

# APPENDIX 4D

PRELIMINARY FINAL REPORT



## 1. EXPLANATION OF BASIS OF RESULTS

### Results for announcement to the market

Reporting measurement			H1 FY23 \$'000	H1 FY22 \$'000
Revenue from ordinary activities – Trading Sales and Franchise Fees	up	21.1%	49,018	40,470
Net Profit from ordinary activities after tax attributable to the owners of SILK Laser Australia Limited	up	20.3%	4,923	4,093
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	12.5%	11,965	10,643

### Brief explanation of basis of results

SILK's results for the six months ended 31 December 2022 (H1 FY23) saw the Company generate a statutory profit after income tax of \$4.9 million (H1 FY22: \$4.1 million).

EBITDA based on statutory accounting was \$12.0 million, up 12.5% on the prior period.

The growth in total reported revenue of \$49.0 million of 21.1% compared with the prior comparable period (H1 FY22: \$40.5 million) reflected increased trading sales, with particularly strong growth from wholesale distribution sales, which increased by 65% to \$13.4 million (H1 FY22: \$8.1 million). The balance of trading sales related to Clinic's operated within the SILK consolidated group and totalled \$26.5 million (H1 FY22: \$26.3 million).

Total reported revenues included \$9.1 million of franchise fees received, an increase of 50% compared with the prior comparable period (H1 FY22: \$6.1 million). In September 2021, SILK acquired the Australian Skin Clinics, which was mainly a franchised network of clinics, and this has been a significant driver in improving the franchise fee revenues.

Net profit after tax of \$4.9 million grew by 20.3% versus the prior comparable period (H1 FY22: \$4.1 million).

A more detailed explanation of the Group's reported and normalised results is contained in the Review of Operations in the Directors' Report accompanying the company's financial statements.

## 2. ENTITIES OVER WHICH CONTROL WAS GAINED OR LOST DURING THE PERIOD

### Unique Laser

On 1 July 2022 SILK acquired the assets and liabilities, including franchise contracts of Unique Laser, through its wholly owned subsidiaries, M3K Holdings Pty Ltd and ASC Master Franchise Pty Ltd.

The Victorian based Unique Laser acquisition further enhances SILK's presence on the East Coast.

**APPENDIX 4D** continued

The following entities were incorporated during the half year to 31 December 2022:

Entity name	Date of incorporation	Current Shareholding %
SLC Doncaster Pty Ltd	01/07/2022	50.0%
SLC Sandy Bay Pty Ltd	20/09/2022	75.0%
SLC Figtree Pty Ltd	20/09/2022	75.0%

Entities where control was lost during the half year

Entity name	Date control was lost	Previous shareholding %	Current shareholding %
SLC Eastlands Pty Ltd	01/08/2022	100.0%	50.0%
SLC Doncaster Pty Ltd	01/10/2022	100.0%	50.0%
SLC Townsville Pty Ltd	01/12/2022	75.0%	50.0%

Changes in shareholding for the half year

Entity	Date of change in shareholding	Previous shareholding %	Current shareholding %
SLC Glenelg Pty Ltd	01/07/2022	75.0%	55.0%
SLC Burnside Pty Ltd	01/08/2022	100.0%	51.0%
SLC Wagga Pty Ltd	01/12/2022	50.0%	47.5%

**3. DIVIDENDS**

There were no dividends paid, recommended or declared during the current or previous financial period.

**4. NET TANGIBLE ASSETS**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	38.81	28.36

**APPENDIX 4D** continued**5. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

	Reporting entity's percentage holding 31 December 2022 %	Reporting entity's percentage holding 31 December 2021 %	Contribution to profit/ (loss) 31 December 2022 \$'000	Contribution to profit/ (loss) 31 December 2021 \$'000
ASC Altona Gate Pty Ltd	50.0%	50.0%	14	–
ASC Brickworks Pty Ltd	50.0%	50.0%	64	–
ASC Broadmeadows Pty Ltd	50.0%	50.0%	46	–
SLC Bunbury Pty Ltd	50.0%	50.0%	–	–
SLC Castletown Pty Ltd	50.0%	50.0%	–	–
SLC Casuarina Pty Ltd	50.0%	50.0%	69	(37)
SLC Charlestown Pty Ltd	40.0%	40.0%	–	–
SLC Cockburn Pty Ltd	50.0%	50.0%	7	–
SLC Doncaster Pty Ltd	50.0%	–	–	–
SLC Eastlands Pty Ltd	50.0%	100.0%	15	–
ASC Epping Franchise Pty Ltd	50.0%	50.0%	–	–
SLC Fairfield Pty Ltd (as an Associate)	62.5%	50.0%	–	71
SLC Greensborough Pty Ltd	50.0%	–	11	–
SLC Ipswich Pty Ltd	50.0%	50.0%	–	–
SLC Marion Pty Ltd	47.5%	47.5%	118	50
SLC Maroochydore Pty Ltd	50.0%	50.0%	–	–
SLC Palmerston Pty Ltd	50.0%	50.0%	(14)	29
SLC Southland Pty Ltd	50.0%	50.0%	–	–
SLC Tea Tree Plaza	50.0%	50.0%	65	11
SLC Toowoomba Pty Ltd	50.0%	50.0%	–	–
SLC Wagga Pty Ltd	47.5%	50.0%	127	88
SLC West Lakes Pty Ltd	50.0%	50.0%	39	27
ASC Woodgrove Pty Ltd	50.0%	50.0%	(82)	–
			479	239

## **APPENDIX 4D** continued

### **6. INDEPENDENT REVIEW**

The financial statements were subject to an independent review conducted by Grant Thornton Audit Pty Ltd.

The independent review report is attached as part of the Interim Report.

### **7. FURTHER INFORMATION**

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year Financial Report as well as the half-year Directors' Report. The information above should be read in conjunction with the accompanying Interim Financial Report of the Group for the half year ended 31 December 2022 and ASX market releases made during the period.

### **8. SIGNED**



**Boris Bosnich**

Chair and Non-Executive Director

28 February 2023

Adelaide



SILK

LASER CLINICS

# Delivering our growth strategy

INTERIM REPORT 2022





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A close-up photograph of a person's arm and shoulder, wearing a white t-shirt. A teal-colored text box with rounded corners is overlaid on the image, containing white text. The background is slightly blurred, showing more of the person's skin and the white fabric of the shirt.

**SILK Laser's mission is to provide skin and body treatments and services to help our clients feel good about themselves. We achieve the highest quality results for our clients by using the most advanced medical devices at affordable prices. We foster self confidence in every client, so they can be the best version of themselves; we do this with our gold standard service, ongoing staff training and commitment to client satisfaction.**

# DIRECTORS' REPORT

31 DECEMBER 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'SILK' or "the SILK Group") consisting of SILK Laser Australia 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 Directors have been in office for the period from 1 July 2022 unless otherwise indicated.

Name	Role	Status
Martin Perelman	Managing Director & CEO	Not Independent
Boris Bosnich	Chair & Non-Executive Director	Independent
Sinead Ryan	Non-Executive Director	Independent
Jacinta Caithness	Non-Executive Director	Independent
Andrew Cosh	Non-Executive Director	Independent

## COMPANY SECRETARY

Richard Willson held the position of Company Secretary during the whole of the half year and up to the date of this report.

## PRINCIPAL ACTIVITIES

During the financial half year, the principal continuing activities of the Group consisted of:

- franchisor of clinics providing premium non-surgical aesthetics services, including laser hair removal, cosmetic injections, skin treatments, body contouring treatments and the retail sale of skincare products;
- operator of corporate and majority owned clinics providing premium non-surgical aesthetics services, including laser hair removal, non-invasive cosmetic injections, skin treatments, body contouring and the retail sale of skincare products; and
- distribution and sale of proprietary skincare products and other aesthetics products.

There have been no changes to these activities during the period.

## REVIEW OF OPERATIONS

The SILK Group operates a network of non-surgical aesthetics ("NSA") clinics throughout Australia and New Zealand, with a variety of ownership models including Group owned clinics, joint venture clinics and traditional franchises where SILK has no ownership.

SILK acquired the Australian Skin Clinics Group ("ASC") on 1 September 2021. ASC comprised 55 NSA clinics across Australia and New Zealand, including 48 traditional franchises (14 in New Zealand trading under the brand, The Cosmetic Clinic, "TCC"), with the remainder joint ventures and corporate clinics.

In July 2022, SILK announced it had acquired the trade and assets of Unique Laser Clinics, comprising five franchised clinics in Victoria, with one brought into joint venture ownership post acquisition and the other four remain traditional franchises.

On 22 December 2022, SILK has announced it had entered into a binding agreement to acquire of Eden Laser Clinics Pty Ltd and subsidiaries ("Eden") in New South Wales, comprising 10 NSA Clinics, with nine under corporate ownership and one joint venture. The acquisition is expected to complete on 1 March 2023.

At the date of this report, SILK had a total of 131 clinics open plus a further 10 clinics should be added in March with the Eden acquisition and another joint venture clinic opening in March.



**DIRECTORS' REPORT** continued**FINANCIAL RESULTS SUMMARY**

SILK's H1 FY23 statutory net profit after income tax (NPAT) totalled \$5.0 million (H1 FY22: \$4.1 million). Adjusted NPAT totalled \$6.6 million, up 15.3% on the prior comparable period (H1 FY22: \$5.7 million).

EBITDA based on statutory accounting was \$12.0 million, an increase of 12.5% on the prior period. SILK's preferred measure of profitability, Adjusted EBITDA, grew 8.3% to \$13.7 million (H1 FY22: \$12.7 million). The calculations of Adjusted EBITDA and Adjusted NPAT are set out in the paragraph below headed "Non-IFRS measures".

The above changes in profitability were primarily due to:

- growth in half year Trading Sales, comprising Clinic Sales and Distribution and Other Sales, by 16.1% to \$39.9 million (H1 FY22: \$34.4 million), driven by the step increase in Distribution sales by 65% to \$13.4 million (H1 FY22: \$8.1 million). This aligned with the Group's strategy to sell its proprietary skincare products to the franchised network and to give the franchises the economic benefits of SILK's procurement contracts;
- distribution sales are at a wholesale margin, which as a percentage is less than half of SILK's clinic gross margin. This meant that the overall gross margin on Trading sales reduced from 72% to 66%;
- growth in half year Franchise Revenues of 50% to \$9.1 million (H1 FY22: \$6.1 million), again reflecting the growth in the franchised network;
- the above two metrics when added together are referred to as Reported Revenue in the Summary of Profit and Loss table that follows, and totals \$49.0 million, up 21% compared with the comparable period (H1 FY22: \$40.5 million);
- the above revenue metrics were driven by growth in Network Cash Sales of 35%, increasing to \$102.8 million (H1 FY22: \$76.4 million);
- costs of Doing Business (CODB) have increased during the period, notably Employee expenses, Occupancy costs and Other expenses, in particular freight and distribution and travel costs. However, we have maintained CODB as a percentage of Reported Revenue at 51%;
- statutory EBITDA increased by 12.5% compared to prior period to \$12.0 million and Adjusted EBITDA (non IFRS measure, explained below) increased by 8.3% to \$13.7 million. Note these measures are calculated on a post IFRS 16 basis, therefore being stated prior to rent payments, which totalled \$2.4 million for H1 FY23; and
- net finance costs increased to \$0.2 million versus net finance income in the prior period of \$0.1 million, as the underlying interest rate on the debt facility increased. The effective tax rate remained consistent with FY22 29%, slightly below the Australian rate of corporate income tax.

**DIRECTORS' REPORT** continued**NON-IFRS MEASURES****The Directors' report Non-IFRS measures**

References to Adjusted Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) and Adjusted net profit after income tax (Adjusted NPAT) after the normalisation adjustments explained below.

The four normalisation adjustments that were added back to profit were as follows :

- the one-off share based payments' costs relating to the IPO and listing of the Company on ASX, which occurred on 15 December 2020, relating to the share issue made to the Chair and two senior executives;
- the business combination expenses relating to the acquisitions of Unique and Eden. The costs relating to the major investments in system which cannot be capitalised as they relate to software as a service cloud based IT systems, for which the IP remains with the service provide and the set up costs cannot be capitalised; and
- to remove from net profit after tax the amortisation charge relating to the acquired intangible assets, net of tax.

The calculation of these non IFRS measures is summarised below:

	H1 FY23 \$'000	H1 FY22 \$'000
<b>Profit before income tax expense</b>	<b>6,976</b>	<b>6,156</b>
Less: Net Finance Income/(Income) – Loans and Cash	233	(125)
Add: Net Finance costs – AASB 16 Leases	286	526
Add: Depreciation and amortisation expenses	4,470	4,086
<b>EBITDA per statutory accounts</b>	<b>11,965</b>	<b>10,643</b>
Add: IPO related expenses including listing bonus share award	49	159
Add: Business combination expenses	431	1,875
Add: Systems implementation project	1,279	–
<b>Adjusted EBITDA</b>	<b>13,725</b>	<b>12,677</b>
<b>NPAT per statutory accounts</b>	<b>4,956</b>	<b>4,070</b>
Add: IPO related expenses including listing bonus share award – net of tax	35	111
Add: Business combination expenses – net of tax	306	1,313
Add: Systems implementation project	908	–
Add: Amortisation of acquired intangible assets – net of tax	371	228
<b>Adjusted NPAT</b>	<b>6,576</b>	<b>5,722</b>

## DIRECTORS' REPORT continued

### CASH FLOW AND NET CASH

In H1 FY23, the Group generated cash from operating activities of \$10.1 million (H1 FY22: \$9.8 million). The Group had significantly higher tax payments compared to last half year.

After adding back tax and interest, operating cash flow was \$13.5 million, 98% of Adjusted EBITDA, with last year's comparable metric was \$12.3 million (H1 FY22: 97% of Adjusted EBITDA), reflecting the cash generating nature of the business.

Free cash flow comprising cash flow from operating activities minus cash flows from investing activities, excluding monies paid for Acquisition of subsidiaries and related Business combination expenses totalled \$7.7 million (H1 FY22: \$9.3 million).

The Group's cash remains strong at 31 December 2022, totalling \$19.4 million. The overall net debt position after deducting the borrowings under the bank term loan facility of \$22.5 million was \$3.1 million.

After deducting lease liabilities reported under AASB16 of \$22.0 million the net debt balance was \$25.1 million (H1 FY22 \$26.7 million).

### EVENTS AFTER THE REPORTING DATE

As explained above the acquisition of Eden Laser Clinics should complete at the beginning of March 2023 and this will be mainly funded by a drawdown of \$7.5 million under the acquisition finance facility, taking the total bank debt to \$30 million. No further significant events are anticipated.

### OUTLOOK AND BUSINESS RISKS

The Directors believe the growth prospects of the Group remain strong, and the Group will continue to open new clinics and acquire existing clinics, as the NSA market consolidates. The Group will also continually assess new service and product offerings that may arise. There is also an opportunity to increase earnings through changing ownerships in the existing clinic network, notably buying back traditional franchises into joint venture or corporate clinics.

To support the growth strategy by improving customer services and improve the effectiveness of our support centre teams, SILK is undertaking a major investment program in its systems and related IT infrastructure. This will ensure that SILK maintains consistently high standards of customer service across the Group, and has improved data support decision making. The total cost of the program, which was begun in FY22, is expected to be approximately \$3.5 million in the current financial year and \$0.5 million next year.

SILK's aim is to become Australia and New Zealand's leading provider of NSA treatments. The Group is investing in systems and resources to achieve its plan, whilst being mindful of the current business environment and the economic outlook following the tightening of monetary policy. The Board is aware of the business risks and is reflecting on these circumstances when making decisions.

The business risks were set out in detail in the Prospectus issued before the IPO in November 2023. The board currently considers the main business risks to be as follows:

- A reduction in consumer discretionary spending may adversely affect SILK's business. Whilst SILK believes that its non-surgical aesthetics ("NSA") services are for many customers an essential part of their personal care regime, this could be effected by reduced consumer spending;
- Business costs are increasing and may not be passed onto customers. SILK has so far been successful at implementing certain price increases to offset costs without diminishing demand, but this could become more difficult in future;
- SILK's success is linked to its ability to attract and retain key management and personnel. SILK is mitigating this risk by developing its employee value proposition (EVP) and long term incentives have been provided for senior managers;
- Non-compliance with regulations and regulatory changes. SILK is very aware of the importance of medical governance and has increased its resources. SILK also maintains good relations with government bodies; and
- SILK's acquisitions may not be successful.

## **DIRECTORS' REPORT** continued

### **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.

### **SIGNED**

Signed in accordance with a resolution of Directors:

A handwritten signature in black ink, appearing to read 'Boris Bosnich', written over a horizontal line.

**Boris Bosnich**

Chair and Non-Executive Director

28 February 2023

## AUDITOR'S INDEPENDENCE DECLARATION



**Grant Thornton Audit Pty Ltd**  
Grant Thornton House  
Level 3  
170 Frome Street  
Adelaide SA 5000  
GPO Box 1270  
Adelaide SA 5001  
T +61 8 8372 6666

### Auditor's Independence Declaration

#### To the Directors of SILK Laser Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of SILK Laser Australia Limited for the half-year ended 31 December 2022. I declare that, 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; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

A stylized blue ink signature of "Grant Thornton" in a cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized blue ink signature of "J. L. Humphrey" in a cursive script.

J. L. Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2023

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## CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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### GENERAL INFORMATION

The financial statements cover SILK Laser Australia Limited as a Group consisting of SILK Laser Australia 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 SILK Laser Australia Limited's functional and presentation currency.

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

1/137 The Parade, Norwood, SA 5067

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
<b>Revenue</b>			
Trading sales	4	39,886	34,368
Cost of sales	5	(13,719)	(9,697)
Gross profit		26,167	24,671
Franchise revenue	4	9,132	6,102
Other income		1,012	1,650
Share of Profits of Associates		479	239
Employee benefits expense	5	(15,509)	(14,025)
Occupancy costs		(599)	(518)
Marketing expenses		(2,762)	(2,273)
Other expenses	5	(3,732)	(3,035)
Business combination expenses		(431)	(1,875)
Systems investments – cloud based		(1,279)	–
Depreciation and amortisation expenses	5	(4,470)	(4,086)
Finance costs	5	(1,032)	(694)
<b>Profit before income tax expense</b>		<b>6,976</b>	<b>6,156</b>
Income tax expense		(2,020)	(2,086)
<b>Profit after income tax expense for the half year</b>		<b>4,956</b>	<b>4,070</b>
Other comprehensive income for the half year, net of tax		(34)	–
<b>Total comprehensive income for the half year</b>		<b>4,922</b>	<b>4,070</b>
Profit for the half year is attributable to:			
Non-controlling interest		33	(23)
Owners of SILK Laser Australia Limited		4,923	4,093
		4,956	4,070
Total comprehensive income for the half year is attributable to:			
Non-controlling interest		33	(23)
Owners of SILK Laser Australia Limited		4,889	4,093
		4,922	4,070
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	9.28	7.85
Diluted earnings per share	17	9.23	7.82

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		19,427	18,601
Trade and other receivables	6	15,638	9,809
Inventories		4,795	5,340
Other assets		291	547
Total current assets		40,151	34,297
<b>Non-current assets</b>			
Trade and other receivables	6	9,392	9,126
Investment in associates	7	1,725	1,286
Right-of-use assets	8	9,749	10,834
Property, plant and equipment	9	17,940	18,655
Intangible assets	10	83,856	83,881
Deferred tax		15,428	13,385
Other assets		303	449
Total non-current assets		138,393	137,616
<b>Total assets</b>		<b>178,544</b>	<b>171,913</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	12,642	11,344
Contract liabilities	12	9,957	9,531
Lease liabilities	14	7,927	7,815
Income tax payable		151	891
Provisions		1,715	3,119
Total current liabilities		32,392	32,700
<b>Non-current liabilities</b>			
Contract liabilities	12	246	284
Borrowings	13	22,404	22,386
Lease liabilities	14	14,097	14,992
Deferred tax liabilities		12,860	11,045
Provisions		1,779	1,226
Total non-current liabilities		51,386	49,933
<b>Total liabilities</b>		<b>83,778</b>	<b>82,633</b>
<b>Net assets</b>		<b>94,766</b>	<b>89,280</b>
<b>Equity</b>			
Share capital	15	79,257	78,884
Foreign currency translation reserve		(34)	–
Share-Based Payments Reserve		285	485
Retained profits		14,861	9,938
Equity attributable to the owners of SILK Laser Australia Limited		94,369	89,307
Non-controlling interests		397	(27)
<b>Total equity</b>		<b>94,766</b>	<b>89,280</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Share Capital Ordinary Shares \$'000	Share-Based Payment Reserve \$'000	Retained Earnings \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2021	73,746	425	3,550	(66)	77,655
Profit/(loss) after income tax expense for the year	–	–	6,388	1	6,389
Other comprehensive income for the half year, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	6,388	1	6,389
Transfer of options vested and exercised	350	(350)	–	–	–
Share-based payments – Performance rights vesting	–	165	–	–	165
Share-based payments – Listing award vesting	–	245	–	–	245
Shares issued during the year	4,788	–	–	–	4,788
Dividends paid	–	–	–	(78)	(78)
Changes in the proportion held by non-controlling interest	–	–	–	116	116
Balance at 30 June 2022	78,884	485	9,938	(27)	89,280

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** continued

	Share Capital Ordinary Shares \$'000	Share-Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2022	78,884	485	–	9,938	(27)	89,280
Profit after income tax expense for the half year	–	–	–	4,923	33	4,956
Other comprehensive income for the half year, net of tax	–	–	(34)	–	–	(34)
Total comprehensive income for the half year	–	–	(34)	4,923	33	4,922
Repayment of employee share loans	23	–	–	–	–	23
Listing rights vested and exercised	350	(350)	–	–	–	–
Share-based payments – Listing award vesting	–	30	–	–	–	30
Share-based payments – Performance rights vesting	–	120	–	–	–	120
Changes in the proportion held by non-controlling interest	–	–	–	–	391	391
Balance at 31 December 2022	79,257	285	(34)	14,861	397	94,766

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



**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		49,220	44,060
Payments to suppliers and employees (inclusive of GST)		(35,731)	(31,967)
Interest received		513	293
Income tax paid		(2,871)	(2,042)
Interest paid – Leases	5	(536)	(526)
Interest paid – Bank financing	5	(496)	(168)
Net cash from operating activities		10,099	9,650
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,830)	(1,524)
Payments for intangibles		(83)	(154)
Acquisition of ASC, net of cash acquired		–	(45,340)
Payment for other Business Combination	3	(600)	(1,230)
Systems investments – cloud based		(1,279)	–
Business combination expenses		(431)	(1,875)
Loan advances to associates		(743)	(737)
Proceeds from sale shares in majority owned companies		533	–
Proceeds from disposal of property, plant and equipment		535	144
Receipt of guarantee deposits refunded		146	1,463
Proceeds from sale of subsidiaries and associates – Net of cash acquired		50	345
Net cash used in investing activities		(4,702)	(48,908)
<b>Cash flows from financing activities</b>			
Proceeds from call on shares	15	23	228
Repayment of principal portion of lease liabilities	14	(4,594)	(3,517)
Proceeds from borrowings		–	22,368
Repayment of assets finance		–	(569)
Net cash from/(used in) financing activities		(4,571)	18,510
Net increase/(decrease) in cash and cash equivalents		826	(20,748)
Cash and cash equivalents at the beginning of the financial half year		18,601	44,673
Cash and cash equivalents at the end of the financial half year		19,427	23,925

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

### NOTE 1. SUMMARY OF ACCOUNTING POLICIES

#### Basis of preparation

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* 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 audited Consolidated financial statements for the year 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*.

The principal accounting policies adopted in the preparation of the half-year financial statements are consistent with those of the audited financial statements for the year ended 30 June 2022. There were no new or amended Accounting Standards that have a significant impact of financial performance.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

#### Rounding of amounts

The Company is of a kind referred to in Class Order 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 Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### NOTE 2. OPERATING SEGMENTS

#### Identification of reportable operating segments

During the first half of financial year ended 30 June 2022, Silk Laser Australia Limited acquired the business of Australian Skincare Clinics (ASC). Given the size and management structures in place at the time of the acquisition two operating segments were disclosed in the interim and annual report of SILK Laser Australia Limited being SILK and ASC. The plan at the time of the acquisition of ASC was to fully integrate the businesses from a financial and management perspective. During the financial period ended 31 December 2022, the financial integration of the ASC business was completed while the operational integration has commenced which has resulted in rebranding of a number of clinics acquired, with more to follow, as well as introducing a number of SILK branded products into the acquired stores.

Following the completion of the financial integration of the businesses, SILK Laser Australia Limited has revisited the operating segment disclosures for the group to match the reporting used by the Chief Executive Officer who is the chief operating decision maker of the Group.

From 1 July 2022, the Group has reverted to one operating segment, being provision of non-surgical aesthetic services and sale of skincare products through their corporate, majority owned and franchised clinics, and fee income from franchise clinics, in Australia and New Zealand.

Total revenue disclosed in the consolidated statement of comprehensive profit and loss all relates to this one operating segment which is a change from the prior period as noted above. In accordance with AASB 8, the group has restated prior period comparatives to be consistent with the current period.

The Group is not reliant on any single customer.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

As at 31 December 2022, the Group operated:

- 35 corporate clinics and majority owned clinics in Australia (2022: 37);
- NIL corporate clinics and majority owned clinics in New Zealand (2022: NIL);
- 24 Joint Venture clinics in Australia which the Group has a 50% shareholding (2022: 19);
- NIL Joint Venture clinics in New Zealand which the Group has a 50% shareholding (2022: NIL);
- 53 non-owned franchised clinics in Australia (2022: 49); and
- 19 non-owned franchised clinics in New Zealand (2022: 17);

**Geographical information**

The group generates more than 90% of its revenue from Australia and as a consequence no further geographical information is provided.

**NOTE 3. BUSINESS COMBINATIONS****Acquisition of Controlled Entities****Unique Laser**

On 1 July 2022 SILK acquired the assets, including franchise contracts of Unique Laser, through its wholly owned subsidiaries, M3K Holdings Pty Ltd and ASC Master Franchise Pty Ltd.

Unique Laser comprised a network of five clinic, including four traditional franchises and one corporate clinic. The corporate clinic has post acquisition moved to joint venture ownership.

The Victorian based Unique Laser acquisition further enhances SILK's presence on the East Coast.

The transaction has been provisionally accounted for at 31 December 2022.

	\$'000
<b>Assets</b>	
Property, plant and equipment	125
Inventory	38
	<b>163</b>
<b>Liabilities</b>	
Contract liabilities	(163)
<b>Net assets</b>	<b>–</b>
Cash consideration	600
Allocation to Goodwill	600

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**Entities over which there was a Loss of control**

During the half year the group lost control over several existing clinics from the SILK network. Details of these transactions are summarised below:

Entity Name	Date control was lost	Previous shareholding %	Current shareholding %
SLC Eastlands Pty Ltd	01/08/2022	100.0%	50.0%
SLC Doncaster Pty Ltd	01/10/2022	100.0%	50.0%
SLC Townsville Pty Ltd	01/12/2022	75.0%	50.0%
			<b>\$'000</b>
<b>Assets</b>			
Cash and cash equivalents			265
Trade and other receivables			42
Inventory			236
Property, plant and equipment			1,159
Right-of-use assets			1,605
Deferred tax asset			219
Goodwill			7
			3,533
<b>Liabilities</b>			
Trade and other payables			(374)
Contract liabilities			(314)
Provisions			(80)
Lease liabilities			(1,625)
Shareholder loans			(1,004)
Deferred tax liabilities			(136)
			(3,533)
<b>Net assets</b>			<b>–</b>
Cash inflow from disposal			265
Realised gain on disposal			171

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**Entities over which there was a change in control**

During the half year the group changed its control stake over a number of existing clinics from the SILK network. Details of these transactions are summarised below:

		%	%
SLC Burnside Pty Ltd	01/08/2022	100.0%	51.0%
SLC Glenelg Pty Ltd	01/07/2022	75.0%	55.0%

	31 December 2022 \$'000
<b>Assets</b>	
Cash and cash equivalents	159
Trade and other receivable	8
Inventory	174
Property, plant and equipment	852
Right-of-use assets	821
Deferred tax asset	433
Shareholder loans	837
	3,284
<b>Liabilities</b>	
Trade and other payables	(280)
Contract liabilities	(765)
Provisions	(141)
Lease liabilities	(893)
Shareholder and equipment loans	(354)
Deferred tax liabilities	(414)
	(2,847)
<b>Net assets</b>	<b>437</b>
Total consideration	225

**NOTE 4. REVENUE**

	31 December 2022 \$'000	31 December 2021 \$'000
<b>Timing of revenue recognition</b>		
Clinic sales – recognised at a point in time	26,524	26,271
Distribution sales – recognised at a point in time	13,362	8,097
Franchise revenue – recognised at a point in time	9,029	6,025
Initial franchise revenue – recognised over time	103	77
Reported revenue	49,018	40,470



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 5. EXPENSES****Cost of Sales**

Cost of sales mainly comprises the cost of cosmetic injectable supplies, consumable costs associated with the non-surgical aesthetic services and the cost of skincare products, which are primarily SILK Owned branded products manufactured by third parties.

	31 December 2022 \$'000	31 December 2021 \$'000
Profit before income tax includes the following specific expenses:		
<b>Cost of sales</b>		
Cost of sales	13,719	9,697
<b>Depreciation, amortisation and impairment</b>		
Amortisation of acquired franchise network (AUS & NZ)	522	–
Amortisation of other intangibles	44	378
Amortisation of bank establishment fee	16	13
Depreciation of property, plant and equipment	1,941	1,906
Depreciation of right-of-use assets	1,947	1,789
Total depreciation, amortisation and impairment	4,470	4,086
<b>Employee benefits expense:</b>		
Defined contribution plan	1,076	1,038
Payroll tax	757	620
Share-based payment expense	150	249
Wages and salaries	13,526	12,118
	15,509	14,025
<b>Overhead expenses:</b>		
Listed company and other compliance costs	158	217
Merchant fees	553	484
Office expenses	423	484
Professional and consulting fees	565	544
IT expenses and software subscriptions	644	385
Logistical expenses	407	209
Travel expenses	362	35
Insurance	333	303
Other expenses	287	374
	3,732	3,035
<b>Finance costs</b>		
Interest expenses – Leases	536	526
Interest expenses – Other	496	168
Finance costs expensed	1,032	694

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 6. TRADE AND OTHER RECEIVABLES**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Current assets</b>		
Trade receivables	10,674	5,408
Less: Allowance for expected credit losses	(384)	(354)
Sub-Lease Receivables	3,469	3,479
Associate Shareholder Loans Receivable	1,879	1,276
	15,638	9,809
<b>Non-current assets</b>		
Sub-Lease Receivables	6,562	6,437
Associate Shareholder Loans Receivable	2,830	2,689
	9,392	9,126

**NOTE 7. INVESTMENT IN ASSOCIATES**

SILK Laser Australia Limited accounts for the following entities as Associates via the equity accounting method in accordance with AASB 128 *Investments in Associates*.

	31 December 2022 Group Interest %	Carrying Amount	30 June 2022 Group Interest %	Carrying Amount
SLC Bunbury Pty Ltd	50.0%	50	50.0%	50
SLC Castletown Pty Ltd	50.0%	50	50.0%	–
SLC Casuarina Pty Ltd	50.0%	370,735	50.0%	301,674
SLC Charlestown Pty Ltd	40.0%	40	40.0%	40
SLC Cockburn Pty Ltd	50.0%	7,499	50.0%	100
SLC Doncaster Pty Ltd	50.0%	50	50.0%	–
SLC Eastlands Pty Ltd	50.0%	14,801	50.0%	–
ASC Epping Franchise	50.0%	50	50.0%	50
ASC Greensborough Pty Ltd	50.0%	11,436	50.0%	–
SLC Ipswich Pty Ltd	50.0%	50	50.0%	50
SLC Marion Pty Ltd	47.5%	226,183	47.5%	108,290
SLC Maroochydore Pty Ltd	50.0%	1	50.0%	1
SLC Palmerston Pty Ltd	50.0%	116,804	50.0%	131,173
ASC Southland Pty Ltd	50.0%	50	50.0%	–
SLC Tea Tree Plaza	50.0%	264,226	50.0%	199,588
SLC Toowoomba Pty Ltd	50.0%	50	50.0%	50
SLC Townsville Pty Ltd	50.0%	50	75.0%	–
SLC Wagga Pty Ltd	50.0%	391,194	50.0%	264,102
SLC West Lakes Pty Ltd	50.0%	176,451	50.0%	137,508
<b>Total</b>		<b>1,579,770</b>		<b>1,142,676</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

The following entities are partnerships in which SILK has a 50% ownership and shares equal amounts of the profits or losses incurred by the relevant entity. These Partnerships were acquired as part of the ASC acquisition effective 1 September 2021.

Partnerships between:	31 December 2022 Group interest %	Carrying amount	30 June 2022 Group Interest %	Carrying amount
SJM & PPM Pty Ltd and Venture in Altona Gate Pty Ltd	50%	11,944	50%	(37,660)
Andreeva Enterprises PL & Venture in Broadmeadows Pty Ltd	50%	45,293	50%	80,419
SJM & PPM Pty Ltd and Venture in Ferry Road Pty Ltd	50%	57,528	50%	58,871
GCB Global Pty Ltd & Venture in Epping Pty Ltd	50%	30,630	50%	41,939
<b>Total</b>		<b>145,395</b>		<b>143,569</b>

	31 December 2022 \$'000	30 June 2022 \$'000
Total of Investments in Associates and Partnerships	1,725	1,286

**NOTE 8. RIGHT-OF-USE ASSETS**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Non-current assets</b>		
Right-of-use asset	18,387	18,156
Less: Accumulated amortisation	(8,638)	(7,322)
	9,749	10,834
<b>Movements in right-of-use asset</b>		
<i>Net carrying amount at beginning of period/year</i>	10,834	11,382
Transfer of lease outside consolidation group	(1,605)	(1,919)
Lease surrender	(100)	(927)
Re-measurement of lease liability	311	(414)
Lease commencement – additions to right-of-use assets	2,256	5,628
Lease acquired as part of business combination	–	782
Depreciation	(1,947)	(3,698)
<i>Net carrying amount at end of period/year</i>	9,749	10,834

The Group has lease contracts for the rental of clinic outlets and head office premises and sub leases of some franchisee clinic outlets.

Within the lease agreements there are incentive clawback provisions which if certain circumstances arise these incentives are repayable to the landlord. The right-of-use asset above incorporates these incentives being utilised

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

over the lease term, but if the clawback provisions are triggered this will result in lease modification and adjustment to the value of the right-of-use asset and lease liabilities currently recognised.

**NOTE 9. PROPERTY, PLANT AND EQUIPMENT**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Non-current assets</b>		
Leasehold improvements – at cost	11,709	11,292
Less: Accumulated depreciation	(5,454)	(4,790)
	6,255	6,502
Furniture and plant – at cost	18,160	18,404
Less: Accumulated depreciation	(6,475)	(6,251)
	11,685	12,153
	17,940	18,655

**Reconciliations**

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

	Leasehold Improve- ments \$'000	Furniture and Plant \$'000	Total \$'000
Balance at 1 July 2022	6,502	12,153	18,655
Additions	1,503	1,367	2,870
Disposals	(52)	(433)	(485)
Clinics ownership sold to outside the group	(673)	(486)	(1,159)
Reclassified	2	(2)	–
Depreciation expense	(1,027)	(914)	(1,941)
Balance at 31 December 2022	6,255	11,685	17,940

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 10. INTANGIBLE ASSETS**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Non-current assets</b>		
Goodwill	63,426	62,968
Franchise system development – at cost	76	76
Less: Accumulated amortisation	(24)	(22)
	52	54
Brand name – at cost	580	580
Patents and trademarks – at cost	96	91
Less: Accumulated amortisation	(18)	(12)
	78	79
Franchise network (Australia & New Zealand)	20,730	20,730
Less: Accumulated amortisation	(1,330)	(808)
	19,400	19,922
Website and software – at cost	653	574
Less: Accumulated amortisation	(333)	(296)
	320	278
	83,856	83,881

**Movements in Intangibles**

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

	Goodwill \$'000	Franchise systems \$'000	Brand name \$'000	Franchise network \$'000	Intellectual property \$'000	Website and Software \$'000	Total \$'000
Balance at 1 July 2022	62,968	54	580	19,922	79	278	83,881
Disposal of Goodwill	(169)	–	–	–	–	–	(169)
Additions	627	–	–	–	5	78	710
Amortisation expense	–	(2)	–	(522)	(6)	(36)	(566)
Balance at 31 December 2022	63,426	52	580	19,400	78	320	83,856

On 1 April 2022 the Group acquired SLC Townsville Pty Ltd and goodwill was acquired that was directly attributable to this store. As this store was disposed on 1 December 2022 the corresponding goodwill related to this store was derecognised on sale.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 11. TRADE AND OTHER PAYABLES**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Current liabilities</b>		
Trade creditors	8,687	7,395
Other payables	1,278	772
Accrued expenses	2,677	3,177
	12,642	11,344

**NOTE 12. CONTRACT LIABILITIES**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Current liabilities</b>		
Unearned revenue	9,814	9,385
Initial franchise fees	143	129
Franchise deposits	–	17
	9,957	9,531
<b>Non-current liabilities</b>		
Initial franchise fees	246	284

**NOTE 13. BORROWINGS**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Non-current liabilities</b>		
Bank loans	22,500	22,500
Less: Transaction costs net of amortisation	(96)	(114)
	22,404	22,386

The Group holds a four-year term acquisition related debt facility agreement of \$30 million with Westpac Bank, with repayments of up to \$2.5 million per year (depending on the level of net debt). The borrowing facility commenced on 30 August 2021 and mature on the fourth anniversary, 30 August 2025. The agreement includes additional facilities relating working capital finance (\$3 million) and the provision of bank guarantees to landlords (\$3 million), which will provide further liquidity to the Group. The total facilities including the debt facility above are \$36 million.

The facility has covenants relating to net leverage based on the ratio of EBITDA to net debt ("Net Leverage Ratio") and the ratio EBITDA to interest and rent expenses ("Fixed Charge Cover Ratio").

The Net Leverage Ratio covenant requires that the measure of EBITDA (on a pre AASB 16 basis and including the Group's share of joint ventures companies' EBITDA), compared with net debt (including unearned revenue) must remain below 3.0 times on a rolling twelve months' basis. This covenant is measured at the end of each quarter.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

From 30 September 2023 this measure must remain within 2.75 times and from 30 September 2024 must remain within 2.5 times.

The Fixed Charge Over Ratio covenant requires that the ratio of EBITDA (as measured above) plus rent expenses (measured on a pre IFRS 16 basis), versus net interest cost plus rent expenses (measured on a pre AASB 16 basis), must not fall below 1.5 times on a rolling twelve months' basis. This covenant is also measured at the end of each quarter.

The covenants were complied with during the half year.

Repayments of \$625,000 per quarter (\$2.5 million per year) are required once the Net Leverage Ratio covenant measure is above 1.5 times. This is currently not the case.

The rate of interest charged is based on the bank's bill swap rate (known as BBSY and usually is close to the RBA's cash minimum lending rate) plus a margin. The margin under the facility agreement ranges between 1.85% and 2.45% depending on the Net Leverage Ratio and the margin is currently charged at 1.85%. Interest is currently payable on the debt facility at the total rate of 5.1%. The facilities also carry a line fee for undrawn and available facilities equal to 40% of the prevailing margin.

As at 31 December 2022, there was \$22.5 million withdrawn under the facility, which was used to fund the acquisition of ASC, leaving \$7.5 million in potential available capacity for permitted acquisition purposes under the loan.

The working capital facility remains undrawn and the amount of the guarantee facility is drawn to \$2,209 thousand.

Transaction costs associated with entering into the bank facility were \$144 thousand and will be amortised over the initial term of the facility.

**Accounting policy for borrowings**

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

**NOTE 14. LEASE LIABILITIES**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Current liabilities</b>		
Lease liability	7,927	7,815
<b>Non-current liabilities</b>		
Lease liability	14,097	14,992
<b>Movements in lease liabilities</b>		
<i>Balance at beginning of period/year</i>	22,807	16,399
Leases acquired as part of business combinations	–	12,737
Commencement of lease	4,020	3,441
Re-measurement	481	(107)
Clinic ownership sold to outside the group	(1,625)	(1,923)
Principle re-payments lease liabilities	(4,594)	(7,733)
Interest on right-of-use	536	1,069
Surrender of lease	–	(628)
Lease incentives recognised	399	120
Principle re-payments asset finance	–	(569)
Interest on asset finance	–	1
<i>Balance at end of period/year</i>	22,024	22,807

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 15. SHARE CAPITAL**

	Half Year 31 December 2022 Share Capital 31 December 2022	Year Ended 30 June 2022 Share Capital Number	Half Year 31 December 2022 \$'000	Year Ended 30 June 2022 \$'000
Opening balance	53,010,376	51,766,609	78,884	73,746
Share issue as part of the ASC acquisition	–	1,142,318	–	4,560
Listing rights vested and exercised	101,448	101,449	350	350
Performance rights conversion	9,353	–	–	–
Repayments of Employee Share Scheme loans	–	–	23	228
Closing balance	53,121,177	53,010,376	79,257	78,884
	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 \$'000	30 June 2022 \$'000
Ordinary shares – fully paid	53,121,177	53,010,376	79,257	78,884

**NOTE 16. EARNINGS PER SHARE**

	31 December 2022 \$'000	31 December 2021 \$'000
Profit after income tax	4,956	4,070
Non-controlling interest	(33)	23
Profit after income tax attributable to the owners of SILK Laser Australia Limited	4,923	4,093
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	53,047,411	52,160,009
Adjustments for calculation of diluted earnings per share:		
Listing award	–	101,449
Performance rights	273,348	76,013
Weighted average number of ordinary shares used in calculating diluted earnings per share	53,320,759	52,337,471
	Cents	Cents
Basic earnings per share	9.28	7.85
Diluted earnings per share	9.23	7.82

**NOTE 17. EVENTS AFTER THE REPORTING PERIOD**

A drawing of \$7.5 million has been made under the acquisition debt facility to partly fund the Eden Laser Clinics' acquisition which should complete in March 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued**NOTE 18. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES**

	31 December 2022 \$'000	31 December 2021 \$'000
Profit after income tax expense for the half year	4,956	4,070
Adjustments for:		
Business combination expenses	431	1,875
Depreciation and amortisation	4,470	4,086
Profit on sale of non-current assets	(90)	–
Profit on sale of shares	(169)	(738)
Profit on sublease	–	(56)
Share-based payments	150	247
Share of profit – associates	(479)	(239)
Systems Investment – cloud based	1,279	–
Tax Effect of IPO and Share Placement costs	–	(116)
Unrealised Foreign currency	(34)	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,278)	(2,020)
Decrease/(Increase) in Inventories	309	(1,262)
(Increase)/Decrease in Investment in associates	(10)	63
Decrease/(Increase) in prepayments and other operating assets	256	(652)
Increase in deferred tax	(313)	(181)
Increase in trade and other payables	2,405	3,441
Increase in contract liabilities	701	1,952
Decrease in other provisions	(1,355)	(1,002)
Increase in other liabilities	2,856	–
Increase in employee provisions	14	182
Net cash from operating activities	10,099	9,650

## DIRECTORS' DECLARATION

31 DECEMBER 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- 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.

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

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

On behalf of the Directors



**Boris Bosnich**

Chair and Non-Executive Director

28 February 2023

Adelaide

## INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SILK LASER AUSTRALIA LIMITED



**Grant Thornton Audit Pty Ltd**  
Grant Thornton House  
Level 3  
170 Frome Street  
Adelaide SA 5000  
GPO Box 1270  
Adelaide SA 5001  
T +61 8 8372 6666

### Independent Auditor's Review Report

To the Members of SILK Laser Australia Limited

Report on the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of SILK Laser Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, 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 accompanying half-year financial report of SILK Laser Australia Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the SILK Laser Australia Limited's financial position as at 31 December 2022 and of its 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*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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.

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## INDEPENDENT AUDITOR'S REVIEW REPORT continued

### 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.

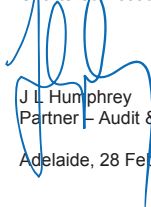
### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 SILK Laser Australia Limited'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*.

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J. L. Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2023

## CORPORATE DIRECTORY

31 DECEMBER 2022

### REGISTERED OFFICE

1/137 The Parade  
Norwood, SA 5067

Phone  
+61 8 7225 6489

### WEB ADDRESS

[silklaser.com.au](http://silklaser.com.au)

### STOCK EXCHANGE

SILK Laser's ordinary shares are listed on the ASX.

### SHARE REGISTRY

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC Australia 3067

Telephone  
+61 3 9415 4000

### AUDITOR

Grant Thornton Audit Pty Ltd

### COMPANY SECRETARY

Richard Willson

### DIRECTORS

Boris Bosnich  
Andrew Cosh  
Sinead Ryan  
Martin Perelman  
Jacinta Caithness





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