydney, with existing Region 3;
- Australian and Singapore labour shortages addressed through well-executed, extensive, recruitment, retention and training programs;
- Establishment of a ring fenced government backed financing structure to fund 49 battery electric buses in Region 6;
- Establishment of ring fenced government backed financing structures to fund contracted bus assets in Regions 2 and 3; effective February 2024;
- Purchase of strategic assets including the acquisition of RedCat Adventures (settled 1 February 2024); and
- Commencement as a self-insured employer for workers compensation in NSW from September 2023

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, regional areas, the large number of iconic island destinations we operate in and more recently the USA.

Review of operations - Australian Bus

During the period under review, the Australian Bus Division successfully transitioned three new contract regions in Southwest Sydney. Combined Regions 3 and 13 began operating services in August 2023, and combined Regions 2 and 15 commenced services in October 2023. The substantial transition comprised the onboarding of 700 new staff, deployment of 380 buses, establishment of five new depots, and implementation of 540 new school routes. This on time and on budget integration showcased Transit Systems' leadership in managing complex bus contracts, as well as demonstrating operational excellence, a commitment to decarbonisation, and enhanced operational efficiency. The integration of these new regions has positioned Transit Systems NSW as the largest bus operator in Sydney and provides a strong foothold in the fast-growing western corridor of Sydney. This growth is expected to continue with the launch of a new international airport in the corridor from 2026.

Labour availability challenges that previously impacted our ability to meet contracted service requirements have now been eliminated. This was in part due to an improved labour market and in part due to extensive recruitment, training and retention programs that were well executed during the period. Pleasingly, Region 6 (NSW) and Adelaide (Torrens Transit) both continue to be at full establishment, overtime is steadily reducing to normal levels and contract KPIs for service delivery are being met.

During the period, the Australian Bus operations achieved significant milestones in its commitment to zero-emission transport across multiple regions. In South Australia, our green fleet, featuring hydrogen buses, is set to achieve over 80,000 customer journeys in the upcoming year, a significant shift towards sustainable transportation in the region.

Go West Tours successfully launched Western Australia's first private electric commercial coach, servicing South32's mining operations near Collie. Additionally, we have introduced two new hydrogen fuel cell buses for the Victorian Government, further solidifying our presence in sustainable public transportation across the country.

In Queensland, efforts to improve bus services on North Stradbroke Island has resulted in patronage exceeding pre-COVID levels. Additionally, RiverCity Ferries in Brisbane commenced full services following the 2022 flood recovery and was recognised on TripAdvisor as one of the top activities to undertake in Brisbane, based on outstanding customer service.

During the period, our resource, education and charter-oriented entities, namely Go West Tours, Horizons West Bus and Coachlines, and Grand Touring, were focused on addressing inflationary pressures as well as increased competition in the charter market. In Western Australia, the level crossing rail replacement project in Perth began in November 2023 and is expected to last until the end of CY2024.

Grand Touring remains steadfast in delivering its charter experiences, creating bespoke journeys that connect customers with Top End destinations, including Litchfield, Kakadu, and Katherine Nitmulik National Park. This initiative aims to revitalise Grand Touring's presence and reinforce its standing as a premier provider of charter coach services.

Simultaneously, Horizons West expanded its charter business and school services, showcasing our dedication to offering diverse and comprehensive transport solutions. By doing so, we aim to strengthen Horizons West's position as a leading player in the education sector.

In September 2023, Kelsian commenced as a self-insured employer for workers compensation in NSW which is expected to deliver cost efficiencies for the business.

During the period, Kelsian committed to acquire the Newton bus depot, a strategic asset in Adelaide, for a total consideration of $16.0m, which is expected to settle in late February/ early March 2024.

Review of operations - International Bus

The half year ending 31 December 2023 was the first full period of operations for All Aboard America! Holdings, Inc. (AAAHI) under Kelsian's ownership, following the completion of the acquisition on 1 June 2023. During the period, the AAAHI integration was substantially completed, with all critical integration projects successfully delivered. This included the transition of AAAHI's Chief Executive Officer, with Kelsian executive Graeme Legh relocating from Australia to the USA to take on the CEO role from 1 September 2023. The Kelsian USA advisory board was established with representation from AAAHI brand founders, Kelsian Directors and senior executives.

Operationally, the coach charter operations continued to perform strongly, with pricing and fleet utilisation benefiting from the ongoing recovery of demand in the coach charter market post the pandemic, coupled with constrained supply when compared to pre-pandemic levels. Contracted operations continued to grow, with new contracts awarded for technology and resources sector employee shuttle services and the renewal of a significant contract providing employee shuttle services for a large technology sector client.

There was significant reinvestment into the vehicle fleet during the period to ensure the continued delivery of safe, comfortable, and reliable journeys for our customers. A total of 46 additional vehicles were acquired and added to the fleet, including four electric and hybrid vehicles providing a low emissions employee shuttle service for a new client in Colorado. In addition, a new camera and collision avoidance system that integrates with the existing telematics system was installed on a trial basis and will be rolled out to the motor coach fleet during 2024.

During the period, AAAHI successfully established operations in a new market in the state of Texas and the business continues to assess potential acquisition opportunities as the consolidation of coach operators in the USA market gathers pace.

In Singapore, the ongoing efforts in recruitment and retention have led to improvements in the labour situation which faced persistent challenges during FY23. Throughout the first half, the business was able to operate full services despite persistent high levels of absenteeism due to recent legislative changes to labour conditions. Operationally, patronage has returned to levels seen before the COVID-19 pandemic, and the business began receiving performance incentives on achieving operational targets albeit at low levels.

There continues to be a good pipeline of tender opportunities for government backed contracted routes in Singapore which are being actively pursued.

In the UK, our operations in Jersey and Guernsey performed well during the European summer with visitation to the Channel Islands exceeding pre-COVID levels. The management team in London have continued to submit bids for contract opportunities in Manchester and are actively pursuing opportunities in other regional UK jurisdictions.

Review of operations - Marine & Tourism

During the first half of the period, the business delivered strong growth in revenue, reflecting the continued strength of domestic tourism and growth in international visitation as airline capacity increased and airfares became more competitive. This growth was particularly pleasing as we were cycling the prior period of particularly strong growth post the COVID pandemic.

However, during November and December, there was a softening in demand for domestic travel as many Australians chose to travel overseas and for others, the cost-of-living pressures hit households. Furthermore, unfortunately, during both November and December, many parts of the East-Coast business were impacted by the inclement weather in particular relating to Cyclone Jasper, during the all-important month of December. As well as cyclones, there were storms and flooding in Queensland during the peak holiday period that reduced the number of travelers to the region, impacting the earnings of businesses in these areas.

International inbound travel has continued to grow and was up 95% on the prior period and represented 73% of pre COVID levels. The top international visitor markets were Europe, USA, UK, Japan, NZ and China. The increase in international visitors underpinned a recovery in the Sydney business and New Years Eve was particularly strong with all 11 vessels out on the harbour generating pleasing revenue for the night. Sydney Harbour dining and sightseeing is also benefiting from the recovery in international markets. Magnetic Island and Rottnest Island have experienced some months with record passenger numbers and the Whale Watching product offered in multiple business units had a strong season.

To drive occupancy in a competitive market K'gari (Fraser Island) found it necessary to increase discounting due to factors described above. Yield management continues to be a focus and several additions to the revenue management strategies have been developed to drive yield and increase prices where possible, to mitigate the drop in demand. New revenue opportunities have been sought through the resurgence of cruise ship visits to Australia, with ship to shore vessel transfers and tourism offerings being secured in many of the business units.

Investment in our infrastructure and fleet continued with the current construction of two 60m vessels for the Kangaroo Island ferry service, the construction of two 45m vessels for the South East Queensland, Southern Moreton Bay Island service and a 24m vessel for the Conoco Philips, Curtis Island service. Two under-utilised Sydney Harbour vessels were sold during the period.

In December 2023, we secured another 3+3-year contract for the ferry service operations to Hayman Island.

During the period, we contracted to acquire a strategic property on Russell Island (QLD) for $1.6m, which settled in January 2024.

The acquisition of the highly awarded, small vessel, soft adventure, cruise, tour and jet ski touring business Red Cat Adventures in Airlie Beach was announced in November 2023 with settlement taking place 1 February 2024. Red Cat Adventures carried over 65,000 passengers in FY23 and generated approximately $12.5 million in revenue.

Our investment in enhancing technology and the customer experience saw our commitment to the integration of the Salesforce CRM across the business and this is anticipated to be completed during FY24.

Matters subsequent to the end of the financial half-year

On 1 February 2024, Kelsian completed the acquisition of the multi award-winning tourism operator Red Cat Adventures including the assets used in and comprising the business, for an enterprise value of A$17.0m.

On 28 February 2024 Kelsian announced that it was introducing a non-underwritten Dividend Reinvestment Plan for the benefit of shareholders.

Kelsian is pleased to advise that it established two new ring fenced financing structures to fund contracted buses in Region's 2 and 3 in Sydney (included in capital expenditure during 1HFY24) during February 2024.

In addition, Kelsian has secured two new strategic properties. The first is a strategic property asset on Russel Island, Queensland which settled in January 2024 and the second is the acquisition of the Newton bus depot in Adelaide, South Australia which will settle in late February/ early March 2024.

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

28 February 2024

Ernst & Young
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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 2023, 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

Nigel Stevenson
Partner
28 February 2024

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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 28 February 2024.

	Note	31 December 2023 $'000	Consolidated 31 December 2022 $'000
Revenue from contracts with customers	4	982,713	678,344
Other income	5	13,637	10,441
Interest income		1,018	687
Expenses			
Direct operating expenses:			
Direct wages		(487,244)	(339,870)
Repairs and maintenance		(65,597)	(43,312)
Fuel		(90,597)	(73,310)
Commission		(4,754)	(4,205)
Meals and beverage		(9,558)	(9,276)
Tour costs		(4,231)	(4,613)
Depreciation		(43,301)	(19,522)
Depreciation - ROUA		(12,408)	(6,103)
Other direct expenses		(67,943)	(45,427)
Administration expenses:			
Indirect wages		(74,756)	(52,717)
General and administration		(53,898)	(32,183)
Marketing		(4,035)	(3,265)
Financing charges		(26,171)	(9,732)
Amortisation		(16,707)	(9,278)
Acquisition and transaction costs		(571)	(8,531)
Total expenses		(961,771)	(661,344)
Profit before income tax expense		35,597	28,128
Income tax expense	6	(7,535)	(8,651)
Profit after income tax expense for the half-year attributable to the owners of Kelsian Group Limited		28,062	19,477
		Cents	Cents
Basic earnings per share	18	10.92	8.91
Diluted earnings per share	18	10.89	8.89

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

	Consolidated 31 December 2023 $'000	31 December 2022 $'000
Profit after income tax expense for the half-year attributable to the owners of Kelsian Group Limited	28,062	19,477
Other comprehensive profit/(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	(2,773)	(627)
Foreign currency translation of foreign operations, net of tax	(11,594)	9,264
Other comprehensive profit/(loss) for the half-year, net of tax	(14,367)	8,637
Total comprehensive income/(loss) for the half-year attributable to the owners of Kelsian Group Limited	13,695	28,114

The above interim condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

	Note	31 December 2023 $'000	Consolidated 30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	7	113,077	157,939
Trade and other receivables		193,026	166,939
Inventories		31,204	27,338
Derivative financial instruments		2,695	4,543
Income tax refund due		2,783	2,897
Other		30,653	22,111
Total current assets		373,438	381,767
Non-current assets			
Derivative financial instruments		407	2,519
Property, plant and equipment	9	740,278	656,443
Right-of-use assets	8	169,301	135,614
Intangibles	10	967,924	989,316
Other		12,139	12,407
Total non-current assets		1,890,049	1,796,299
Total assets		2,263,487	2,178,066
Liabilities			
Current liabilities			
Trade and other payables		87,515	91,344
Contract liabilities		14,314	14,634
Lease liabilities		16,560	15,200
Employee benefits		104,776	97,340
Provisions		38,762	40,101
Other		94,902	96,240
Total current liabilities		356,829	354,859
Non-current liabilities			
Borrowings		739,737	677,755
Borrowings - ring fenced finance facilities	11	6,818	-
Lease liabilities		146,405	113,425
Deferred tax		93,777	100,559
Employee benefits		8,298	7,763
Other		76	98
Total non-current liabilities		995,111	899,600
Total liabilities		1,351,940	1,254,459
Net assets		911,547	923,607
Equity			
Issued capital		850,848	849,943
Reserves		11,827	27,260
Retained profits		48,869	46,401
Equity attributable to the owners of Kelsian Group Limited		911,544	923,604
Non-controlling interest		3	3
Total equity		911,547	923,607

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

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	-	-	19,477	-	19,477
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	19,477	-	28,114
Transactions with owners in their capacity as owners:					
Share-based payments - non cash (note 19)	-	538	-	-	538
Employee rights converted (note 19)	777	(1,645)	-	-	(868)
Dividends paid (note 12)	-	-	(20,748)	-	(20,748)
Balance at 31 December 2022	573,154	12,608	61,283	3	647,048

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2023	849,943	27,260	46,401	3	923,607
Profit after income tax expense for the half-year	-	-	28,062	-	28,062
Other comprehensive income/(loss) for the half-year, net of tax	-	(14,367)	-	-	(14,367)
Total comprehensive profit/(loss) for the half-year	-	(14,367)	28,062	-	13,695
Transactions with owners in their capacity as owners:					
Share-based payments - non cash (note 19)	-	471	-	-	471
Employee rights converted (note 19)	905	(1,537)	-	-	(632)
Dividends paid (note 12)	-	-	(25,594)	-	(25,594)
Balance at 31 December 2023	850,848	11,827	48,869	3	911,547

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

	Note	31 December 2023 $'000	Consolidated 31 December 2022 $'000
Cash flows from operating activities			
Receipts from customers		955,326	698,063
Payments to suppliers and employees (inclusive of net GST)		(870,884)	(645,515)
Interest received		1,018	687
Other income		13,279	7,360
Interest and other finance costs paid		(26,171)	(9,733)
Income taxes paid		(12,244)	(13,954)
Net cash from operating activities		60,324	36,908
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	16	(2,612)	(28,319)
Final payments for prior period's business acquisition	16	(6,652)	-
Payments for property, plant and equipment	9	(137,156)	(44,555)
Payments for intangibles	10	(558)	-
Proceeds from disposal of property, plant and equipment		11,654	12,667
Net cash used in investing activities		(135,324)	(60,207)
Cash flows from financing activities			
Drawdown of facilities		61,984	21,082
Payments for leases		(11,302)	(4,034)
Repayment Sita Vendor Financing		-	(20,000)
Drawdown of special purpose vehicle financing		6,818	-
Movements in equity - other		(632)	-
Dividends paid	12	(25,594)	(20,748)
Net cash from/(used in) financing activities		31,274	(23,700)
Net decrease in cash and cash equivalents		(43,726)	(46,999)
Cash and cash equivalents at the beginning of the financial half-year		157,939	141,093
Effects of exchange rate changes on cash and cash equivalents		(1,136)	921
Cash and cash equivalents at the end of the financial half-year	7	113,077	95,015

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' (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 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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 2023, except for the adoption of new standards effective for periods beginning on or after 1 July 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Comparatives have been restated to adjust for the reclassification of unrealised foreign exchange profit/(loss) due to the adoption of a new Net Investment Hedge accounting policy in relation to cross currency loans with subsidiaries. This has resulted in $2.3m reclassification from Other Income to Foreign Currency Translation Reserve as at 31 December 2022 in the International segment. This increased the Group's reported profit by $2.3m but equity remained the same overall. There is no impact on net operating cashflows for the comparative periods.

Going concern

The financial statements are prepared on a going concern basis. As at 31 December 2023, the Consolidated Statement of Financial Position reflected an excess of current assets over current liabilities of $16.6m (30 June 2023: $26.9m). 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) and the recent establishment of ring fenced financing facilities in Regions 2 and 3 will reimburse the Group $74.8m of 1HFY24 capital expenditure from 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. The Company has commenced refinancing activities in February 2024 which are due to be finalised by June 2024, well in advance of the expiration of our current facilities (February 2025).

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.

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 considered 'significant' in respect to unregulated revenue to cause a whole arrangement to fall out of scope of AASB Interpretation 12.

Note 3. 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 and Adelaide as well as services in regional Western Australia primarily servicing the resources sector. Operates charter bus services in the Northern Territory.

International Bus – operates or participates in the operation of metropolitan public bus services on behalf of governments in the Channel Islands and Singapore. Operates charter coaches for corporates, local and federal government and education sectors in the United States of America.

Corporate (Head Office) – provides finance, information and technology, business development, fleet and property management, health and safety, legal, internal audit 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.

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*.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2023	Marine and Tourism $'000	Australian Bus $'000	International Bus $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	176,116	501,593	305,004	-	982,713
Interest revenue	132	535	13	338	1,018
Total revenue	176,248	502,128	305,017	338	983,731
EBITDA	38,345	54,021	52,185	(14,042)	130,509
Depreciation	(8,622)	(12,228)	(22,243)	(208)	(43,301)
Depreciation ROUA	(1,014)	(5,700)	(5,378)	(316)	(12,408)
Amortisation of customer contracts	(163)	(8,823)	(7,721)	-	(16,707)
Net finance costs	(12)	(1,713)	(10,147)	(13,281)	(25,153)
Acquisition and transaction expenses	-	(24)	(83)	(464)	(571)
Net foreign exchange gain/(loss)	-	2	2,031	1,195	3,228
Profit/(loss) before income tax expense	28,534	25,535	8,644	(27,116)	35,597
Income tax expense					(7,535)
Profit after income tax expense					28,062
Assets					
Segment assets	320,021	876,195	939,928	127,343	2,263,487
Total assets					2,263,487
Liabilities					
Segment liabilities	81,685	269,250	140,760	766,468	1,258,163
Unallocated liabilities:					
Deferred tax liability					93,777
Total liabilities					1,351,940

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)	(275)	(323)	(6,103)
Amortisation of customer contracts	(263)	(7,932)	(1,083)	-	(9,278)
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	(256)	87	(163)
Gain on divestment of UK operations	-	-	938	-	938
Profit/(loss) before income tax expense	27,529	27,494	(2,370)	(24,525)	28,128
Income tax expense					(8,651)
Profit after income tax expense					19,477

Note 3. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 December 2023	31 December 2022	31 December 2023	30 June 2023
	$'000	$'000	$'000	$'000
Australia	677,708	579,045	1,113,153	999,496
Singapore	101,541	90,811	124,481	124,096
United Kingdom	18,378	8,488	70,531	71,044
United States	185,086	-	581,477	599,144
	982,713	678,344	1,889,642	1,793,780

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 4. Revenue from contracts with customers

	Consolidated	
	31 December 2023	31 December 2022
	$'000	$'000
Goods and services transferred at a point in time	238,876	143,908
Services transferred over time	743,837	534,436
Revenue from contracts with customers	982,713	678,344

Note 5. Other income

	Consolidated	
	31 December 2023	31 December 2022
	$'000	$'000
Net foreign exchange gain	5,029	-
Gain on divestment of UK operations	-	938
Gain on disposal of property, plant and equipment	358	3,081
Other income	8,250	6,422
Other income	13,637	10,441

2023: Net foreign exchange gain includes a one off adjustment $2.0m in relation to conversion of preference shares to ordinary issued capital in the UK.

2022: 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.

2022: Gain on divestment of UK operations reflects additional proceeds received in relation to the sale of Lea Interchange to Stagecoach.

Note 6. 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.

Note 6. Income tax expense (continued)

The major components of income tax expense for the half years ended 31 December 2023 and 2022 are:

	Consolidated	
	31 December 2023 $'000	31 December 2022 $'000
Income tax expense		
Current tax expense	13,322	8,295
Deferred tax - origination and reversal of temporary differences current year	(5,740)	(95)
Adjustments recognised for prior periods	(47)	451
Aggregate income tax expense	7,535	8,651
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	35,597	28,128
Tax at the statutory tax rate of 30%	10,679	8,438
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based expenses	141	161
Non-taxable income	(2,362)	(1,499)
Other non-assessable income (foreign)	(492)	(19)
Other non-deductible expenses	1,033	1,776
	8,999	8,857
Difference in overseas tax rates	(1,111)	171
Adjustment recognised for prior periods - current tax	(47)	451
Adjustment recognised for prior periods - deferred tax	127	(109)
Transferred losses	(400)	70
Other	(33)	(789)
Income tax expense	7,535	8,651

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Current assets		
Cash on hand	676	847
Cash at bank	108,434	131,117
Cash on deposit	3,967	25,975
	113,077	157,939

Note 8. Right-of-use assets

Acquisitions and disposals
During the six months ended 31 December 2023, the Group acquired rights to use leased assets with a value of $55.0m (2022: $3.4m). The acquired rights included $41.7m relating to commencement of the new enlarged Region 2 and new Region 3 metropolitan bus contracts in Sydney, NSW.

There were $7.5m right of use assets relinquished by the Group during the six months ended 31 December 2023 (2022: Nil).

Note 9. Property, plant and equipment

Acquisitions and disposals
During the six months ended 31 December 2023, the Group acquired assets (including capital work in progress) with a cost of $136.7m (2022: $44.5m) with a further $0.2m being acquired via business combinations (2022: $1.8m). Assets acquired from the outgoing operators associated with the new Region 2 and 3 contracts in Sydney totalled $74.8m.

Assets with a net book value of $3.7m were disposed of by the Group during the six months ended 31 December 2023 (2022: $9.6m) resulting in a net gain on disposal of $0.4m (2022: $3.1m).

Capital work in progress as at 31 December 2023 was $60.6m (30 June 2023: $31.5m). This primarily related to vessels under construction for the Marine and Tourism segment.

Note 10. Intangibles

Included in the movement of the carrying value of the Group's intangible assets during the six-months ended 31 December 2023 is $16.7m (2022: $9.3m) in amortisation of customer contracts and unfavourable exchange differences on translation of the goodwill relating to foreign operations ($12.0m) (2022: favourable $5.5m).

In addition, $5.5m of identifiable intangibles relating to customer contracts and relationships was recognised in relation to the acquisition of Horizons West Bus and Coachlines in Western Australia and $4.2m of goodwill was recognised in relation to the acquisition of All Aboard America! Holdings, Inc. Refer note 16.

In 2022, $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.

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 2023. 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 11. Borrowings - ring fenced finance facilities

During 1HFY24, Kelsian established wholly owned special purpose Australian subsidiaries to own government contracted bus assets used to service specific service regions in Sydney, NSW. These special purpose subsidiaries acquired the bus assets from the Kelsian operator entities using new ringfenced asset financing arrangements. These ringfenced financing arrangements are supported by government and have limited recourse to the broader Kelsian Group. The ringfenced finance arrangements are separate to Kelsian’s corporate debt facilities and have both a tenor aligned to the expiry of the associated bus services contract and an amortisation profile that matches the residual values of the buses determined under the bus services contract (with these amounts being payable to the subsidiaries at the end of the bus services contract).

In December 2023, a non-recourse asset financing facility, of up to $40 million was established for the purchase of 49 Battery-Electric buses for Region 6 and in February 2024, non-recourse asset financing facilities totalling approximately $74.0 million were established for contracted bus assets acquired from outgoing bus operators in Regions 2, 13 and 15.

Government backed contracted assets with a vehicle termination payment obligation total $122.7 million as at 31 December 2023. Excluding this contractual commitment, leverage (net debt to EBITDA) reduces to 2.38 times.

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Non-current liabilities		
Borrowings - ring fenced financing facilities	6,818	-

Note 12. Dividends

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

	Consolidated 31 December 2023 $'000	Consolidated 31 December 2022 $'000
Final dividend for the year ended 30 June 2023 paid on 20 October 2023 of 9.5 cents (2022: 9.5 cents) per ordinary share	25,594	20,761

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 13. Financial liabilities/(assets)

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

	Consolidated 31 December 2023 $'000	Consolidated 30 June 2023 $'000
Derivative financial instruments designated as hedges - current:		
Fuel forward contract	(125)	501
Interest rate swaps	2,820	4,042
	2,695	4,543
Derivative financial instruments designated as hedges - non current:		
Interest rate swaps	407	2,519
Interest bearing borrowings - non current:		
Commercial bills payable	739,739	677,755

During the period, the Consolidated entity has increased its domestic credit facilities by $6.8m through the ring fenced financing facility for Region 6 (2022: unchanged). International credit facilities were unchanged (2022: increased $2.8m). The Consolidated entity has $27.2m (30 June 2023: $97.8m) in unused revolving credit facilities with the Group's financiers and $6.6m (30 June 2023: $47.9m) in available revolving letter of credit facilities. In addition, the Group has $114.8m in ring fenced facility limits approved of which $6.8m was drawn during the period and a further $74.8m was drawn during February 2023.

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
As part of the purchase agreement with the previous owners of Go West Tours, dated 1 July 2021 (refer note 16), a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2023 the trading results of Go West Tours showed that the target would be achieved for the deferred consideration but not the contingent earn out consideration. The fair value is determined using the discounted cash flow (DCF) method. The fair value was reassessed at 31 December and $0.2m (2022:$0.2m) unrealised financing costs (no cashflow impact) were recognised. The remaining second and final instalment $8.05m is payable in February 2024.

During the period the final instalment of contingent deferred consideration in relation to the acquisition of the Grand Touring business in the Northern Territory and the first of two instalments for the acquisition of Horizons West Bus and Coachlines was paid. Refer to note 16 for further details.

Note 13. Financial liabilities/(assets) (continued)

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:

	31 December 2023		30 June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Consolidated	$'000	$'000	$'000	$'000
Liabilities				
Commercial bills	739,739	739,739	677,755	677,755
Deferred and earn out consideration (inc. Other Liabilities) note 16	14,581	14,581	16,470	16,470
Financing - ring fenced	6,818	6,818	-	-
	761,138	761,138	694,225	694,225

Note 14. Commitments

	Consolidated	
	31 December 2023	31 December 2022
	$'000	$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Vessels	31,845	47,982
Buses and motor vehicles	41,767	14,756
Other	18,690	5,087
	92,302	67,825

Other includes $13.7m relating to a strategic property acquisition for a bus depot in South Australia.

Note 15. Related party transactions

Parent entity
Kelsian Group Limited is the parent entity.

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 2023	31 December 2022
	$'000	$'000
Payment for goods and services:		
Pacific Marine Group Pty Ltd (associated with Mr T Dodd) - Provision of marine piling services.	561	-
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.	1,539	1,497

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 16. Business combinations

In the prior period, the acquisitions of Horizons West Bus and Coachlines, CT Plus Buses (Channel Islands), North Stradbroke Island Bus Service, Grand Touring and Denmark were preliminary. The business combination accounting for these is now final.

Note 16. Business combinations (continued)

Details of the acquisition are as follows:

	Horizons West Fair value $'000	Channel Islands Fair value $'000	Final North Stradbroke Island Bus Fair value $'000	Grand Touring Fair value $'000	Denmark Fair value $'000	Total $'000
Cash and cash equivalents	-	55	2	-	-	57
Trade receivables	453	67	-	-	-	520
Other receivables	-	228	-	-	-	228
Inventories	-	731	-	-	-	731
Accrued revenue	-	398	-	-	-	398
Prepayments	-	35	-	-	-	35
Property, plant & equipment	9,336	727	1,172	1,768	773	13,776
Brands and trademarks	1,099	-	-	603	-	1,702
Customer contracts	-	8,628	3,020	-	1,846	13,494
Software	1,063	-	-	-	-	1,063
Customer relationships	9,803	-	-	2,105	-	11,908
Trade payables	(56)	(1,872)	-	-	-	(1,928)
Other payables	-	(287)	-	-	-	(287)
Deferred tax liability	(3,184)	-	(906)	(813)	(554)	(5,457)
Employee benefits	(288)	-	(3)	-	-	(291)
Other provisions	-	(72)	-	-	-	(72)
Accrued expenses	-	(722)	-	-	-	(722)
Lease liability	-	(2,816)	-	-	-	(2,816)
Net assets acquired	18,226	5,100	3,285	3,663	2,065	32,339
Goodwill	10,281	-	-	1,310	-	11,591
Acquisition-date fair value of the total consideration transferred	28,507	5,100	3,285	4,973	2,065	43,930
Representing:						
Cash paid or payable to vendor	23,425	5,100	3,285	3,642	2,065	37,517
Contingent consideration	5,082	-	-	1,331	-	6,413
	28,507	5,100	3,285	4,973	2,065	43,930
Acquisition costs expensed to profit or loss	2,363	703	183	300	2	3,551
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	28,507	5,100	3,285	4,973	2,065	43,930
Less: cash and cash equivalents	-	(55)	(2)	-	-	(57)
Less: payments to be made in future periods	(5,082)	-	-	(1,331)	-	(6,413)
Net cash used	23,425	5,045	3,283	3,642	2,065	37,460

Provisional accounting adjustments
There has been a change to the provisional accounting for Channel Islands to reclassify buses recorded as operating financial assets to be customer contract intangibles according to management's assessment of the application of IFRIC 12 to this business.

Other acquisitions
During the period Kelsian also acquired two school bus contract businesses in Western Australia totaling $1.0m, acquired through it's subsidiaries Swan Transit Pty Ltd and WA Bus and Coachlines Pty Ltd respectively comprising buses with fair value of $0.3m and recognition of a customer contract intangible $1.7m. This acquisition further complements and supports our education sector bus businesses.

Note 16. Business combinations (continued)

Deferred and contingent consideration - prior period acquisition
As part of the purchase agreement with the previous owners of Go West Tours, there is total 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 1HFY23 and the second and final instalment will be paid in 2HFY24. Refer note 13 for commentary on the DCF method used to calculate the fair value.

In addition, there was a contingent earn-out consideration of up to $25.0m based on exceeding specific financial hurdles over the period to 30 June 2023. Management's expectation was that $1.8m in earn-out consideration would be achieved, however, that has been revised down to nil following a review of the specific requirements of the earn out calculation and related financial hurdles. Refer note 13 for commentary on the DCF method used to calculate the fair value.

Total cashflows during the period relating to acquisitions are $9.3m (FY23: $28.3m) of which $1.0m relates to new acquisitions in the current period, $2.6m relates to adjustments to purchase price of prior period acquisition and $6.6m relates to deferred consideration in relation to prior period acquisitions (FY23:$20.1m).

Note 17. Events after the reporting period

On 1 February 2024, Kelsian completed the acquisition of the multi award-winning tourism operator Red Cat Adventures including the assets used in and comprising the business, for an enterprise value of A$17.0m.

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 2023, there has not been any contribution to revenue or profit of Kelsian Group recorded for the period.

On 28 February 2024 Kelsian announced that it was introducing a non-underwritten Dividend Reinvestment Plan for the benefit of shareholders.

Kelsian is pleased to advise that it established two new ring fenced financing structures to fund contracted buses in Region's 2 and 3 in Sydney (included in capital expenditure during 1HFY24) during February 2024.

In addition, Kelsian has secured two new strategic properties. The first is a strategic property asset on Russel Island, Queensland which settled in January 2024 and the second is the acquisition of the Newton bus depot in Adelaide, South Australia which will settle in late February/ early March 2024.

Note 18. Earnings per share

		Consolidated
	31 December 2023	31 December 2022
	$'000	$'000
Profit after income tax attributable to the owners of Kelsian Group Limited	28,062	19,477
	Cents	Cents
Basic earnings per share	10.92	8.91
Diluted earnings per share	10.89	8.89
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	256,903,748	218,492,138
Adjustments for calculation of diluted earnings per share:		
Performance rights	731,541	671,131
Weighted average number of ordinary shares used in calculating diluted earnings per share	257,635,289	219,163,269

Note 19. Share options and performance rights

Employee Performance Rights

The performance rights in October 2021, October 2022, December 2022 and November 2023 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 2023 Annual General Meeting issued in September 2023 and available via the corporate website or via the ASX website for announcements.

During the period two groups of performance rights granted in 2020 vested and were exercised by the rights holders resulting in an issue of 140,735 new Kelsian shares at $6.34 per share (2022: 142,738 at $5.45 per share) and purchase on market of 100,604 shares at $6.28 (2022: 156,932 at $5.53) to satisfy exercised rights.

During the period 522,610 performance rights (2022: 300,419) were granted to Key Management Personnel and Senior Executives.

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 2023, the Group recognised $471,000 of share-based payments expense (2022: $538,000).

Employee Share Options

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

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Jeffrey R Ellison AM
Chair

28 February 2024

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

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 2023, 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 2023 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 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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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

Nigel Stevenson
Partner
Adelaide
28 February 2024