SILK
LASER AUSTRALIA

Solid performance across the business

2023 ANNUAL REPORT

CONTENTS

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.

LET'S TALK ABOUT...

FY23 HIGHLIGHTS

STRONG OPERATIONAL PERFORMANCE

145

CLINICS
+18 clinics this FY – Includes Eden acquisition

$199.7m

NETWORK CASH SALES
+23% vs PCP

$97.6m

REPORTED REVENUE
+20% vs PCP

$11.2m

ADJUSTED NPAT
+17% vs PCP

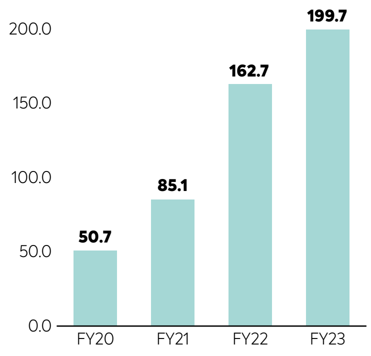
$7.1m

STATUTORY NPAT
+11% vs PCP

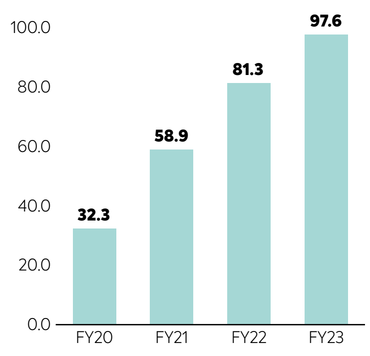
$24.8m

ADJUSTED EBITDA
+13% vs PCP

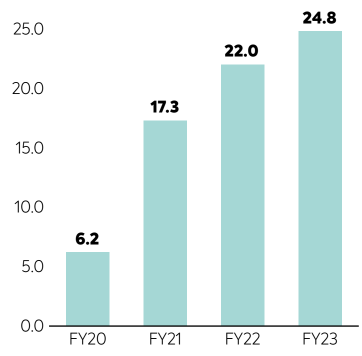
TOTAL NETWORK SALES



REPORTED REVENUE



ADJUSTED EBITDA



CHAIR'S LETTER

> **I'm pleased to report that SILK saw adjusted EBITDA rise 13% in FY23 to $24.8 million.**

Dear Shareholders,

I'm delighted to provide you with an update on the 12 months to 30 June 2023 (FY23) for SILK Laser Australia Limited.

SILK is one of Australia and New Zealand's largest specialist clinic networks, offering a range of non-surgical aesthetic products and services across laser hair removal, cosmetic injectables, skin treatments, body contouring, and skincare products. The network is a combination of owned and franchised clinics, providing us with flexibility and the opportunity to share ownership with a talented and engaged group of franchise partners.

Despite challenging operating conditions, the business continues to post solid results. This is a direct result of the commitment and loyalty our franchise partners and team show every day.

I'm pleased to report that SILK saw adjusted EBITDA rise 13% in FY23 to $24.8 million and continues to execute its strategy of market consolidation and franchisee engagement, increasing clinic numbers through its acquisition of Australian Skin Clinics (ASC), The Cosmetic Clinic (TCC) in New Zealand, Unique Laser, and Eden Laser, taking the total clinic network to 145 in FY23.

Total FY23 network cash sales were up 23% to $199.7 million, while reported revenue grew 20% to $97.6 million, and adjusted NPAT was up 17% to $11.2 million. Statutory NPAT was up 11% to $7.1 million.

Earlier this year, SILK entered into a Scheme Implementation Deed (SID) with Australian Pharmaceutical Industries Pty Ltd (API), Wesfarmers Health Division, under which API will acquire 100% of the shares in SILK for a cash consideration of $3.35 per share. The SILK Board believes that API represents a logical, long-term owner of the SILK business, with strong operational and cultural alignment, the capacity to support continued growth for SILK and its franchise partners, and providing efficiencies associated with being part of a broader healthcare, wellness, and beauty network.

Your SILK Directors consider that the Scheme represents the best available opportunity for SILK Shareholders to realise the value of their investment in SILK, in the absence of a Superior Proposal.

> Despite challenging operating conditions, the business continues to post solid results.

A Scheme booklet is expected to be sent to SILK shareholders in October, and a Scheme meeting, where shareholders can vote on the transaction, is expected to be held in November. If the conditions are satisfied, the Scheme is expected to be implemented in late November.

I would like to thank our leadership group, all of our staff, joint venture partners, franchise partners, customers, investors, and my fellow Directors for working so hard to deliver these results.

I would like to thank our CEO & Co-Founder – Martin Perelman – for his outstanding leadership over the past number of years during which the company has grown from a single clinic in Adelaide, transforming into one of Australia's largest non-surgical aesthetic clinic groups.

In closing, it has been a career highlight and privilege to serve as the SILK Chair for the past eight years and to have had the opportunity to be involved in a highly successful organisation made up of incredibly talented and dedicated franchise partners and staff who continue to deliver excellence in customer service and experience.

Boris Bosnich
Chair

$199.7m
NETWORK CASH SALES
Up 23%

$97.6m
REPORTED REVENUE
Grew 20%

$11.2m
ADJUSTED NPAT
Up 17%

CEO'S LETTER

SILK continues to perform, posting a solid result for FY23.

Dear Shareholders,

Thank you for your continued support and investment in SILK. There is no doubt that it has been a challenging economic time, with inflationary headwinds as well as increasing staff and occupancy costs, all combining to put heightened pressure on margins. However, despite these pressures, SILK continues to perform, posting a solid result for FY23 as we execute our market consolidation and growth strategy.

This strong set of results and what the business has achieved over the last 12 months wouldn't have been possible without our engaged franchise partners, support team, and growing customer base. I would like to take this opportunity to thank every member of our team and franchisee community.

Some of my highlights from FY23 include:

- Network cash sales up 23% to $199.7 million;
- Reported revenue up 20% to $97.6 million;
- Adjusted EBITDA up 13% to $24.8 million;
- Statutory NPAT up 11% to $7.1 million;
- Adjusted NPAT up 17% to $11.2 million;
- 145 clinics at 30 June 2023 (up from 127 at 30 June 2022, incl. the acquisition of 10 Eden clinics); and
- Strong balance sheet with cash position of $20.8 million, and net debt of $9.1 million.

We saw consistent performance across all of SILK's categories in FY23. Injectables was again a standout category, which continued to attract new customers. Price increases were successfully implemented without an impact on sales, and we saw the average client spend per year increase from $914 to $969.

Our Skincare business won three beauty industry awards for best-in-class new products developed in the year. While retail and wholesale price increases rolled out across three of our skincare brands delivered higher margins.

Skin treatments saw revenue grow with the addition of new clients, and newly launched skin treatments significantly contributed to overall skin revenue for FY23. And our original category, Laser Hair Removal, successfully implemented price increases which saw the category beat our expectations.

A key highlight this year was hosting SILK's inaugural franchisee leadership conference over two days in Adelaide, where we saw 300+ franchisees and SILK leaders come together to collaborate, learn, and build relationships. The focus was on boosting engagement by providing market insights, support, and sharing our FY24 growth strategy. We have also established a franchisee advisory council which meets quarterly and is having a positive impact on business outcomes and engagement.

The SILK network's client base continues to expand, now at 1.7 million customers, with most customers booking multiple treatments per appointment. We performed 2.5 million treatments in FY23, up from 1.7 million in FY22. SILK's customers continue to be satisfied with the level of service we provide. Over the year the business maintained a very high Net Promoter Score (NPS) of 80.

$969

AVERAGE CLIENT SPEND
Up from $914

$20.8m

CASH POSITION
Net debt of $9.1m

Australian Skin Clinics was also rated Australia's best personal care clinic on Canstar, awarded five stars.

Earlier this year, we announced SILK had entered a binding scheme implementation deed signed with API (Wesfarmers Health Division) at $3.35 cash per share. You will receive more information in the form of a Scheme booklet in the coming months.

As we near our network target of 150 clinics, our business continues to perform. Our market continues to undergo consolidation, and the recommended takeover proposal from API is another example of that. If approved by our shareholders, we will see our clinics benefit from further scale and efficiency benefits under the umbrella of Wesfarmers Health.

There is already great alignment between the businesses, and I am truly excited about the opportunities that will be available for our joint clinic network, which will become one of the largest non-surgical aesthetic networks in Australia.

Once again, thank you for your continued support. It has been a pleasure to lead SILK to become one of Australia's leading non-surgical aesthetic providers – an achievement that would not even be remotely possible without our incredible team and franchise partners.

Kind regards,

Martin Perelman
Chief Executive Officer

"Our Skincare business won three beauty industry awards for best-in-class new products developed in the year.

BOARD OF DIRECTORS

Boris Bosnich

Chair and Independent Non-Executive Director

Boris is an experienced company director with more than 25 years' experience in board roles with both listed and large private companies.

Boris has been Chair of SILK since 2015 and also holds Chair roles with a number of private companies including Smile Partners Australia, Orthopaedics SA and Kid Sense Child Development.

He holds a Bachelor of Economics from Adelaide University and an MBA from the University of South Australia. Boris is an Adjunct Industry Fellow at the University of South Australia and is a member of the Australian Institute of Company Directors.

Martin Perelman

Chief Executive Officer

Martin has been a director of SILK since 2009. Martin is a co-founder and the Chief Executive Officer (CEO) of SILK.

Having worked in various national sales roles in the retail industry, Martin has acquired the relevant skills required to successfully lead a growing business, including sound financial management, brand development, innovative sales and marketing strategies and team leadership.

Martin is passionate about identifying new growth opportunities for the business, while protecting and maintaining brand credibility.

Jacinta Caithness

Independent Non-Executive Director

Jacinta has over 20 years' experience in the retail industry and has worked with some of Australia's leading brands. She developed the franchise strategy and recruitment methodology for Boost Juice and Salsas at Retail Zoo, appointing over 160 franchisees within the domestic network over a 5-year period. Later, as CEO International and Board Member, she expanded the Boost business globally with the appointment of 18 Master Franchisees across 36 countries on 5 continents.

Jacinta's achievements have been recognised independently with several awards, including AFR Boss Young Executive of the Year and Telstra Young Businesswoman of the Year. She is an experienced Non-Executive Director having served on the boards of Ventura Bus Lines since October 2016. Jacinta also serves on the Advisory Boards for Keiser Australia and Hattch, and was formerly a member of the Advisory Boards established by Schnitz, Empty Esky and Fuse Recruitment.

Sinead Ryan

Independent Non-Executive Director

Sinead joined SILK in 2020 as a director. Sinead has over 25 years' experience with roles including company director and CEO. Sinead has held several strategic executive roles leading and driving sustainable business growth and has in-depth experience in the childcare, retail and energy sectors. Sinead has extensive experience in leading large transformational programs, specialising in M&A from due diligence through to integration. Sinead previously led large global transformation programs with EY and Deloitte.

Andrew Cosh

Independent Non-Executive Director

Andrew joined SILK in 2015 as a director.

Andrew is the Managing Partner of Kilara Natural Capital, a private investment management company associated with unlisted agricultural investments in Australia and New Zealand.

He has been a Director in the Colindale family office since 2012 and has held senior executive roles at Ernst & Young, Minter Ellison and GH Michell and Sons, a diversified agricultural commodity trading and asset management business.

Andrew is a member of the Australian Institute of Company Directors.

Richard Willson

Company Secretary

Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining, technology and agricultural sectors for both publicly listed and private companies.

Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.

He is a Non-Executive Director of Titomic Limited (ASX:TTT), Clara Resources Australia Limited (ASX:C7A), Thomson Resources Limited (ASX:TMZ), MedTEC Holdings Ltd, Unity Housing Company Ltd and Company Secretary of a number of ASX Listed Companies.

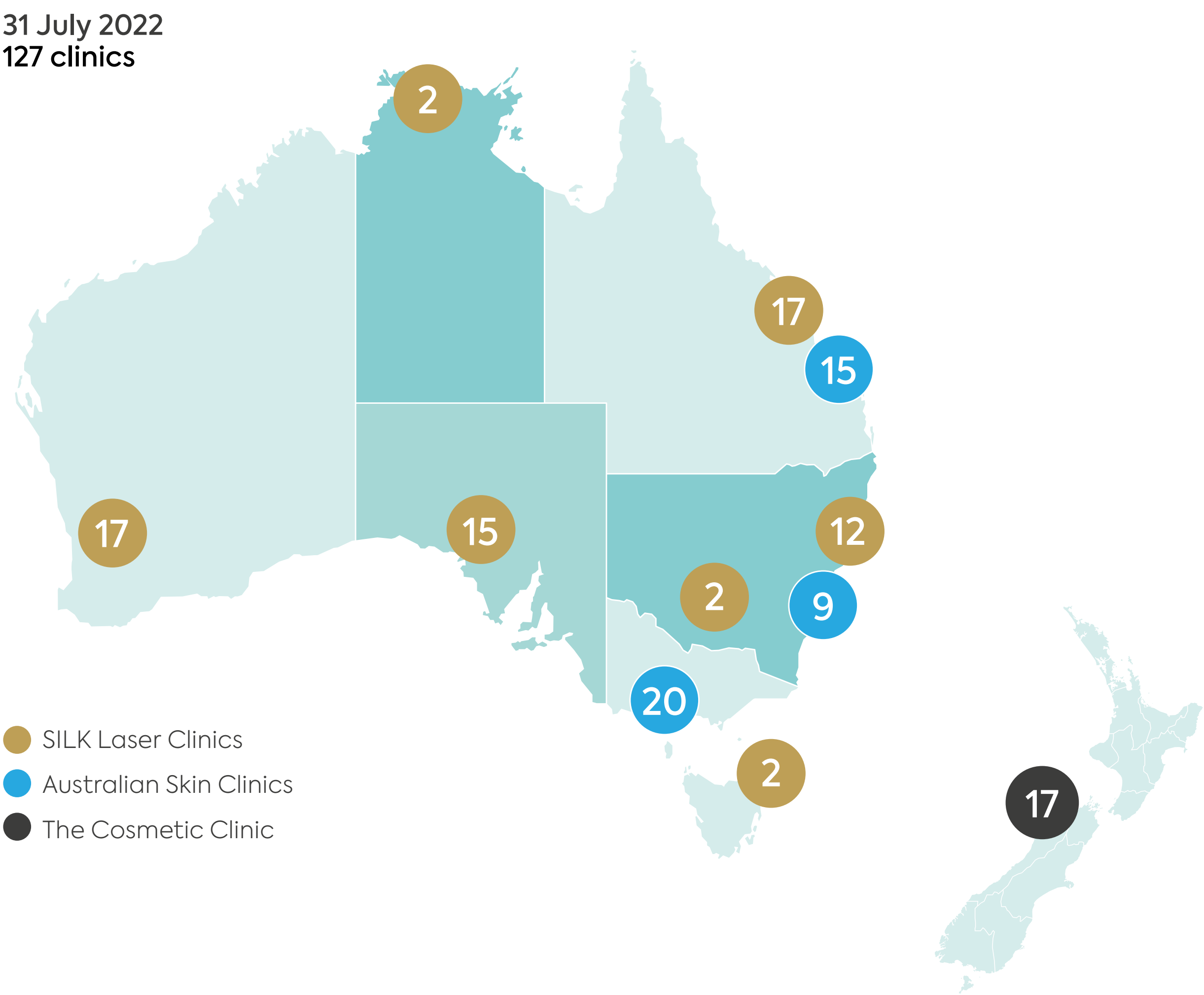
Richard is the Chair of the Audit Committee of Titomic Limited, Clara Resources Australia Limited, and Unity Housing Company, and is the Chair of the Remuneration & Nomination Committee of Titomic Limited.

BUSINESS OVERVIEW

SILK continues to be one of Australia's largest specialist non-surgical aesthetics clinic networks.

Throughout FY23, the company delivered on its consolidation and growth strategies, increasing clinic numbers from 127 to 145, and meeting FY23 earnings guidance. This is especially significant considering the challenging market conditions the business and our franchise partners traded through over the year.

Continued network growth



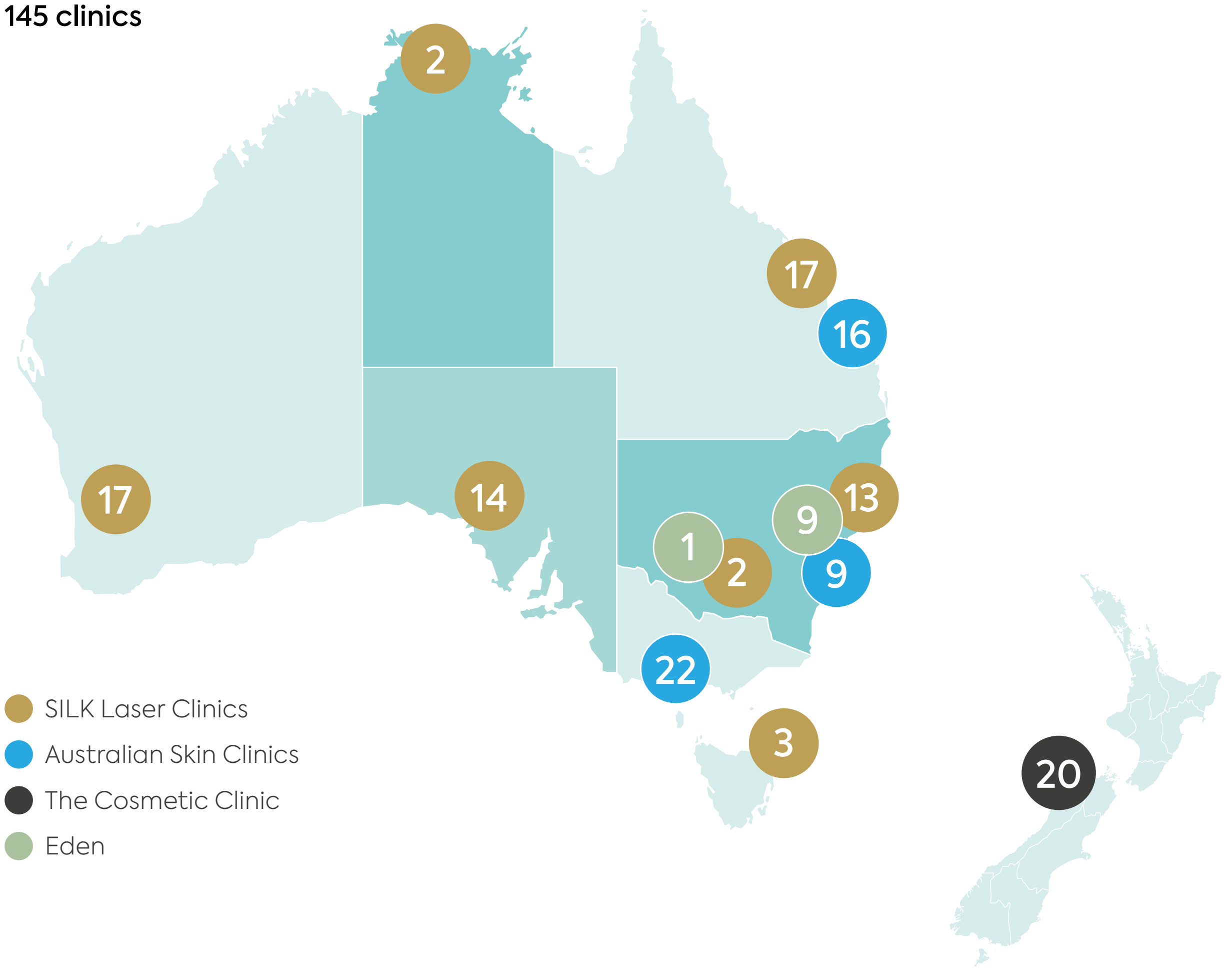
SUCCESSFULLY INTEGRATED AUSTRALIAN SKIN CLINICS/THE COSMETIC CLINIC, ACQUIRED UNIQUE LASER AND EDEN

The integration of ASC and TCC was finalised in FY23. This included establishing one support team which covers both SILK and ASC clinic networks.

Executing our market consolidation strategy, SILK completed the acquisition of Unique Laser, which included five clinics across Victoria, with one Joint Venture franchised clinic and the remainder traditional franchises. These clinics were branded to ASC and fully integrated into the SILK network in the year.

Additionally, in March 2023, SILK completed the acquisition of Eden Laser Clinics, consisting of nine clinics in NSW and one clinic in ACT, comprising one Joint Venture and nine corporate-owned clinics. The acquisition of Eden strengthens SILK's position in the strategically important Sydney market. SILK is now focused on rebranding the clinics and fully integrating Eden into the Group to realise synergies and drive further growth within the network.

Current
145 clinics



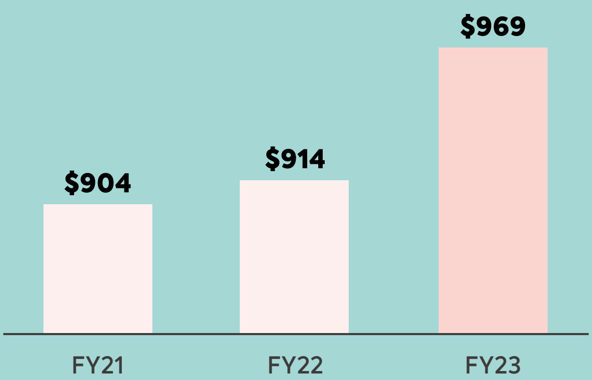
Above includes Eden Laser ten clinics, acquisition completed 1 March 2023.

DIVERSIFIED SERVICE MIX: AN UPDATE ON SILK'S BUSINESS CATEGORIES

SILK saw consistent performance across all categories in FY23.

Injectables continued to show strong growth, attracting new customers and seeing the average client spend increase from $914 to $969. SILK's injecting team expanded to approximately 260+ nurses – one of the largest groups in ANZ. SILK is working to expand the number of fillers and toxins available in clinics to further customise the injectable offering for our clients.

Average spend per Inject client p.a.



SILK's Skincare business won three beauty industry awards for best-in-class new products developed in the year. While retail and wholesale price increases rolled out across three of our skincare brands delivered higher margins. The Aesthetics Rx website was upgraded and redesigned, delivering significant direct-to-consumer increases. SILK's skincare brands continue to expand online sales both on SLA domains and via Adore Beauty, up 30% vs. PY. Increased take-up within the network of Aesthetics RX by ASC and TCC NZ franchisees was also noted over the year.

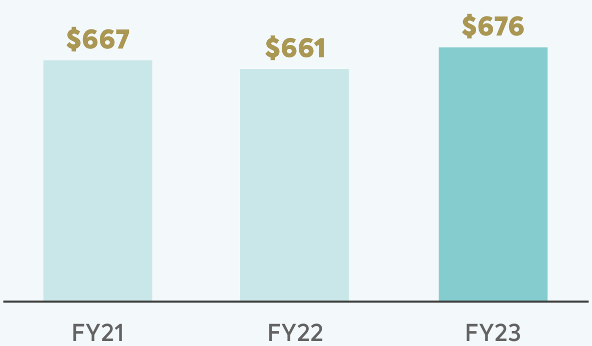
Skin Treatments saw revenue grow with the addition of new clients, and newly launched skin treatments significantly contributed to overall skin revenue for FY23.

Revenue for SILK's original category, Laser Hair Removal, was up 25% YoY (including four months of Eden). In Q3, an 8% price increase was successfully implemented. SILK saw revenue growth in the second half notwithstanding the price increases.

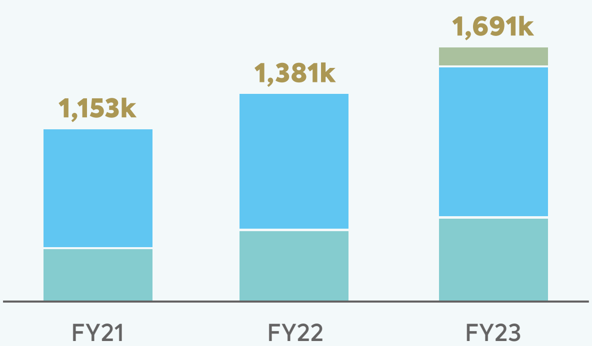
Sales were consistent with FY23 in the Body category, despite the relatively high price point for Body services. The business also saw an increase in the number of treatments purchased per client

GROWING LOYAL CUSTOMER BASE

Average customer spend stable*

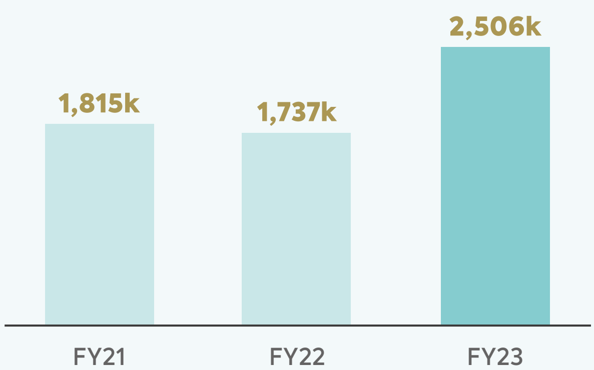


Growing client base



* FY22 COVID-19 affected.

Treatment volumes*



* FY22 COVID-19 affected.

The SILK network delivered a record number of treatments last year of 2.5 million.

Strong growth in customer numbers and satisfaction remains high.

The following metrics are for SILK and ASC over a 12-month period.

1.7m

CUSTOMERS

The SILK network's client base continues to expand, now at 1.7 million customers, with a record number of treatments – 2.5 million treatments performed in FY23, up from 1.7 million in FY22.

Average customer spend was up slightly to $676 and the business maintained a very high NPS of 80. Australian Skin Clinics was also rated Australia's best personal care clinic on Canstar, awarded five stars.

LEADING THE WAY IN CLINICAL GOVERNANCE

SILK continues to lead the way in clinical governance and safety standards. We have made significant investments to expand our clinical governance team from two in 2018 to 25 in 2023 including trainers, prescribers, nurse managers, compliance and support officers.

We continue to increase our focus on clinical governance in line with increased regulation across Australia and New Zealand and we are working with key government and industry regulators to ensure we remain at the forefront.

This year we established a screening policy for psychological status (including body dysmorphia), which includes a series of questions in a medical history form, reviewed by the injector and answers are then discussed. This information is passed to the prescriber who makes the final assessment. It is another example of how we're working to provide our clients with a safe clinic environment.

Customer feedback and satisfaction is a key element of clinic and business success. We were delighted to maintain our very high NPS score of 80 this year. To ensure any customer concerns are voiced, we have also created and implemented a customer complaints policy accessible online

80

NPS

4.6

GOOGLE REVIEW RATING

CUSTOMER SATISFACTION*

* Awarded to Australian Skin Clinics

TECHNOLOGY PROGRAM ON TRACK FOR COMPLETION

Significant investments have been made in upgrading SILK's technology stack to streamline the network and ensure our franchisees are set up for success. This year SILK implemented new systems for Finance, HR and Payroll. The company also created a data warehouse which will help create a common set of KPIs across the business.

The final part of the technology program is due for completion in FY24 with the roll out of a single Point of Sale system and a proprietary scripting system. We are also exploring how the network can benefit from AI technology including looking at tools to help client's visualise the effect of their treatments and better communicate with us.

System*	Timing	Benefits and enhancements
Finance system	Implemented Q1	Streamlined processes and multiple ledgers to integrated system
HR & Payroll	Implemented Q2	Consolidated system and adding learning modules to improve training
Date warehouse	Completed August 2024	Will create common set of KPIs across the business, leveraging all platforms
Single point of sale	First clinics Q4/ Complete in H1 FY24	Common processes and data across the network, bringing tighter controls and integration with other systems
Proprietary scripting system (new)	H1 FY24	Will create common practice and put SILK at the forefront of industry best practice; creates opportunity for B2B growth
Exploring how the network can benefit from AI across the network	FY24	Implementing tools to help our clients visualise their look and better communicate with us

* Costs incurred on systems projects this year totalled $2.6 million on the Finance, HR, Payroll and POS systems. A further $0.5 million relating to the Data Warehouse and Scripting systems has been capitalised, plus a further c$0.4 million will be incurred to finish both. Completing the POS rollout is expected to cost $1.3 million in FY24.

PEOPLE AND CULTURE

With a year of continuous growth in the business, there was a significant focus on implementing process changes to streamline current ways of working and in turn, provide our franchise partners and clinic teams with efficiencies to help service to customers and growth.

Dayforce was implemented across all corporate and joint venture clinics, delivering a single, best in class system for all of our staff information and critical procedures for Payroll, Time & Attendance and HR. In addition, Dayforce has provided us with modules such as performance and engagement, allowing our internal people processes to foster a high performing and transparent working culture.

Updated company values were launched across the network. These were created by our team members and have been applied to our internal processes such as recruitment, recognition, and performance management.

Our strategy over the next year, focuses on leadership development, along with the roll out of our Employee Value Proposition, which includes a heavy focus on our employer brand. We believe these two focuses will allow us to have the right capability and resourcing to continue to fuel our growth.

GOVERNANCE

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2023 Corporate Governance Statement was approved by the Board on 21st September 2023 and reflects the corporate governance practices throughout the 2023 financial reporting period.

A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement, which can be viewed at:

https://silklaser.com.au/investors/corporate-governance/

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'SILK') 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 year ended 30 June 2023.

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

PRINCIPAL ACTIVITIES

During the financial 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 proprietary skincare and other complementary 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 proprietary skincare and other complementary products; and
- Distribution and sale of proprietary skincare and other related products to the franchise network of clinics and directly to consumers via the Group's websites.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than outlined in this report, in the directors' opinion there were no other significant changes in the state of affairs of the Group.

WESFARMERS SCHEME OF ARRANGEMENT

As has been publicly announced, during the second half of the year, the SILK Board received two conditional proposals for the acquisition of the Group via a scheme of arrangement. The first proposal was made on 19 April 2023 by Australian Pharmaceutical Industries Pty Ltd (API), which is a wholly owned subsidiary of Wesfarmers Limited (ASX:WES). The second proposal was made on 23 May 2023 by a Hong Kong listed medical and aesthetic services group, EC Healthcare.

Following completion of due diligence by both parties, on 26 June 2023, SILK announced that it had entered into a Scheme Implementation Deed under which API would acquire all of the shares in SILK, by way of a scheme of arrangement, subject to the satisfaction of SILK shareholders and court approval, certain regulatory approvals and certain other conditions.

The SILK Board believes that API represents a logical, long-term owner of the SILK business, with strong operational and cultural alignment, the capacity to support continued growth for SILK and its franchise partners and providing efficiencies associated with being part of a broader healthcare, wellness and beauty network.

BUSINESS COMBINATIONS

On 28th February 2023 SILK completed the acquisition of 100% of Eden Laser Clinics Pty Ltd and Eden Holding Company Pty Ltd and their subsidiaries, together the Eden Laser Clinics Group ("ELC"), through its wholly owned subsidiary, M3K Holdings Pty Ltd.

ELC comprised a network of 10 non-surgical aesthetics' clinics at completion, including 1 joint venture franchised clinic and 9 corporate owned clinics. ELC operates a very similar business model to SILK. All of its clinics are based in New South Wales and the ACT.

Subsequent to completion, one of the corporate owned clinics has been sold to a franchisee, who operates another franchised clinic in the SILK network of clinics, and this clinic will continue to operate as a franchised clinic within the network.

The agreed purchase consideration for ELC was based on a formula of six times the trialling Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) calculated on the basis of cash sales and subject to working capital adjustments. The purchase consideration is all payable in cash. To date $9.1 million of the purchase consideration has been paid, with the balance to be finalised. The directors have estimated the total consideration payable at $10.3 million, although the final amount payable is the subject of a legal dispute.

Additionally, SILK acquired the business and assets of Unique Laser Clinics on the 1 July 2022, comprising five franchised clinics in Victoria, with one brought into joint venture ownership and the other four remain traditional franchisees.

More details on the business acquisitions can be found in the accompanying financial statements, see Note 3, Business Combinations.

NEW CLINICS

SLA added 9 new clinics to its existing clinic network with 3 Australian clinics in which SLA has a controlling stake, 3 Australian Joint Ventures, which are equity accounted, and 3 franchised clinics opened in New Zealand.

As at the date of this report, SILK had a total network of 145 clinics, including 20 in New Zealand with the balance in Australia.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investment 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, to the nearest dollar.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS SUMMARY

The Group's business model is based on deriving revenues from a network of clinics, which are either owned or franchised, providing non-surgical aesthetic services and complementary products to its mainly retail customer base. Most of the clinics are based in shopping centres and some are in high street locations. Revenue from SILK's owned or majority owned clinics is referred to as Clinic sales.

Franchised clinics are provided with a range of support services, including marketing, operational, training and other support. SILK earns Franchise revenue from such services, including a marketing levy to cover the cost of promoting the brand, the clinic network and the services provided. SILK also distributes a range of products and services to the franchised network including injectables and SILK's proprietary skincare products. Revenue from distribution activities is referred to as Distribution sales in the accompanying financial statements and has continued to grow strongly, following the acquisition of ASC and the addition of further franchised clinics.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS SUMMARY continued

Profit from ordinary activities after tax and net profit for the financial year are prepared in accordance with the *Corporations Act 2001* and Accounting Standards. FY23 statutory profit after income tax totalled $7.1 million (FY22: $6.4 million) after deducting a tax expense of $2.0 million (FY22: $2.7 million).

The key elements of the statutory results for the full year ended 30 June 2023 (FY23) compared with the full year ended 30 June 2022 (FY22) are summarised below:

- Reported revenues, comprising Trading sales plus Franchise revenue increased by 20% to $97.6 million;
- Trading sales increased by 18% to $79.9 million;
- Gross profit on Trading sales up 14% to $53.4 million;
- Gross profit percentage down to 67% compared with 69% in FY22, reflecting the change in sales mix, with Distribution sales growing by 43% compared to clinic sales growing by 9%;
- Franchise revenue increased by 30% to $17.7 million;
- Cost of doing business comprising Employee costs, Occupancy costs (based on post AASB 16 accounting), Marketing expenses and Other expenses increased by 19% to $47.9 million;
- Statutory profit after income tax increased by 11% to $7.1 million (FY22: $6.4 million); and
- Statutory basic earnings per share increased by 13% to 13.62 cents.

The statutory net profit for the year was also impacted by the following costs:

- Business combination expenses of $1.1 million, as the Group implemented its acquisition and consolidation strategy, alongside organic growth;
- Takeover advisory expenses of $1.1 million incurred as the directors reviewed the two conditional takeover proposals;
- The Group continued its IT investment program to replace and enhance its business systems and related IT infrastructure, incurring $2.6 million of program costs in FY23, compared with $1.2 million last year, which was in line with expectation previously signalled. The finance and human resources systems went live in the first half of FY23. The final stage of the program is to move to one, best in class Point Of Sale (POS) system from four existing systems, which is expected to be completed in the first half of FY24, at a further cost of approximately $1.4 million. The new systems being deployed are mainly cloud-based, software as a service, and the one-time implementation costs cannot be capitalised, hence we have separated these costs from the operational cost of doing business; and
- Most of the Group's income is earned in Australia and taxed at the 30% in line with the Australian rate of corporate income tax, and this is reduced by a small portion of income the New Zealand income tax rate of 28% rate charged on taxable profits arising from the TCC business. The Group had franking credits relating to dividends from associates and some additional, mainly one-off tax deductible items, and that resulted in tax for the year to $2.0 million at an effective tax rate of 22%.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS SUMMARY continued

Non-IFRS measures

Network Cash Sales comprises sales from all clinics accounted on a cash basis and is the basis for charging franchise service fees for clinics in which the Group does not have a controlling interest. This totalled $199.7 million in FY23 up by 23% compared with $162.7 million in FY22.

The Group reports adjusted EBITDA and adjusted NPAT measures to help explain its underlying performance and profitability. The detailed reconciliations of these non-IFRS measures are shown in the table below:

Reconciliation of non-IFRS adjusted measures	FY23 $000s	FY22 $000s	Mvmt $000s	Up/(down) %
Profit before income tax expense	9,079	9,092	(13)	0%
Less: Net Finance Income – Loans and Cash	(106)	(272)		
Add: Net Finance costs – AASB 16 *Leases*	1,156	1,070		
Add: Depreciation and amortisation expenses	9,900	8,453		
EBITDA per statutory accounts	**20,029**	**18,343**	**1,686**	**9%**
Add: Listing bonus share award vesting	30	247		
Add: Business combination expenses	1,059	2,175		
Add: Takeover advisory expense	1,114			
Add: Systems investment program – Cloud based	2,582	1,245		
Adjusted EBITDA	**24,814**	**22,010**	**2,804**	**13%**
NPAT per statutory accounts	**7,081**	**6,389**	**692**	**11%**
Add: Listing bonus share award – net of tax	21	173		
Add: Business combination expenses – net of tax	741	1,523		
Add: Takeover advisory expense – net of tax	780			
Add: Systems investment program– net of tax	1,807	872		
Add: Amortisation of intangible assets – net of tax	724	603		
Adjusted NPAT	**11,154**	**9,560**	**1,594**	**17%**

These non-IFRS measures are prepared each year, to provide the users of the financial statement with a consistent view of the underlying performance of the Group.

FINANCIAL POSITION OF THE GROUP

The Group finished the financial year with net debt of $9.1 million, compared with net debt of $3.8 million at 30 June 2022.

After deducting lease liabilities reported under AASB16 of $25.4 million the net debt position was $34.5 million, compared with net debt of $26.6 million as at 30 June 2022.

Operating cash flow for the year post tax and interest was $16.6 million up 76% on prior year. Before tax and interest the operating cash flow was $22.9 million compared up 27% on last year.

The main cash flow items that impacted the movement in net debt during the year were as follows:

- Working capital movements were negative by almost $2 million over the year, rising due to growing Distribution sales and franchise fee revenues;
- Corporate income tax payments of $5.2 million, which was less than the $7.8 million incurred in the prior year.;
- Capital expenditure, net of disposals, incurred a total of $6.5 (net of disposals) million, mainly relating to new clinics;
- Payments towards acquisitions (mainly ELC and Unique), net of disposals of shares in clinics and including M&A related costs totalled $7.1 million;
- Takeover advisory expenses of $1.1 million relating to the two proposals received during the year; and
- Investment in the program of upgrading to a new suite of cloud based systems incurred a total of $2.6 million.

EVENTS AFTER THE REPORTING DATE

The following is a summary of material subsequent events.

SILK Laser Australia Limited (ASX:SLA) (SILK) has been advised by Australian Pharmaceutical Industries Pty Ltd (API) that API has received written confirmation from the Australian Competition and Consumer Commission (ACCC) that the ACCC does not intend to conduct a public review of the proposed acquisition of SILK by API. The ACCC condition contained in the Scheme Implementation Deed between API and SILK dated 26 June 2023 (Scheme Implementation Deed) has therefore been satisfied, subject to the ACCC not withdrawing, suspending or revoking its written confirmation.

API has also advised SILK that API has received written confirmation from the New Zealand Commerce Commission (NZCC) that the NZCC, having reviewed and considered a submission lodged by API, does not intend to consider the acquisition further. API has informed SILK that the NZCC condition contained in the Scheme Implementation Deed has also been satisfied, subject to the NZCC not withdrawing, suspending or revoking its written confirmation.

The proposed acquisition of SILK by API by way of scheme of arrangement (Scheme) remains subject to the satisfaction of certain conditions, including SILK shareholder approval, the Independent Expert's Report concluding that the Scheme is in the best interests of SILK shareholders and other customary conditions.

Other than noted above, there are no further material subsequent events.

OUTLOOK AND BUSINESS RISKS

Regardless of ownership, 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 December 2020. The board currently considers the main business risks to be as follows:

- A reduction in consumer discretionary spending or consumer trends 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 affected by reduced consumer spending;
- Business costs are increasing and may not be passed onto customers. SILK has so far been successful at implementing selective 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 other suitably skilled and qualified staff. SILK is mitigating this risk by developing its employee value proposition (EVP) and long term incentives have been provided for the most senior managers;
- SILK operates a business model that includes franchisees having full or part ownership of clinics. SILK makes strong efforts to monitor and support its franchisees but in an economic downturn some of them may encounter difficulties and in some instances may not be able to continue to operate;
- Non-compliance with regulations and regulatory changes. SILK is very aware of the importance of medical governance and has increased its controls and resources in this area. SILK also maintains good relations with government bodies. Another important regulatory area is monitoring compliance with wage legislation. SILK has implemented improved systems and procedures to mitigate this risk;
- SILK's acquisitions may not be successful. This has been a key part of SILK's strategy and SILK undertakes due diligence and carefully evaluates the merits and impact of each acquisition to mitigate this risk; and
- Cyber security and IT systems: SILK retains significant amounts of personal data relating to its customers, which if compromised would create adverse reputational and financial damage. SILK is mindful of this risk and has embarked on an IT program to migrate to highly regarded, cloud-based systems.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

REMUNERATION REPORT (AUDITED)

The Board of Directors of SILK Laser Australia Limited (SILK) presents its Remuneration Report for the reporting period of 1 July 2022 to 30 June 2023. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report sets out the detailed remuneration arrangements for the Group's Non-Executive Directors, the Managing Director and other key management personnel, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

(a) Key Management Personnel covered in this report

This report sets out the remuneration arrangements for SILK's Key Management Personnel (KMP) who have been KMP during the reporting period. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

For the remainder of this Remuneration Report, the KMP are referred to as either Non-Executive Directors or Senior Executives.

All Non-Executive Directors and Senior Executives have held their positions for the duration of the reporting period unless indicated otherwise.

SILK Laser Australia's KMP are:

Name	Role	Status
Non-Executive Directors		
Boris Bosnich	Chair, Non-Executive Director	Independent
Sinead Ryan	Non-Executive Director	Independent
Jacinta Caithness	Non-Executive Directors	Independent
Andrew Cosh	Non-Executive Director	Independent
Senior Executives		
Martin Perelman	Chief Executive Officer (CEO) and Managing Director	
Darryl Cotter	Chief Operating Officer (COO)	
Ivan Jacques	Chief Financial Officer (CFO)	

(b) Remuneration overview

The Board recognises that the performance of the Group depends to a large extent on the quality and motivation of the SILK team, including the Senior Executives. SILK's remuneration strategy therefore seeks to appropriately attract, reward and retain team members at all levels in the organisation. Using various remuneration mechanisms, the Board seeks to have a structure that incentivises improving shareholder returns, delivering sustainable growth, and effective risk management, as well as driving a positive culture across the business. SILK utilises both Short and Long-Term incentives in addition to cash salaries to incentivise and reward staff performance.

The primary performance measure for determining whether Senior Executives Short Term Incentives (STI) were paid, was the Group's EBITDA versus budget. The Board believes the STI outcomes were fair and appropriate and reflect the alignment between shareholders' interests and the Company's remuneration practices and policies.

(b) Remuneration overview continued

The Remuneration and Nomination Committee will continue to review the remuneration arrangements for Non-Executive Directors and Senior Executives to ensure that they are relevant, competitive, and appropriate for a listed company.

(c) Relationship between remuneration policy and company performance

The performance criteria and targets for Senior Executives to realise benefits under both the Company's STI and LTI plans are aligned to company performance and enhancing shareholder value. The Remuneration and Nomination Committee considers both statutory and normalised results for the business in evaluating performance against key metrics.

The Remuneration and Nomination Committee is of the opinion that the continued improvement in results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder value if maintained over the coming years. A summary of the normalised results for the Group is included in the Review of Operations contained in the Directors' Report.

The following table provides a summary of the Company's statutory financial performance from listing in FY21 to FY23:

	Statutory FY23 Result $000	Statutory FY22 Result $000	Statutory FY21 Result $000
Total reported revenue	97,608	81,322	58,878
EBITDA (Refer to reconciliation in non-IFRS measures)	20,029	18,343	14,155
Net profit after tax	7,081	6,389	5,152
Basic earnings per share (cents)	13.62	12.10	11.81
Dividend declared*	–	–	1,500
Dividend per share declared (cents)	–	–	3.53
Year-end share price ($)	3.32	1.81	4.37

* Note: Dividends declared refers to the once off dividends paid to shareholders in the Group immediately prior to the Initial Public Offering in December 2020.

(d) Role of Remuneration and Nomination committee

The primary objective of the Remuneration and Nomination Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

Under its charter, the Remuneration and Nomination Committee must consist of a minimum of three Directors, only Non-Executive Directors, a majority of Independent Directors and an Independent Director as Chair. The Remuneration and Nomination Committee comprises:

- Andrew Cosh (Chair – Independent);
- Jacinta Caithness (Independent); and
- Boris Bosnich (Independent).

REMUNERATION REPORT (AUDITED) continued

(d) Role of Remuneration and Nomination committee continued

The responsibilities of the Remuneration and Nomination Committee include:

- reviewing and recommending to the Board remuneration arrangements for Non-Executive Directors;
- reviewing and recommending to the Board employment and remuneration arrangements for the CEO and the senior executives;
- approving major changes and developments in the Group's policies and procedures related to remuneration, recruitment, retention, termination, and performance assessment for senior management;
- approving major changes and developments in superannuation arrangements, personnel practices, and industrial relations strategies for the Group;
- reviewing the Group's remuneration framework to confirm it encourages a culture aligned with the Group's values, supports the strategic objectives, and is aligned with the Group's risk management framework;
- overseeing the operation of the Group's employee equity incentive plans and recommending to the Board whether offers are to be made under any of the Group's employee equity incentive plans in respect of a financial year;
- reviewing and recommending to the Board the terms of any incentive offers made to the CEO and other members of the senior executive team;
- reviewing and recommending to the Board the size and composition of the Board, including reviewing Board succession plans and the succession of the Chair;
- reviewing the succession plans for the CEO and other senior executives; and
- in accordance with the Diversity Policy, recommending to the Board measurable objectives for achieving gender diversity in the composition of the Board, senior executives, and workforce generally, and assessing the Group's progress in achieving those objectives.

(e) Equity Incentive Plan

Under the rules of the Equity Incentive Plan (Plan Rules), SILK has flexibility to grant Rights, Options, Units, Restricted Shares and Shares as incentives, subject to the terms of individual offers and the satisfaction of applicable conditions as determined by the Board from time to time.

The key features of the Plan Rules are as follows:

Topic	Summary
Eligibility	Offers may be made at the Board's discretion to employees of SILK or any other person that the Board determines to be eligible to receive a grant.
Types of securities	SILK may grant Rights, Options, Units, Shares and/or restricted Shares as incentives, subject to the terms of individual offers. **Rights** are an entitlement to receive Shares subject to the satisfaction of applicable conditions. **Options** are an entitlement to receive Shares upon satisfaction of applicable conditions and exercise (which may include payment of an applicable exercise price). **Units** are an entitlement to a cash payment subject to the satisfaction of applicable conditions. **Restricted Shares** are Shares that are subject to dealing restrictions, vesting conditions or other restrictions or conditions. Unless otherwise specified in an offer document, the Board has discretion to settle Options or Rights with a cash equivalent payment.

(e) Equity Incentive Plan continued

Topic	Summary
Offers under Plan Rules	Under the Plan Rules, SILK may make offers at its discretion, subject to any requirements for Shareholder approval. The Board has discretion to set the terms and conditions on which it will offer incentives in individual offer documents. An offer must be accepted by the participant (this may occur via an 'opt out' basis).
Issue price	Unless the Board determines otherwise, no payment is required for a grant of Rights, Options, Units or restricted Shares allocated under the Plan Rules.
Vesting	Vesting of incentives is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Subject to the Plan Rules and the terms of the specific offer document, incentives will lapse or be forfeited (as applicable) if the performance and/or vesting conditions are not satisfied. The Board has discretion to delay or suspend vesting in certain circumstances. To receive Shares (or a cash equivalent payment), vested Options must be exercised, and the exercise price (if any) must be paid, which may occur through a cashless exercise mechanism. Rights may be exercisable (if specified in the individual offer) or automatically exercised on vesting. No exercise price is payable in respect of Rights. No exercise mechanism or exercise price applies to Units or restricted Shares.
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of incentive awards on cessation of employment. It is intended that individual offer documents will provide more specific information on how the incentive awards will be treated if the participant ceases employment with the Group. Termination benefits approval will be obtained for the giving of these benefits under the Plan Rules.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad malus and clawback powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.
Change of control	The Plan Rules provide the Board with discretion in various change of control scenarios. For example, the Board may determine that all or a specified number of a participant's incentives will vest or cease to be subject to restrictions where there is a change of control event in accordance with the Plan Rules.
Rights issues, bonus issues, corporate actions and other capital reconstructions	The Plan Rules include specific provisions dealing with rights issues, bonus issues, corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their incentives as a result of such corporate actions. Participants holding Rights or Options are not entitled to participate in new issues of securities by SILK prior to the vesting (and exercise, if applicable) of their incentives. In the event of a bonus issue, the Rights or Options will be adjusted in the manner allowed or required by the ASX Listing Rules.

REMUNERATION REPORT (AUDITED) continued

(e) Equity Incentive Plan continued

Topic	Summary
Restrictions on dealing	Prior to vesting, the Plan Rules provide that participants must not sell, transfer, encumber, hedge or otherwise deal with their incentives. After vesting, employees will be free to deal with their incentives, subject to the Securities Dealing Policy.
Other terms	The Plan Rules contain customary and usual terms for dealing with administration, variation, suspension and termination of any incentive plan. This includes discretion to amend the provisions of the Equity Incentive Plan or the terms or conditions of incentives granted under the Plan Rules (subject to the ASX Listing Rules).

(f) Principles used to determine the nature and amount of remuneration

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

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation; and
- transparency.

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

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder value, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

REMUNERATION REPORT (AUDITED) continued

(g) KMP Remuneration

Non-Executive Directors Remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. No independent remuneration consultants were used during the FY23 year. The Chair's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration. Except for the Chair's participation in the Listing Bonus Award, Non-Executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate maximum non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2021 Annual General Meeting, where the shareholders approved an aggregate maximum remuneration of $650,000 per annum.

Directors may be reimbursed for travel and other expenses incurred in attending to the Group's affairs, including attending and returning from Board or Board committee meetings and general meetings of the Company. Any Non-Executive Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services that, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Statutory remuneration details and Disclosures	Directors Fees $	Superannuation defined contribution $	Equity settled remuneration $	Total Directors Fees $
FY23				
Boris Bosnich	122,172	12,828	–	135,000
Sinead Ryan	67,873	7,127	–	75,000
Andrew Cosh	72,398	7,602	–	80,000
Jacinta Caithness	72,398	7,602	–	80,000
Total	**334,841**	**35,159**	**–**	**370,000**
FY22				
Boris Bosnich	127,268	13,363	–	140,631
Sinead Ryan	54,299	5,701	–	60,000
Andrew Cosh	54,299	5,701	–	60,000
Jacinta Caithness[2]	13,652	1,433	–	15,085
Bradley Lynch[1]				
Total	**249,518**	**26,198**	**–**	**275,716**

1. Bradley Lynch (resigned as a Director on 27 April 2022) did not receive a Director's fee, but Advent Partners, Mr Lynch's employer, received a consultancy fee of $60,000 (plus GST) per annum until the date of Mr Lynch's resignation. Advent Partners provided a range of services including the provision of advice in relation to operational and strategic issues relevant to SILK.
2. Appointed 27 April 2023.

REMUNERATION REPORT (AUDITED) continued

(g) KMP Remuneration continued

Senior Executive Remuneration

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

Total fixed remuneration (TFR)	Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits. TFR is based on experience and expertise of the Senior Executive, individual performance, the overall performance of the Group and comparable market remunerations. Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.
Short term incentive (STI)	The Short-Term Incentives ('STI') program is designed to align the targets of the business with the performance targets of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's can include profit contribution, customer satisfaction, leadership contribution and product management. Key performance indicators for STI achievement are determined by the Board annually in consultation with the executive.
Long term incentive (LTI)	During FY23 LTI Performance Rights were granted to a number of senior employees. The Performance Rights will vest and convert to fully paid ordinary shares at no cost upon the achievement of certain performance hurdles, subject to a 'total shareholder return' or 'TSR' growth gateway. The base amount for the measurement of Compound Annual Growth Rate (CAGR) is $2.30, determined as the VWAP of Shares from 25 August 2022 to 31 August 2025.

Earnings Per Shares CAGR	% of Rights eligible to vest
Less than 10%	Nil
10%	20%
Between 10% and 20%	Straight line pro-rata vesting between 20% and 100%
20% or above	100%

The minimum 'total shareholder return' or 'TSR' growth needed to open the gateway is 10%.

(g) KMP Remuneration continued

Statutory remuneration details and Disclosures	Cash salary $	STI and other bonus $	Annual leave/ long service leave $	Superannuation defined contribution $	Share-based payments $	Allowances $	Total $
FY23							
Martin Perelman	406,757	149,282	13,313	27,500	117,687	–	714,539
Ivan Jacques	285,459	93,000	545	27,500	50,632	2,155	459,291
Rob Garsden	10,769	–	42,947	1,131	19,872	35	74,754
Darryl Cotter	350,442	56,000	19,890	27,500	5,282	1,939	461,053
Total	**1,053,427**	**298,282**	**76,695**	**83,631**	**193,473**	**4,129**	**1,709,637**
FY22							
Martin Perelman	332,017	144,900	46,631	23,702	81,663	–	628,913
Rob Garsden	172,308	–	(8,227)	26,656	186,125	560	377,422
Ivan Jacques	256,793	89,040	14,143	26,261	109,106	1,300	496,643
Darryl Cotter	20,192	–	1,555	2,019	–	67	23,833
Total	**781,310**	**233,940**	**54,102**	**78,638**	**376,894**	**1,927**	**1,526,811**

	Target STI $	Actual STI Awarded $	Awarded STI as % of Maximum STI %
Senior Executive FY23 STI			
Martin Perelman	130,200	114,282	88%
Ivan Jacques	72,500	58,000	80%
Darryl Cotter	70,000	56,000	80%
	272,700	**228,282**	
Senior Executive FY22 STI			
Martin Perelman	105,000	144,900	138%
Rob Garsden	84,000	–	N/A
Ivan Jacques	70,000	89,040	127%
	259,000	**233,940**	

REMUNERATION REPORT (AUDITED) continued

Short term incentives (STI)

Under the STI, all executives have the opportunity to earn an annual incentive which is delivered in cash, subject to the achievement of a range of financial and non-financial key performance indicators (KPI's) which are assessed by the board on an annual basis. The STI recognises and rewards superior annual performance and includes a stretch target to encourage enhanced performance above the targets established in the business plan for the year.

The STI performance measures were chosen as they reflect the core drivers of short-term performance and provide a framework for delivering sustainable value to the Group, its shareholders and clients. The annual KPI's for participants and related targets are also reviewed annually.

During the 2023 financial year, the Remuneration Committee approved a discretionary bonus of $35,000 each to the CEO and CFO.

Whether or not Senior Executives receive a STI in a particular year will be at the absolute discretion of the Board.

Executive employment arrangements

Each executive has an employment contract specifying, among other things, remuneration arrangements, benefits, notice periods and other terms and conditions. The contracts provide that participation in the STI and LTI arrangements are at the Board's discretion.

The employment contracts do not have a fixed term. Employment may be terminated by the executive with notice, or by the Company with notice or by payment in lieu of notice, or with immediate effect in circumstances including serious or wilful misconduct.

Chief Executive Officer
Martin Perelman

Terms	Summary
Total fixed remuneration (TFR)	The CEO is entitled to receive annual TFR of $420,000 (exclusive of superannuation).
Short term incentive (STI)	The CEO is eligible to participate in SILK's existing STI arrangements of 31% of his annual TFR, less compulsory superannuation contributions, plus a stretch component. Key performance indicators for STI achievement are determined by the Board in consultation with the executive.
Long term incentive (LTI)	The CEO is eligible to participate in the Equity Incentive Plan. LTI awards are considered and set by the Board annually.
Termination	The CEO's employment may be terminated by either party upon giving 12 months' notice. The employment may also be terminated by SILK without notice in certain circumstances including serious misconduct. On termination of employment, the CEO will be subject to a restraint of trade for a maximum period of 12 months, in a maximum area of the Commonwealth of Australia. The enforceability of the restraint clause is subject to the usual legal requirements. Any payments made to the CEO upon termination of his employment are subject to the termination benefits cap under the Corporations Act.

(g) KMP Remuneration continued

Chief Financial Officer
Ivan Jacques

Term	Summary
Total fixed remuneration (TFR)	The CFO is entitled to receive annual TFR of $290,000 (exclusive of superannuation).
Short term incentive (STI)	The CFO is eligible to participate in SILK's existing STI arrangements of 25% of his annual TFR less compulsory superannuation contributions, plus a stretch component. Key performance indicators for STI achievement are determined by the Board in consultation with the executive.
Long term incentive (LTI)	The CFO is eligible to participate in the Equity Incentive Plan. LTI awards are considered and set by the Board annually.
Termination	The CFO's employment may be terminated by either party upon giving 6 months' notice. The CFO's employment may also be terminated by SILK without notice in certain circumstances including serious misconduct. On termination of employment, the CFO will be subject to a restraint of trade for a maximum period of 12 months, in a maximum area of the Commonwealth of Australia. The enforceability of the restraint clause is subject to the usual legal requirements. Any payments made to the CFO upon termination of his employment are subject to the termination benefits cap under the Corporations Act.

Chief Operating Officer
Darryl Cotter

Terms	Summary
Total fixed remuneration (TFR)	The COO is entitled to receive annual TFR of $350,000 (exclusive of superannuation).
Short term incentive (STI)	The COO is eligible to participate in SILK's existing STI arrangements of 20% of his annual TFR, plus a stretch component. Key performance indicators for STI achievement are determined by the Board in consultation with the executive.
Long term incentive (LTI)	The COO is eligible to participate in the Equity Incentive Plan. LTI awards are considered and set by the Board annually.
Termination	The COO's employment may be terminated by either party upon giving 6 months' notice. The COO's employment may also be terminated by SILK without notice in certain circumstances including serious misconduct. On termination of employment, the COO will be subject to a restraint of trade for a maximum period of 12 months, in a maximum area of the Commonwealth of Australia. The enforceability of the restraint clause is subject to the usual legal requirements. Any payments made to the COO upon termination of his employment are subject to the termination benefits cap under the Corporations Act.

REMUNERATION REPORT (AUDITED) continued

(h) KMP Shareholding

The number of ordinary shares held by each KMP of the Group is as follows:

	Balance at Beginning of Year	Purchase/ (Sale) of Shares	Balance at End of Year	Method of Purchase/(Sale)
30 June 2023				
Non-Executive Directors				
Boris Bosnich	158,493	14,493	172,986	Vesting of listing rights
Sinead Ryan	78,431	8,200	86,631	On market purchases
Jacinta Caithness	–	3,773	3,773	On market purchases
Andrew Cosh	1,562,999	–	1,562,999	
	1,799,923	**26,466**	**1,826,389**	
Senior Executives				
Martin Perelman	2,878,398	–	2,878,398	
Ivan Jacques	201,986	28,985	230,971	Vesting of listing rights
Darryl Cotter	–	–	–	
Rob Garsden	97,500	(97,500)	–	On market sales
	3,177,884	**(68,515)**	**3,109,369**	
30 June 2022				
Non-Executive Directors				
Boris Bosnich	130,000	28,493	158,493	Vesting of listing rights
Sinead Ryan	78,431	–	78,431	
Jacinta Caithness	–	–	–	
Andrew Cosh	3,125,998	(1,562,999)	1,562,999	On market sales
	3,334,429	**(1,534,506)**	**1,799,923**	
Senior Executives				
Martin Perelman	2,878,398	–	2,878,398	
Rob Garsden	195,000	(97,500)	97,500	On market sales
Ivan Jacques	152,000	49,986	201,986	Vesting of listing rights and on market purchases
	3,225,398	**(47,514)**	**3,177,884**	

REMUNERATION REPORT (AUDITED) continued

(h) KMP Shareholding continued

The number of SILK LTI Performance Rights held by each KMP of the Group is as follows:

	Balance at Beginning of Year	Granted as compen-sation during the Year	Lapsed during the Year	Balance at End of Year
30 June 2023				
Martin Perelman	136,674	100,000	–	236,674
Ivan Jacques	45,558	50,000	–	95,558
Darryl Cotter	–	60,000	–	60,000
	182,232	**210,000**	**–**	**392,232**
30 June 2022				
Martin Perelman	–	136,674	–	136,674
Rob Garsden	–	68,337	–	68,337
Ivan Jacques	–	45,558	–	45,558
	–	**250,569**	**–**	**250,569**

Details of the 2023 performance rights	Martin Perelman	Ivan Jacques	Darryl Cotter
Grant date	22/11/2022	22/11/2022	22/11/2022
Number of instruments granted	100,000	50,000	60,000
Fair value per instrument at grant date	$0.42	$0.42	$0.42
Value of performance rights	$41,500	$20,750	$24,900
Expiry date	31/08/2025	31/08/2025	31/08/2025
Exercise price	$0	$0	$0
Exercise date	31/08/2025	31/08/2025	31/08/2025
Performance conditions attached to instrument	Described above under Senior Executive Remuneration		
Service conditions attached to instrument			

REMUNERATION REPORT (AUDITED) continued

(h) KMP Shareholding continued

Details of the 2022 performance rights	Martin Perelman	Ivan Jacques	Rob Garsden
Grant date	01/10/2021	01/10/2021	01/10/2021
Number of instruments granted	136,674	45,558	9,353
Fair value per instrument at grant date	$2.39	$2.39	$2.39
Value of performance rights	$326,651	$108,884	$22,354
Expiry date	30/09/2024	30/09/2024	30/09/2024
Exercise price	$0	$0	$0
Exercise date	30/09/2024	30/09/2024	30/06/2022
Performance conditions attached to instrument	Described above under Senior Executive Remuneration		
Service conditions attached to instrument			

The number of Listing Bonus Award Rights in SILK held by each KMP of the Group is as follows:

	Balance at Beginning of Year	Awarded during the Year	Vested during the Year	Balance at End of Year
30 June 2023				
Non-Executive Directors				
Boris Bosnich	14,492	–	(14,493)	–
Senior Executives				
Rob Garsden	57,971	–	(57,971)	–
Ivan Jacques	28,986	–	(28,985)	–
	86,957	**–**	**(86,956)**	**–**
	101,449	**–**	**(101,449)**	**–**
30 June 2022				
Non-Executive Directors				
Boris Bosnich	28,985	–	(14,493)	14,492
Senior Executives				
Rob Garsden	115,942	–	(57,971)	57,971
Ivan Jacques	57,971	–	(28,985)	28,986
	173,913	**–**	**(86,956)**	**86,957**
	202,898	**–**	**(101,449)**	**101,449**

REMUNERATION REPORT (AUDITED) continued

(i) Loans made to KMP

Under the terms of the Employee Share Scheme prior to the IPO, SILK entered into limited recourse loan agreements with a number of its employees and Directors, including Boris Bosnich (Chair), Martin Perelman (Chief Executive Officer and Managing Director), Ivan Jacques (Chief Financial Officer) and Rob Garsden (Chief Operating Officer) (collectively, Employee Loans).

Under each Employee Loan, the relevant employee or Director was loaned an amount to fund their acquisition of a parcel of shares (Loan Shares). The Employee Loans are summarised in the table below:

	30 June 2023	30 June 2023	30 June 2022	30 June 2022
Employee/Director	**Loan Shares**	**Loan amount $**	**Loan Shares**	**Loan amount $**
Boris Bosnich	65,000	65,000	65,000	65,000
Martin Perelman	65,000	65,000	65,000	65,000
Ivan Jacques	130,000	260,000	130,000	260,000
Rob Garsden	–	–	65,000	65,000
Total	**260,000**	**390,000**	**325,000**	**455,000**

No interest is charged or payable in respect of the Employee Loans. Repayment of the Employee Loans will be required where a relevant employee sells all or part of their Loan Shares. Recourse for any failure to repay an Employee Loan is limited to the Loan Shares held by the relevant employee or Director.

Loans made to KMP are treated as options in accordance with AASB 2 *Share-Based Payments*.

(j) Transaction with KMP

There were no other material transactions or contracts with KMP except as disclosed elsewhere in the remuneration report.

This concludes the remuneration report, which has been audited.

INDEMNITY AND INSURANCE OF OFFICERS

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

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in the table below:

	FY23	FY22
Audit vs Non-Audit Services		
Audit Fees	165,500	140,478
Tax Compliance	–	30,800
Transaction Services – Acquisition due diligence	76,386	41,418
	241,886	**212,696**

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

The Directors are of the opinion that the services as disclosed in note to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

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.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF GRANT THORNTON

There are no officers of the Company who are former partners of Grant Thornton.

AUDITOR

Grant Thornton continues in office in accordance with section 327 of the *Corporations Act 2001*.

SIGNED

Signed in accordance with a resolution of the Directors.

Boris Bosnich
Chair and Non-Executive Director

30 August 2023
Adelaide

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
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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 audit of SILK Laser Australia Limited for the year ended 30 June 2023, 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 audit; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 August 2023

www.grantthornton.com.au
ACN-130 913 594

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

CONTENTS

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 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

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 30 August 2023. The Directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Revenue			
Trading sales	5	79,928	67,767
Cost of sales	8	(26,506)	(20,745)
Gross profit		53,422	47,022
Franchise revenue	5	17,680	13,555
Other Income	6	2,020	1,861
Share of Profits of Associates	7	773	628
Employee benefits expense	8	(32,677)	(27,301)
Occupancy costs		(1,341)	(1,465)
Marketing expenses		(5,632)	(5,016)
Other expenses	8	(8,234)	(6,567)
IPO related expenses		(30)	(247)
Business combination expenses		(1,059)	(2,175)
Takeover advisory expenses		(1,114)	–
Systems investment program – cloud based		(2,582)	(1,245)
Depreciation and amortisation expenses	8	(9,900)	(8,453)
Finance costs	8	(2,247)	(1,505)
Profit before income tax expense		**9,079**	**9,092**
Income tax expense	9	(1,998)	(2,703)
Profit after income tax expense for the year		**7,081**	**6,389**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(56)	–
Other comprehensive income for the year, net of tax		(56)	–
Total comprehensive income for the year		**7,025**	**6,389**
Profit for the year is attributable to:			
Non-controlling interests		(154)	1
Owners of SILK Laser Australia Limited		7,235	6,388
		7,081	6,389
Total comprehensive income for the year is attributable to:			
Non-controlling interests		(154)	1
Owners of SILK Laser Australia Limited		7,179	6,388
		7,025	6,389
		Cents	**Cents**
Basic earnings per share	35	13.62	12.10
Diluted earnings per share	35	13.57	12.03

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 30 JUNE 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and Cash Equivalents	10	20,789	18,601
Trade and Other Receivables	11	12,335	9,809
Inventories	12	5,499	5,340
Income Tax Receivable	15	1,606	–
Other Assets	16	307	547
Total current assets		40,536	34,297
Non-current assets			
Trade and Other Receivables	11	11,360	9,126
Investments in Associates	13	1,296	1,286
Property, Plant and Equipment	17	21,175	18,655
Right-of-Use Assets	14	12,722	10,834
Intangible Assets	18	94,810	83,881
Deferred Tax	19	2,121	2,340
Other Assets	16	698	449
Total non-current assets		144,182	126,571
Total assets		**184,718**	**160,868**
Liabilities			
Current liabilities			
Trade and Other Payables	20	15,963	11,344
Contract Liabilities	21	12,974	9,531
Borrowings	22	29,925	–
Lease Liabilities	23	7,662	7,815
Income Tax Payable	24	–	891
Provisions	25	2,417	3,119
Total current liabilities		68,941	32,700
Non-current liabilities			
Contract Liabilities	21	230	284
Borrowings	22	–	22,386
Lease Liabilities	23	17,727	14,992
Provisions	25	1,375	1,226
Total non-current liabilities		19,332	38,888
Total liabilities		**88,273**	**71,588**
Net assets		**96,445**	**89,280**
Equity			
Share Capital	26	79,298	78,884
Foreign Currency Translation Reserve		(56)	–
Share-Based Payments Reserve	27	454	485
Retained profits		17,173	9,938
Equity attributable to the owners of SILK Laser Australia Limited		96,869	89,307
Non-controlling interests		(424)	(27)
Total equity		**96,445**	**89,280**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	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 after income tax expense for the year	–	–	6,388	1	6,389
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	6,388	1	6,389
Listed rights vested and exercised	350	(350)	–	–	–
Shares issued during the year	4,788	–	–	–	4,788
Share-based payments – Listing award vesting	–	245	–	–	245
Share-based payments – Performance rights vesting	–	165	–	–	165
Changes in proportion held by non-controlling interest	–	–	–	116	116
Dividends paid – Minority interest	–	–	–	(78)	(78)
Balance at 30 June 2022	78,884	485	9,938	(27)	89,280

	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/(loss) after income tax expense for the year	–	–	–	7,235	(154)	7,081
Other comprehensive income for the year, net of tax	–	–	(56)	–	–	(56)
Total comprehensive income for the year	–	–	(56)	7,235	(154)	7,025
Repayment of employee share loan	64	–	–	–	–	64
Listing rights vested and exercised	350	(350)	–	–	–	–
Changes in proportion held by non-controlling interest	–	–	–	–	(30)	(30)
Share-based payments – Listing award vesting	–	30	–	–	–	30
Share-based payments – Performance rights vesting	–	289	–	–	–	289
Dividends paid – Minority interest	–	–	–	–	(213)	(213)
Balance at 30 June 2023	79,298	454	(56)	17,173	(424)	96,445

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		101,724	91,927
Payments to suppliers and employees		(78,899)	(73,883)
Interest received	6	1,197	707
Income tax paid		(5,192)	(7,812)
Interest paid (AASB 16)	8	(1,156)	(1,070)
Interest paid	8	(1,091)	(435)
Net cash from operating activities	34	16,583	9,434
Cash flows from investing activities			
Payments for property, plant and equipment		(6,831)	(3,068)
Payments for intangibles		(534)	(245)
Receipts from cash held in guarantee deposits		257	1,463
Loan advances to associates		(1,742)	(2,337)
Takeover advisory expenses		(1,114)	–
Systems Investment Program – Cloud based		(2,582)	(1,245)
Acquisition of ASC, net of cash acquired	4	–	(45,350)
Acquisition of EDEN, net of cash acquired	4	(6,416)	–
Acquisition of other Business Combinations, net of cash acquired		(777)	(2,148)
Business combination expenses		(1,059)	(2,175)
Proceeds from disposal of property, plant and equipment		834	821
Dividends received	7	1,185	319
Proceeds from Sale of Subsidiaries (Net of cash disposed)	4	535	394
Proceeds from Sale of Shares (Change in controlling interest)	4	650	–
Net cash used in investing activities		(17,594)	(53,571)
Cash flows from financing activities			
Dividends paid to minority interests		(213)	(78)
Proceeds from principal and interest portion of sub-leases		5,157	3,711
Repayment of principal portion of lease liabilities	23	(9,939)	(7,733)
Repayment of borrowings		–	(569)
Proceeds from borrowings	22	7,539	22,386
Proceeds from Employee Share Scheme loans		65	228
Lease Incentives received		590	120
Net cash from financing activities		3,199	18,065
Net increase/(decrease) in cash and cash equivalents		2,188	(26,072)
Cash and cash equivalents at the beginning of the financial year		18,601	44,673
Cash and cash equivalents at the end of the financial year	10	20,789	18,601

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

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

The consolidated financial report covers SILK Laser Australia Limited and its controlled entities ('the Group'). SILK Laser Australia Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

New or amended Accounting Standards and Interpretations adopted

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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 are discussed in the respective notes.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

Australian Skincare Clinics (ASC)

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 2023 financial year, 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 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. As a consequence, at 30 June 2023, the ASC segment has been consolidated into SILK.

Eden Laser Clinics Pty Ltd and its Subsidiaries

Following the acquisition on the 28 February 2023 of Eden Laser Clinics Pty Ltd and its Subsidiaries (EDEN), the Group operated two operating segments during the year, SILK (Including the integrated ASC) and EDEN. Both businesses are involved in the provision of non-surgical aesthetic services and sale of owned brand skincare products through their corporate, majority owned and franchised clinics, and fee income from franchised clinics, in Australia.

The Group is not reliant on any single customer. As at 30 June 2023, the Group operated 145 clinics (FY22: 124) in total made up of:

- 30 (FY22: 27) Corporate owned clinics;
- 17 (FY22: 11) Joint venture franchised, majority owned clinics in Australia;
- 25 (FY22: 20) Joint venture franchised clinics in which the Group has a non-controlling shareholding; and
- 73 (FY22: 66) Traditional franchised clinics, in which the Group has no equity interest.

NOTE 3. OPERATING SEGMENTS continued

Eden Laser Clinics Pty Ltd and its Subsidiaries continued

A summary of the key financial measures for the period ending 30 June 2023 is set out below.

	SILK	EDEN	Total
Trading Sales	76,232	3,696	79,928
Franchise revenue	17,664	16	17,680
Total Reported revenue	**93,896**	**3,712**	**97,608**
Less: Directly attributable costs	(74,504)	(3,075)	(77,579)
Segment EBITDA	**19,392**	**637**	**20,029**
Add: IPO related expenses including listing bonus share award vesting	30	–	30
Add: Business combination expenses	669	390	1,059
Add: Takeover advisory expenses	1,114	–	1,114
Add: Systems investment	2,582	–	2,582
Adjusted EBITDA	**23,787**	**1,027**	**24,814**
Less: Depreciation and amortisation expenses	(9,353)	(547)	(9,900)
Adjusted EBIT	**14,434**	**480**	**14,914**
Add: Net Finance Income	1,189	9	1,198
Less: Net Finance costs – AASB 16 *Leases*	(1,104)	(53)	(1,157)
Less: Net Finance costs – other	(1,082)	(9)	(1,091)
Less: Income tax	(1,987)	(11)	(1,998)
Less: Business combination & IPO costs	(699)	(390)	(1,089)
Less: System investment	(2,582)	–	(2,582)
Less: Takeover advisory expenses	(1,114)	–	(1,114)
Net profit after tax	**7,055**	**26**	**7,081**
Assets excluding intangible assets	81,686	8,222	89,908
Goodwill	63,112	7,931	71,043
Intangible assets	20,237	3,530	23,767
Total Assets	**165,035**	**19,683**	**184,718**
Liabilities excluding centralised debts	47,409	10,939	58,348
Centralised debt (Unallocated)	29,925	–	29,925
Total liabilities	**77,334**	**10,939**	**88,273**

The Group's total assets and liabilities are measured in a manner consistent with that of the financial statements.

NOTE 4. BUSINESS COMBINATIONS

(a) Acquisition of Controlled Entities

Eden Laser Clinics Pty Ltd and its Subsidiaries

On 28 February 2023 SILK Laser Australia Limited acquired 100% of Eden Laser Clinics Pty Ltd and its Subsidiaries through its wholly owned subsidiary, M3K Holdings Pty Ltd. The business combination has been accounted for on a provisional basis.

Details of the provisional purchase consideration and the final determination of net assets and goodwill acquired are as follows:

	$'000
Estimated purchase consideration	10,300

The provisional assets and liabilities recognised by SILK are as follows:

	Fair Value $'000
Assets	
Current Assets	
Cash	2,694
Bank guarantee deposits	458
Inventories	158
Prepayments	48
Current assets sub total	**3,358**
Non-Current Assets	
Plant, equipment and Leasehold improvements	2,045
Investments in Joint Venture partnerships	525
AASB 16 *Right-of-Use Assets*	3,348
Deferred tax	243
Separately identifiable intangible asset:	–
Customer Relationships	3,530
Non-current assets sub total	**9,691**
Total Assets	**13,049**

NOTE 4. BUSINESS COMBINATIONS continued

(a) Acquisition of Controlled Entities continued

	Fair Value $'000
Liabilities	
Trade and other payables	500
Income tax GST & other taxes	615
Provisions and Accruals	745
Deferred tax liability	1,059
Contract Liabilities	5,280
AASB 16 *Lease Liabilities*	3,348
Total Liabilities	**11,547**
Net identifiable Assets acquired	1,502
Goodwill on acquisition	8,798
Net Assets acquired	10,300

The goodwill is attributable to the workforce and the high profitability of the acquired business.

For the period 1 March 2023 to 30 June 2023, the acquired business of EDEN contributed Reported Revenues of $3.7 million and $0.03 million Net Profit after tax.

If owned for the full year, EDEN's contribution would have been a total of $12.2 million to Reported Revenue and $1.3 million to net Profit After Tax. Details of the EDEN operating segment is disclosed in Note 3.

(b) Purchase consideration – cash flow

Outflow of cash to acquire subsidiary, net of cash acquired

	Fair Value $'000
Cash consideration paid to date	9,110
Estimated Completion Consideration Payable in Cash	1,190
	10,300
Less: Cash Balances acquired	(2,694)
Less: Estimated Completion Consideration Payable in Cash	(1,190)
	(3,884)
Net outflow of cash – investing activities	6,416

The total amount payable for the business has not been agreed and is currently the subject of a legal dispute with the vendor regarding the final completion accounts. The vendor is claiming that further amounts are payable in addition to the above. Based on legal advice obtained, SILK's Board of Directors does not believe additional amounts will be payable.

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs

Acquisition related costs including due diligence and other associated costs of $390 thousand are included in business combination expenses in the statement of profit and loss and in investing cash flows in the statement of cash flows.

Transaction costs related to a business combination are required to be expensed as incurred in accordance with Accounting Standards.

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.

Unique Laser comprised a network of five clinics, 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 the Group's presence on the East Coast.

	2023 $'000
Assets acquired at the date of acquisition	
Inventories	38
Property, plant and equipment	125
Total identifiable assets	**163**
Liabilities assumed at the date of acquisition	
Contract liabilities	(163)
Cash consideration	600
Allocation to Goodwill	600

Acquisition related costs including the rebranding of the clinics, due diligence and other associated costs of $442 thousand are included in business combination expenses in the statement of profit and loss and in investing cash flows in the statement of cash flows.

Transaction costs related to a business combination are required to be expensed as incurred in accordance with Accounting Standards.

The acquired business of Unique Laser contributed Reported Revenues of $0.38 million and $0.12 million of Net Profit After Tax for the 2023 financial period.

ASC Brickworks

On 31 May 2023 the Partnership in SJM & PPM Pty Ltd and Venture in Ferry Road Pty Ltd was dissolved. The Group now controls ASC Brickworks.

Assets	$'000
Cash	14
Trade and other Receivables	39
Property, Plant, Equipment and Leasehold Improvements	177
Right-of-Use assets	503
Goodwill	11
	744

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

Liabilities	$'000
Trade and Other Payables	54
Accrued expenses	3
Lease liabilities	513
Shareholder Loans	174
	744

Outflow of cash to acquire subsidiary, net of cash acquired	$'000
Cash consideration	191
Less: Balances acquired	
Cash	(14)
	177

Entities over which there was a Loss of control

During the year the Group lost control over several existing clinic companies from the Group's network. Additionally, the Group sold the Business and trading assets and liabilities of two clinic companies (ASC Macarthur Square Pty Ltd and Eden Laser Clinics (007) Pty Ltd (Lidcombe)).

Entity name	Date control was lost	Previous share-holding %	Current share-holding %
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%
ASC Macarthur Square Pty Ltd (Business sale)	01/12/2022	100.0%	100.0%
Eden Laser Clinics (007) Pty Ltd (Lidcombe) (Business sale)	12/06/2023	100.0%	100.0%

The table below summarises the transactions in relation to the 5 entities where there was a loss of control during the period and includes the identifiable net assets disposed on the date that a loss of control transaction occurred.

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

	$'000
Assets	
Cash and cash equivalents	265
Trade and other receivables	65
Inventory	284
Property, Plant and Equipment	1,336
Right-of-Use assets	1,854
Deferred tax asset	219
Goodwill	887
	4,910
Liabilities	
Trade and other payables	427
Contract liabilities	823
Accrued expenses and Provisions	111
Lease liabilities	1,874
Shareholder/Equipment loans	1,004
Deferred tax liabilities	136
	4,375
Cash inflow from disposals	800
Net Assets disposed	(535)
Less: Cost of Disposals	(96)
Realised gain on disposal of subsidiaries	169
Cash inflow from disposal	800
Less: Cash balances	(265)
Net Inflow of Cash – Investing activities	535

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

Entities over which there was a change in the controlling interest

During the year the Group changed its controlling stake over several existing clinics from the Group's network. Details of these transactions are aggregated below:

Change in control	Date of change in control	Previous shareholding %	Current shareholding %
SLC Glenelg Pty Ltd	01/07/2202	75%	55%
SLC Burnside Pty Ltd	01/08/2022	100%	51%
SLC Joondalup Pty Ltd	01/06/2023	100%	75%
SLC Burleigh Pty Ltd	01/06/2023	100%	75%

The below table summarises the 4 transactions above where a change in controlling interest occurred.

	$'000
Assets	
Cash and cash equivalents	388
Trade and other receivables	109
Inventory	329
Property, equipment and leasehold improvements	2,119
AASB 16 *Leases* – Right-of-use assets	1,562
Deferred tax asset	885
	5,392
Liabilities	
Trade and other payables	627
Contract liabilities	1,184
Employee provisions	139
Accrued expenses	26
Deferred tax liability	630
AASB 16 *Leases* – Lease liability	1,823
Shareholder and equipment loans	1,190
Provisions	120
	5,739
Net liabilities	(347)
Cash inflow from disposals	650
Cost of shares sold	(452)
Attributable to incoming shareholder	(147)
Gain through NCI	(296)

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

Prior year business combination

(a) Australian Skin Clinics and The Cosmetic Clinic

On 31 August 2021 SILK Laser Australia Limited acquired 100% of Beauty Service Holdings and its subsidiaries and LMD2 Pty Ltd, together the Australian Skin Clinics Group ("ASC"), through its wholly owned subsidiary, M3K Holdings Pty Ltd.

The agreed purchase consideration was $52 million, comprised of $47 million of cash (subject to adjustments for working capital and net debt) and up to $5 million of new SILK shares.

The share-based consideration was conditional on the opening of new clinics, three in Australia by 31 July 2022 ($1.33 million per clinic) and three in New Zealand by 31 December ($0.33 million per clinic). If a lesser number of clinics was opened by these agreed dates, there would be a pro-rata reduction in the earn out consideration.

By the date of completion all the required clinics were open apart from one clinic in NZ, which was opened by 26th October 2021 and therefore the final tranche of shares was issued in early December 2021.

Details of the purchase consideration and the final determination of net assets and goodwill acquired are as follows:

	$'000
Cash consideration (adjusted for working capital and net debt)	45,886
Shares issued as consideration:	–
– On completion 1,066,163 shares @ $3.94 per share	4,201
– On 2 December 76,154 shares @ $4.71 per share	359
Total purchase consideration provided by SILK	**50,446**

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

The assets and liabilities recognised by SILK are as follows:

	2022 $'000
Assets	
Current Assets	
Cash	536
Bank guarantee deposits	622
Trade and other receivables	916
Inventories	1,058
AASB 16 *Sub-Lease* receivables	2,838
	5,970
Non-Current Assets	
Plant, equipment and Leasehold improvements	1,611
Investments in Joint Venture partnerships	331
AASB 16 *Right-of-Use Assets*	782
AASB 16 *Sub-Lease* receivables	9,117
Deferred tax on intangible assets	4,500
Intangibles:	
Brand name and trademarks	580
Franchisee network – Australia	15,180
Franchisee network – New Zealand	5,550
	37,651
Total Assets	**43,621**
Liabilities	
Trade and other payables	961
Income tax GST & other taxes	1,813
Employee entitlements	413
Provisions	4,540
Accrued expenses	176
Deferred tax liability	6,223
Contract Liabilities	982
AASB 16 *Lease Liabilities*	12,737
Total Liabilities	**27,845**
Net identifiable Assets acquired	15,776
Goodwill on acquisition	34,670
Net Assets acquired	50,446

Goodwill is attributable to the workforce, the acquired franchise system and the profitability of the acquired business.

NOTE 4. BUSINESS COMBINATIONS continued

(c) Acquisition related costs continued

(b) Purchase consideration – cash flow

Outflow of cash to acquire subsidiary, net of cash acquired

	Fair Value $'000
Cash consideration	41,455
Escrow payment	1,800
Debt repaid to vendor	2,631
	45,886
Less: Balances acquired	
Cash	(536)
Net outflow of cash – investing activities	**45,350**

(c) Acquisition related costs

Acquisition related costs including due diligence and other associated costs of $2,175 thousand in FY22 plus $1,449 thousand in FY21, that were not directly related to the issue of shares, are included in business combination expenses in the statement of profit and loss and in investing cash flows in the statement of cash flows.

NOTE 5. REVENUE

	30 June 2023 $'000	30 June 2022 $'000
Timing of revenue recognition		
Clinic Sales – recognised at a point in time	54,737	50,144
Distribution sales – recognised at a point in time	25,191	17,623
Trading sales	**79,928**	**67,767**
Franchise revenue – recognised at a point in time	17,486	13,410
Initial franchise revenue – recognised over time	194	145
Franchise revenue	**17,680**	**13,555**
Total reported revenue	**97,608**	**81,322**

Recognition and Measurement

Revenue arises primarily from the sales of laser hair removal, non-invasive cosmetic injections, skin treatments, body contouring treatments and the retail sale of skin care products. These will be summarily referred to as cosmetic treatments and skin care. Clinic sales relates to the sales of these services and products at clinics where the Group has a controlling interest. Distribution sales primarily relates to wholesale sale of products to the franchise network of clinics, where the Group does not have a controlling interest.

NOTE 5. REVENUE continued

Laser hair removal, non-invasive cosmetic injections, skin treatments, body contouring and retail sale of skin care products

Revenue from the sale of cosmetic treatments and skin care products is recognised at the point in time when the Group transfers control of the products to the customer.

Revenue from the sale of laser hair removal, cosmetic injections, skin treatments and body contouring are recognised once the treatment has been performed. Such treatments can be performed with a single clinic visit or may be sold as a package of treatments that require multiple visits to the clinic to obtain each individual treatment. For single visit treatments, revenue is recognised at the point in time that the service has been provided. For treatment packages requiring multiple visits, each treatment visit is determined to be a distinct performance obligation under the contract and revenue is recognised at the point in time that these performance obligations are satisfied.

For transactions that comprise multiple performance obligations, such as bundled sale of goods and treatments, the transaction price is allocated to each performance obligation based on an apportionment of the selling price.

Contract Liabilities

Where consideration has been received in advance of the treatment, the Group recognises a contract liability to the extent of unsatisfied performance obligations. Revenue is recognised when the Group satisfies these performance obligations, which is usually once the treatment has been administered to the respective client.

Gift cards and packages are considered a prepayment for goods and services to be delivered in the future, which creates a performance obligation for the Group. The Group recognises a contract liability for the amount received in advance for the gift card/package and recognises revenue when the customer redeems the gift card or the service from the package is provided and the Group fulfils the performance obligation of the transaction.

The Group recognises the unredeemed value of gift cards and treatment packages as breakage/non-redemption income. The Group recognises the expected non-redemption amount as revenue in proportion to the historical pattern in which the gift cards and packages are utilised by the customers.

Franchise revenue

Initial franchise fees are recognised as revenue on a straight-line basis over the term of the respective franchise agreement, usually five years. This is on the basis that the Group has determined that the services provided in exchange for initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees.

Revenue associated with the continuing sales-based service fees and marketing fund contributions are recognised when the related franchisee sale occurs, on a monthly basis. The Group considers there to be one performance obligation, being the franchise right.

NOTE 6. OTHER INCOME

	30 June 2023 $'000	30 June 2022 $'000
Other reimbursements	652	624
Interest income	1,197	707
Profit on disposal of subsidiaries	171	423
Insurance claim	–	107
	2,020	1,861

Other Income

Other income includes profit on sales of shares in subsidiary companies, and equipment, plus advertising subsidies from suppliers and proceeds from insurance claims.

Interest income

Interest is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the financial instrument.

NOTE 7. SHARE OF PROFITS OF ASSOCIATES

	30 June 2023 $'000	30 June 2022 $'000
Share of net profits after tax of associates	773	628

	30 June 2023 $'000	30 June 2022 $'000
Share of Profits/(Losses) from Associates	(412)	309
Dividends received	1,185	319
Total share of profits from Associates	**773**	**628**

Share of Profits of Associates

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture.

When there has been a change recognised directly in equity of the associate of joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Additional detail on investments in Associates is included in Note 13.

NOTE 8. EXPENSES

	30 June 2023 $'000	30 June 2022 $'000
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	26,506	20,745
Depreciation, amortisation and impairment		
Amortisation of Franchise networks (AUS & NZ)	1,034	808
Amortisation and impairment of Other Intangibles	372	146
Depreciation on Property, plant and equipment	4,183	3,801
Depreciation on Right-of-use assets	4,311	3,698
Total depreciation, amortisation and impairment	9,900	8,453
Employee benefits expense:		
Defined contribution plan	2,289	2,096
Payroll tax	1,582	1,286
Share-based payment expense	289	165
Wages and salaries	28,517	23,754
	32,677	27,301
Other expenses:		
Listed company and other compliance costs	407	382
Merchant fees	1,055	869
Office expenses	1,097	916
Professional and consulting fees	841	1,159
IT expenses and software subscriptions	1,618	761
Logistics expenses	878	586
Travel expenses	443	279
Insurance	834	737
Other expenses	1,061	878
	8,234	6,567
Finance costs		
Interest expenses – Leases	1,156	1,070
Interest expenses – Other	1,091	435
Finance costs expensed	2,247	1,505

Cost of Sales

Cost of sales mainly comprises the cost of cosmetic injectable supplies, consumables and SILK Owned branded products manufactured by third parties.

NOTE 9. INCOME TAX EXPENSE

	30 June 2023 $'000	30 June 2022 $'000
Income tax expense		
Current tax	2,755	3,637
Total deferred tax	(757)	(934)
Aggregate income tax expense	1,998	2,703
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	9,079	9,092
Tax at the statutory tax rate of 30%	2,724	2,728
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	96	123
Adjustment for deductible expenses/other taxable differences	516	15
Adjustment for non-deductible expenses/other non-taxable differences	(855)	(125)
Impact of tax rates applicable outside of Australia	(31)	(18)
Prior year under/(over) provision	(452)	(20)
Income tax expense	1,998	2,703

Income tax

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Australia where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

From 1 September 2021, following the acquisition of the ASC Group, all of its wholly owned Australian resident subsidiary companies joined the tax consolidated group.

From 1 March 2023, following the acquisition of the Eden Laser Clinics and its Subsidiaries, all of its wholly owned Australian resident subsidiary companies joined the tax consolidated group.

NOTE 10. CASH AND CASH EQUIVALENTS

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Cash at bank and on hand	20,789	18,601

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

NOTE 11. TRADE AND OTHER RECEIVABLES

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Trade receivables	8,553	5,408
Less: Allowance for expected credit losses on Trade Receivables	(532)	(354)
Associate Shareholder Loans Receivable	1,324	1,276
Less: Allowance for expected credit losses on Associate Shareholder Loans	(300)	–
Sub-Lease Receivables	3,290	3,479
	12,335	9,809
Non-current assets		
Sub-Lease Receivables	7,234	6,437
Associate Shareholder Loans Receivable	4,126	2,689
	11,360	9,126

2023 Trade Receivable Aging Table	Current $'000	>1 month $'000	> 2 months $'000	Older $'000	Total $'000
Aged trade receivables	5,496	488	1,069	1,500	8,553

2022 Trade Receivable Aging Table	Current $'000	>1 month $'000	> 2 months $'000	Older $'000	Total $'000
Aged trade receivables	3,919	1,060	84	345	5,408

NOTE 11. TRADE AND OTHER RECEIVABLES continued

Allowance for expected credit losses

Collectability of trade receivables, including sub-lease receivables, are reviewed on an ongoing basis at an operating unit level. An impairment allowance is recognised in compliance with the simplified approach permitted by AASB 9, by recognising lifetime expected credit losses using a provision matrix. The matrix was developed to reflect historic default rates, with higher default rates applied to older balances. The approach is followed for all receivables unless there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off. The amount of the impairment loss is recognised in the consolidated statement of comprehensive profit or loss. When a trade receivable for which an allowance for credit loss had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of profit or loss.

Recognition and measurement

Trade and Other Receivables are initially recognised at transaction price (invoice value) and subsequently measured at amortised cost, less an allowance for impairment losses (expected credit loss).

Trade receivables are non-interest bearing. Trade receivables generally have 30-60 day terms.

Associate shareholder loans receivable from joint ventures and franchisees have extended terms as these receivables relate to repayment of fit-out contributions for new clinics. Associate shareholder loans are repayable overtime as clinics move into cash positive trading positions.

Sub-leases receivable relates to receivable amounts from franchisees where the Group has entered into the premise lease arrangement as lessee and then sub-leased to the franchisee which is not part of the Group. The value recognised is the fair value of the expected lease repayments from the franchisee.

Trade and other receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date, in which case they are recognised at their present value, discounted using the appropriate interest rate.

NOTE 12. INVENTORIES

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Stock on hand – at cost	5,817	5,340
Less: Provision for obsolescence	(318)	–
	5,499	5,340

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

NOTE 13. INVESTMENTS 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.*

Entity	June 2023 Group % Interest	Carrying Amount June 23	June 2022 Group % Interest	Carrying Amount June 22
SLC Bunbury Pty Ltd	50.0%	50	50.0%	50
SLC Castletown Pty Ltd	50.0%	50	–	–
SLC Casuarina Pty Ltd	50.0%	114,714	50.0%	301,674
SLC Charlestown Pty Ltd	50.0%	1	40.0%	40
SLC Cockburn Pty Ltd	50.0%	26,054	100.0%	100
ASC Doncaster Pty Ltd	50.0%	50	–	–
ASC Epping Franchise Pty Ltd	50.0%	50	–	50
SLC Eastlands Pty Ltd	50.0%	33,763	75.0%	–
ASC Greensborough Pty Ltd	50.0%	4,977	–	–
SLC Ipswich Pty Ltd	50.0%	50	–	50
SLC Marion Pty Ltd	47.5%	1	47.5%	108,290
SLC Maroochydore Pty Ltd	50.0%	1	50.0%	1
ASC North Lakes Pty Ltd	50.0%	13,509	–	–
SLC Palmerston Pty Ltd	50.0%	11,164	50.0%	131,173
ASC Southland Pty Ltd	50.0%	50	–	–
SLC Tea Tree Plaza	50.0%	251,704	50.0%	199,588
SLC Toowoomba Pty Ltd	50.0%	50	–	50
SLC Townsville Pty Ltd	50.0%	50	75.0%	–
SLC Wagga Pty Ltd	47.5%	234,933	50.0%	264,102
SLC West Lakes Pty Ltd	50.0%	69,317	50.0%	137,508
Eden Laser Clinics (010) Pty Ltd (Hurstville)	50.0%	525,000	–	–
Total Investment In Associates		**1,285,538**		**1,142,676**

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.

NOTE 13. INVESTMENTS IN ASSOCIATES continued

Partnerships between:	June 2023 Group interest %	Carrying amount	June 2022 Group interest %	Carrying amount
SJM & PPM Pty Ltd and Venture in Altona Gate Pty Ltd	50%	773	50%	(37,660)
Andreeva Enterprises PL & Venture in Broadmeadows Pty Ltd	50%	5,850	50%	80,419
SJM & PPM Pty Ltd and Venture in Ferry Road Pty Ltd	–	–	50%	58,871
GCB Global Pty Ltd & Venture in Epping Pty Ltd	50%	4,274	50%	41,939
Total Investment in Partnerships		**10,897**		**143,569**

On 31 May 2023 the Partnership in SJM & PPM Pty Ltd and Venture in Ferry Road Pty Ltd was dissolved after the final distributions of the Partnerships losses and related settlements to the relevant partners was executed.

	June 2023	June 2022
Total of Investments in Associates and Partnerships	1,296,435	1,286,245

Dividends Received from Associates

The reduction in Investment in Associates is directly related to the Groups share of dividends received from Associates totalling $1.2 million for FY23 (FY22: $0.3 million).

	30 June 2023 $'000	30 June 2022 $'000
Summarised financial performance for all equity accounted investments:		
Profit after income tax	662	1,241
Summarised financial position for the year for all equity accounted investments:		
Gross net assets/(liabilities)	302	2,054

In accordance with AASB 12 *Disclosure of interest in other entities*, the summarised financial information presented above is the amounts included in the Australian Accounting Standards financial statements of the joint venture or associate and not SILK's share of those amounts.

NOTE 13. INVESTMENTS IN ASSOCIATES continued

Recognition and measurement

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture.

When there has been a change recognised directly in equity of the associate of joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains or losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTE 14. RIGHT-OF-USE ASSETS

(a) Right-of-use assets

	30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Right-of-use asset	23,686	18,156
Less: Accumulated depreciation	(10,964)	(7,322)
	12,722	10,834
Movements in right-of-use asset		
Net carrying amount at beginning of year	10,834	11,382
Transfer of lease outside consolidation group	(1,854)	(1,919)
Lease Surrender	(743)	(927)
Re-measurement of Lease Liability	431	(414)
Lease commencement – Additions to right-of-use assets	4,514	5,628
Lease acquired as part of business combination	3,851	782
Depreciation	(4,311)	(3,698)
Net carrying amount at end of year	12,722	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 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.

With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of store sales) are excluded from the initial measurement of the lease liability and asset. These leases have an average life of between one and eight years at inception. There are no restrictions placed upon the lessee by entering into these leases. The leases contain varying terms, escalation clauses and renewal rights. On renewal, the lease terms are renegotiated.

Recognition and measurement

The Group as a lessee

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the Group assesses whether:

- the contract contains an identified asset, which is explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all economic benefits from use of the asset throughout the period of use;
- the Group has the right to direct the use of the asset throughout the period of use; and
- the Group assesses whether it has the right to direct 'how and for what purpose' the asset is used for.

NOTE 14. RIGHT-OF-USE ASSETS continued

(a) Right-of-use assets continued

At lease commencement, the Group recognises a right-of-use asset and a lease liability on the consolidated Statement of Financial Position. The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for remeasurement of lease liabilities.

The cost of the right-of-use asset comprises the initial measurement of the lease liability, initial direct costs incurred when entering into the lease, an estimate of the costs to be incurred in dismantling and removing the underlying asset and restoring the site to the condition required by the terms and conditions of the lease, lease payments made in advance of the lease commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

Lease payments comprise fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or in the consolidated statement of profit or loss if the right-of-use asset is already reduced to zero. The Group has elected to account for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Incentives for entering into short-term or leases of low-value assets are recognised evenly over the term of the lease.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of the underlying asset and classified as operating lease if it does not.

Where the Group acts as lessor and then sub-leases a premises to a franchisee, where substantially all the risks and benefits of incidental ownership are transferred, the head lease liability is recognised; the right-of-use asset is derecognised; and a lease receivable is recognised for the net investment in the sub-lease. Any differences between the right-of-use asset and the net investment in the sub-lease in recognised in Profit or Loss. During the term of the sub-lease, the Group recognises both interest income and the sub-lease and interest expense on the lead lease.

NOTE 15. INCOME TAX RECEIVABLE

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Income tax receivable	1,606	–

NOTE 16. OTHER ASSETS

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Prepayments	307	547
Non-current assets		
Bank guarantees on tenancies	698	449

Bank guarantees

Bank guarantees on tenancies relate to funds held on deposit to secure bank guarantees in favour of landlords upon inception of the lease and usually represent three months' rent, which is released to SILK upon vacating the tenancy.

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Leasehold improvements – at cost	14,346	11,292
Less: Accumulated depreciation	(6,804)	(4,790)
	7,542	6,502
Furniture and plant – at cost	20,760	18,404
Less: Accumulated depreciation	(7,127)	(6,251)
	13,633	12,153
	21,175	18,655

NOTE 17. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliations

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

	Leasehold Improve-ment $'000	Furniture and Plant $'000	Total $'000
Balance at 1 July 2021	6,999	11,795	18,794
Additions	1,616	1,761	3,377
Additions through business combinations	797	2,647	3,444
Disposals	(235)	(1,184)	(1,419)
Clinics ownership sold to outside the Group	(733)	(1,210)	(1,943)
Reclassified from Inventory	–	203	203
Depreciation expense	(1,942)	(1,859)	(3,801)
Balance at 30 June 2022	6,502	12,153	18,655
Additions	3,210	3,621	6,831
Additions through business combinations	883	1,339	2,222
Clinics ownership sold to outside the Group	(731)	(605)	(1,336)
Reclassified assets	10	(10)	–
Disposals	(31)	(803)	(834)
Depreciated through Cost of Goods Sold	–	(180)	(180)
Depreciation expense	(2,301)	(1,882)	(4,183)
Balance at 30 June 2023	7,542	13,633	21,175

Recognition and measurement

Leasehold improvements, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

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

Class of fixed asset:	Depreciation Rate
Leasehold improvements	Lease Term – Various
Plant and equipment	10% to 33%

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, and when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Resulting adjustments are applied via an impairment adjustment in the appropriate period and result in an increase to the depreciation charge in that same period.

NOTE 17. PROPERTY, PLANT AND EQUIPMENT continued

Recognition and measurement continued

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or CGU's are then written down to their recoverable amount. Any impairment loss is recognised in the consolidated statement of profit or loss.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit of loss and other comprehensive income.

NOTE 18. INTANGIBLE ASSETS

	30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Goodwill	71,043	62,968
Franchise system development – at cost	76	76
Less: Accumulated amortisation	(26)	(22)
	50	54
Brand name – at cost	580	580
Less: Accumulated amortisation	(58)	–
	522	580
Customer Relationships	3,530	–
Patents and trademarks – at cost	96	91
Less: Accumulated amortisation	(24)	(12)
	72	79
Franchise network (Australia & New Zealand)	20,730	20,730
Less: Accumulated amortisation	(1,842)	(808)
	18,888	19,922
Website and software – at cost	988	574
Less: Accumulated amortisation	(283)	(296)
	705	278
	94,810	83,881

NOTE 18. INTANGIBLE ASSETS continued

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:

	Eden Customer Relation-ships $'000	Franchise network $'000	Brand name $'000	Franchise System $'000	Intell-ectual property $'000	Website and Software $'000	Total $'000
Balance at 1 July 2021	–	20,730	580	57	65	112	21,544
Additions through business combinations	–	–	–	–	–	50	50
Additions	–	–	–	–	18	227	245
Amortisation expense	–	(808)	–	(3)	(4)	(111)	(926)
Balance at 30 June 2022	–	19,922	580	54	79	278	20,913
EDEN Acquisition	3,530	–	–	–	–	–	3,530
Additions	–	–	–	–	5	504	509
Disposals at NBV	–	–	–	–	–	(5)	(5)
Amortisation expense	–	(1,034)	(58)	(4)	(12)	(72)	(1,180)
Balance at 30 June 2023	3,530	18,888	522	50	72	705	23,767

Goodwill	SILK $'000	EDEN $'000	ASC $'000	Total $'000
Balance at 1 July 2021	27,684	–	–	27,684
Additions through ASC business combination	–	–	34,670	34,670
Additions through other Business Combination	614	–	–	614
Balance at 30 June 2022	28,298	–	34,670	62,968
Additions through EDEN business combination	–	8,798	–	8,798
Additions through Unique business combination	600	–	–	600
Other additions	11	14	–	25
Combined ASC into SILK Operating segment (Refer to Note 3)	34,670	–	(34,670)	–
Goodwill disposals	(467)	(881)	–	(1,348)
Balance at 30 June 2023	63,112	7,931	–	71,043

NOTE 18. INTANGIBLE ASSETS continued

The Group's CGU's

Key assumptions used in value in use calculation and sensitivity to changes in assumptions

The Group performed its annual impairment testing as at 30 June 2023. The recoverable amount of the Group's CGU's is determined based on the value in use calculation using cash flow projections derived from financial budgets approved by senior executives and the board of directors, extrapolated over a five-year forecast period. The projected cash flows have been updated to reflect the increase in demand for non-surgical aesthetic services and high-quality skincare products.

SLA concluded that the individual clinics are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets as supported by stores exiting and entering the Group over the past 3 years.

The Group considers the relationship between its market capitalisation and its carrying value, among other factors, when reviewing for indicators of impairment.

`	**SILK's Group of CGU's $'000**	**EDEN's Group of CGU's (FY23 only) $'000**
Carrying amount of Goodwill	$63,112	$7,931
Basis used to determine recoverable amount	Value in Use	Value in Use
Key assumptions used:		
– Post tax discount rate	13.4% (FY22: 12.2%)	13.9%
– Annual Growth rate	7% (FY22: 8%)	5%
– Perpetuity Growth rate	2.5% (FY22: 2.5%)	3%
– Period covered for projected cash	5 years	5 years

When determining the assumptions to be used in the Value in Use model, SLA's management make use of past experience, market guidance, comparisons to similar sized entities with the same business model and external sources of information.

NOTE 18. INTANGIBLE ASSETS continued

The Group's CGU's continued

The calculation of value in use is most sensitive to the following assumptions:

Gross margins	Gross margins are based on average values achieved in the four years preceding the beginning of the budget period.
Discount rates	The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account the cost of both debt and equity. The cost of equity is determined by the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service rate as well as a margin that takes into consideration both industry and company specific risk factors. Specific risk is incorporated by applying individual Beta factors which are evaluated against publicly available market data.
Market share during the forecast period	When using industry data for growth rates, these assumptions are important because management assess how the Group's position, relative to its competitors, might change over the forecast period.
Growth rates	Rates are based on published industry, company research, management's best estimates of anticipated growth in the short to medium term and considering the historical average sales growth achieved in the past.

Sensitivity analysis

Management recognises that the recoverable amount is sensitive to the assumptions used in the model. If all of the following scenarios occur simultaneously, the recoverable amount of the Group of CGU's would still equal its carrying amount:

SILK	EDEN
– Annual growth rate decreased from 7% to 5%;	– Reduction in gross margin of 10%;
– Growth in the terminal year decreased from 2.5%, to 2%; and	– Growth in the terminal year decreased from 3%, to 2.5%; and
– The discount rate increased from 13.4%, to 16%.	– The discount rate increased from 13.9%, to 15%.

The Group believes the assumptions adopted in the value in use calculations reflect an appropriate balance between the Group's experience to date and the uncertainties associated within the current economic conditions.

Recognition and measurement

Class of Intangible	Amortisation rate
Brand name	10%
Franchise and System Development	5%
Goodwill	Indefinite Life
Patents and Trademarks	5% – 10%
Website and Software	20% – 33.3%
Customer relationships	10%

NOTE 18. INTANGIBLE ASSETS continued

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill acquired on a business combination is initially measured at cost being the excess of the fair value of consideration transferred over the Group's interest in the acquisition-date net fair value of the acquirees' identifiable assets and liabilities.

Following initial recognition, goodwill is not amortised but measured at cost less any accumulated impairment losses.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU's) or groups of CGU's that are expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU or groups of CGU's to which the goodwill relates.

Where goodwill forms part of a CGU or groups of CGU's and part of the operation within that unit or group of units are amount of the operation disposed of, the goodwill associated with the operation disposed of is included in the carrying when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative EBITDA contribution of the CGU disposed of to the total group of CGU's.

Where the recoverable amount of CGU's are less than the carrying amount, an impairment loss is recognised separately as an expense in the statement of profit or loss and other comprehensive income.

Patents and trademarks

Patents and Trademarks have finite useful life's and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method and is based on the expected useful life of the asset.

Patent have been granted for a period of 10 – 20 years by the relevant government agency with an option of renewal at the end of this period.

Website and software

Software assets have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method and is based on the expected useful life of the software asset.

Customer Relationships

Customer relationships have a 10-year useful life and are carried at costs less accumulated depreciation. Amortisation is calculated using the straight-line method and is based on the expected useful life of the asset, of 10-years, which is considered to be the life over which existing customers will materially contribute income to the Group.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Borrowing costs

Costs in relation to borrowings are capitalised as an asset and amortised on a straight-line basis over the period of the finance arrangement.

NOTE 19. DEFERRED TAX

	30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Non-current deferred tax balances		
Deferred tax Asset	15,332	13,385
Deferred tax Liability	(13,211)	(11,045)
	2,121	2,340

	30 June 2023 $'000	30 June 2022 $'000
Deferred tax assets		
Trade and other receivables	250	106
Property, plant and equipment	1,719	1,387
Trade and other payables	576	641
Leases	4,848	3,973
Provisions	1,010	591
Unused tax losses	1,430	898
Intangibles	4,229	4,351
Blackhole expenditure	1,160	1,424
Inventory	110	14
Deferred tax asset	**15,332**	**13,385**

	30 June 2023 $'000	30 June 2022 $'000
Deferred tax liabilities		
Property, plant and equipment	2,485	1,950
Intangible assets	6,739	5,991
Lease Liabilities	3,987	3,104
Deferred tax liability	**13,211**	**11,045**

Recognition and measurement

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences, using the liability method, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTE 19. DEFERRED TAX continued

Recognition and measurement continued

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

SILK Laser & Skin Holdings Pty Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective from 31 January 2018.

From 10 December 2020 SILK Laser Australia Limited was interposed as the head entity of the tax consolidated group.

From 1 September 2021, following the acquisition of the ASC Group, all of its wholly owned Australian resident subsidiary companies joined the tax consolidated group.

From 1 March 2023, following the acquisition of Eden Laser Clinics Pty Ltd and its Subsidiaries, all of its wholly owned Australian resident subsidiary companies joined the tax consolidated group.

NOTE 19. DEFERRED TAX continued

Tax Consolidation continued

Members of the Group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate SILK Laser Australia Limited for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SILK Laser Australia Limited under the tax consolidation legislation. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTE 20. TRADE AND OTHER PAYABLES

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Trade creditors	11,501	7,395
Other payables	1,190	772
Accrued expenses	3,272	3,177
	15,963	11,344

Recognition and measurement

Trade and other payables are carried at original invoice amount and represent liabilities for goods and services provided to the Group to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured, non-interest bearing and are paid within terms ranging from 14 to 90 days from recognition.

Fair Value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 21. CONTRACT LIABILITIES

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Unearned revenue	12,848	9,385
Initial franchise fees	126	129
Franchise deposits	–	17
	12,974	9,531
Non-current liabilities		
Initial franchise fees	230	284

Recognition and measurement

As explained in Note 5, the Group recognises a contract liability to the extent of unsatisfied performance obligations. Revenue is recognised when the Group satisfies these performance obligations, which is usually once the treatment has been administered to the respective client. Unearned revenue liabilities represent the Group's obligation to transfer goods or services to a customer that have been paid for in advance.

NOTE 22. BORROWINGS

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Bank loans	30,000	–
Less: Transaction costs net of amortisation	(75)	–
	29,925	–
Non-current liabilities		
Bank loans	–	22,500
Less: Transaction costs net of amortisation	–	(114)
	–	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), which commenced on 30 August 2021 and matures on the fourth anniversary, 30th August 2025.

This bank loan facility is repayable upon a change of control of the Group. Given that the proposal from API has been recommended by the Board and it is expected that the takeover will complete within the next financial year, the bank loan facility has been included above as a current liability.

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").

NOTE 22. BORROWINGS continued

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. 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 year.

Repayments of $625,000 ($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 6.1%. The facilities also carry a line fee for undrawn and available facilities equal to 40% of the prevailing margin.

As at 30 June 2023, there was $30 million drawn down under the facility, which was used to fund the acquisitions of ASC and EDEN. The working capital facility remains undrawn and the amount of the guarantee facility drawn equals $2.3 million.

Transaction costs associated with entering into the bank facility were $0.1 million 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 23. LEASE LIABILITIES

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Lease Liability	7,662	7,815
Non-current liabilities		
Lease Liability	17,727	14,992
Movements in lease liabilities		
Balance at beginning of year	22,807	16,399
Leases acquired as part of business combinations	3,861	12,737
Commencement of lease	10,060	3,441
Re-measurement	(197)	(107)
Clinic ownership sold to outside the Group	(1,874)	(1,923)
Principal re-payments Lease Liabilities	(9,939)	(7,733)
Interest on Right-of-Use	1,156	1,069
Surrender of lease	(1,075)	(628)
Lease Incentives recognised	590	120
Principal re-payments Asset Finance	–	(569)
Interest on Asset finance	–	1
Balance at end of year	25,389	22,807

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index, or a rate amount expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

NOTE 24. INCOME TAX PAYABLE

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Provision for income tax	–	891

	2023	2022
Franking account balance	13,516	10,239

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Australia where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTE 25. PROVISIONS

	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Provision for employee entitlements	1,989	1,718
Onerous contracts provision	428	1,401
	2,417	3,119
Non-current liabilities		
Provision for employee entitlements	270	260
Deferred lease incentives	–	59
Onerous contracts provision	230	105
Provision for make good – leased properties	875	802
	1,375	1,226

NOTE 25. PROVISIONS continued

Movements in lease related provisions

Movements in lease related provisions are set out below:

	30 June 2023 $'000	30 June 2022 $'000
Lease related provisions:		
Opening balance beginning of year	802	374
Acquired as part of business combination	120	–
Provision for make good – lease properties	14	428
Provisions transferred outside the Group	(42)	–
Provisions utilised during the year	(19)	–
Balance at end of year	875	802

Accounting policy for provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Accounting policy for employee benefits

The current employee benefits provision represents the unconditional entitlements to long service leave where the employee has completed their required service period. The non-current provision for employee benefits represents conditional long service leave entitlements and employee entitlements expected to be settled outside 12 months. Liabilities for long service leave are measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 25. PROVISIONS continued

Make good provision

The Group is required to restore the leased premises of its retail clinics and head office to their original condition at the end of the respective lease terms. The Group estimates its liability to provide for the restoration by reference to historical data and by present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the right-of-use asset and are amortised over the shorter of its estimated useful life and the lease term. Assumptions used to calculate the provision were based on current assessments of the timing of the restoration liability crystallising and on current restoration costs.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

NOTE 26. SHARE CAPITAL

	Year Ended 30 June 2023 Share Capital Number	Year Ended 30 June 2022 Share Capital Number	Year Ended 30 June 2023 $'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	101,449	101,449	350	350
Performance rights conversion	9,352	–	–	–
Repayments of Employee Share Scheme loans	–	–	64	228
Closing balance	**53,121,177**	**53,010,376**	**79,298**	**78,884**

	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $'000	30 June 2022 $'000
Ordinary shares – fully paid	53,121,177	53,010,376	79,298	78,884

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

NOTE 26. SHARE CAPITAL continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the Statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

NOTE 27. SHARE-BASED PAYMENTS RESERVE

	30 June 2023 $'000	30 June 2022 $'000
Share-based payments reserve	454	485

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Refer to Note 38 for detailed disclosures for share-based payments including the inputs into the valuation models.

NOTE 28. FAIR VALUE MEASUREMENT

Accounting policy for fair value measurement

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

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

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the Company:

	30 June 2023 $	30 June 2022 $
Audit services – Grant Thornton		
Audit or review of the financial statements	165,500	140,478
Other services – Grant Thornton		
Tax Compliance	–	30,800
Transaction services – IPO and acquisition	76,386	41,418
	76,386	72,218
	241,886	212,696

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

The Directors are of the opinion that the services as disclosed in note to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

NOTE 30. RELATED PARTY DISCLOSURES

Interest in subsidiaries are disclosed in Note 32 which also include details of the Holding company. Investment in Associates are disclosed in Note 13.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

(a) KMP Remuneration details

Compensation to KMP's are disclosed below which is the total amount recognised as an expense during the reporting period.

	30 June 2023	30 June 2022
Non-Executive Directors		
Director's fees	334,842	249,518
Superannuation defined contribution	35,158	26,198
	370,000	275,716
Senior Executives		
Cash salary	1,057,556	783,237
STI/bonus	298,282	233,940
Annual/long service leave	76,695	54,102
Superannuation defined contribution	83,631	78,638
Share-based payments	193,473	376,894
	1,709,637	1,526,811
	2,079,637	1,802,527

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Transactions with related parties

The following transactions occurred with related parties:

	30 June 2023 $	30 June 2022 $
Franchise fees to Joint Ventures	5,365,279	4,294,001
Sale of products to Joint Ventures	8,690,076	7,128,756
Other income:		
Interest received from Associates	122,562	118,885
Accounting fees paid to Parent Companies and it's wholly owned fellow subsidiaries	69,500	73,400
Administration fees paid to Parent Companies and it's wholly owned fellow subsidiaries	217,047	201,543

NOTE 30. RELATED PARTY DISCLOSURES continued

(c) Receivable from related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2023 $	30 June 2022 $
Receivables:		
Associate Joint Venture Shareholder Loans Receivable	1,812,485	1,131,781
Associate Joint Venture Sub-Lease Receivables	10,524,104	9,915,717

Terms and conditions

Associate shareholder loans receivable from joint ventures and franchisees have extended terms as these receivables relate to repayment of fit-out contributions for new clinics. Associate shareholder loans are repayable overtime as clinics move into cash positive trading positions.

Sub-leases receivable relates to receivable amounts from franchisees where the Group has entered into the premise lease arrangement as lessee and then sub-leased to the franchisee which is not part of the Group. The value recognised is the fair value of the expected lease repayments from the franchisee.

NOTE 31. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2023 $'000	30 June 2022 $'000
Loss after income tax	(1,557)	(111)
Total comprehensive income	(1,557)	(111)

Statement of financial position

	Parent	
	30 June 2023 $'000	30 June 2022 $'000
Total current assets	12,373	8,540
Total assets	82,584	84,993
Total current liabilities	2	885
Total liabilities	2	885
Equity		
Share Capital	82,882	82,532
Share-based payments reserve	–	320
(Accumulated losses)/retained profit	(300)	1,256
Total equity	82,582	84,108

NOTE 31. PARENT ENTITY INFORMATION continued

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023.

Contingent liabilities

The Parent entity had lease guarantees of $2,350,398 as at 30 June 2023.

The Group had also entered into contracts with its advisors in relation to the proposed takeover by API, a division of Wesfarmers Limited, and the related fee arrangements for the advice provided. Fees of approximately $4 million are payable to the Group's corporate finance advisors in the event of the API takeover being completed.

Capital commitments – Property, plant and equipment, intangible assets and other commitments

The Group had capital commitments of approximately $300,000 for property, plant and equipment as at 30 June 2023.

In relation to the Systems investment program, the Group had capital commitments of approximately $400,000 to complete the software development for the data warehouse and the scripting solution, which are intangible software assets.

Additionally, the Group had contractual commitments of a non-capital nature to complete the transition of all clinics in the network to a single Point of Sale software system, totalling approximately $1 million.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 32. GROUP INFORMATION

Information about subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

		Ownership interest	
Name	**Principal place of business/Country of incorporation**	**30 June 2023 %**	**30 June 2022 %**
M3K Holdings Pty Ltd	Australia	100.0%	100.0%
M3K Services Pty Ltd	Australia	100.0%	100.0%
SILK Laser & Skin Group Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinics Pty Ltd	Australia (Dormant)	100.0%	100.0%
SILK Laser Clinic Henley Beach Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Adelaide Pty Ltd	Australia	100.0%	100.0%
SILK Laser Corporate Pty Ltd	Australia	100.0%	100.0%

NOTE 32. GROUP INFORMATION continued

Information about subsidiaries continued

Name	Principal place of business/Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
SILK Laser Clinic Eastlands Pty Ltd	Australia	50.0%	100.0%
SILK Laser Clinic Elizabeth Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Hyde Park Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Norwood Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Rundle Mall Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Australia Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Noarlunga Pty Ltd	Australia	100.0%	100.0%
SILK Laser Franchise Holdings Pty Ltd	Australia	100.0%	100.0%
SILK Laser Franchising Pty Ltd	Australia	100.0%	100.0%
SLC Cairns Pty Ltd	Australia (Dormant)	100.0%	100.0%
SLC Booragoon Pty Ltd	Australia	100.0%	100.0%
SLC Carousel Pty Ltd	Australia	100.0%	100.0%
SLC Innaloo Pty Ltd	Australia	100.0%	100.0%
SLC Leasing Pty Ltd	Australia	100.0%	100.0%
SLC Midland Gate Pty Ltd	Australia	75.0%	100.0%
SLC Ocean Keys Pty Ltd	Australia	100.0%	100.0%
SLC Perth Pty Ltd	Australia	100.0%	100.0%
SLC Baldivis Pty Ltd	Australia	100.0%	100.0%
SLC Ellenbrook Pty Ltd	Australia	75.0%	100.0%
SLC Rockingham Pty Ltd	Australia	100.0%	100.0%
SLC Whitford City Pty Ltd	Australia	100.0%	100.0%
Aesthetics Skincare Pty Ltd	Australia	100.0%	100.0%
TLL Silk Pty Ltd	Australia	100.0%	100.0%
SLC Joondalup Pty Ltd	Australia	75.0%	100.0%
SLC Karrinyup Pty Ltd	Australia	100.0%	100.0%
SLC Bundaberg Pty Ltd	Australia	100.0%	100.0%
SLC Burnside Pty Ltd	Australia	51.0%	100.0%
SLC Strathpine Pty Ltd	Australia	75.0%	100.0%
SLC Morley Pty Ltd	Australia	100.0%	100.0%
SLC Noarlunga North Pty Ltd	Australia	100.0%	100.0%
SILK Laser Clinic Glenelg Pty Ltd	Australia	55.0%	75.0%
SLC Rockhampton Pty Ltd	Australia	75.0%	75.0%
SLC Mackay Pty Ltd	Australia	90.0%	75.0%
SILK Laser Clinic Hobart Pty Ltd	Australia	75.0%	75.0%
SLC Belconnen Pty Ltd	Australia	75.0%	75.0%

NOTE 32. GROUP INFORMATION continued

Information about subsidiaries continued

Name	Principal place of business/Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
SLC Burleigh Pty Ltd	Australia	75.0%	75.0%
SLC Woden Pty Ltd	Australia	100.0%	75.0%
SLC Warwick Pty Ltd	Australia	100.0%	100.0%
Beauty Services Pty Ltd	Australia	100.0%	100.0%
Clinic Leasing Pty Ltd	Australia	100.0%	100.0%
Silk Laser & Skin Holdings Pty Ltd	Australia	100.0%	100.0%
ASC Master Franchise Pty Ltd	Australia	100.0%	100.0%
ASC Hold Co Pty Ltd	Australia	100.0%	100.0%
ASC IP Holdings Pty Ltd	Australia	100.0%	100.0%
ASC Leasing Pty Ltd	Australia	100.0%	100.0%
ASC MacArthur Square Pty Ltd	Australia	100.0%	100.0%
ASC Warringah Mall Pty Ltd	Australia	75.0%	75.0%
Australian Skin Clinics Marketing Fund Pty Ltd	Australia	100.0%	100.0%
Forward Scout Enterprises Pty Ltd	Australia	100.0%	100.0%
Beauty Services (New South Wales) Pty Ltd	Australia	100.0%	100.0%
Beauty Services Holdings Pty Ltd	Australia	100.0%	100.0%
Cosmetic Clinic Ltd	New Zealand	100.0%	100.0%
LMD2 Pty Ltd	Australia	100.0%	100.0%
The Advanced Skills Academy Pty Ltd	Australia	100.0%	100.0%
Venture in Altona Gate Pty Ltd	Australia	50.0%	50.0%
Venture in Broadmeadows Pty Ltd	Australia	50.0%	50.0%
Venture in Ferry Road Pty Ltd	Australia	50.0%	50.0%
Venture in Woodgrove Pty Ltd	Australia	50.0%	50.0%
SLC Mandurah Pty Ltd	Australia	100.0%	100.0%
SLC Morayfield Pty Ltd	Australia	75.0%	75.0%
SLC Fairfield Pty Ltd	Australia	62.5%	50.0%
SLC Townsville Pty Ltd	Australia	50.0%	75.0%
ASC Brickworks Pty Ltd	Australia	100.0%	50.0%
ASC Charlestown Pty Ltd	Australia	100.0%	100.0%
ASC Coomera Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (001) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (002) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (003) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (004) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (005) Pty Ltd	Australia	100.0%	–

NOTE 32. GROUP INFORMATION continued

Information about subsidiaries continued

Name	Principal place of business/Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
Eden Laser Clinics (006) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (007) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (008) Pty Ltd	Australia	100.0%	–
Eden Laser Clinics (009) Pty Ltd	Australia	100.0%	–
Eden Head Office Pty Ltd	Australia	100.0%	–
SLC Figtree Pty Ltd*	Australia	75.0%	–
SLC Karingal Pty Ltd	Australia	75.0%	–
SLC Sandy Bay Pty Ltd*	Australia	75.0%	–
SLC Rundle Place Pty Ltd*	Australia	100.0%	–

* Entities registered during 2023.

The holding company

The immediate and ultimate holding company is SILK Laser Australia Limited which is based and registered in Australia.

Its registered office and principal place of business is:

Level 1, 137 The Parade
Norwood SA 5067

NOTE 33. EVENTS AFTER THE REPORTING PERIOD

SILK Laser Australia Limited (ASX:SLA) (SILK) has been advised by Australian Pharmaceutical Industries Pty Ltd (API) that API has received written confirmation from the Australian Competition and Consumer Commission (ACCC) that the ACCC does not intend to conduct a public review of the proposed acquisition of SILK by API. The ACCC condition contained in the Scheme Implementation Deed between API and SILK dated 26 June 2023 (Scheme Implementation Deed) has therefore been satisfied, subject to the ACCC not withdrawing, suspending or revoking its written confirmation.

API has also advised SILK that API has received written confirmation from the New Zealand Commerce Commission (NZCC) that the NZCC, having reviewed and considered a submission lodged by API, does not intend to consider the acquisition further. API has informed SILK that the NZCC condition contained in the Scheme Implementation Deed has also been satisfied, subject to the NZCC not withdrawing, suspending or revoking its written confirmation.

The proposed acquisition of SILK by API by way of scheme of arrangement (Scheme) remains subject to the satisfaction of certain conditions, including SILK shareholder approval, the Independent Expert's Report concluding that the Scheme is in the best interests of SILK shareholders and the Independent Expert not changing their conclusion and other customary conditions.

NOTE 34. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	30 June 2023 $'000	30 June 2022 $'000
Profit after income tax expense for the year	7,081	6,389
Adjustments for:		
Depreciation and amortisation	9,900	8,453
Depreciation expensed through cost of goods sold	180	–
IPO Transaction costs	30	–
Net gain on disposal of property, plant and equipment	–	(86)
Share of profit – associates	(773)	(628)
Share-based payments	289	411
Unrealised Foreign exchange differences	(56)	–
Systems investment program – Cloud based	2,582	1,245
Share transaction costs	–	2,175
Business combination expenses	1,059	–
Profit on sale of shares	(168)	(423)
Allowance for expected credit losses	478	–
Provision of Inventory Impairment	208	–
Takeover advisory expenses	1,114	–
Change in operating assets and liabilities:		
Increase in inventories	(625)	(1,193)
Increase/(Decrease) in Employee provisions	372	(1,130)
(Increase)/Decrease in Sub-Lease receivables	(608)	3,699
Increase in Right-of-Use Asset	(4,202)	(3,077)
(Increase)/Decrease in trade and other receivables	(3,148)	232
Decrease in Deferred Tax	(829)	(1,115)
Increase in trade and other payables	3,643	1,327
Decrease Make good and onerous contract provisions	(1,405)	–
Increase in unearned income	(1,068)	(899)
Increase in lease liabilities	4,786	(154)
Decrease in tax liabilities	(2,497)	(3,995)
Decrease/(Increase) in prepayments and other operating assets	240	(1,797)
Net cash from operating activities	16,583	9,434

NOTE 35. EARNINGS PER SHARE

	30 June 2023 $'000	30 June 2022 $'000
Profit after income tax	7,081	6,389
Non-controlling interests	154	(1)
Profit after income tax attributable to the owners of SILK Laser Australia Limited	7,235	6,388

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	53,102,356	52,776,781
Adjustments for calculation of diluted earnings per share:		
Listing award	–	101,449
Performance rights	225,193	200,705
Weighted average number of ordinary shares used in calculating diluted earnings per share	53,327,549	53,078,935

	Cents	Cents
Basic earnings per share	13.62	12.10
Diluted earnings per share	13.57	12.03

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SILK Laser Australia Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the owners of SILK Laser Australia Limited by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTE 36. SHARE-BASED PAYMENTS

Movements in share-based payments reserve for the year ended 30 June 2023:

Share-based payment reserve	30 June 2023 $'000
Opening balance – 1 July 2022	**485**
Share-based payments – Listing award	30
Share-based payments – Performance rights	289
Listing rights vested and exercised	(350)
Closing balance – 30 June 2023	**454**

Fair Value of share Rights granted during the period

The fair value of the rights granted during the financial year ended 30 June 2023 was $0.39 million (FY22: $1.46 million).

The opening balance of share-based payments related to options issued to employees under a limited recourse loan arrangement. This arrangement gave rise to options and were accounted for as a share-based payment in accordance with AASB 2 *Share Based* payments.

During the period the employee share scheme (ESS) via the limited recourse loan arrangement options have vested per the relevant criteria of an exit transaction taking place (IPO event). A transfer from the share-based payment reserve to share capital took place on the transfer from A class shares to ordinary shares.

Listing Award

The rights to shares of the Chair and other KMP's relate to a once off Listing Bonus Award. Vesting was subject to the Board determining that the participant's performance from the grant date up until the relevant vesting date is consistent with the terms of their employment agreement. Rights are automatically exercised on vesting and subject to meeting vesting criteria, the rights to the shares vested as follows:

Rights Granted	Number of Rights	Grant Date	Vesting Date	Fair Value at grant date $	Fair Value at grant date $
10 Dec 2020	101,448	15/12/2020	31/08/2021	3.45	350,000
10 Dec 2020	101,450	15/12/2020	31/08/2022	3.45	350,000
	202,898				700,000

Performance Rights

During FY22 LTI Performance Rights were granted to a number of senior employees. The Performance Rights will vest and convert to fully paid ordinary shares at no cost upon the achievement of certain performance hurdles, subject to a 'total shareholder return' or 'TSR' growth gateway.

The performance hurdle is SILK's 'earnings per share' or 'EPS' growth. The baseline is 16.75 cents. The Performance Rights will vest according to the following schedule,

NOTE 36. SHARE-BASED PAYMENTS continued

LTI Performance Rights

Earnings Per Shares CAGR	% of Rights eligible to vest
Less than 10%	Nil
10%	20%
Between 10% and 20%	Straight line pro-rata vesting between 20% and 100%
20% or above	100%

The minimum 'total shareholder return' or 'TSR' growth needed to open the gateway is 10%. The baseline is $3.93. The gateway will be measured over the period 1 September 2021 to 31 August 2024. Eligible employees must remain employed during the measurement period in order for shares to vest.

Rights granted	Number of rights	Vesting date	Value per right at grant date $	Total fair value at grant date
01/10/2021	318,906	01/09/2024	2.39	762,185

During FY23 STI and LTI Performance Rights were granted to a number of senior employees. The Performance Rights will vest and convert to fully paid ordinary shares at no cost upon the achievement of certain performance hurdles, subject to a 'total shareholder return' or 'TSR' growth gateway.

LTI Performance Rights

Earnings Per Shares CAGR	% of Rights eligible to vest
Less than 10%	Nil
10%	20%
Between 10% and 20%	Straight line pro-rata vesting between 20% and 100%
20% or above	100%

LTI Performance Rights

The minimum 'total shareholder return' or 'TSR' growth needed to open the gateway is 10%. The baseline is $2.30. The gateway will be measured over the period 1 September 2022 to 31 August 2025. Eligible employees must remain employed during the measurement period in order for shares to vest.

STI Performance Rights

The performance of participants will be assessed by the Board which will determine whether the Rights are granted.

Instrument	Rights granted	Rights granted	Vesting date	Value per right at grant date $	Total fair value at grant date
LTI Performance Rights	23/12/2022	210,000	31/08/2025	0.415	87,150
STI Performance Rights	23/12/2022	157,500	31/08/2025	1.94	305,550
		367,500			392,700

NOTE 36. SHARE-BASED PAYMENTS continued

LTI Performance Rights continued

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently measured using an appropriate valuation methodology that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

NOTE 37. SUMMARY OF OTHER ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of SILK Laser Australia Limited and its subsidiaries (the Group).

Subsidiaries are those entities (including structured groups) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Determining whether an entity has control, joint control or significant influence requires judgment, taking into account all facts and circumstances.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

NOTE 37. SUMMARY OF OTHER ACCOUNTING POLICIES continued

Basis of consolidation continued

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group has the power to participate in financial and operating policy decisions of the investee. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within the statement of changes in equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTE 37. SUMMARY OF OTHER ACCOUNTING POLICIES continued

Basis of consolidation continued

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year are addressed in the following notes:

Note		Note	
11	Expected credit loss	19	Income taxes and deferred taxes
17	Property, plant and equipment	25	Provisions & Employee Provisions
14	Right-of-Use Assets & Lease Liabilities	21	Contract Liabilities
18	Intangible Assets and Goodwill	36	Share-based payments

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

NOTE 37. SUMMARY OF OTHER ACCOUNTING POLICIES continued

Critical accounting estimates and judgements continued

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Comparative information

The Group has consistently applied its accounting policies to all periods presented in these consolidated financial statements. However, changes to presentation of items in the statement of profit or loss have occurred.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

DIRECTORS' DECLARATION

30 JUNE 2023

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 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

Boris Bosnich
Chair and Non-Executive Director

30 August 2023
Adelaide

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Adelaide SA 5001

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Independent Auditor's Report

To the Members of SILK Laser Australia Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of SILK Laser Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Acquisition of Eden Clinics ('Eden')(Note 4)	
On 28 February 2023, Silk Laser Australia Limited acquired 100% of Eden Laser Clinics Pty Ltd and its wholly owned subsidiaries (together referred to as Eden Laser Clinics (Eden)) through subsidiary M3K Holdings Pty Ltd. The estimated purchase consideration was $10.3 million, comprising an upfront payment of $9.1 million and subject to working capital and net debt adjustments up to a further $1.2 million. This transaction has been accounted for as a business combination in accordance with AASB 3 *Business Combinations*. This area is a key audit matter due to the financial significance of the transaction, the high level of estimates and judgement involved in identifying and valuing intangible assets, including valuation techniques applied and assessing the fair value of other identifiable net assets acquired.	Our procedures included, amongst others: • Reading the transaction documents to understand the key terms and conditions of the acquisition; • Evaluating the methodologies used for the acquisitions accounting against accounting standard requirements; • Assessing the capability, competency, and objectivity of managements experts engaged to advise on the identification and valuation of relevant identifiable intangible assets; • Evaluating the valuation methodology used by the Group to determine the fair value of remaining assets and liabilities acquired, considering accounting standard requirements, and observed industry practices. • In conjunction with our valuation specialists, challenging the key assumptions used by management and their external experts in determining the fair value of assets acquired by: – Assessing the useful life allocated to identified assets, using our knowledge of the Group, its business and customers, and our industry experience. – Comparing the inputs used by management to underlying documentation. – Analysing the discount rates applied against our knowledge of the industry and publicly available data of comparable entities; and – Testing the mathematical accuracy of the purchase price allocation and recognition of goodwill; – Assessing the adequacy of the Group's disclosures regarding the Business Combination.

Key audit matter	How our audit addressed the key audit matter
Carrying Value of Goodwill (Note 18)	
Goodwill is allocated to the Group's cash-generating units (CGUs), which are consistent with the Group's segments. During the annual review for impairment, the Group determined the recoverable amount for each CGU using discounted cash flow valuation models (value-in-use models), which rely on significant assumptions and estimates of future trading performance in line with AASB 136 *Impairment of Assets*. The carrying value of goodwill is a key audit matter due to: • the financial significance of the goodwill balance; • the significant judgement involved in calculating the recoverable amount, including forecasting future cash flows; and • estimating the discount and terminal growth rates.	Our procedures included, amongst others: • Understanding and evaluating the Group's processes and controls related to annual impairment assessments of goodwill and brands in light of the requirements of AASB 136; • Assessing the appropriateness of management's judgement regarding identification of cash generating units; • Comparing actual results with budgets to assess the reliability of the forecasts used in the cash flow models; • Reviewing the assumptions and judgments within management's model to assess the consistency with the current trends in the Australian retail services industry; • Together with our valuation experts, assessing the valuation methodology and mathematical accuracy of the models and comparing the discount rate and growth rate assumptions against observable market inputs; • Evaluating the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SILK Laser Australia Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 August 2023

Additional information as at 28 August 2023 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

HOME EXCHANGE

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

CLASS OF SHARES AND VOTING RIGHTS

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

DISTRIBUTION OF SHAREHOLDERS

As at 28 August 2023, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total holders	Units	% Units
1 – 1,000	824	336,924	0.63
1,001 – 5,000	597	1,559,906	2.94
5,001 – 10,000	255	1,886,516	3.55
10,001 – 100,000	187	4,806,920	9.05
100,001 Over	29	44,530,911	83.83
Total	**1,892**	**53,121,177**	**100.00**

As at 28 August 2023, 158 shareholders held less than marketable parcels of 192 shares.

SUBSTANTIAL HOLDERS

Substantial holder	Quantity
Samson Rock Capital LLP (Investment manager)/Samson Rock Event Driven Master Fund Limited (Master fund)/Samson Rock Event Driven Fund Limited (Feeder fund)	3,320,982
Ice Investors Pty Ltd	4,091,289
Advent Partners	6,640,305
Harvest Lane Asset Management Pty Ltd	3,047,132
FIL Limited	5,267,767
Martin Perelman Nominee Pty Ltd	2,878,398

TWENTY LARGEST SHAREHOLDERS

As at 28 August 2023 the twenty largest quoted shareholders held 81.31% of the fully paid ordinary shares as follows:

Rank	Name	Units	%
1	ADVENT PARTNERS 2 FUND LP	6,640,305	12.50
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,491,080	12.22
3	CITICORP NOMINEES PTY LIMITED	6,172,951	11.62
4	NATIONAL NOMINEES LIMITED	4,841,957	9.11
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,151,424	7.82
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,860,328	7.27
7	WC CAPITAL PTY LTD	1,562,999	2.94
7	MARTIN PERELMAN NOMINEES PTY LTD <M PERELMAN INVESTMENT A/C>	1,406,699	2.65
9	MARTIN PERELMAN NOMINEES PTY LTD <M PERELMAN INVESTMENT A/C>	1,406,699	2.65
10	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,259,730	2.37
11	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,175,887	2.21
12	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	947,350	1.78
13	MATTHEW PHILLIPS NOMINEES PTY LTD <M PHILLIPS INVESTMENT A/C>	937,799	1.77
14	UBS NOMINEES PTY LTD	425,000	0.80
15	A LATTOUF SP PTY LTD <A LATTOUF SP FIXED A/C>	371,253	0.70
16	JOSEPH LATTOUF HOLDINGS PTY LTD	346,503	0.65
17	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	323,778	0.61
18	AUSTRAL CAPITAL PTY LTD <AUSTRAL EQUITY FUND A/C>	300,000	0.56
19	MR CHARLES DENTON KOCH	298,658	0.56
20	CERTANE CT PTY LTD <BC1>	269,867	0.51
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**43,190,267**	**81.31**
	Total Remaining Holders Balance	**9,930,910**	**18.69**

CORPORATE DIRECTORY

REGISTERED OFFICE

1/137 The Parade
Norwood, SA 5067

Phone
+61 8 7225 6489

WEB ADDRESS

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

COMPANY SECRETARY

Richard Willson

DIRECTORS

Boris Bosnich
Andrew Cosh
Sinead Ryan
Martin Perelman
Jacinta Caithness

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