SILK LOGISTICS HOLDINGS

PROSPECTUS

Silk Logistics Holdings Limited
ACN 165 867 372

For the fully underwritten initial public offering of 35,000,000 Shares at an Offer Price of $2.00 per Share to raise $70 million.

This is an important document that you should read in full. If you do not understand it, consult your professional advisor. The Prospectus also contains an offer of 1 Share (**Cleansing Offer**) for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date.

Joint Lead Managers and Underwriters

ShawandPartners an EFG company

morgans

Financial Adviser

333 Capital

Legal Adviser

gadens

Important Notices

Offer

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares (**Shares**) in Silk Logistics Holdings Limited ACN 165 867 372 (**Company**). This Prospectus is issued by the Company and Silk Logistics SaleCo Limited ACN 649 416 482 (**SaleCo**).

Lodgement, Listing and Expiry

This replacement prospectus is dated 21 June 2021 (**Prospectus**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that day (**Prospectus Date**). This document replaces the prospectus dated 7 June 2021 (**Original Prospectus**).

The Company has applied to ASX Limited (**ASX**) within 7 days after the Original Prospectus Date for admission of the Company to the Official List and for the quotation by ASX of its Shares offered by this Prospectus. Neither ASIC nor ASX, or their officers takes any responsibility for the content of this Prospectus or the merits of the investment set out in this Prospectus.

The material changes to the Original Prospectus were:

- amendments to the Offer timetable and settlement process;
- amendments to Sections 1.1, 1.3, 1.4, 1.5, 1.7, 1.8, 3.4.1, 3.10, 4.4.3.2, 5.2, 6.3.3, 7.1.3, 7.3.2, 9.6.3 and 9.13; and
- amendments to Table 4.3.3.1 in Section 4.3, Table 4.4.1 in Section 4.4 and Tables 4.5.1, 4.5.2.1 and 4.5.3.1 in Section 4.5.

The Company disclaims all liability, whether in negligence or otherwise, to persons who trade the Shares prior to receiving their holding statement.

This Prospectus expires on 7 July 2022 (**Expiry Date**) being 13 months after the Original Prospectus Date. No Shares will be allotted or issued on the basis of this Prospectus later than the Expiry Date.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the 7 day period after the Original Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further 7 days. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Not financial advice

Investors should read this Prospectus in its entirety before deciding to invest in the Company. In particular, investors should refer to Sections 4, 5 and 8 of this Prospectus for financial information relating to the Company and details of the risk factors that could affect the performance of the Company. There may be additional risk factors that should be considered by prospective investors in light of an investor's personal circumstances. The information in this Prospectus does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and particular needs of investors. The information in this Prospectus is not financial product advice and investors should consider the prospects of the Company in light of their individual objectives, circumstances and needs. Investors should seek professional advice from a stockbroker, lawyer, accountant or other independent financial adviser before deciding to invest in the Company. Neither the Company, SaleCo nor any other person named in this Prospectus warrants or guarantees the successful performance of the Company, the repayment of capital, the payment of dividends, the price at which the Shares will trade on ASX or any return on investment made pursuant to this Prospectus.

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Prospectus, other than that which is contained in this Prospectus. Investors should rely only on information in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors, SaleCo, SaleCo's directors or any other person in connection with the Offer. This Prospectus includes information about past performance of the Company and investors should be aware that past performance should not be relied upon as being indicative of future performance.

Privacy

Applicants will be asked to provide personal information to the Company and SaleCo (directly or via its agents). Refer to Section 9.14 of this Prospectus for information on how the Company, SaleCo and their agents collect, hold and use this personal information.

Applications Forms which do not contain all the requested information may not be able to be processed by the Company or SaleCo.

Once an Applicant becomes a Shareholder, the Corporations Act and taxation legislation will require certain information about the Shareholder to be included in the Share Register. In accordance with the requirements of the Corporations Act, the Share Register will be accessible by members of the Company. The information must continue to be included in the Share Register even where an Applicant ceases to be a Shareholder.

Forward-looking statements

This Prospectus contains forward-looking statements prefaced by the words such as "may", "could", "believes", "estimates", "anticipates", "expects", "intends" and other similar words, including the Forecast Financial Information which has been prepared and included in this Prospectus in Section 4. The forward-looking statements are based on an assessment of the present economic and operating conditions of the Company, as well as certain assumptions regarding future events and actions that are reasonably anticipated to occur as at the Prospectus Date. Such statements and information should be read and considered in light of the risk factors set out in Section 5 of this Prospectus, the general assumptions and other information contained in this Prospectus.

The forward-looking statements are not guarantees of future performance of the Company and are premised on known risks, uncertainties, assumptions and other factors many of which are beyond the control of the Company and its Subsidiaries. While the Company believes that the expectations reflected in the forward-looking statements in this Prospectus are reasonable, neither the Company, SaleCo, nor any of the Subsidiaries gives any assurance that the results, performance or achievements stated or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on the forward looking statements.

This Prospectus contains information based on industry forecasts, projections, management estimates and market data that has been obtained by the Company from third parties. The Company and SaleCo have not independently verified this information. There is no assurance that any outcomes predicated on such industry forecasts, projections and market data, to which this Prospectus refers, will be achieved. The Company and SaleCo make no representation and expressly disclaim any liability as to the completeness or accuracy of such information or projections. Estimates, forecasts and projections involve risks and uncertainties and are subject to change based on various factors including those disclosed in the risk factors set out in Section 5.

Neither the Company nor SaleCo has any intention to update or revise any forecasts or forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, other than to the extent required by law.

Industry and market data

This Prospectus, including the Market Report in Section 2 and the Company Overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the Company's business and markets. The Company has obtained significant portions of this information from market research prepared by third parties. Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

There is no assurance that any of the forecasts or projections in the surveys, reports and surveys of any third-party that are referred to in this Prospectus will be achieved. The Company has not independently verified, and cannot give any assurances as to the accuracy or completeness of, this market and industry data or the underlying assumptions used in generating this market and industry data.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Restrictions on distribution

This Offer is available to Australian residents located in Australia. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the Prospectus Date, no action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of Shares outside Australia. Persons who obtain this Prospectus in jurisdictions outside of Australia may be restricted by the laws of the relevant jurisdiction from making an Application for Shares and should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside Australia, please refer to Section 7.10.2.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons. The Shares have not been, and will not be, registered under the U.S Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the U.S Securities Act and applicable United States state securities laws.

Obtaining a copy of this Prospectus

An electronic version of this Prospectus (the **Electronic Prospectus**) can be downloaded from www.silklogistics.com.au. Any person accessing the Electronic Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Electronic Prospectus from within Australia. Persons who access this Prospectus electronically should ensure they download and read the entire Prospectus, accompanied by the relevant Application Forms. Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from the website specified above together with a copy of this Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus. The Company will also send a copy of the Prospectus and Application Form free of charge to any person in Australia during the Offer Period.

Applications

An Application for Shares in the Company may only be made during the Offer Period on the Application Form attached to, or accompanying, this Prospectus in its paper form or in its electronic form which must be downloaded in its entirety from www.silklogistics.com.au. Please refer to Section 1.2 and Section 7 of this Prospectus for instructions as to how to make an Application for Shares.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper copy or electronic version of this Prospectus. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Company reserves the right not to accept completed Application Forms if it has reason to believe that the Applicant has not received a complete copy of this Prospectus, and any relevant supplementary or replacement prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way. Cooling-off rights do not apply to an investment in Shares offered under this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in the charts, graphs and tables is based on information available at the Prospectus Date.

Company website

Any references to documents included on the Company's website at www.silklogistics.com.au are provided for convenience only, and none of the documents or other information available on the website, or any other website referred to in the sources contained in this Prospectus, are incorporated in this Prospectus by reference.

Defined terms and abbreviations

Please refer to the Glossary Section of this Prospectus for explanations of defined terms and abbreviations used in this Prospectus. Unless stated or otherwise implied, references to times in this Prospectus are to local Melbourne time. All financial amounts shown in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums and components in charts, graphics and tables contained in this Prospectus are due to rounding.

Disclaimer

Except as required by law, and only to the extent so required, none of the Company, SaleCo, the Directors, the SaleCo Directors, the Company's management, the Joint Lead Managers or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on ASX on a normal settlement basis. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if such person received confirmation of allocation from the Offer Information Line or confirmed their firm allocation through a Broker.

Morgans Corporate Limited and Shaw and Partners Limited have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Lead Manager or by any of its respective affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and takes no responsibility for, any part of this Prospectus other than references to their respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Financial information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of the preparation of the Financial Information is set out in Section 4.2.

All references to FY19, FY20, FY21 and FY22 are to the financial years ended or ending 30 June 2019, 28 June 2020, 27 June 2021 and 26 June 2022 respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the accounting policies of the Company. The significant accounting policies of the Company relevant to the Financial Information are set out in Appendix A.

The Financial Information including the Pro Forma Historical Information and the Forecast Financial Information in this Prospectus should be read in connection with, and they are qualified by reference to, the information contained in Sections 3 and 5.

All financial amounts contained in the Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Financial Services Guide

The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Independent Limited Assurance Report and accompanying Financial Services Guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, call your Broker or the Company's Offer Information Line on 1300 737 760 between 8:30am and 5:30pm (Melbourne, Australia time), Monday to Friday (excluding public holidays).

This Prospectus is important and should be read in its entirety.

Rocke Brothers Port Logistics facility – Lara – VIC

Contents

Key Dates

Item	Indicative timetable
Original Prospectus lodgement date	Monday 7 June 2021
Prospectus lodgement date	Monday 21 June 2021
Exposure Period ends	Monday 21 June 2021
Institutional Offer, Broker Firm Offer, Priority Offer and Cleansing Offer opens	9:00am (Melbourne time) Tuesday 22 June 2021
Institutional Offer, Broker Firm Offer and Priority Offer closes	5:00pm (Melbourne time) Friday 2 July 2021
Settlement of the Offer (other than the Cleansing Offer)	Tuesday 6 July 2021
Allotment of Shares under the Offer (other than the Cleansing Offer)	Wednesday 7 July 2021
Cleansing Offer closes	5:00pm (Melbourne time) Wednesday 7 July 2021)
Expected commencement of trading on the ASX on a normal settlement basis	Friday 9 July 2021
Dispatch of holding statements	Monday 12 July 2021

Note: The above timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne, Australia time (AEST). The Company and SaleCo, in conjunction with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice, including, subject to the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases. The Company reserves the right to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or Applicants. If the Offer is cancelled or withdrawn before the issue or transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens.

Key Offer Statistics

Item	Offer
Offer Price[1]	$2.00
Number of Shares available under the Offer comprising:	35,000,001*
Total number of Shares to be issued by the Company under the Offer	5,000,001*
Total number of Shares to be sold by SaleCo under the Offer[2]	30,000,000
Number of Shares to be held by Existing Shareholders at Completion of the Offer[3]	37,761,962
Total number of Shares on issue at Completion of the Offer[4]	75,761,963*
Total proceeds from the Offer comprising:	
Total proceeds from the issue of Shares by the Company under the Offer	$10,000,002*
Total proceeds from the sale of Shares by SaleCo under the Offer	$60,000,000
Market capitalisation at the Offer Price[5]	$151,523,926*
Pro forma net debt (as at 27 December 2020)[6]	$13,400,000
Enterprise value at the Offer Price[7]	$166,819,433
Number of Options on issue upon Completion of the Offer and immediately after Listing[8]	2,242,361

* This includes the 1 Share that may be issued under the Cleansing Offer at the Offer Price.

Notes:

1. Shares may trade below the Offer Price upon Listing.
2. See Section 9.4 for further information in relation to the offer of Shares by SaleCo.
3. Does not include the number of Shares to be issued to the Selling Shareholder upon the conversion of Preferred Shares in the manner set out in Section 7.3.2 and sold via SaleCo, and does not include any participation of the Selling Shareholder (other than as the Selling Shareholder into SaleCo) or any other Existing Shareholder under the Offer.
4. Includes the 3,000,000 Shares to be issued to PGA as the vendor of Rocke Brothers as contingent deferred consideration in accordance with the terms of the acquisition of Rocke Brothers by the Company (see footnote in Section 3.3).
5. Market capitalisation at the Offer Price is determined by multiplying the number of Shares at Completion of the Offer by Offer Price.
6. Net debt of $13.4 million is calculated on a pro forma basis (as at 27 December 2020) immediately after Completion of the Offer and excludes net cash flow from 2H21, forecast to be $10.3 million. Taking into account forecast net cash flow from 2H21, results in forecast net debt following the Offer of $0.1 million ($7.9 million forecast cash less $8.0 million forecast bank debt upon completion of the Offer ($3.0m of bank debt has been repaid after 27 December 2020).
7. Enterprise value includes 940,500 underlying shares relating to IPO incentive Options issued on Completion of the Offer.
8. Options to be granted under various offers under the Incentive Plan (Section 6.3.4).

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the Application Form.

Aerial view of Silk's WA super site – Kenwick, WA

Chairman's Letter

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to become a Shareholder in Silk Logistics Holdings Limited (**Company** or **Silk**).

Silk is a leading Australian-owned contract logistics business that provides an integrated 'port-to-door' service to some of the world's best-known brands. Silk's vision is to be the Australian market leader of innovative supply chain solutions through the application of smart processes and technology, by its people and across its networks.

Silk's history extends back more than a century to two formative businesses in Victoria: Hoffmann Transport, a horse and cart operation on Melbourne's waterfront and Kagan Logistics, a textile processing and exporting operation that would eventually become a large warehouse and distribution business. These businesses were consolidated into Silk Logistics Group in 2008, before being acquired in a management buyout in 2014.

Key members of the buyout team, managing Shareholders Brendan Boyd and John Sood reinvented these two legacy businesses into an "asset-light, left and right of the warehouse" business that has seen revenues quadruple under their leadership. Both Brendan and John have cultivated strong commercial relationships with Silk's customers and suppliers, implemented tier-one technologies and management systems to support strong growth and have championed an unwavering focus on safety throughout to turn Silk into an emerging force in the Australian logistics sector.

Today, Silk has a presence in Australia's five largest capital cities, a long-standing blue-chip customer base and a team of almost 1,200 permanent and casual staff, agency supplied labour and transport contractors. In FY20, Silk generated total pro forma revenue of $258.4 million, delivering compound annual growth of 19.0% for the six-year period since the management buy-out.

Amidst the uncertainty created by the COVID-19 pandemic, Silk has performed strongly and remained highly cash-generative as logistics was highlighted as essential to a functioning society. Management enhanced its labour and fleet flexibility in response to dynamic market conditions. For FY21, Silk expects to deliver forecast EBIT (after significant items (pre AASB16)) of $17.8 million, growing to a forecast $20.9 million in FY22. Over the past twelve months, management has also moved to strengthen the balance sheet and will end FY21 conservatively geared and with substantial cash reserves. These initiatives have positioned Silk to challenge the dominant market players and to take advantage of strategic opportunities as they emerge.

Australia's $75.2 billion logistics sector is highly fragmented. Increasingly lean global supply chains require a level of operational and technological sophistication that many of the industry's smaller, family-run businesses are simply unable to offer. Without technology to power automation, profit margins are shrinking under an increased cost burden, leading to a growing number of these businesses seeking to exit. The few major players are predominantly focused on only the largest contracts in commoditised industry verticals.

This presents a gap for business models that have both the economies of scale to interface effectively with the most complex supply chain systems as well as the agility to respond quickly to changing market dynamics and specific customer demands. Silk is already carving out a reputation as a leading provider of specialised end-to-end logistics solutions, leveraging its technology and operational capabilities, with the runway to grow into one of the major players in the sector.

The purposes of the Offer and listing on the ASX are to provide Silk with access to a liquid capital market, repay an existing amount of debt owed to current financier Westpac Banking Corporation, and to facilitate the partial equity sell-down of Silk's longstanding financial partner and investor, Tor Asia Credit Master Fund LP.

The Offer will raise $70.0 million at $2.00 per share (being $10 million in proceeds from the primary offer and $60 million in proceeds to be paid to the Selling Shareholder). Following Completion, the Existing Shareholders will retain 49.84% of the business. Both Brendan Boyd and John Sood remain committed to their roles with Silk and have entered into voluntary escrow agreements in relation to their Existing Shares held at Completion, released from the date of the announcement of the Company's financial results for FY22.

This Prospectus contains information about the Offer, Silk's business, the industry in which Silk operates, and historical and forecast financial information. Silk is exposed to a range of risks that each investor should consider before making their investment decision including, but not limited to, any deterioration in economic conditions and trade volumes, the economic and social impacts of the ongoing COVID-19 pandemic, customer concentration and contract risk, and disruptions to port operations. The key risks associated with investing in Silk are set out in Section 5 of this Prospectus.

We strongly encourage you to carefully read this Prospectus in its entirety before making your investment decision and, if necessary, consult your financial adviser.

The Directors and senior management are excited about the future opportunities for Silk as a listed business and look forward to welcoming you as a Shareholder.

Yours sincerely,

Terry Sinclair
Chairman
Silk Logistics Holdings Limited

Handheld scanner

CEO's Letter

Dear Investor,

When John Sood and I first contemplated the management buyout of Hoffman Transport and Kagan Warehousing in 2014 from Silk Logistics Group, we understood that we had the opportunity to differentiate our vertically integrated Port Logistics, Warehousing and Distribution service in a marketplace crowded with small, inefficient operators and vast, decentralised multinationals.

The new Silk business would need to be agile, responsive to customers and changing market dynamics, and able to offer high value-add solutions where none had previously existed. The business would need to integrate with customer management systems under long-term contracts, provide those customers with real-time visibility over their inventories and consignments, and possess the capability to stand up new services and facilities faster and more efficiently than its competitors. Most importantly, Silk would need to offer an end-to-end logistics solution, from port-to-door, "left and right" of the warehouse.

Fast forward seven years and I am proud to say that these goals have been realised and that Silk stands today as a leader in the Australian logistics sector. We have achieved this through the development of *The Silk Way*, a set of guiding principles centred around our people, processes and technology. The safety and wellbeing of our employees, contractors and customers stand as our foremost priority and in turn, we expect our team to commit to the highest standards of customer service. This environment of mutual trust and respect has built our reputation in the industry for integrity and innovation.

Silk invests in tier-one technology through its large development and implementation team that can design bespoke solutions for customers and drive material operational efficiencies through their supply chains. By being fully integrated with customers our revenue remains sticky.

Silk targets key industry verticals where our specialised service delivery is best applied. Rather than chase low-margin, high-volume warehousing contracts or deliver parcels to consumers in competition with the dominant global players, we offer time-certain, specialised services to customers in sectors with attractive margins such as specialised retail, light industrials, food and fast-moving consumer goods (**FMCG**). As we customise our service offering to individual customer requirements, we create long term partnerships from day one.

Silk has an asset-light business model. We do not own a large fleet of trucks and where possible, we will lease and rent general purpose equipment, retaining the ability to flex up or stand down our capacities on a day's notice. The equipment that we do own is specialised, contract-specific and optimally utilised. Likewise, our high-grade facilities are leased, configurable and backed by contracts whilst our Port Logistics operations are ideally located near the country's major ports and major arterial roads. There is no "build it and they will come" mentality. Like our service offering, our capital expenditure and lease commitments are targeted and customised.

This strategic approach extends to our corporate activities. Over the past three years, we have made three targeted acquisitions in Queensland, New South Wales and Victoria that have extended our national footprint and enabled us to increase the scope of services to our blue-chip, global customer base. We will seek to do the same in Western Australia and South Australia in coming years as and when the right opportunities present themselves.

None of these achievements would have been possible without the deep experience and capabilities of our senior management team. Comprising industry veterans and some of the brightest talent in the sector, they bring an energy and passion to Silk that sets the standard for our entire team. Their dedication and commitment to excellence has also inspired John and I to remain in our current roles and to build a legacy for the next generation of leaders in the business.

The Offer and subsequent listing of Silk represents an inflection point for the business, validating the strategic plan that John and I put into place seven years ago, while providing access to capital that will help to drive the next phase in Silk's growth.

On behalf of Silk, I thank you for considering this opportunity to make an investment in our leading Australian-owned business. We look forward to welcoming you to Silk and to continuing the journey together.

Yours sincerely,

Brendan Boyd
Chief Executive Officer
Silk Logistics Holdings Limited

I.
Investment Overview

Aerial view of Rocke Brothers Port Logistics facility – Lara, VIC

1. Investment Overview

1.1 Company overview

Set out below is a snapshot of the Company's business.

Further details of the Company's operations and the industry in which it operates can be found in Sections 2 and 3.

Topic	Summary	For more information
What is the Company?	The Company is a leading Australian-owned logistics business providing an integrated 'port-to-door' service to some of the world's best-known brands. This agile approach has led to strong revenue growth, and consistent margins and return on capital. The Company's business model is asset-light and uses a tier-1, technology enabled platform to consistently deliver industry leading service outcomes to its blue-chip customer base. Silk differentiates itself in the market by blending its physical logistics capabilities and scaled national footprint with predictive insights capability, inventory optimisation and supply chain visibility from wharf to warehouse and through to last mile distribution. The Company operates as two primary divisions and three distinct services – Port Logistics division offering wharf cartage, and Contract Logistics division offering warehousing and distribution services. The Company has a national footprint with operations in all mainland states in Australia.	Section 3
What industry does the Company operate in?	The Company operates in the Australian logistics industry, delivering port-to-door technology-enabled contract or third-party logistics (**3PL**) and time certain Port Logistics services. The business provides these services to customers in several key industries, including, but not limited to FMCG, light industrial, food, specialised retail, and containerised agriculture. A Market Report has been prepared by Frost & Sullivan for inclusion in Section 2 of the Prospectus.	Section 2
How does the Company generate its revenue?	The Company generates revenue from its customers by providing three distinct service lines to its customers: wharf cartage, warehousing and distribution services. The Port Logistics business is primarily based on trading terms and conditions rather than long term contracts, as is a feature of the industry. The business has an excellent customer retention record The Contract Logistics business benefits from significant long-dated contracted revenue with blue chip customers, many of whom have enjoyed long-standing relationships with the Company.	Section 3
How does the Company expect to fund its operations?	The Company has demonstrated substantial cashflow generation with a strong EBITDA to cash conversion in recent years and reasonably expects this will continue following the Offer. It is anticipated that future organic and inorganic growth will be funded using acquisition-specific debt funding facilities and ongoing positive cashflow generated by the business. The Company has generated strong growth and EBITDA margins throughout the COVID-19 pandemic disruption, demonstrating its resilient business model and customer base.	Section 3 and 4

1. Investment Overview

Topic	Summary	For more information
What are the Company's key customer segments?	The Company's core market industries are FMCG, light industrial, food, specialised retail, and containerised agriculture. These industry segments and underlying customers are carefully selected and targeted as long-term customers, with durable business models under a range of economic market conditions and cycles.	Section 3
How does the Company market its services?	The Company takes a selective approach to customer acquisition, focusing on companies aligned to its target market segments. The Company has a well-developed business development capability with staff who hold established relationships with many of Australia's largest blue-chip businesses. This approach reflects the fact that many multinational customers now require a local logistics provider that can seamlessly interface with their global supply chain systems while retaining an in-market responsiveness and a bespoke service offering. They require end-to-end visibility over inventory, secure physical and digital environments, and a highly skilled, local workforce committed to the highest standards of customer service.	Section 3
How does the Company deliver its services?	The Company provides Port Logistics services in Melbourne, Sydney and Brisbane using its own Port Logistics capability, however, in Perth and Adelaide these services are currently provided through third-party operators. This adds cost and reduces the Company's volume and margin in these locations. The Company is looking to establish its own Port Logistics capability through organic and/or acquisition opportunities in these two locations. The Company's warehousing services are delivered by a mix of permanent employees (full-time, part-time and fixed term contracts) and contracted labour, ensuring capacity and costs remain flexible and responsive to customer demand. The Company's distribution services are provided primarily through a virtualised fourth-party logistics (**4PL**) platform that allows the Company to match third-party transport businesses with its customers' distribution requirements. The Company maintains visibility on these deliveries through real time tracking using the ONE Network platform. The Company has a strong preference towards rental/leases and transport contractors rather than owning its fleet and operating equipment. However, where specialised equipment is not available for rent/lease or the financial circumstances favour company ownership, assets will be purchased. All of the Company's warehouse facilities are leased often with racking owned by the landlord. This asset-light business model delivers impressive returns on capital, and demonstrates the productivity of the Company's business.	Section 3.4

Topic	Summary	For more information
What are the Company's key growth strategies?	The Company will continue to invest in its technology platform and national capabilities and aims to leverage its operational capability and experience to target new national, blue-chip customers, and continuing to increase its market share with leading global freight-forwarding businesses. The Company also expects to drive further organic growth through operational initiatives to improve margins and through cross-selling a broader suite of Contract Logistics services to its Port Logistics customers. The Company is seeking to increase its share of wallet from existing customers. For example, Port Logistics customers migrating to warehousing and distribution services, and customers in a single geography becoming national customers. The build-out of the Company's national scale and capability is increasing the size of these opportunities. The Company also intends to undertake synergistic, disciplined and strategic acquisitions in coming years. Acquisitions will be assessed on a case-by-case basis, with a view to increasing the Company's operating scale and broadening its national capabilities.	Section 3.9
What is the Company's pro forma historical and forecast financial performance?	The Company's pro forma historical financial performance and forecast financial performance is summarised in the table below:	Section 4.3

$ millions	Pro forma Historical FY19	Pro forma Historical FY20	Pro forma Forecast FY21	Pro forma Forecast FY22
Total revenue	257.2	258.4	316.1	339.4
Pro forma EBIT before significant items (pre AASB16)	13.6	3.0	17.8	20.9
Pro forma net profit/(loss) after tax (pre AASB16)	6.4	(0.0)	11.9	14.1

The pro forma financial information has been derived from the statutory financial information summarised in the table below adjusted for certain transactions and pro forma adjustments as described in Section 4.3.

$ millions	Statutory Historical FY19	Statutory Historical FY20	Statutory Forecast FY21	Statutory Forecast FY22
Total revenue	194.8	251.5	316.1	339.4
Statutory EBIT	1.2	3.4	15.2	25.9
Statutory net profit/(loss) after tax	(0.8)	(4.3)	4.5	13.3

Topic	Summary	For more information
How has the Company been affected by COVID-19 pandemic?	The Company has generated strong growth and EBITDA margins throughout the COVID-19 disruption, demonstrating its resilient business model and customer base. As an essential service provider, the COVID-19 pandemic has not had a significant impact on the Company's performance or its ability to continue to operate.	Section 4.3

Topic	Summary	For more information
What is the Company's dividend policy?	The payment of dividends by the Company, if any, is subject to any contractual, legal or regulatory restrictions, and is at the complete discretion of the Directors. The Directors do not provide any assurance of the future level of dividends paid by the Company. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to the Company's earnings, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, potential acquisitions and reinvestments, and any other factors that the Directors may consider to be relevant. It is the current intention of the Board to target a dividend payout ratio of between 40% to 60% of Net Profit After Tax (**NPAT**), subject to future business conditions and future cash flow requirements of the Company. The initial dividend (if declared) will relate to the period ending 26 December 2021 and (if declared) is expected to be paid in March 2022. Thereafter, depending on the ongoing available earnings and the ongoing financial position of the Company, it is the intention of the Board to declare interim and final dividends which are expected to be paid out in March and September respectively.	Section 4.10

1.2 Key features of the Company's industry

Topic	Summary
Logistics is key to the Australian economy	As an island nation significantly exposed to global trade and with a population dispersed across a very large landmass, logistics is critical to Australia and its economy. Total logistics costs account for approximately 8% of Australia's GDP. This is further highlighted by the fact 98% of Australia's trade is handled through its ports.
Growth in containerised freight	Over recent years, containerised freight has increased its role in maritime transport due to the efficiencies it offers for transport of non-bulk freight. Between 2010 and 2019, total international maritime trade increased at a CAGR of 3.1%, compared to 4.6% specifically for containerised trade. The number of containers handled globally increased from 543 million TEUs to 811 million TEUs over this period. Between 2010 and 2019 container throughput at Australian ports increased at a CAGR of 3.0%, to reach approximately 8.3 million TEUs in 2019.
Highly fragmented market	The logistics industry in Australia is highly fragmented. Transport and warehousing: There were over 23,000 road freight transport businesses and 714 warehousing and storage services businesses as at June 2020. Of these businesses only 62 and 14, respectively, had over 200 employees. Port Logistics: Approximately 880 logistics service providers (**LSPs**) have access to the Vehicle Booking Systems (**VBS**) in the five major ports. The logistics services industry in Australia includes multinational LSPs with operations in Australia, as well as domestically-based companies. LSPs can be segmented into companies that offer a single discrete service (**2PLs**) and companies offering a broader, integrated logistics solution (including 3PLs and 4PLs).

Topic	Summary
Use of technology increasingly important	The use of IT is becoming increasingly important in logistics management, favouring larger LSPs that have the capacity to invest in IT solutions. Larger LSPs are promoting their IT capabilities as a source of competitive advantage. A 2020 global survey of shippers identified that 94% of shippers believe IT capabilities are a necessary part of LSP expertise, and the IT capabilities of the LSP is becoming a more important selection factor in the choice of shippers.
Regulation and compliance requirements a barrier to entry	The logistics services industry is subject to an increasing number of regulatory and compliance requirements. The increasing propensity of regulatory bodies to enforce these requirements can impose additional costs on LSPs, which favours larger providers that are more able to absorb these costs. Technology is increasingly being used in addressing compliance requirements (such as use of in-vehicle telematics, driver state sensing devices and electronic work diaries). Adoption of technologies to address compliance requirements favours larger LSPs that are better positioned to make the necessary investments and provide a barrier to entry for new participants.
Growing trend to outsource logistics services	Over time, there has been a growing trend for shippers to outsource logistics services to LSPs. A global study of shippers undertaken in 2020 indicated that the average percentage of logistics expenditure outsourced has increased to 52% in 2020 (up from 36% in 2015) and that 57% of shippers are increasing their use of outsourced services. The propensity to outsource transportation services and warehousing is increasing, with 55% of transportation spend managed by third parties (up from 49% in 2019) and 43% of warehouse operations spend managed by third parties (up from 35% in 2019). Overall, the logistics activities most commonly outsourced are warehousing and domestic transportation, with 73% of shippers outsourcing each of these functions.
Trend to shippers using smaller number of LSPs with broader, more integrated service offering	Overall, there is a trend for shippers to consolidate the number of LSPs that they use, moving to the use of larger LSPs that can offer a broader range of services. Use of a single or small number of LSPs that are able to offer an integrated logistics service offers a number of benefits for shippers, including lower costs, greater control and visibility over logistics operations, and simplified management. Consequently, over recent years there has been increased consolidation in the logistics services industry, particularly as industry participants seek to broaden their service offering and geographic coverage. Consolidation allows LSPs to benefit from economies of scale and drive efficiency improvements. Larger LSPs are also better positioned to meet customer requirements in terms of maintaining lower inventory levels and receiving smaller but more frequent deliveries.

Further information on the industry in which the Company operates is set out in the Market Report at Section 2.

1.3 Key strengths

Set out below is a summary of the Company's key strengths:

Topic	Summary	For more information
Data analytics, technology-enabled platform	Silk successfully blends physical logistics capabilities, scale and a national footprint with a cutting edge data analytics technology platform capable of providing predictive insights and control tower visibility from wharf to warehouse to last mile distribution. Silk does not own the intellectual property rights to the underlying components of its technology stack, instead and consistent with its asset-light business model, Silk's ability to integrate and effectively utilise these technologies derives from licenses provided by the respective owners of the underlying technologies.	Sections 3.7 and 3.10
Long-standing customer partnerships	Silk has supported and, in some cases, invested in the growth of many suppliers, distributors, importers and exporters by working with them to redesign their supply chain operations and investing in specific infrastructure and dedicated facilities. As a result, Silk has numerous established customers, who have been using Silk's services for many years.	Section 3.7
Detailed understanding of market needs	Silk has a detailed understanding of the inventory optimisation and supply chain visibility and efficiency needs of leading blue-chip customers and has designed its technology platform and service delivery model to ensure it can consistently meet or exceed the requirements of its customers.	Section 3.7
Nation-wide footprint	With a presence in all mainland states in Australia, Silk is positioned to attract large, global and domestic blue-chip customers who require multi-city services. There are a number of recent examples in which the breadth of Silk's integrated logistics offering has been central to winning new key accounts.	Section 3.7
Integrated "left-to-right" of the warehouse offering	Silk provides a one-stop shop for integrated port-to-door logistics, providing services in wharf cartage, warehousing, and domestic distribution.	Section 3.7
Understanding and exceeding customer needs	The agility and flexibility built into the business allows Silk to remain nimble, while providing innovative, tier 1, customised solutions with a personalised service and without compromising on safety.	Section 3.7
Flexible cost structures and technology solutions	Silk continuously provides innovative solutions and improvements that fit the customer. Silk's flexible and fully configurable systems allow its customers to fine-tune their supply chains, maximising operational efficiency and controlling costs.	Section 3.7
Reliability	Silk's reliability and integrity is demonstrated through its customer support, consultative services and proactive account management. With an experienced and responsive team, Silk's services offer the time-certainty and flexibility customers require from their supply chain managers.	Section 3.7
Customer engagement and collaboration	Silk engages with all facets of a customer's supply chain to collaboratively identify and implement improvement solutions, demonstrating Silk's passion for customer service and innovation. Total transparency with customers is core to Silk's philosophy.	Section 3.7

Topic	Summary	For more information
Growth track record	Management has successfully executed its strategic plan since the MBO in February 2014. Revenue has grown from ~$90m in FY14 to $258m on a pro forma basis in FY20 (CAGR 19.0%), growing to $316m in FY21F (CAGR 19.7%). Since FY19 Silk has grown pro forma revenue and EBIT (pre AASB16) from $257m and $13.6m in FY19 to a forecast of $316m and $17.8m in FY21 respectively, a two-year revenue and EBIT (pre AASB16) CAGR of 10.9% and 14.3% respectively. Despite the economic disruption caused by COVID-19, Silk also increased revenue by 0.4% in FY20, although EBIT (pre AASB 16) fell by 78.1% in the same period. Silk expects to deliver further growth through continued increased "wallet share" by expanding its service and geographic offering to existing customers, and from new customer wins. Silk forecasts FY22 revenue and EBIT (pre AASB16) of $339m and $20.9m respectively.	Sections 3.3 and 4.3
Strong Balance Sheet	Silk will have a strong balance sheet post IPO with post IPO pro forma net debt of $13.4m (as at 27 December 2020); and forecast net debt of $0.1m immediately following Completion of the Offer. This robust balance sheet together with strong free operating cash flow positions the Company well to pursue and execute on its growth strategies. Silk operates an 'asset-light' business model which requires modest funding for ongoing capital expenditure and working capital to support ongoing growth.	Section 4.4
High Quality Board & Management	Silk's management team, led by the founders, Managing Director Brendan Boyd, and CCO and Executive Director John Sood, have deep sector experience and tenure with the Group and are supported by an experienced management team who bring considerable experience from within and outside the business.	Sections 6.1 and 6.2

1.4 Key risks

Before applying for Shares, you should consider the key risks associated with an investment in the Company. The occurrence of any of these risks may have a material adverse impact on the Company's reputation, business, operational performance and financial results.

Topic	Summary	For more information
Deterioration in economic conditions and trade volumes	The Group is exposed to the general risks associated with operating in the transport and logistics sectors. Trade volumes can be affected by various economic and political factors and general economic conditions in the market. The performance of the Group's business is highly dependent upon the Australian, Asian and global economies, in particular bilateral trade between Australia and China. In the event that conditions in any of these economies deteriorate, this may result in lower levels of international trade which may adversely affect the Group's financial results.	Section 5.2.1
COVID-19	Whilst the COVID-19 pandemic has not, as at the Prospectus Date, materially impacted the Group's business, there is continued uncertainty as to the duration and further impact of COVID-19 including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian and global economy.	Section 5.2.2

Topic	Summary	For more information
Key customer concentration and contracts	The Group's top 20 contracted warehouse customers account for 73% of the forecast FY21 warehouse revenue. The failure to hold, maintain or renew contracts with several major customers or to renew them on the same or more favourable terms, or the financial failure or default in a payment obligation of several major customers could have a material adverse effect on the Group's business, operational performance and financial results.	Section 5.2.3
Failure to renew warehouse leases	The Group has entered into a number of agreements to lease warehouse spaces, which are critical to the Group's business and operations. Whilst the majority of the Group's leases are long-term leases, there is no guarantee that those leases will be renewed at the expiration of their term on commercially acceptable terms, or at all. In addition, there is a risk that, in some circumstances, the Group's existing contractual arrangements could be terminated by landlords before the end of their term, whether by default of the Group or otherwise.	Section 5.2.4
Disruption to port operations	The Group's Port Logistics operations may be adversely affected by operational disruptions at container ports that are beyond the control of the Group, including: • adverse weather events or natural disasters, major plant breakdowns, or other disasters that damage or prevent the use of port facilities; • an inability of the port operator to operate the port facilities as required due to a variety of external factors; • technical difficulties, including with respect to automated systems and information technology; • disruptions in third-party infrastructure and operations relating to rail and shipping; or • security breaches, terrorist acts or cyber-attacks that disrupt port operations. Any loss from such events may not be recoverable under relevant insurance policies.	Section 5.2.5
Business approvals, permits and licences	The Group requires certain licences and approvals to conduct its business. These licences are granted at the discretion of the relevant Australian authorities, and the criteria for eligibility may change. If any entity in the Group fails to obtain the grant or renewal of any required licences or approvals, the business activities of the affected entity and the Group as a whole (as well as the Group's growth plans) may be interrupted. To mitigate this risk, the Group conducts regular audits to ensure it is compliant with the conditions of its permits and licences. Furthermore, the Group provides regular training of its employees to ensure its workforce is aware of the permit and licence requirements.	Section 5.2.6
Competitive position	The Group's competitive position in the integrated logistics market may deteriorate as a result of factors including actions by competitors, the entry of new competitors (including existing customers deciding to undertake Contract Logistics or Port Logistics activities themselves) or a failure by the Group to position itself successfully in markets in which it competes.	Section 5.2.7

Topic	Summary	For more information
Government policy, and legal and regulatory oversight	The Group's operations depend on government maintained public infrastructure including roads, seaports and associated infrastructure. The financial results and position of the Group depend upon government policy and the continued maintenance and provision of this infrastructure. Legislative or policy changes, especially in customs and quarantine policies, may also have a material adverse effect on the Group.	Section 5.2.8
Employee relations	A proportion of the Group's employee's covered by enterprise agreements belong to labour unions. The Group's enterprise agreements have been approved by Fair Work Australia, whilst some have reached their nominal expiry dates and are currently being actively re-negotiated the remaining enterprise agreements will reach their nominal expiry dates over the next two years. Any strike or other industrial action or failure to resolve a material dispute with labour unions could have an adverse impact on the Group's business, operational performance and financial results. While the Group considers that it has a relatively robust system in place for reviewing its casual workforce, there is a risk that casual employees consider that they should be properly characterised as part-time employees or full-time employees under the *Fair Work Act 2009* (Cth).	Section 5.2.9
Reliance on third-party contractors	As part of its asset-light operating model, the Group relies to a considerable extent on third-party contractors to carry out its business, particularly its distribution services and Port Logistics services in Adelaide and Perth. An inability to readily source these contractors or renew or extend contracts or find suitable alternate resources at comparable rates could adversely affect the Group's financial position and performance.	Section 5.2.10
Information technology	The Group is heavily reliant on the operational capability and reliability of its information technology systems and staff across its business operations. Disruptions to the Group's information technology systems, including computer hardware, software and communications equipment, could lead to security breaches or other operational difficulties, which could have a material adverse effect on the Group.	Section 5.2.11
Cyber security	The Group operates much of its business and stores a significant amount of proprietary information on information technology systems, including third-party systems. Cyber-attacks or malicious hacking activity that breach the Group's information technology environment or any third-party system on which the Group relies could lead to operational disruption or data theft including commercially sensitive information which could have a material adverse effect on the Group.	Section 5.2.12
Privacy breaches	As a consequence of the nature of the Group's business, the Group collects, stores, uses and discloses the personal information of numerous individuals, including customer, employee and third-party details. Cyber security incidents may compromise or breach technology and service platforms used by the Group as part of its ongoing business. While the Group has in place data protection systems, it is possible that these may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information about the Group, its customers, employees or third parties. Any compromise or breach involving personal or confidential information, whether accidental or intentional, may result in loss of data integrity as well as subject the Group to reputational damage, claims from those affected, loss of customers, legal action, increased regulatory scrutiny or regulatory action.	Section 5.2.13

1. Investment Overview

Topic	Summary	For more information
Key management and employees	Following Completion of the Offer, the Group's founders Brendan Boyd and John Sood (together, the **Founders**) will collectively retain a substantial proportion of the total number of Shares on issue, have operational roles within the Group and have substantial influence over the day-to-day affairs and strategic direction of the Group. The successful operation and growth of the Group's business depends upon the performance and expertise of key management personnel and the Group's ability to attract and retain skilled employees at all levels of the organisation.	Section 5.2.14
Seasonal cycle effect	The Group's business is subject to seasonal cycles in demand for its services. There is usually higher demand for logistics services during the period from September to January, due to a general increase in trade volumes due to increasing consumer demand in the months leading up to Christmas and Chinese New Year. There may also be lower demand for logistics services during holiday periods, causing seasonal revenue variations.	Section 5.2.15
Plant and equipment leases	The Group leases a significant amount of its plant and equipment, and these lease arrangements could potentially give rise to the risk of the Group being deprived of critical operating equipment in the event that the Company breaches the obligations owed to the lease counterparties.	Section 5.2.16
Occupational health & safety	The Group has a large number of employees and contractors undertaking a range of operational, professional and administrative tasks. A number of operational tasks involve the use of heavy machinery at port logistics facilities and within operational warehouses. Any failure by the Group or responsible third parties to safely conduct operations or to otherwise comply with the necessary occupational health and safety requirements could result in death or injury to staff, contractors and/or members of the public, criminal prosecution, fines, penalties and compensation for damages as well as reputational damage to the Group.	Section 5.2.17
Insurance coverage	Although the Group considers that its insurance coverage is appropriate, it is not insured against all foreseeable risks for its business. There is a risk that the Group's insurance policies will not be sufficient to cover damages when they arise which could have a material adverse effect on the Group's business, operational performance and financial results.	Section 5.2.18
Acquisitions and investment risk	The Group regularly examines corporate and investment opportunities (including potential acquisitions) with a view to expanding its business operations and market share. Any corporate opportunity that the Group pursues could have a material adverse effect on the Group if it is not successfully implemented for a variety of reasons.	Section 5.2.19
Negative publicity and damage to brand and reputation	Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or the Group itself may adversely affect the brand and reputation of the Group and the Share price performance of the Company.	Section 5.2.20
Litigation	In the ordinary course of its business, the Group may be subject to the risk of litigation and other disputes with its customers, employees, consultants, landlords, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to the Group's reputation.	Section 5.2.21

Topic	Summary	For more information
Protection of intellectual property rights	The Group currently holds registered intellectual property rights in Australia. There is risk that other companies may register the Group's intellectual property in their name, meaning that the Group may not be able to use its intellectual property in those jurisdictions without commencing legal action. Further, the Group cannot ensure that there will not be any unauthorised usage or misuse of the Group's brand which may be detrimental to the Group's reputation.	Section 5.2.22
Potential industrial dispute	A number of the Group's workforce are covered by single-enterprise bargaining agreements. The Group is currently in the process of negotiating four new enterprise bargaining agreements, three of which have passed their nominal expiry date and one which is due to pass its nominal expiry date on 30 June 2021. The Group is committed to negotiating employment conditions with its workforce which are commercially reasonable. The failure to resolve these issues may impact on the timely implementation of a new enterprise agreement. To mitigate the risks and financial implications associated with the bargaining period, the Group complements its permanent workforce with access to over 100 agency labour staff who will continue to perform their roles despite any industrial action taken by employees. In these circumstances, the Group's access to agency labour staff can be scaled up quickly to provide coverage for any employees not on site. The Group also has appropriate expert advisers to assist with responding to any protected industrial action, including assisting with the process of standing down employees participating in stoppages where appropriate.	Section 5.2.23
Geopolitical risk	By operating in the logistics industry, the Group is exposed to the political, economic and social landscape and the broader bilateral relationships between Australia and each of its major trading partners, including China. Any increase in political or economic tensions in those bilateral relationships (including government responses to any tensions) may impact on the Group's operations such as restrictions on foreign export activities. Disruptions or significant increases to the cost of importing goods into Australia at any given time could have an adverse effect on the business and operations of the Group's customers which may in turn impact the operations and financial performance of the Group.	Section 5.2.24
Licensed intellectual property rights	The Group's technology stack comprises technologies that the Group does not own and instead operates under licenses provided by third parties. Should the Group no longer be able to rely on those licenses, the Group's ability to provide its services via those technologies may be adversely impacted. Further, given the Group uses licensed intellectual property rights, there is a risk that competitors may obtain similar licenses to provide services based on a similar technology stack to the Group. However, the Group considers that there is a high barrier to entry due to the large amount of time, effort and cost required to design, integrate, test and implement an effective system of delivery utilising the licensed technology.	Section 5.2.25
Other risks	A number of other risks related to an investment of Shares in the Company are included in Section 5.	Section 5.3

1.5 Key operating and financial metrics

Topic	Summary	For more information
Key financial metrics	The Company's pro forma historical financial performance and forecast financial performance is summarised in the table below:	Section 4

$ millions	Pro forma Historical FY19	Pro forma Historical FY20	Pro forma Forecast FY21	Pro forma Forecast FY22
Total revenue	257.2	258.4	316.1	339.4
Pro forma EBIT before significant items (pre AASB16)	13.6	3.0	17.8	20.9
Pro forma net profit/(loss) after tax (pre AASB16)	6.4	(0.0)	11.9	14.1

The pro forma financial information has been derived from the statutory financial information summarised in the table below adjusted for certain transactions and pro forma adjustments as described in Section 4.

$ millions	Statutory Historical FY19	Statutory Historical FY20	Statutory Forecast FY21	Statutory Forecast FY22
Total revenue	194.8	251.5	316.1	339.4
Statutory EBIT	1.2	3.4	15.2	25.9
Statutory net profit/(loss) after tax	(0.8)	(4.3)	4.5	13.3

Topic	Summary	For more information
What is the proposed use of funds?	The table below sets out a summary of the anticipated use of the proceeds of the Offer:	Section 7.1

Source	Amount ($ millions)	Use of Funds	Amount ($ millions)
Offer proceeds from the issue of New Shares by the Company	10.0	Repayment of debt[1]	2.7
		Costs of the Offer[2]	7.3
		Total from proceeds of issue of new Shares	**10.0**
Offer proceeds received by SaleCo from the sale of Existing Shares by the Selling Shareholder	60.0	Payments to the Selling Shareholder	60.0
TOTAL	**70.0**	**TOTAL**	**70.0**

Notes:

1. Following Completion of the offer, the Company will repay $8.0 million part of its facilities with existing financier Westpac Banking Corporation, $2.7 million from Offer proceeds and the remaining $5.3 million from existing cash balances (including cash generated in 2H21).
2. Total expenses of the Offer have been estimated at $9.2 million and includes non-cash expenses of $1.9 million.

1.6 Directors and key management

Topic	Summary	For more information
Directors	• **Terry Sinclair, *Non-Executive Chair, Chair of the Audit and Risk Committee*** Terry has significant operational and corporate development experience across the Industrial, Resources and Consumer Services sectors including 20 years in senior management roles in BHP (Minerals, Steel and Transport/Logistics). Terry also provides Mergers and Acquisitions advisory services to private equity and government clients. Terry currently serves as an industry advisor to Australian Super, and as Non-Executive Director of Cleanaway Limited (ASX:CWY), Locate Technologies Pty Ltd and Faethm.ai Pty Ltd. Previously, Terry has served as Chairman of Star Track Express, Managing Director of Service Stream Limited, and as Director of Sai Cheng Logistics (China), and Asia Pacific Parcels Alliance (HK). • **Brendan Boyd, *Managing Director and Chief Executive Officer*** Brendan is a highly regarded industry leader and has held roles with many of the industry's largest companies. Prior to his role as Managing Director, Brendan served as the Group's General Manager of Warehousing. Brendan's experience also includes roles at Australia Post as General Manager (Distribution Courier and Logistics Services); at Toll Group as General Manager (Toll Fast); at AUSDOC/DX Express as Chief Executive Officer of DX Express; and at Mayne Nickless as Chief Operating Officer of Mayne Nickless Express. • **John Sood, *Executive Director and Chief Customer Officer*** John is a highly regarded and respected leader in Australia's supply chain management industry. John has developed long standing relationships with Australia's retailers, manufacturers and wholesale distributors. Prior to his role as Chief Customer Officer, John served as General Manager of Business Development. John's experience also includes roles at Linfox as General Manager (Portside United) and General Manager (Marketing and Business Development); and at Westgate Logistics as General Manager (Development). • **Stephen Moulton, *Non-Executive Director, Chair of the Sustainability Committee*** Stephen is a Corporate Advisory and Mergers & Acquisitions law partner with over 30 years' experience. Stephen has previously served as a Director on ASX listed companies and has commercial experience in Logistics, Transport and Financial Services. Stephen also currently serves as a Director and Chairman of the O'Brien Foundation, Director of SugarbyHalf Ltd and Defeat Diabetes Pty Ltd. Previously, Stephen has served as Director of the O'Brien Institute, buyMyplace.com.au Ltd (ASX:BMP), GMDX Holdings Ltd and the Carlton Football Club. The Board intends to appoint an additional Non-Executive Director after Listing, who will act as the Chair of the Audit and Risk Committee (Director Terry Sinclair will act as Chair of this committee until the appointment of the additional Non-Executive Director is made). The appointment will be put to Shareholders for ratification at the next annual general meeting following appointment.	Section 6.1

Topic	Summary	For more information
Senior Executives	**Brendan Boyd, *Managing Director and Chief Executive Officer*** Refer to Brendan's profile above. **John Sood, *Executive Director and Chief Customer Officer*** Refer to John's profile above. **Brendon Pentland, *Chief Financial Officer*** Brendon joined the Group in March 2020 and was appointed to the role of Chief Financial Officer (CFO) in July 2020. Brendon leads the Group's finance function and has responsibility for finance, commercial, corporate planning, business analysis, taxation, reporting, corporate services and legal administration. Brendon has over 25 years' experience in finance, within domestic and international companies across a wide range of industry segments. Brendon has been responsible for business acquisitions and integration, strategic investments, commercial analysis, due diligence and managed debt and equity restructuring. **Matthew Hannah, *Chief Information Officer*** Matthew joined the Group in November 2015 as Chief Information Officer (CIO). Matthew leads the group's IT function and has responsibility for all IT solutions, services, security, optimisation and development. Matthew is an experienced CIO with over 20 years' experience in the logistics and supply chain industry. He is skilled in IT Transformation, IT Strategy, Supply Chain Optimisation, ITIL, Electronic Data Interchange (EDI) and Software Development Life Cycle (SDLC). **Nicole Sullivan, *Chief People Officer*** Nicole joined the Group in September 2019 as a HR Manager, was seconded into the role of Chief People Officer (CPO) for 12 months and has now been appointed to the CPO role. Nicole leads the Group's People & Culture function and has responsibility for safety, quality, payroll and HR. Nicole has over 25 years of HR experience across a variety of industries, with over 10 years HR leadership experience and over 10 years' experience in the logistics and supply chain industry. She is skilled in leading multi-disciplined teams across business partnering, employee relations, industrial relations, organisational development, talent management, training & development, culture and engagement and workplace safety. **Melanie Leydin, *Company Secretary*** Melanie joined the Group in May 2020 and was appointed as Company Secretary. Melanie has over 25 years' experience in the accounting profession and over 15 years' experience holding board positions including company secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.	Section 6.2

1.7 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Company's key Shareholders and what will their interests be on Completion of the Offer?	The ownership of Shares (including Preferred Shares) as at the Prospectus Date, and following Completion of the Offer (not including the 1 Share under the Cleansing Offer which might not be issued) is summarised below:	Section 7.3

Holder	Shares held at the Prospectus Date	Shares held at the Prospectus Date (%)[4]	Shares to be sold by the Selling Shareholder pursuant to the Offer	Shares acquired under the Offer[4]	Shares held at Completion of the Offer	Shares held at Completion of the Offer (%)
BBJJ Investments Pty Ltd[1]	10,751,794	15.87%	N/A	Nil	10,751,794	14.19%
Karma Beverages Pty Ltd[2]	10,751,794	15.87%	N/A	Nil	10,751,794	14.19%
Tor Asia Credit Master Fund LP[3]	45,255,430	66.79%	30,000,000	Nil	15,255,430	20.14%
Dannwill Pty Limited	401,157	0.59%	N/A	Nil	401,157	0.53%
John Richard Evans	601,787	0.89%	N/A	Nil	601,787	0.79%
New Shareholder – PGA[5]	Nil	0%	N/A	Nil	3,000,000	3.96%
New Shareholders under the Offer	Nil	0%	N/A	35,000,000	35,000,000	46.2%
Total	**67,761,962**	**100%**	**30,000,000**	**35,000,000**	**75,761,962**	**100%**

Notes:

1. BBJJ Investments Pty Ltd is associated with Director Brendan Boyd as it is the trustee for Mr Boyd's family trust.
2. Karma Beverages Pty Ltd is associated with Director John Sood as it is the trustee for Mr Sood's family trust.
3. As at the Prospectus Date, Tor Asia Credit Master Fund LP holds no Shares, but instead holds a total of 14,152,162 Convertible Preference Shares (**CPS**) and 31,103,268 Convertible Redeemable Preference Shares (**CRPS**) (collectively the "Preferred Shares"). All of the Preferred Shares will be converted into 45,255,430 Shares immediately prior to Completion of the Offer, some of which are then sold via SaleCo upon Completion of the Offer.
4. Assumes Existing Shareholders do not participate in the Offer.
5. In accordance with the share sale agreement under which the Company acquired all shares in Rocke Brothers in August 2019, the Company is obliged to pay to PGA as vendor the amount of $6 million upon being admitted to the Official List in the form of a single deferred contingent consideration payment. PGA has elected to receive the full $6 million via the issue of 3,000,000 Shares at the Offer Price (see the footnote at Section 3.3).

Immediately after Listing, the Company will also grant a total of 2,242,361 Options under the Incentive Plan. See Section 6.3.4.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>Related party transactions</td><td>Executive Director John Sood provides his services to the Group under a consultancy agreement (via his entity Socius Pty Ltd) which is described in Section 6.3.2.2.

The Company will bear the costs of the Offer. There will be no apportionment of the costs of the Offer with Selling Shareholder, including in relation to the sale of Shares via SaleCo.</td><td>Sections 6.3.2.2, 9.4 and 9.8</td></tr>
<tr><td>What are the Directors' interests in Shares?</td><td>
<table>
<tr><th>Director</th><th>Shares held prior to Completion of the Offer[3]</th><th>Shares held prior to Completion of the Offer[3] (%)</th><th>On Completion of the Offer[4]</th><th>On Completion of the Offer[4] (%)</th><th>Options granted immediately upon Completion</th></tr>
<tr><td>Brendan Boyd[1]</td><td>10,751,794</td><td>15.87%</td><td>10,751,794</td><td>14.19%</td><td>277,244</td></tr>
<tr><td>John Sood[2]</td><td>10,751,794</td><td>15.87%</td><td>10,751,794</td><td>14.19%</td><td>166,346</td></tr>
<tr><td>Terry Sinclair</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td><td>509,193</td></tr>
<tr><td>Stephen Moulton</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td><td>342,846</td></tr>
<tr><td>Total</td><td>21,503,588</td><td>31.73%</td><td>21,503,588</td><td>28.38%</td><td>1,295,629</td></tr>
</table>

Notes:
1. These Shares are held by BBJJ Investments Pty Ltd as trustee for Brendan's family trust.
2. These Shares are held by Karma Beverages Pty Ltd as trustee for John's family trust.
3. Includes the 45,255,430 Preferred Shares currently held by Tor Asia Credit Master Fund LP which will be converted into Shares and partially sold via SaleCo.
4. Assumes:
• Directors do not participate in the Offer (although Directors are entitled to participate in the Offer, and Director John Sood has expressed an intention to participate in the Offer);
• issue of 5,000,000 Shares under the primary Offer;
• conversion of the Preferred Shares currently held by the Tor Asia Credit Master Fund LP into 45,255,430 Shares immediately prior to Completion of the Offer, and which are then partially sold via SaleCo upon Completion of the Offer; and
• the issue of 3,000,000 Shares to PGA as a single deferred contingent consideration payment in accordance with the share sale agreement under which the Company acquired all shares in Rocke Brothers in August 2019 (see the footnote at Section 3.3).
</td><td>Sections 6 and 7.1</td></tr>
</table>

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What escrow restrictions apply to the key Shareholders' Shares?</td><td>Certain Shareholders have entered into voluntary escrow arrangements with the Company in relation to their Shares held at Completion of the Offer.

In aggregate, 39,759,018 Shares on issue immediately following Completion of the Offer will be subject to voluntary escrow arrangements, representing approximately 52.48% of the total Shares on issue immediately following Completion of the Offer.

The table below sets out the extent of the escrow arrangements:

<table>
<tr><th>Shareholder</th><th>Number of Shares to be escrowed</th><th>Period of escrow</th></tr>
<tr><td>BBJJ Investments Pty Ltd</td><td>10,751,794</td><td>Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22</td></tr>
<tr><td>Karma Beverages Pty Ltd</td><td>10,751,794</td><td>Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22</td></tr>
<tr><td>Tor Asia Credit Master Fund LP</td><td>7,627,715</td><td>Until the date the Company releases to the ASX its preliminary half year report (Appendix 4D) for 1H22</td></tr>
<tr><td></td><td>7,627,715</td><td>Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY 22</td></tr>
<tr><td>PGA (Services) Pty Ltd</td><td>1,500,000</td><td>Until the date the Company releases to the ASX its preliminary half year report (Appendix 4D) for 1H22</td></tr>
<tr><td></td><td>1,500,000</td><td>Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22</td></tr>
</table>

Further details in relation to the voluntary escrow arrangements are set out in Section 9.7.

In addition to the Shares under voluntary escrow, certain Options to be granted under the Incentive Plan (and any Shares issued upon their exercise) will be subject to disposal restrictions in accordance with the terms of their grant (see Section 6.3.4).</td><td>Section 9.7</td></tr>
<tr><td>What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?</td><td>• On Completion, the Directors and entities and persons associated with them and other Existing Shareholders will hold Shares as set out in Sections 6.3.3.
• $30 million of funds received under the Offer will be paid to the Selling Shareholder as consideration for the Shares transferred to Successful Applicants by SaleCo.
• All Directors and Senior Executives are entitled to remuneration, fees and payments as set out in Sections 6.3.1.2 and 6.3.2. In relation to John Sood, he is engaged by the Company under a consulting agreement (see Section 6.3.2.2).
• As disclosed in Table 4.4.1 in Section 4.4, the Company has declared, prior to the Original Prospectus Date, a dividend to Existing Shareholders totalling $10 million, which will be paid shortly after Completion from the Company's existing cash sources.
• Advisers and other service providers are entitled to fees for services.</td><td>Sections 4.4, 6.3 and 7.1.3</td></tr>
</table>

1.8 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offering of approximately 35,000,001 Shares, comprising 5,000,001 New Shares to be issued by the Company (including 1 Share offered under the Cleansing Offer) and approximately 30,000,000 Existing Shares to be transferred by the Selling Shareholder via SaleCo. The Offer is expected to raise approximately $70 million (being $10 million in proceeds from the primary offer and $60 million in proceeds to be paid to the Selling Shareholder). The expenses of the Offer are currently estimated to be $9.2 million, $7.3 million of which are cash costs. The cash amount will be paid by the Company from proceeds of the Offer. The Offer includes the Cleansing Offer. The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (being the Shares issued to Tor on conversion of the Preferred Shares, and the Shares issued to PGA as deferred contingent consideration for the Company's acquisition of Rocke Brothers in August 2019). You should not complete a Cleansing Offer Application Form unless specifically directed to do so by the Company.	Section 7.1
Who are the issuers of the Prospectus?	Silk Logistics Holdings Limited ACN 165 867 372 and Silk Logistics SaleCo Limited ACN 649 416 482 both being public companies registered in Victoria, Australia.	Section 7.1
Why is the Offer being conducted?	The purposes of the Offer are to: • provide the Company with access to capital markets to improve financial flexibility for growth; • provide a liquid market for the Shares; • repay an amount of existing debt owed to Westpac Banking Corporation; and • provide the Selling Shareholder with an opportunity to realise some of their investment in the Company.	Section 7.1.2
How is the Offer structured?	The Offer comprises: • the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares; • the Broker Firm Offer which is open to persons who have a received a firm allocation from their Broker and who have a registered address in Australia; • the Priority Offer, which is open to selected investors in Australia who have received a priority invitation; and • the Cleansing Offer, which is an Offer of 1 New Share at the Offer Price for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date. No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker.	Section 7.1.1

Topic	Summary	For more information
What is SaleCo and what role does it play in the Offer?	SaleCo is a special purpose vehicle that was established to enable the Selling Shareholder to sell some of its Shares (following conversion of its Preferred Shares) under the Offer. The Selling Shareholder has entered into an irrevocable sale agreement in favour of SaleCo, under which it will sell some of its Shares to SaleCo free from encumbrance and third-party rights and conditional upon Completion of the Offer. The Shares which SaleCo acquires from the Selling Shareholder will be transferred to Successful Applicants at the Offer Price.	Section 9.4
Is the Offer conditional?	Completion of the Offer is conditional on: • ASX's approval of the Company's application for admission to the Official List and ASX agreeing to quote the Shares on the ASX; • the total amount raised under the Offer being $70 million; and • Settlement in respect of the allotment of Shares in accordance with the Underwriting Agreement.	Section 7.2
Will the Shares be listed on ASX?	Yes. The Company will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "SLH". Completion of the Offer is conditional on ASX approving this application. If approval is not given within 3 months after the Original Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Underwriters.	Section 9.5
Who are the Joint Lead Managers and Joint Underwriters of the Offer?	Morgans Corporate Limited and Shaw and Partners Limited have acted as Joint Lead Managers and Joint Underwriters to the Offer on the terms of the Underwriting Agreement.	Section 9.5

1. Investment Overview

Topic	Summary	For more information
What is the minimum and maximum Application size under the Offer?	***Institutional Offer*** There is no minimum or maximum value of Shares that may be applied for under the Institutional Offer. ***Broker Firm Offer*** The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker and there is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Company, in conjunction with the Joint Lead Managers, reserves the right to treat any Applications in the Broker Firm Offer that are from persons whom the Company believes may be Institutional Investors as Applications in the Institutional Offer, or to reject the Application(s). The Company, in conjunction with the Joint Lead Managers, also reserves the right to aggregate any Applications that the Company believes may be Applications from the same person. ***Priority Offer*** There is no minimum or maximum value of Shares that may be applied for under the Priority Offer. ***Cleansing Offer*** As the Cleansing Offer is an offer of up to 1 Share, the minimum and maximum value of Shares that may be applied for under the Cleansing Offer is $2.00, being the Offer Price payable for 1 Share.	Section 7.2.7
What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Broker Firm Offer will be determined by the Company, SaleCo and the Joint Lead Managers. The Joint Lead Managers, in consultation with the Company and SaleCo, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors. For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated to their retail clients. Allocations under the Priority Offer will be at the absolute discretion of the Company.	Section 7.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.2
Who bears the costs of the Offer?	The cash costs of the Offer, including advisory, legal, accounting, tax and duty, listing and administrative fees, the Financial Adviser's fees, the Joint Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses, which amount to approximately $7.3 million, have been, or will be borne by the Company. The costs of the Offer that are attributable to SaleCo will be borne by the Company.	Section 9.13
What are the tax implications of investing in Shares?	Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser. An overview of the tax treatment for Australian resident investors is included in Section 9.12.	Section 9.12

Topic	Summary	For more information
How can I apply?	Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Section 7.2 and the Application Form
Can the Offer be withdrawn?	The Company and SaleCo reserve the right not to proceed with the Offer at any time before the issue or transfer of Shares to Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.2
When will I know if my application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around 12 July 2021.	Section 7.2
What if I have questions about the Offer?	For further information, call the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday (excluding public holidays) during the Offer Period. If you are still unclear about any matter contained in this Prospectus or uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Section 7.2

Important notice

This Section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares. In addition, past financial performance is not a guide to future financial performance.

2. Market Report

Silk's multi-user facility – Altona, VIC

2. Market Report

Frost & Sullivan Australia Pty. Ltd.
Level 1, 54 Miller St,
North Sydney NSW 2060
Tel: (02) 8247 8930
www.frost.com

The Logistics Services Market

April 2021

This report has been commissioned from Frost & Sullivan by Silk Logistics Holdings Ltd. (hereafter known as Silk or the Company) to support its initial public offering (IPO) process. The report covers the logistics services market in Australia.

1. Background, Definitions and Methodology

1.1 Background

Silk is a provider of logistics services in Australia. Silk has three core service offerings; port logistics, warehousing and distribution, which may be offered separately to customers or provided more holistically as part of an integrated logistics solution.

1.2 Definition

1.2.1 Logistics Services

Logistics involves the planning, implementation and control of the efficient and effective flow and storage of goods, services and related information from the point of origin to the point of consumption. Logistics is a key element of a supply chain, which starts with unprocessed raw materials and ends with the final customer using the finished goods. All vendors, service providers and customers are links in the supply chain.

Organisations that require the use of logistics services (referred to in this report as "shippers") may undertake activities in-house or may outsource logistics to one or more external providers. Although logistics involves a number of discrete activities along the overall supply chain, modern logistics service providers (LSPs) are increasingly offering these as part of an end-to-end, integrated logistics service. The main activities that are provided by a LSP can include physical transportation (air, sea and land), warehousing and storage, consolidation and de-consolidation, freight forwarding and customs clearance, as well as a range of ancillary services.

1.2.2 Third-party Logistics (3PL)

Increasingly, outsourced logistics services are being provided by LSPs offering an integrated service that comprises multiple logistics activities. Firms offering integrated logistics services of this nature are defined in this report as third-party LSPs, often abbreviated to 3PLs.[1] A 3PL can provide an outsourced service for all or part of a customer's supply chain, unlike 2PLs that only offer a single discrete service. Generally, 3PLs own much of the infrastructure required to deliver their services (such as physical warehouses and trucks), i.e. an "asset heavy" model. However, an emerging industry concept is 4PLs, organisations that oversee the entire management of a shipper's supply chain, including the management of 2PLs and 3PLs. These organisations often invest in IT-systems only, utilising a very "asset light" model using relationships with asset-based service providers to address their customers' needs.

1.2.3 Freight Forwarders

Shippers may contract directly with LSPs, however commonly freight forwarders are used to manage international logistics. Freight forwarders act as intermediaries between shippers and LSPs to provide the most efficient and economical transport route to their clients, and provide services such as customs clearance and import/export documentation. Some freight forwarders also maintain in-house capability to deliver some logistics services.

1 A 3PL is generally defined as offering some degree of integration of logistics services, as opposed to simple transactional logistics activities such as trucking or warehousing, providers of which are sometimes referred to as 2PLs.

2. Market Report

1.3 Methodology

Data provided in this report is based on publicly available data sources, including governmental statistics and reports, company reports and presentations, press articles and reports, and analyst reports. Market size estimates are based on data reported by industry participants, industry analysts and Frost & Sullivan's own estimations.

All financial data in the report is given in Australian dollars ($). When converting to $ from other currencies, the exchange rate as at March 24 2021 has been used.

$1=	US$0.76

Source: xe.com, 24 March 2021

2. Logistics Industry Structure

2.1 Key Logistics Services

Integrated logistics services involve the provision of a range of services within an integrated offering to the shipper, although services may also be provided individually. The key services are described below.

2.1.1 Port Logistics

Port logistics (sometimes known as wharf cartage or wharf transport) involves the transport of freight to/from ports. This includes bulk and containerised freight, however this report focuses on port logistics for containerised freight, involving transport of shipping containers between ports and inland locations where containers are packed/unpacked, such as warehouses, distribution centres and factories.

The majority of containers handled in Australian ports travel by road, with only 12% travelling by rail.[2] Port logistics operators deliver and collect containers to/from the terminals of the stevedoring operators at each port, with stevedores providing access to their Vehicle Booking System (VBS) to allocate time slots for trucks to collect or deliver their cargo at the terminal and charging an administration fee to the LSP. LSPs are also levied a terminal access charge (TAC) for each laden container delivered to the stevedore's terminal (the TAC is a fee applied to trucks and trains for dropping off or picking up a laden container at the terminal). LSPs may also offer ancillary services such as container packing/unpacking, quarantine inspection and fumigation. The primary growth driver of this service is the increased volume of containerised freight being handled through Australian ports.

2.1.2 Warehousing

Warehousing involves the management of facilities where goods are temporarily stored, and services such as packing and unpacking occur. Warehouses may be located within the port, outside port areas or at factories. Warehouses are used for packing/unpacking of containers, receiving road loads (FTL and LTL[3]), storage, other value adding services and load consolidation prior to onward movement. The primary growth drivers for warehousing services are overall economic growth and an increasing trend to outsource warehouse operations. Providers of warehousing services may own the facility, or provide management services in a facility owned by a third-party.

2.1.3 Distribution

Land transport of freight includes rail transport, road linehaul transport (land transport primarily of bulk freight over long distances, often inter-state) and distribution. Distribution as defined in this report involves the final transportation of goods, predominantly by road, from warehouses to delivery points such as retail premises, factories and households. Often this is known as 'last-mile' delivery and utilises transport such as vans and trucks carrying goods generally in pallet format. Primary growth drivers for distribution services include general economic growth and increased outsourcing of distribution by shippers, as well as the significant increase in eCommerce.

2 Australian Competition and Consumer Commission (ACCC), Container stevedoring monitoring report, 2019-20.
3 Full truckload and less than load.

2.2 Logistics in Australia

As an island nation significantly exposed to global trade and with a population dispersed across a very large landmass, logistics is critical to Australia and its economy. A snapshot of national logistics is given below.

Table 1: Logistics Snapshot, Australia, 2020

Total Logistics Cost ($ bn)	Logistics Cost as Percentage of GDP	Logistics Industry Revenue ($ bn)	Import Volume (tonnes m)	Export Volume (tonnes m)	Domestic Road Freight Movement (btkm)
149.9	8.2%	75.2	99	1,394	214

Sources: Armstrong and Associates, Latest Third-Party Logistics Market Results and Predictions for 2020, August 2020; Frost & Sullivan; Bureau of Infrastructure and Transport Research Economics (BITRE), Infrastructure Report, 2020

2.2.1 Logistics Expenditure

The total cost of logistics (including in-house costs and expenditure on external LSPs) accounts for a sizeable proportion of economic activity. Logistics cost as a percentage of gross domestic product (GDP) is a commonly-used benchmark for assessing the efficiency of logistics in a specific country, and depends on factors such as transportation infrastructure, geography and the level of competition in logistics services. Globally, logistics cost as a percentage of GDP ranges from around 8% in developed countries such as the US, Canada and Germany, to 25% and over in emerging economies.[4] Over time, in developed countries logistics cost as a percentage of GDP tends to decline as logistics networks become more efficient.

Table 2: Logistics Cost as Percentage of GDP, Australia, Canada, and US, 2013 and 2019

	2013	2019
Australia	10.5%	8.2%
Canada	9.0%	9.0%
Germany	8.8%	8.1%
US	8.5%	7.6%

Sources: Armstrong & Associates; Council of Supply Chain Management Professionals (CSCMP)

In 2020, total logistics cost in Australia was estimated at $149.9 billion, or 8.2% of GDP.[5,6] The total revenue of the logistics industry in Australia is estimated at $75.2 billion in 2020, i.e. approximately 50% of total logistics expenditure involves payments to LSPs for provision of services.[7] Over time this percentage is growing as an increased share of logistics activities is outsourced.

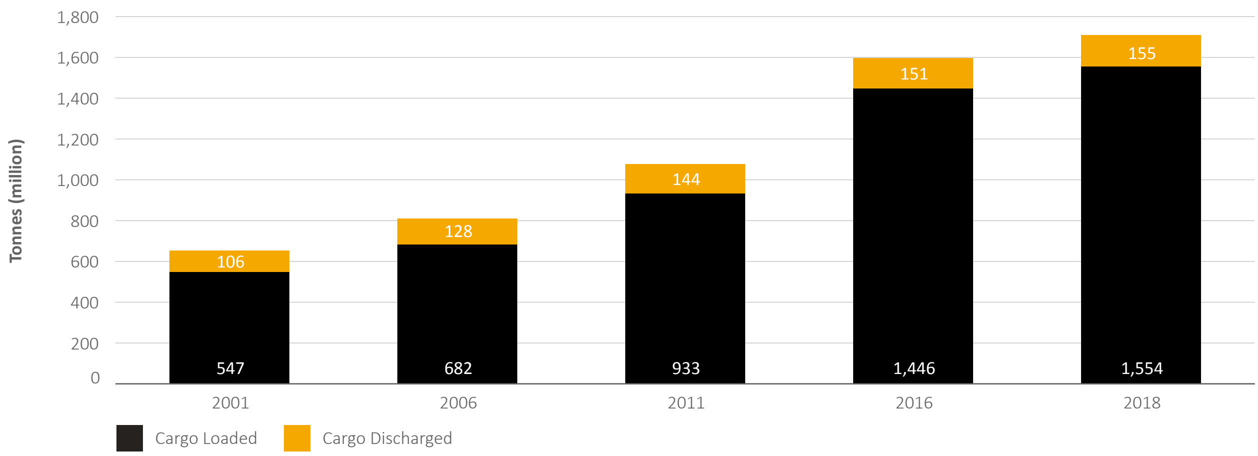
4 Transport Geography, accessed from https://transportgeography.org/contents/chapter7/logistics-freight-distribution/logisticsecodev-2/
5 Armstrong and Associates, Latest Third-Party Logistics Market Results and Predictions for 2020, August 2020.
6 Trading Economics, accessed from https://tradingeconomics.com/australia/gdp
7 Frost & Sullivan.

2. Market Report

2.2.2 Logistics Volumes

Australia's international freight volume in 2019 was 1,493 million tonnes, with 1 million tonnes carried by airfreight and the balance by sea. Exports (primarily of bulk commodities) were 1,394 million tonnes, and imports (primarily of finished or semi-finished products) 99 million tonnes.[8] Total cargo loaded/discharged at Australian ports (including exports/imports and domestic cargo) has increased at a compound annual growth rate (CAGR) of 5.5% between 2001 and 2018.[9]

Figure 1: Freight Loaded/Discharged at Australian Ports, 2001 to 2018



Source: BITRE, Infrastructure Report, 2020. Data is for financial years

Domestic freight movement in Australia totalled 738 billion tonne kilometres (btkm) in 2019, with road transport accounting for 214 btkm or 29% of the total (the balance is rail, air freight and coastal shipping). However, road transport accounts for the majority of non-bulk freight movement in Australia (76% in 2016).[10]

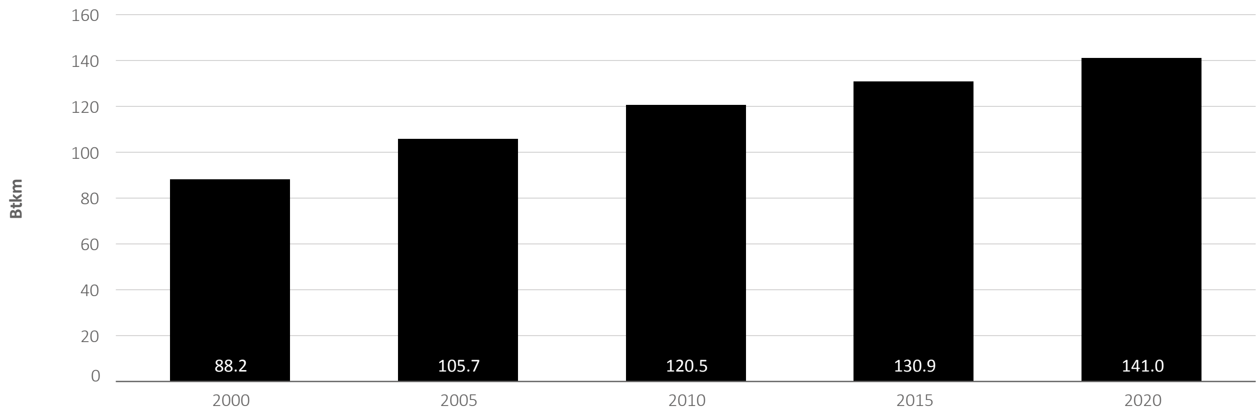
Figure 2: Non-bulk Freight Movements by Transport Mode, Australia, 2016

Source: BITRE, Infrastructure Report, 2020

Between 2000 and 2020 non-bulk freight movement by road has increased at a CAGR of 2.4%.[11]

8 BITRE, Infrastructure Report, 2020.
9 Ibid.
10 The latest year for which total non-bulk freight data is available for rail.
11 BITRE, Infrastructure Report, 2020. Data is for financial years.

Figure 3: Non-bulk Road Freight Transport, Australia, 2000 to 2020



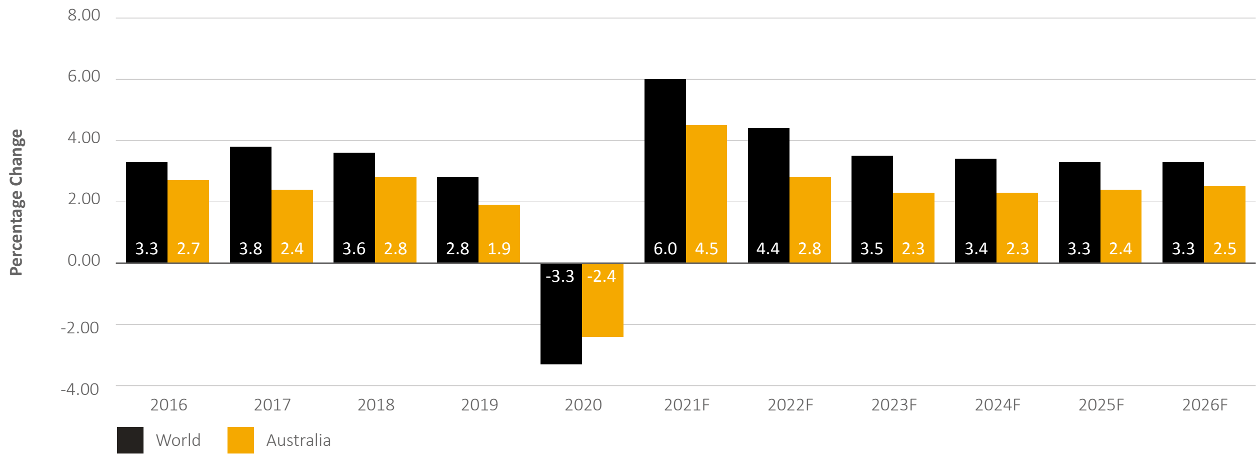
Source: BITRE, Infrastructure Report, 2020. Data is for financial years

2.3 Impact of COVID-19 on Logistics

A principal growth driver of logistics services is overall economic activity, which impacts both international trade and domestic logistics. From March 2020 onwards, the COVID-19 pandemic had a significant impact on economic activity, with the Australian economy falling into recession in the March and June quarters.

After an estimated contraction of -3.3% in 2020, the global economy is forecast to grow by 6.0% in 2021 and 4.4% in 2022, reflecting the recovery from the significant downturn caused by the COVID-19 pandemic. The Australian economy is estimated to have declined by -2.4% in 2020, but is anticipated to grow by 4.5% in 2021, followed by 2.8% in 2022.[12]

Figure 4: Annual Percentage Change in GDP, World and Australia, 2016 to 2026F



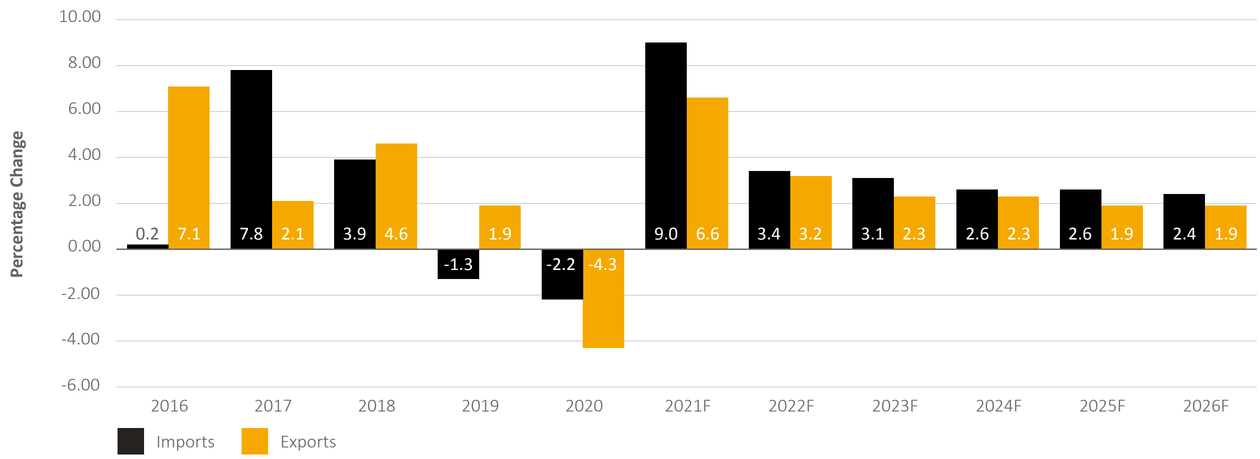
Source: IMF, World Economic Outlook, April 2021. Data is for calendar years

Import and export volumes to/from Australia fell in 2020 due to the impact of the COVID-19 pandemic. However, the IMF is forecasting a strong rebound in 2021, with imports increasing by 9.0% and exports by 6.6%. Thereafter the annual increase in import volumes is forecast to range from 2.4% to 3.1%, and in exports from 1.9% to 3.2% to 2026.[13]

12 IMF, World Economic Outlook database, April 2021.
13 Ibid.

2. Market Report

Figure 5: Annual Change in Volume of Imports and Exports, Australia, 2016 to 2026F



Source: IMF, World Economic Outlook, April 2021. Data is for calendar years

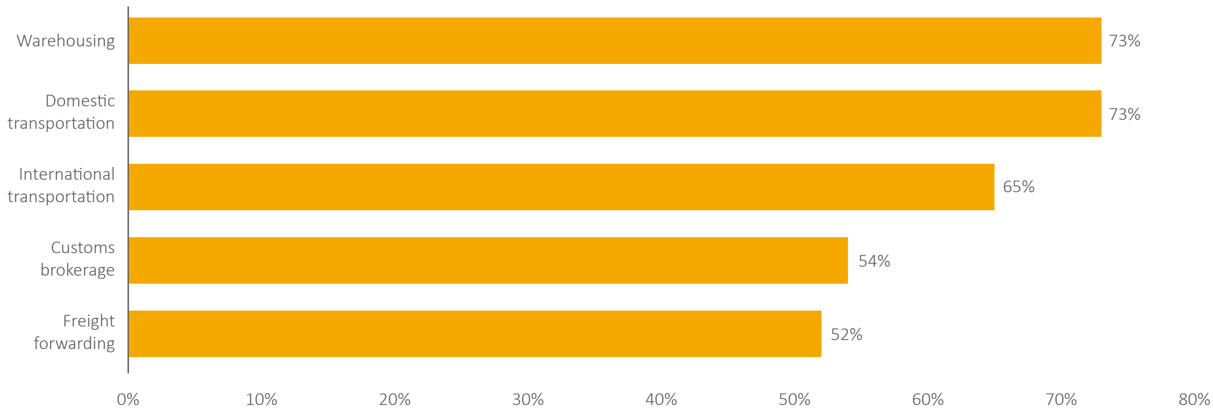
3. Market Drivers and Trends for Logistics Services

A number of factors are driving growth in demand for logistics services in Australia, as described below.

3.1 Increased Propensity to Outsource Logistics Services

Over time, there has been a growing trend for shippers to outsource logistics services to LSPs. A global study of shippers undertaken in 2020 indicated that the average percentage of logistics expenditure outsourced had increased to 52% in 2020 (up from 36% in 2015)[14] and that 57% of shippers are increasing their use of outsourced services. Propensity to outsource transportation services and warehousing is increasing in particular, with 55% of transportation spend managed by third-parties (up from 49% in 2019) and 43% of warehouse operations spend managed by third-parties (up from 35% in 2019). Overall, the logistics activities most commonly outsourced are warehousing and domestic transportation, with 73% of shippers outsourcing each of these functions.[15]

Figure 6: Outsourcing of Logistics Functions by Shippers, Global, 2020



Source: John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020. Percentages are the percentage of survey respondents that outsource each activity

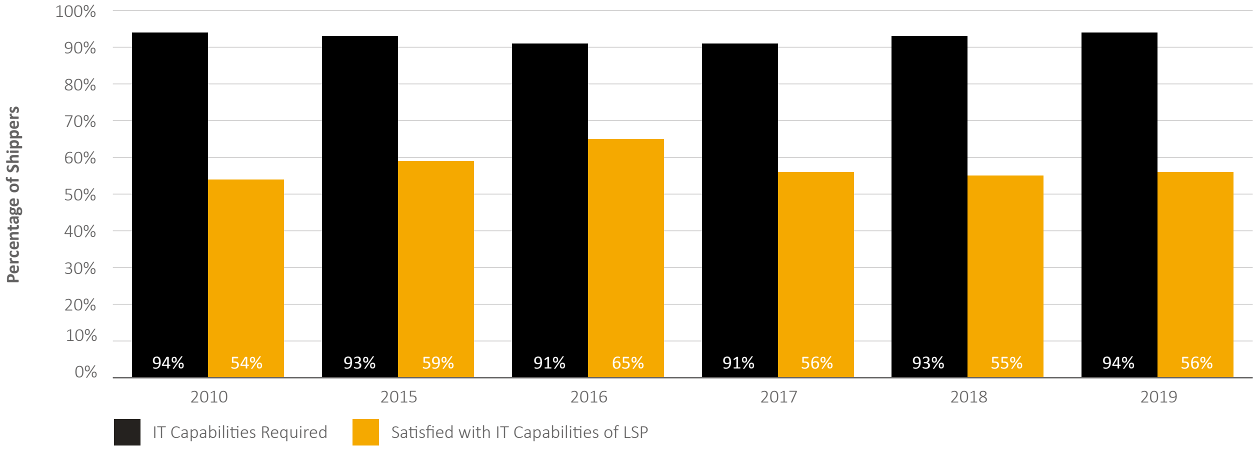
14 Cap Gemini, 19th Annual Third-party Logistics Study, 2015.
15 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.

3.2 Digitisation of Supply Chains

Another major driver for logistics services is the digitisation of supply chains as digital technology is increasingly used to manage and measure logistics services, helping to reduce logistics costs, improve asset utilisation and offer enhanced supply chain transparency to shippers. This drives an increased propensity for shippers to utilise LSPs that have invested in technology solutions.

Overall, 94% of shippers believe that IT capability is important for LSPs. However, only 56% of shippers are satisfied with the current IT capabilities of their LSP(s). This "IT gap" (i.e. the difference between the percentage of shippers believing IT capabilities are a necessary part of LSP expertise and the percentage satisfied with the IT capability of their LSP) has remained broadly stable over recent years.[16]

Figure 7: IT Gap, Perceptions of Shippers, Global, 2010 to 2019



Source: John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020

Among shippers, the most important digital solutions that LSPs should offer are electronic data interchange (EDI) of orders, advanced shipment notices, updates, invoicing, etc. (mentioned by 66% of shippers); transportation management and planning (64%); and warehouse management (63%). [17]

A key area of focus is the use of digital analytics to improve the operations of supply chains in areas like on-time delivery, shipment visibility and reduced freight costs. Overall, 95% of shippers believe that analytics is a necessary element of the services provided by LSPs, but only 26% are satisfied with the current analytics capability of their provider.[18]

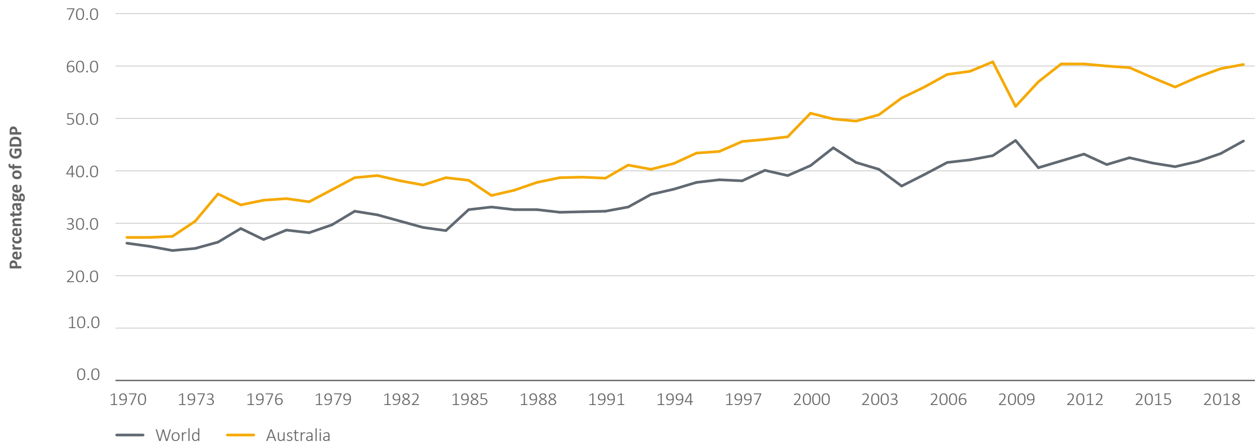
3.3 GDP and Trade Growth

A prime growth driver for logistics services is growth in international trade, which itself is driven by global GDP growth and globalisation. Over recent decades the importance of international trade to the global economy has increased significantly, as indicated by the trade-to-GDP ratio (calculated by dividing the aggregate value of imports and exports by GDP). The trade-to-GDP ratio is an indicator of the degree of globalisation of the economy.

Between 1970 and 2019, the global trade-to-GDP ratio increased from 27% to 60% and in Australia from 26% to 46%. Although Australia's trade-to-GDP ratio is lower than the global average, it is well ahead of many other economies such as the US (26% in 2019), China (36% in 2019), Japan (37% in 2018) and India (40% in 2019).[19]

16 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.
17 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.
18 Ibid.
19 World Bank Indicators, Trade (% of GDP).

Figure 8: Trade-to-GDP Ratio, Global and Australia, 1970 to 2019



Source: World Bank Indicators, Trade (% of GDP). Data is for calendar years

The COVID-19 pandemic had a significant impact on global trade in 2020, with the volume of trade in goods declining by 5.1%. However, 2021 is anticipated to see a strong rebound, with a forecast 9.5% increase.[20]

Figure 9: World Trade in Goods, Percentage Change, 2013 to 2022F

Source: IMF, World Economic Outlook, April 2021. Data is for calendar years

3.4 Globalisation and Increased Complexity of Supply Chains

The globalisation of supply chains (use of global sourcing models and increased outsourcing/subcontracting across regions) is a trend supporting demand for reliable, transparent and efficient logistics services. Australia has strong linkages with global supply chains across a range of goods and commodities. This is expected to drive demand for logistics services. Despite the short-term negative impact of the COVID-19 pandemic on trade, over the long term, Australia's linkages with global supply chains will continue to be supported by:

- Positive impact on market access from Free Trade Agreements (FTAs). Up to the end of 2020, Australia had signed 15 FTAs with a further seven in negotiation,[21] and in November 2020 the world's largest trade agreement (covering countries that produce approximately 30% of global GDP), the Regional Comprehensive Economic Partnership (RCEP), was signed with Australia as a signatory.[22]

20 IMF, World Economic Outlook, April 2021.
21 Department of Foreign Affairs and Trade (DFAT), accessed from https://www.dfat.gov.au/trade/agreements/trade-agreements.
22 Austrade, accessed from https://www.austrade.gov.au/News/Latest-from-Austrade/2020-Latest-from-Austrade/australia-signs-worlds-largest-free-trade-agreement.

- Improved efficiencies through the leverage of logistics technology (including the use of sensors/trackers for Internet of Things (IoT) enabled monitoring, tracking and reporting, cloud-based logistics software solutions, mobile solutions, analytics, block chain, robotics and automation, etc.)

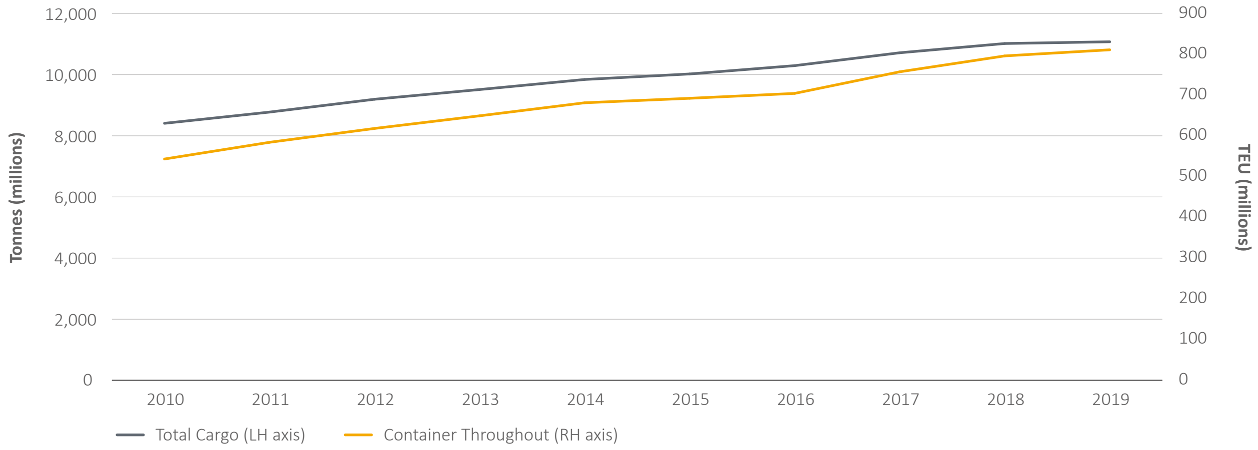
Additionally, supply chains are increasing in complexity which drives increased usage of specialist LSPs. This complexity results from factors such as:

- The increased use of digital technology in managing supply chains;
- Growing outsourcing by manufacturing companies, leading to increased dispersion of production processes (for example, in sourcing raw materials and semi-finished products), which drives a need for increased transport both domestically and internationally;
- The growth in eCommerce which is driving a need for enhanced logistics networks to offer quick and efficient deliveries to households;
- Increased use of both on-site and remote teams by LSPs;
- Increased regulation, for example to meet health, safety and tax collection requirements in individual countries; and
- The growing use of just-in-time (JIT) manufacturing which drives increased emphasis on fast and highly reliable logistics services.

3.5 Growth in Containerised Freight

Over recent years, containerised freight has increased its role in maritime transport due to the efficiencies it offers for transport of non-bulk freight (such as easier handling at ports). Between 2010 and 2019, total international maritime trade increased at a CAGR of 3.1%, compared to 4.6% specifically for containerised trade, with the number of containers handled globally increasing from 543 million TEUs[23] in 2010 to 811 million TEUs in 2019.[24] Australia accounts for approximately 1% of global containerised trade (measured in terms of port throughput). Between 2010 and 2019 container throughput at Australian ports increased at a CAGR of 3.0% to reach approximately 8.3 million TEU in 2019.[25]

Figure 10: Total International Maritime Trade and Container Throughput, Global, 2010 to 2019



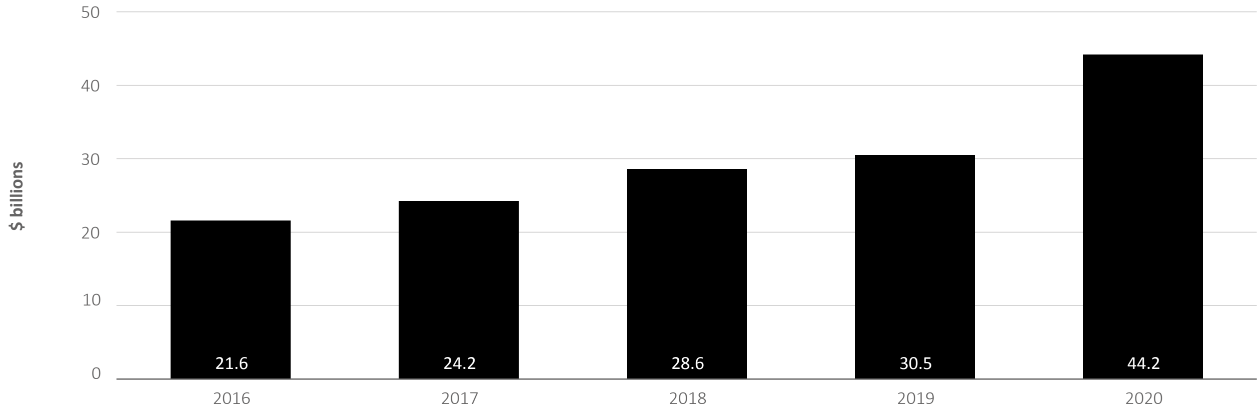
Source: UNCTAD Statistics, Container Port Throughput. Data is for calendar years

23 TEU stands for twenty foot equivalent unit and is a commonly used standardised unit for measuring container volumes.
24 United Nations (UN), Review of Maritime Transport, 2020.
25 UNCTAD Statistics, Container Port Throughput. Data is for calendar years and includes all ports.

3.6 Growth in eCommerce

A major driver for logistics services has been the rapid growth in eCommerce, including both domestic and cross-border services. The use of eCommerce has been significantly boosted by the COVID-19 pandemic, which is expected to create an ongoing increase in eCommerce among Australian consumers. In 2020, eCommerce spending by Australian households is estimated to have increased by 45% on 2019 to reach $44.2 billion, or over 12.6% of total retail sales (including purchases from overseas eCommerce sites).[26]

Figure 11: Consumer eCommerce Expenditure, Australia, 2016 to 2020



Source: NAB, Online Retail Sales Index. Data is for calendar years, and includes spending with domestic and overseas online retailers

This trend has stimulated growth in all aspects of logistics services, and is anticipated to provide an ongoing boost to LSPs. For example, take-up of warehousing space by retailers in Australia increased by 33% in 2020 when compared to 2019, primarily to address the significant growth in online sales.[27]

3.7 Supply Chain Disruption

The need to mitigate the operational risk of supply chain disruptions (resulting in extended lead times) supports demand for reliable 3PL services. This priority has been underlined by the massive disruption to supply chains as a result of the strict containment measures and movement restrictions put in place by governments across the globe to counter the COVID-19 pandemic in 2020.

3.8 Infrastructure Investment

Investment in transport and other logistics-related infrastructure is expected to support the efficiency of logistics services. The Australian Government's 2020-21 Federal Budget announced $7.5 billion investment in land transport infrastructure. In total, the Budget allocates around $36 billion for roads and $10.5 billion for rail projects over the four-year horizon. This is anticipated to drive improved productivity for LSPs.

26 NAB, Online Retail Sales Index, December 2020.
27 AFR, accessed from https://www.afr.com/property/commercial/online-shopping-drives-record-warehouse-take-up-20201117-p56fds

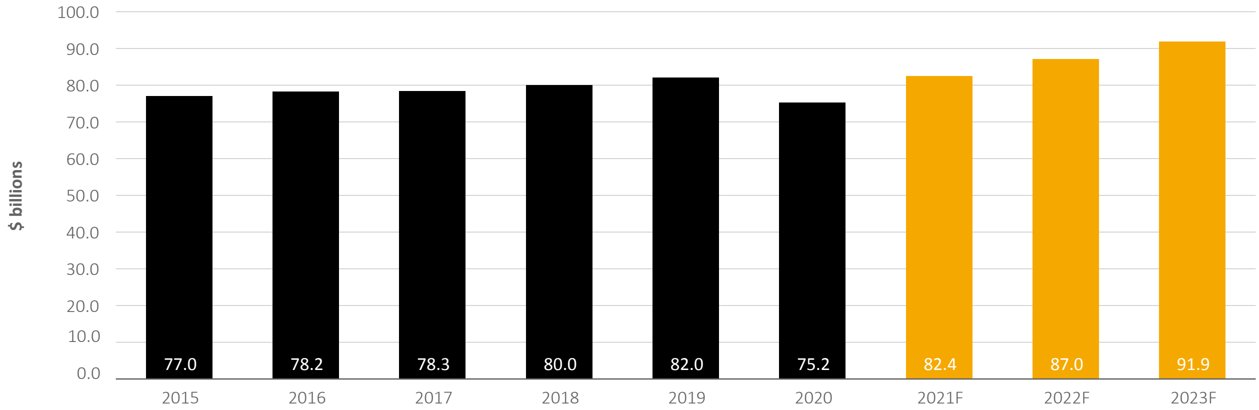
4. Market Size and Growth

Data on the size and growth of the logistics services market in Australia is given below.

4.1 Total Logistics Market

In 2019, total logistics industry revenue in Australia was estimated at $82 billion. Industry revenue declined by 8.3% in 2020 to $75.2 billion, particularly as a result of the impact on trade of the COVID-19 pandemic. However, the industry is expected to see a strong recovery in 2021 and 2022, based on forecast economic growth and the anticipated recovery in trade. The CAGR in logistics industry revenue between 2015 and 2023 is expected to be 4.5%.[28] This is ahead of forecast GDP growth over this period and reflects expected growth in the share of logistics that is outsourced.

Figure 12: Logistics Industry Revenue, Australia, 2015 to 2023F



Source: Frost & Sullivan. Excludes postal & courier services and passenger transport services

Within the overall logistics industry, market sizes for individual services have been estimated as below, although individual services are often subsumed within a broader integrated logistics offer.

4.2 Port Logistics

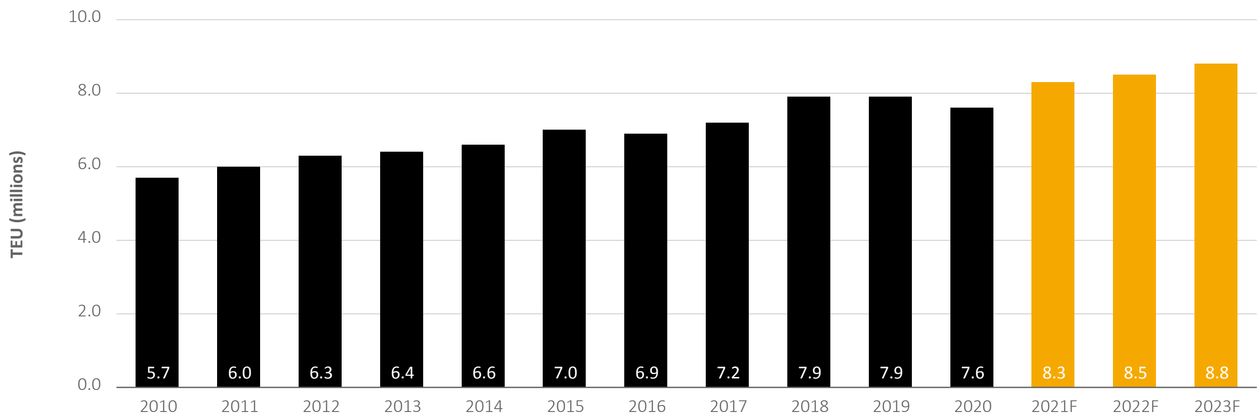
The port logistics market (as defined in this report) is driven by volumes of containers handled through Australian ports.

Between 2010 and 2019 container throughput[29] at the five principal Australian ports (Melbourne, Sydney, Brisbane, Adelaide and Fremantle (Perth)) increased at a CAGR of 3.7%. In 2020, throughput reduced by approximately 4%,[30] but a strong recovery is anticipated from 2021 based on the forecast increase in trade volumes. Between 2010 and 2023 the growth in container throughput is forecast to be 3.4% CAGR.[31] The majority of containers handled are imports, reflecting the fact that Australia imports more containerised goods than it exports. In 2019, imports accounted for 60% of full containers handled at Melbourne and 72% at Sydney.[32]

28 Frost & Sullivan estimate.
29 Throughput includes movement of both laden and empty containers (which are repositioned).
30 ACCC, Container stevedoring monitoring report, 2019-20.
31 Frost & Sullivan estimates, based on IMF World Economic Outlook, April 2021.
32 Ports Australia, trade statistics.

2. Market Report

Figure 13: Container Throughput, Five Main Ports, Australia, 2010 to 2023F



Source: ACCC, Container stevedoring monitoring report, 2019-20; Frost & Sullivan forecasts. Data is for financial years

In 2019, Melbourne and Sydney accounted for 67% of throughput at the five major ports.[33]

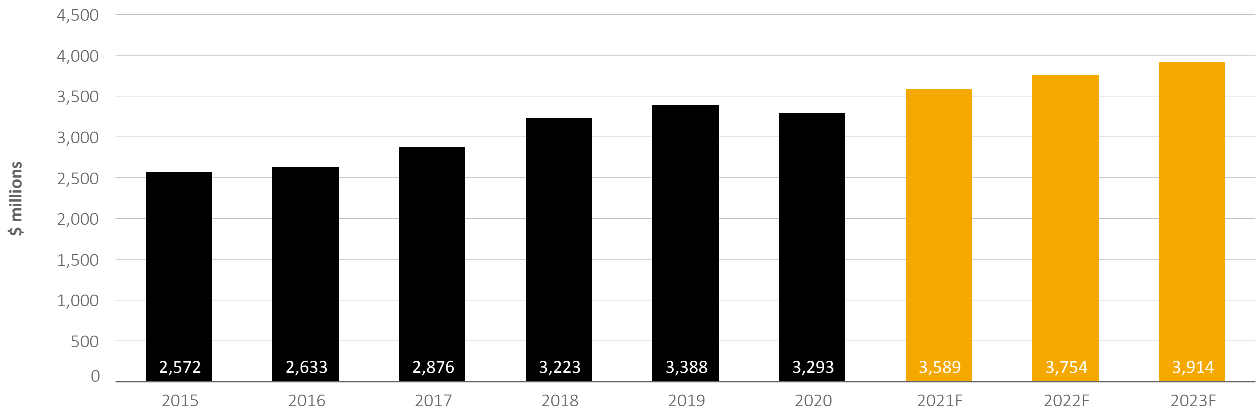
Figure 14: Container Throughput by Major Port, Australia, 2020

Source: ACCC, Container stevedoring monitoring report, 2019-20

Total port logistics industry revenue was estimated at $3.38 billion in 2019, and fell in 2020 as a result of a slight reduction in container volumes. However, recovery is expected from 2021 driven by increased container throughput, with industry revenue forecast to reach $3.91 billion by 2023 at a CAGR of 5.4% between 2015 and 2023.[34] Industry revenue at the gross level is also being driven by increased charges imposed by stevedores on port logistics operators (such as TAC and VBS fees) which are passed onto shippers by LSPs. For example, in Sydney, TACs have increased from $20-25/full container in 2017 to $90-115 in 2020 (different TACs are charged by each stevedore), with similar increases in Melbourne and Brisbane.[35] This means that gross industry revenue is increasing faster than container volumes.

33 ACCC, Container stevedoring monitoring report, 2019-20.
34 Frost & Sullivan.
35 ACCC, Container stevedoring monitoring report, 2019-20.

Figure 15: Port Logistics Revenue, Australia, 2015 to 2023F

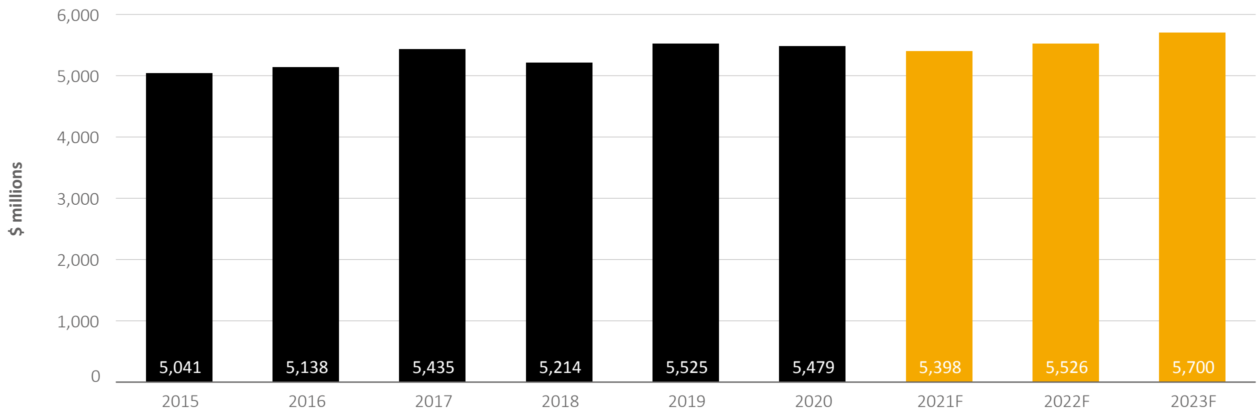


Source: Frost & Sullivan. Data is for financial years. Revenue is gross, inclusive of items recharged to shippers (e.g. TAC)

4.3 Warehousing

Warehousing services were estimated to generate revenue of $5.5 billion in 2019. Following a slight fall in 2020 and 2021, revenue is anticipated to reach $5.7 billion in 2023, with a CAGR of 1.5% from 2015 to 2023.[36] Key drivers of growth include reduced levels of inventory held by retailers and manufacturers, growth in eCommerce and an ongoing trend to outsource logistics operations.

Figure 16: Warehousing Industry Revenue, Australia, 2015 to 2023F



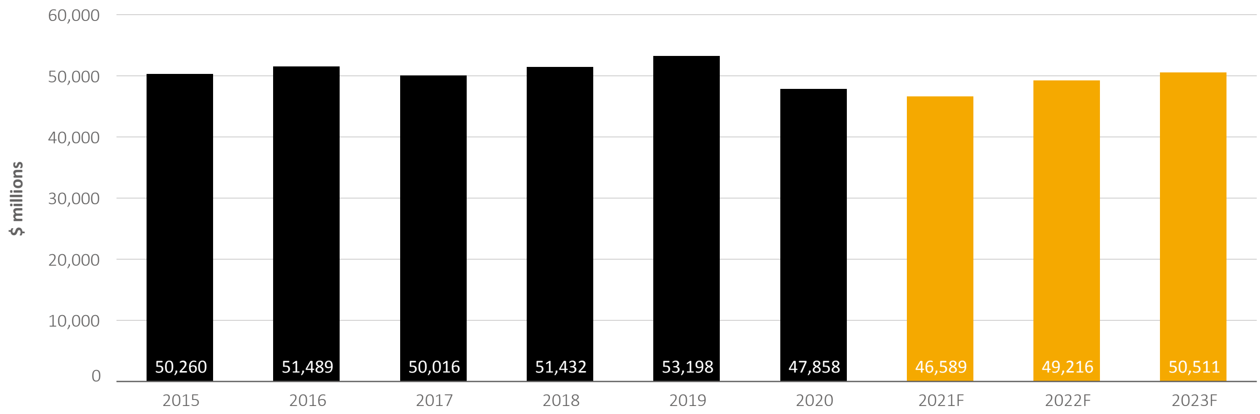
Source: IBISWorld, General Warehousing and Cold Storage in Australia, 2021. Data is for financial years

4.4 Distribution

In 2019, total distribution industry revenue was estimated at $53.2 billion, however the industry was significantly impacted by the COVID-19 pandemic with a 10% fall in industry revenue in 2020 and 2.7% in 2021, primarily driven by the impact of COVID-19 on trade volumes. From 2022 onwards industry revenue is anticipated to recover to reach $50.5 billion by 2023.[37]

36 IBISWorld, General Warehousing and Cold Storage in Australia.
37 IBISWorld, Road Freight Transport in Australia, 2021.

Figure 17: Distribution Industry Revenue, 2015 to 2023F



Source: IBISWorld, Road Freight Transport in Australia, 2021. Data is for financial years

5. Industry Structure and Competitive Environment

5.1 Industry Structure

The logistics services industry includes multinational LSPs with operations in Australia, as well as domestically-based companies. LSPs can be segmented into companies that offer a single, discrete service (2PLs) and companies offering a broader, integrated logistics solution (including 3PLs and 4PLs).

The logistics industry in Australia is highly fragmented, with the number of LSPs by key category summarised below. As at June 2020, there were over 23,000 road freight transport businesses and 714 warehousing and storage services businesses, but only 62 and 14 respectively had over 200 employees.[38]

Table 3: Number of Operating LSPs by Category, Australia, June 2020

Category	Number of Employing Businesses	Number of Employing Businesses (200+ employees)
Road freight transport	23,410	62
Freight forwarding	716	24
Warehousing and storage services	714	14

Source: Australian Bureau of Statistics (ABS), Counts of Australian Businesses, including Entries and Exits, June 2016 to June 2020. Data excludes non-employing businesses

In 2020, 3PLs/4PLs were estimated to generate revenue of $15.9 billion, or approximately 21% of total logistics services industry revenue, with the balance generated by 2PLs.[39]

38 ABS, Counts of Australian Businesses, including Entries and Exits, June 2016 to June 2020. Data excludes non-employing businesses.
39 Armstrong and Associates, Latest Third-Party Logistics Market Results and Predictions for 2020, August 2020.

Figure 18: Logistics Services Industry Revenue by Participant Type, Australia, 2020

Source: Armstrong and Associates, Latest Third-Party Logistics Market Results and Predictions for 2020, August 2020; Frost & Sullivan

5.2 Key Participants

Globally, the largest multinational LSPs are DHL Supply Chain & Global Forwarding, Kuehne + Nagel, Nippon Express, DB Schenker and CH Robinson. All of these companies have operations in Australia and operate as 3PLs, providing a range of logistics services. The largest Australian and New Zealand-headquartered LSPs include Toll Group and Linfox, which are the only two Australian companies within the top-50 global 3PLs, as well as Mainfreight and Qube.

The principal LSPs in the sectors where Silk operates are listed and profiled below.

Table 4: Main LSPs, Australia, 2021

Company	Principal Services Offered			Status	Revenue	Comments
	Port Logistics	Warehousing	Distribution			
Toll Holdings		√	√	Subsidiary of Japan Post*	$7.8 billion (2020)	Operates 1,200 sites in 50 countries
Linfox		√	√	Private	~$3 billion (2020)	Largest privately-owned LSP in Asia Pacific
Mainfreight	√	√	√	Publicly-listed (NZX)	NZ$3.1 billion (2020)**	Operates 56 branches in Australia
Qube	√	√	√	Publicly-listed (ASX)	$1.9 billion (2020)	Operates from 48 sites in Australia
K&S Corporation		√	√	Publicly-listed (ASX)	$791 million (2020)	Through its DTM business, provides integrated logistics including distribution and warehousing
United Global Logistics (T/A Mondiale VGL)	√	√	√	Private	$408 million (2020)	Formed by merger of VISA Global Logistics with Mondiale Freight Services in 2021

Company	Principal Services Offered			Status	Revenue	Comments
	Port Logistics	Warehousing	Distribution			
ACFS Port Logistics	√			Private	$254 million (2019)	Claims to be largest privately owned container logistics operator in Australia, moving over 1.2 m TEUs annually
Swift Transport	√	√	√	Private	N/A	Port logistics operations focused on Sydney
Arrow Transport	√	√	√	Private	$65 million (estimated)[40]	Port logistics services in Sydney, Melbourne and Brisbane

Sources: company reports and websites

* Japan Post is reported to be divesting its Toll Global Express business that offers express parcel, freight delivery and domestic forwarding services in Australia.[41]

** Includes global transport, warehousing, air & ocean and freight forwarding revenues.

5.2.1 Port Logistics

Participants in port logistics (in addition to Silk) include units of major 3PLs, such as Mainfreight and Qube, port logistics specialists with national operations (such as ACFS Port Logistics and Mondiale VGL), and companies offering services in individual ports (such as JJ Lawson (primarily Sydney) and SE Queensland Hauliers (Brisbane)). Several port logistics companies offer freight forwarding services. Overall the port logistics industry is highly fragmented with many LSPs offering port logistics services. There are approximately 880 LSPs with access to the VBS in the five major ports.[42]

Sources of competitive advantage in port logistics include investment in technology, investment in specialised equipment (owned/rented/leased), the ability to offer an integrated "port-to-door" offer, time-certain focus/reliability and scalability. Additionally, freight forwarders may often be reluctant to use LSPs that also have a freight forwarding operation as these may be perceived as competitors.

5.2.2 Warehousing

The largest suppliers of warehousing services in Australia are the major 3PLs, including multi-nationals such as DHL, Kuehne + Nagel and DB Schenker, and domestically-based businesses such as Toll Group, Linfox, Qube and Mainfreight. Warehousing services specialists include Americold, which offers specialist temperature-controlled warehouses particularly to the food industry at eight locations, Emergent Cold (16 sites) and Newcold (two sites).

Sources of competitive advantage in warehousing include the breadth of the network (locations), ability to offer specialised services (e.g. temperature-controlled facilities), investment in technology and ability to offer an integrated service.

5.2.3 Distribution

The distribution industry is highly fragmented. The largest providers of distribution services are the major 3PLs as mentioned in Section 5.2, but with a very large number of small LSPs also active. Nationally, there are over 23,000 employing road transport businesses, and 54,000 in total including non-employing businesses (i.e. owner-operators).[43] The largest industry participants are Toll Group, Linfox and K&S Corporation.

The sources of competitive advantage in distribution include delivery reliability and speed, ability to transport specialist/mixed loads and national presence/scale.

40 MYOB, accessed from https://www.myob.com/au/enterprise/case-studies/arrow-transport.
41 Air Cargo news, accessed from https://www.aircargonews.net/business/japan-posts-sale-of-toll-global-express-painful/
42 Frost & Sullivan estimate.
43 ABS, Counts of Australian Businesses, including Entries and Exits, June 2020.

6. Competitive Advantage and Barriers to Entry

This section describes the main sources of competitive advantage for LSPs. These often act as barriers to entry for new entrants to the logistics services market.

6.1 Scale and Breadth of Services

Overall, there is a trend for shippers to consolidate the number of LSPs that they use, moving to use of larger LSPs that can offer a broader range of services. In 2020, 60% of shippers reported that they are reducing the number of LSPs that they use.[44] Use of a single or small number of LSPs that are able to offer an integrated logistics service offers a number of benefits for shippers, including lower costs, greater control and visibility over logistics operations, and simplified management. Consequently, over recent years there has been increased consolidation in the logistics services industry, particularly as industry participants seek to broaden their service offering and geographic coverage. Consolidation allows LSPs to benefit from economies of scale and drive efficiency improvements. Larger LSPs are also better positioned to meet customer requirements in terms of maintaining lower inventory levels and receiving smaller but more frequent deliveries. As LSPs consolidate, they are better able to negotiate contract terms with shippers, as well as to invest in new technology.[45]

6.2 Regulatory and Compliance Requirements

The logistics services industry is subject to an increasing number of regulatory and compliance requirements. The increasing propensity of regulatory bodies to enforce these requirements can impose additional costs on LSPs, which favours larger providers that are more able to absorb these costs. The logistics industry, particularly the road freight sector, is already subject to various compliance requirement generally on a state/territory basis, although there is a move towards national regulation, for example through the establishment of the Heavy Vehicle National Law (HVNL) and National Heavy Vehicle Regulator (NHVR). The National Heavy Vehicle Accreditation Scheme (NHVAS) was introduced in 1999, and provides a national formal process for recognising operators who have robust safety management systems in place in areas of fatigue management, maintenance management and mass management. It is also increasingly being used to show compliance with general duty requirements under road transport law.

Technology is increasingly being used in addressing compliance requirements (such as use of in-vehicle telematics, driver state sensing devices and electronic work diaries). Adoption of technologies to address compliance requirements favours larger LSPs that are better positioned to make the necessary investments and provide a barrier to entry for new participants.

Some of the principal regulations that apply to the logistics industry are listed below.

Table 5: Industry Regulations, Logistics, Australia, 2021

Area	Comments
Fatigue management	National heavy vehicle driver fatigue laws apply to fatigue-regulated heavy vehicles (trucks with gross vehicle mass >12 tonnes) which include regulations for Chain of Responsibility (CoR) (which mandates parties named in the CoR to ensure compliance with fatigue regulations).
On-road compliance	The HVNL covers areas such as vehicle standards, load restraints and maximum mass and dimensions.
Vehicle emissions	Minimum standard for new light vehicles are based on the Euro 5 standards, and Euro V standards for new heavy vehicles. A review is currently underway to decide whether Euro 6 and Euro VI standards should be introduced.
Workplace health & safety (WHS)	State/territory WHS laws place a duty of care on employers to provide and maintain a work environment that is without risk to health and safety and to monitor the health of workers and the conditions of the workplace for the purpose of preventing illness or injury.

Sources: NHVR; Australian government, vehicle emissions standards; Safe Work Australia

44 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.
45 IBISWorld, Integrated Logistics in Australia, February 2021.

6.3 Use of Information Technology (IT)

The use of IT is becoming increasingly important in logistics management, favouring larger LSPs which have the capacity to invest in IT solutions. A 2020 global survey of shippers identified that 94% of shippers believe that IT capabilities are a necessary part of LSP expertise, and the IT capability of the LSP is becoming more important as a selection factor in choice of for shippers. Consequently, larger LSPs are promoting their IT capabilities as a source of competitive advantage. As mentioned in Section 3.2, the most important IT capabilities required by shippers are EDI (e.g. of orders, advanced shipment notices, updates and invoicing), transportation management and warehouse management. The growing use of data analytics in logistics management is also favouring the use of larger LSPs with this capability, in areas such as improving order fulfilment, increasing shipment visibility and reducing costs. Overall, 95% of shippers believe that data analytics are a necessary part of LSP capability.[46]

6.4 National Infrastructure

The trend towards use of a smaller number of larger LSPs by shippers also supports LSPs able to offer a national service, with appropriate facilities (such as warehouses) across most or all states and territories. A wider network allows LSPs to benefit from increased economies of scale, driving efficiency improvements in operations and the ability to offer clients leaner inventory management solutions.

6.5 Environmental Sustainability

Environmental sustainability in logistics is an area of increasing focus for shippers, and this supports the use of LSPs that emphasise environmental sustainability in their operations. The main drivers for this increased focus by shippers are public perception, regulation and a desire for cost savings. Environmental initiatives being undertaken by LSPs in collaboration with shippers include piloting of alternative fuels for trucks, tracking and reporting emissions and optimisation of operations (e.g. route and load consolidation).[47] Technology is increasingly used by larger LSPs in improving the sustainability of their operations (e.g. in route planning).

7. Conclusion

As an island nation with a dispersed population and a high degree of integration into the global economy, logistics is critical for the Australian economy, with total logistics cost accounting for approximately 8% of GDP. Ninety-eight percent of Australia's trade is handled through its ports.

Over time, outsourcing of logistics services to specialist LSPs by shippers is increasing, with around 50% of total logistics expenditure now outsourced. This results from a number of factors, including;

- The greater efficiency offered by LSPs;
- Simplified management of logistics and the use of technology by LSPs to provide greater transparency and efficiency in management of logistics;
- The trend for shippers to consolidate logistics services with a reduced number of LSPs, particularly those able to offer an integrated service (3PLs), and provide enhanced IT capabilities; and
- The increased regulatory compliance burden which is expected to drive an ongoing consolidation in the logistics services sector.

The total revenue of the logistics industry in Australia was approximately $75 billion in 2020, and is forecast to reach almost $92 billion by 2023.[48] Silk is anticipated to benefit from growth in demand for its key service lines, resulting from increased containerised trade, increased outsourcing of logistics services by shippers and the trend to use of a smaller number of IT-enabled larger LSPs.

46 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.
47 John Langley, Jr., Ph.D., and Infosys, 24th Annual Third-party Logistics Study, 2020.
48 Frost & Sullivan.

8. Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Silk Logistics Holdings Ltd. and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

3.
Company Overview

Staging pallets for dispatch – Altona, VIC

3. Company Overview

3.1 Introduction

Silk is a leading Australian-owned logistics business providing an integrated 'port-to-door' service to some of the world's best-known brands.

Established in 2014 through a management buyout (**MBO**) led by a team which included Brendan Boyd, Managing Director, and John Sood, Chief Customer Officer, Silk provides its time certain, specialised, port-to-door logistics offering through two primary divisions and three distinct services as depicted below:

Figure 1: Silk divisions and services overview

Division	Port Logistics	Contract Logistics	
Services	Wharf cartage	Warehousing	Distribution
			

The Silk business is characterised by:

- **Flexible pool of approximately 1,200 personnel:** Silk has 705 employees, 209 labour hire employees and a panel of 274 transport contractors (as at the end of February 2021).
- **Strategically located facilities:** Silk operates 29 sites nationally and operates in all major Australian capital cities. With good access to container ports and customer sites, Silk ensures the efficient and cost-effective servicing of its customer base on a national scale.
- **Specialised for industry:** Six locations have the necessary licenses and notifications to handle Light Industrial Goods of key customers' products in a safe and compliant manner, including Australian Taxation Office (**ATO**) bonded warehouses in Victoria, NSW and Queensland.
- **"Best of breed" data analytics and visualisation technology platform:** Silk differentiates itself in the market by blending its physical logistics capabilities and scaled national footprint with predictive insights capability, inventory optimisation and supply chain visibility from wharf to warehouse and through to last mile distribution.
- **Asset-light, low capital business model:** Silk employs a disciplined approach to the deployment of capital and the management of assets, with asset purchases subject to strategic assessment and strict hurdles.
- **Customer-centric service:** Silk provides its customers with personalised service, and a technology platform integrated to their own system and responsive to their needs. Silk considers its customers as long-term partners. 97% of Silk's YTD FY21 revenue (as at the end of February 2021) was earned from repeat customers.

This agile approach has led to strong revenue growth, and consistent margins and return on capital since the MBO, with revenues growing from $80.2 million in FY13 to $258.4 million on a pro forma basis in FY20 and $316.1 million forecast for FY21, delivering an 18.2% and 18.7% CAGR respectively during these periods.

With opportunity to increase Silk's share of wallet from its existing 489 customers and the increasing propensity for major brands to outsource logistics services, Silk has the people, processes and technology to significantly grow the business and take market share through acquisition and from large incumbents.

Figure 2: Key performance metrics

approx. 1,200	489	21	8	$316.1m	97%
Personnel	Customers	Warehouses	Port Logistics sites	FY21 F Revenue	Repeat business (%)

Note: Metrics as at the end of February 2021.

3.2 Vision, Safety and Culture

Vision: To be the Australian market leader of innovative supply chain solutions through its people and connected networks.

To achieve Silk's vision, the Company has developed The Silk Way, a set of guiding principles centred around its people, processes and technology.

This approach reflects the following principles:

- Many multinational customers require a local logistics provider that can seamlessly interface with their global supply chain systems while retaining an in-market responsiveness and a bespoke service offering.
- Customers require end-to-end visibility over inventory, secure physical and digital environments, and a highly skilled, local workforce committed to the highest standards of customer service.
- Safety as a primary operational value, with Silk aiming for a zero lost time injury frequency rate (**LTIFR**), with the safety of its employees, contractors and customers its primary operational value.
- A commitment to continual innovation, with a large, well-resourced technology team in place to drive operational efficiencies and expand its service offering.
- A customer-centric approach to the way which Silk's services are delivered, encompassing its long-held reputation for market leadership, integrity and passion for the delivery of exceptional service.

The Silk Way and Silk's values ensure that standards are maintained from top to bottom and remain at the forefront of its service offering.

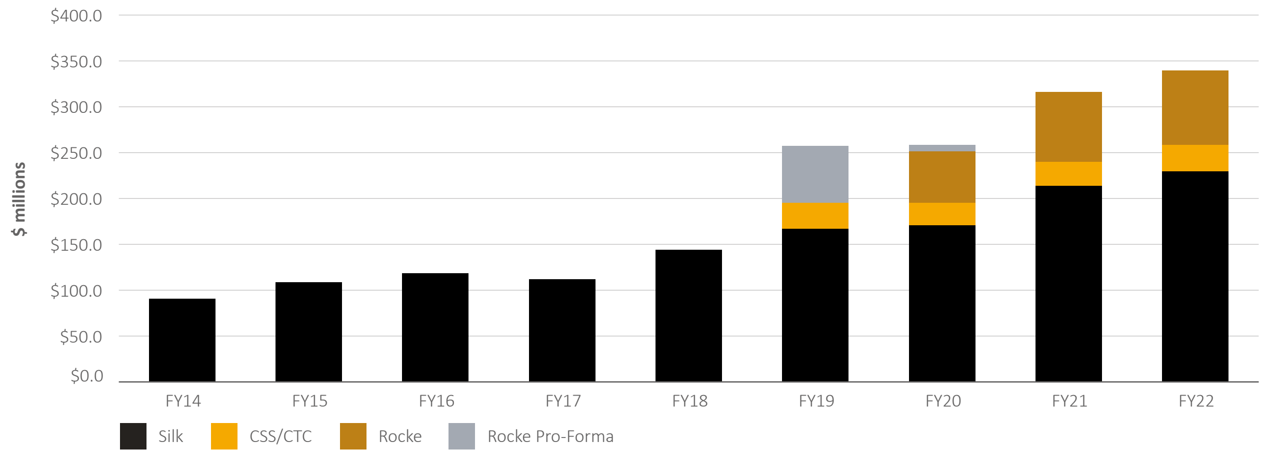
Figure 3: *The Silk Way* and Silk's Values

3.3 History

Silk's history extends back more than a century to two formative businesses in Victoria: Hoffmann Transport, a horse and cart operation on Melbourne's waterfront and Kagan Logistics, a textile processing and exporting operation that would eventually become a large warehouse and distribution business. These businesses were consolidated into Silk Logistics Group in 2008, before being acquired in 2014 by the existing management Shareholders, Brendan Boyd (Co-Founder and Managing Director) and John Sood (Co-Founder and Chief Customer Officer), and private investment partners in the MBO.

Success to date can be attributed to a steadfast adherence to the three-phase strategic plan, depicted in Figure 4 below, implemented as part of the MBO.

Figure 4: Silk Organic and Acquisition Revenue Composition



Phase 1 *Build and Grow*	Phase 2 *Scale Platform and Footprint*	Phase 3 *Pursue Growth via Industry Consolidation*
• Target & win large customers in attractive segments • Build capability to deliver organic growth • Develop people and systems • Enhance operational capability and service	• M&A strategy to build on existing platform and add capabilities, scale or geographic footprint • Focused on unique/ opportunistic deals • Develop and promote Silk's reputation	• Further increase size, scale and capabilities • Lead sector consolidation initiatives • Become alternative of choice to the large majors

Phase 1: Build and grow

Phase 1 of Silk's strategy, immediately post the MBO, was to target large customers in attractive, resilient sectors and to build its operational capability and service. Key was the development and implementation of people and systems as part of *The Silk Way* throughout the new business.

During this time, Silk successfully signed a number of key long-term customers. Each customer continues to be a customer today and has been a source of steady contracted recurring revenue.

Phase 2: Acquisition for scale and expansion of footprint

Phase 2 of Silk's growth strategy, which commenced in 2017, was to target strategic synergistic acquisitions that would enhance Silk's scale, skills, capability, and geographic footprint.

In 2018 and 2019, Silk acquired Container Swinglift Services (**CSS**), CTC Transport and Rocke Brothers.[49] These acquisitions in wharf cartage services have delivered an additional $90.7 million in revenue. These acquisitions have bolstered Silk's national service capabilities and provided organic growth opportunities through the cross-selling of end-to-end services for customers in both the Contract Logistics and Port Logistics divisions. These acquisitions have been complementary to Silk's established warehousing and distribution capabilities.

Table 1: Strategic acquisitions summary

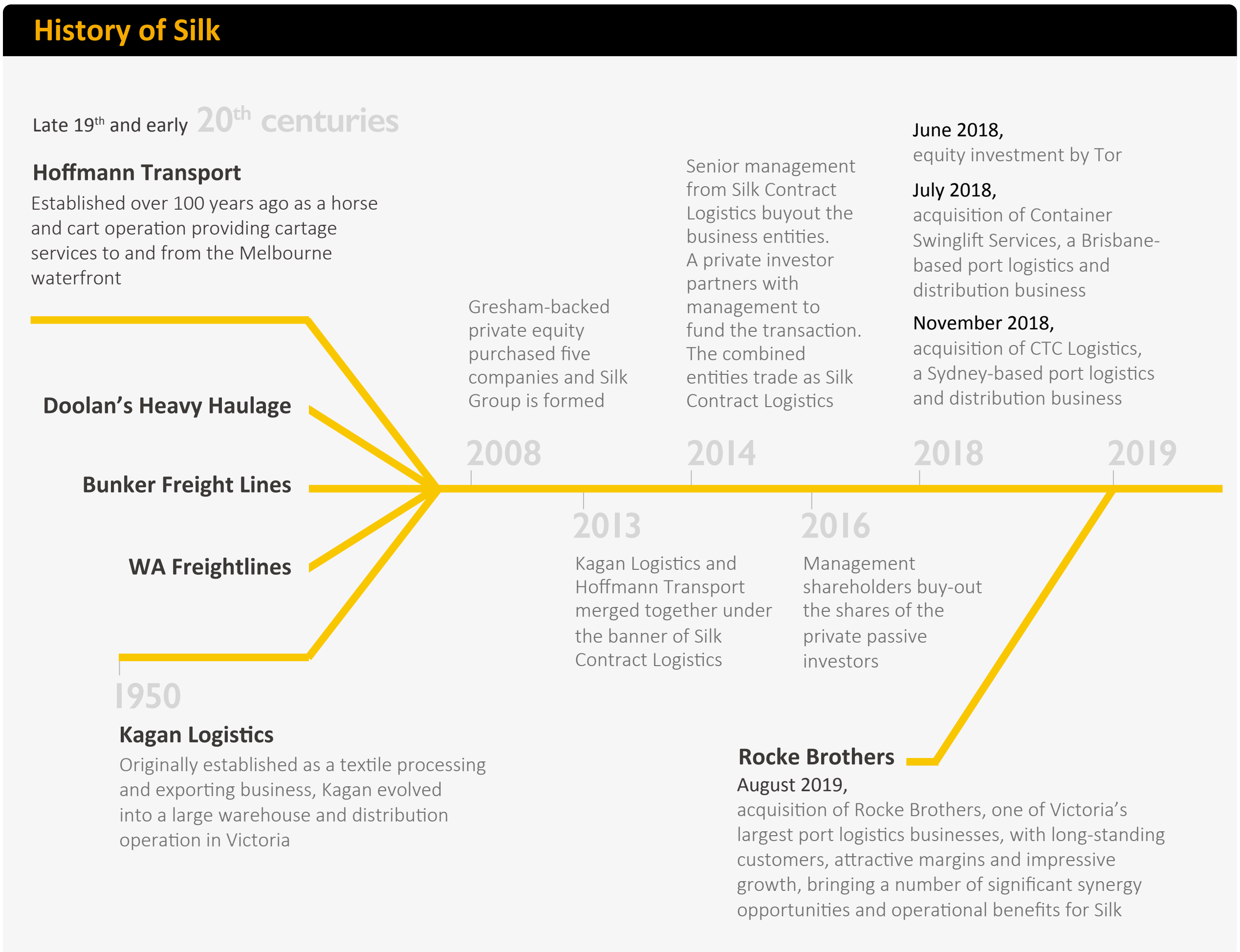
Business	Date Acquired	Acquisition rationale	Revenue impact
Container Swinglift Services (CSS)	**July 2018**	• **Expand Queensland presence:** Brisbane-based CSS expanded Silk's presence in Queensland wharf cartage (imports). • **Agriculture vertical capture:** Extended its scope of services into key export agricultural products. • **Asset consolidation:** Silk consolidated its wharf cartage operations at one state-of-the-art facility at the Port of Brisbane, unlocking additional property and operational synergies.	Since acquisition, revenue in Silk's Queensland Port Logistics division has increased by more than 3.5x, with the CSS acquisition contributing just under half of this growth.
CTC Transport	**November 2018**	• **Expand New South Wales presence:** Acquired wharf cartage operator CTC Transport providing expanded access to Port Botany. • **Light industrial customer base:** New key customers in the timber and steel industries.	Since acquisition, revenue in Silk's NSW Port Logistics division has doubled, with key customers in Victoria and Queensland now utilizing Silk's services for their Sydney requirements.
Rocke Brothers	**August 2019**	• **Scale Victoria presence:** Acquired venerable Victorian wharf cartage business to become the largest road transport operator at the Port of Melbourne and the third largest national Port Logistics business in Australia. • **Talent acquisition:** Acquired a deep talent pool of industry experience and an outstanding reputation on the Victorian waterfront. • **Strong brand and customer base:** Silk operates Rocke Brothers as a standalone brand alongside Silk in Melbourne and has added new blue-chip customers. • **Knowledge base:** Incorporated many of Rocke Brothers market-leading processes across the wider Port Logistics division.	Since acquisition, Silk has grown the Rocke Brothers business by over 20% while Silk's Victorian Port Logistics division has grown by over 40%.

49 In accordance with the share sale agreement under which the Company acquired all shares in Rocke Brothers Pty Ltd in August 2019, the Company is obliged to pay to PGA as vendor an amount of $6 million upon being admitted to the Official List in the form of a single deferred contingent consideration payment. Under the share sale agreement, PGA may elect to receive such consideration in cash or Shares. PGA has elected to receive $6 million via the issue of 3,000,000 Shares at the Offer Price.

Phase 3: Growth by industry consolidation

Silk is currently in Phase 3 of its long-term strategic plan where it intends to increase its market share through organic growth and targeted strategic acquisitions. This is discussed in further detail in Section 3.9, Growth Strategy.

Figure 5: History of Silk



3. Company Overview

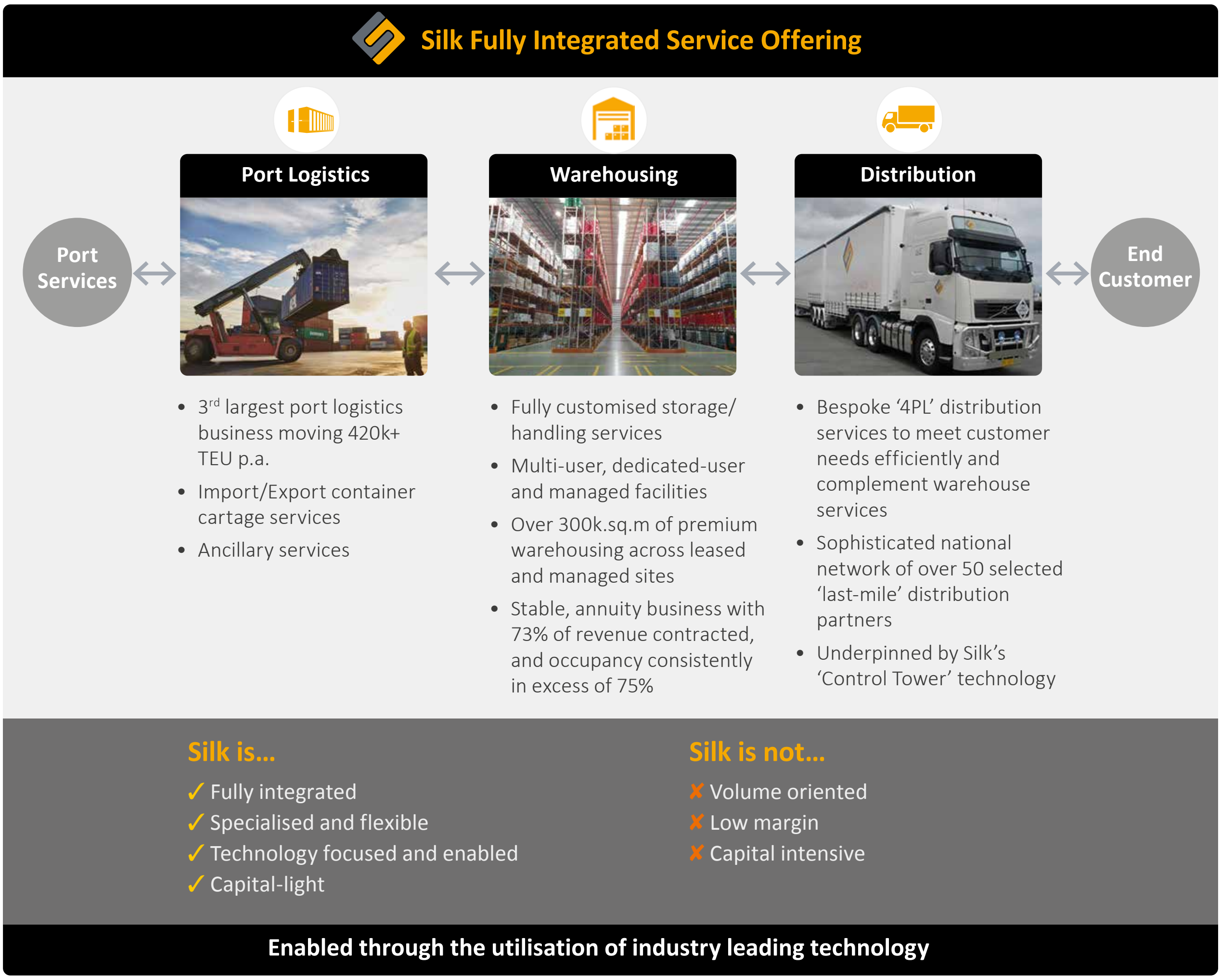
3.4 Divisions and Services

3.4.1 Overview and performance

Silk provides its customers with its integrated 'port-to-door' service offering across two primary divisions comprising:

- Port Logistics:
  - Wharf cartage; and
- Contract Logistics:
  - Warehousing; and
  - Distribution.

Figure 6: 'Port-to-door' service offering

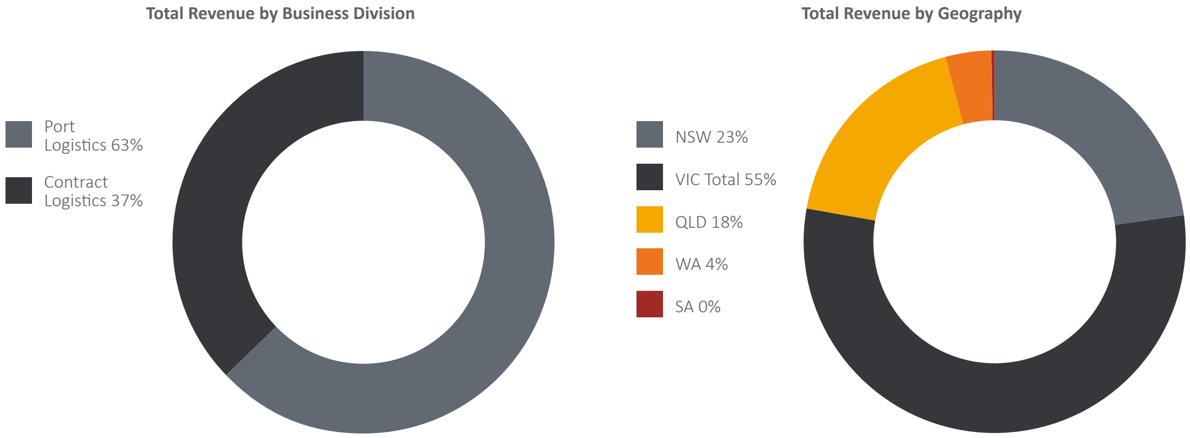


Silk's revenue and earnings are generated from its market leading service offering with operations both "left and right" of the warehouse, where customers have access to a fully integrated port-to-door service offering.

Silk primarily services customers in the FMCG, light industrial, food, specialised retail and containerised agriculture sectors. Currently, no competitor offers this mix of service in its chosen industries on a national scale, providing Silk an opportunity to increase organic growth by increasing its share of wallet for its customers.

Silk has achieved strong revenue growth since the MBO growing revenues from $80.2 million in FY13 (pre MBO) to $258.4 million on a pro forma basis in FY20 and $316.1 million forecast for FY21, delivering CAGRs of 18.2% and 18.7% during these periods. $145.1 million of the forecast growth to FY21 is attributable to organic growth and the balance of $90.7 million is attributable to acquisitions.

Figure 7: Silk revenue by segment and geography in FY21 (forecast)



3.4.2 Port Logistics Division

Silk's Port Logistics division operates under two brands: Silk Contract Logistics and Rocke Brothers. Encompassing a team of dedicated professionals across a national network, the division moves more than 420,000 TEUs per year between major Australian ports and Silk-operated and customer facilities.

Revenue is earned from undertaking tasks including:

- road transport of both import- and export-bound containers;
- fumigation and quarantine-accredited services;
- pack and unpack of containers;
- less than Container Load (**LCL**) delivery;
- fitting of liners to containers; and
- project management.

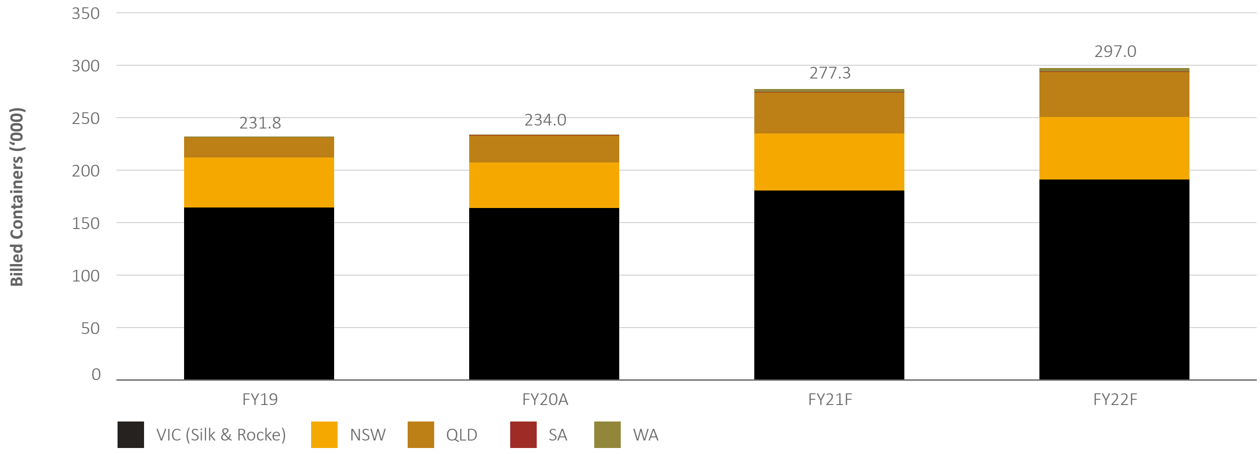
The level of revenue generated from Port Logistics is driven by container volumes in and out of major Australian ports, international trade and global economic conditions. Port Logistics revenue is forecast to represent $214.1 million in FY22, representing approximately 63% of total FY22 forecast revenue for the Group.

3. Company Overview

Silk's Port Logistics' brand operates from two sites in Yennora in Sydney, three sites in Melbourne (Derrimut, Laverton North and Dandenong) and a Port of Brisbane site. Rocke Brothers operates two sites in Victoria – Tottenham and Lara, with access to a third-party site in Derrimut. Silk also offers wharf cartage services to its customers in Adelaide and Perth, however this is currently provided on a pass-through basis with third parties delivering the physical wharf cartage services.

Silk has established specialised sites in the major east-coast cities that reflect the commercial balance between portside access and customer spread. For example, the main site in Sydney is in the western suburbs reflecting the geographic spread of customers. In contrast, the main site in Brisbane is adjacent to the Port of Brisbane.

Figure 8: Silk Port Logistics Billed Containers FY19A-FY22F



Silk Contract Logistics and Rocke Brothers both have a strong track record of long-term recurring revenue from these blue-chip customers. With the pronounced growth in the division over recent years, there exists a significant opportunity for Silk to continue to cross-sell its Contract Logistics offering into this customer base.

The division operates a variable cost, asset-light service model that allows for the scaling up and down of resources to match day-to-day workloads. According to requirements, Silk will utilise company equipment first, adding rental equipment and then transport contractors as demand increases, being able turn off this contracted capability and stand down rented equipment if volume dissipates. This allows Silk to meet customer expectations during peak seasonal periods and for time critical consignments, while remaining cost-efficient during slower periods.

To achieve this operational flexibility, Silk rents or leases much of its general-purpose fleet from major equipment suppliers, including its prime movers and trailers. For certain contracts which require a specialised fleet, Silk will acquire the assets, such as round-the-clock transportation of containerised agricultural commodities in South East Queensland between growing regions and the Port of Brisbane. In these circumstances, the division can maximise productivity and asset utilisation within the context of greater revenue certainty.

3.4.3 Contract Logistics Division

Silk's Contract Logistics division provides customised, technology-enabled warehouse storage, handling and distribution services to a blue-chip customer base.

Contract Logistics revenue represents 37% of total forecast revenue in FY22F and mainly includes the provision of warehousing and distribution services to customers in FMCG, light industrial, food and specialised retail industry verticals.

For warehousing services, revenue is driven by volume and the velocity through the warehouse, with customers charged specified rates per container or pallet for receiving, unpacking, palletising, storage, picking, packing and despatch from the warehouse and other value adding services.

For distribution services, revenue is charged based on specific rate cards depending on the type of vehicle, freight loads and delivery locations.

3.4.3.1 Warehousing Services

Silk provides bespoke warehousing solutions for its customers based on specific contract requirements and service level agreements (**SLAs**). These services are provided under various commercial agreements, including cost-plus and activity-based costing (**ABC**) agreements and hybrid models. The Contract Logistics division operates 21 premium-grade facilities located in all of Australia's major capital cities, providing approximately 300,000 square metres of premium-grade storage space and racking.

Four of these sites are managed on behalf of customers under facility management contracts. Dispatching approximately 1.4 million pallets per annum, Silk services a wide variety of industries including FMCG, light industrial goods, food and specialised retail. Generally, facilities are modern, scalable and equipped with fully configurable systems.

Silk offers three different warehouse solutions for its customers:

- Multi-user facilities – Multiple customers in situ with a range of services being provided;
- Dedicated facilities – Customised sites for a single customer with specialised equipment and fit-out; and
- Managed facilities – Properties leased or owned by customers with Silk providing warehousing services on premises.

As a key point of differentiation in the market, Silk provides a broad range of technology-enabled handling, storage and value-add tasks as a central component of its Contract Logistics service offering, including:

- Container unpacking/packing;
- Inbound processing – receipt of customer goods into Silk facilities;
- Cross-docking – receipt and dispatch of goods in the same day;
- Put away into pallet racking or block stacked;
- Multiple pick methods – picking of cartons, pallets, drums, units, etc;
- Scan pack and kitting – Scan packing is an Electronic Data Interchange (**EDI**) method used by large retailers to detail shipment products, quantities and other information. Physical kitting is the process of taking different yet related Stock Keeping Units (**SKUs**) and combining them together to create a new SKU through a Bill of Materials (**BOM**) manufacturing process. In more recent times "virtual kitting" has become the norm. Essentially, virtual kitting involves fulfilling a customer's bundled order by picking the individual component items into "kits" that are ready to ship out right away, rather than picking and packing them individually;
- Outbound processing – picking of goods, packing/wrapping or strapping for safe transport and loading onto vehicles for dispatch to customers;
- Returns processing – management of customer goods returned to Silk warehouses; and
- Customers inventory management – management of customer inventory whilst in Silk control, facilitated by Radio Frequency technology, which underpins barcoding technology that enables accurate real-time cycle counting and periodic stocktakes.

3.4.3.2 Distribution Services

Completing Silk's end-to-end service offering, the Contract Logistics division has developed a 4PL Virtual Distribution capability. These 4PL services help Silk's customers manage and optimise their supply chains by providing a platform that consolidates pricing and schedules from a range of third-party logistics providers.

This capability allows Silk to link its customers with integrated third-party transport companies to provide an end-to-end logistics offering from wharf to last mile distribution. The engagement of third-party specialist transport companies allows Silk to use the most cost-effective service providers for each specific customer need.

This 4PL distribution technology platform provides the following integrated distribution solutions to Silk's customers:

- Building loads to drive the picking process to the most cost-effective routing;
- Fleet Management Services – dedicated vehicles for specific customer requirements and movements;
- Systems – Integration of ONE Network 'intelligent logistics' platform;
- Movement of full truck loads (**FTL**) or less than truck loads (**LTL** – predominantly pallets);
- Transport services offered out of all major mainland capital cities to local destinations within that metropolitan area and regional areas; and
- Road, rail, coastal shipping and air modes all offered within the network.

There is a significant opportunity for Silk to continue to grow its distribution revenue from Silk's existing Contract Logistics and Port Logistics customers. As the virtual distribution capability scales and the number of transport partnerships increases, buying power improves and the cost benefits available to new and existing customers will increase.

3.5 Key locations and assets

Silk's facilities are strategically located in all major Australian capital cities, typically with good access to their respective container ports (refer Figure 9). This provides a distinct competitive advantage and ensures the efficient and cost-effective servicing of its customer base on a national scale.

Silk operates a total of 21 warehouses, including six with the necessary licenses and notifications to compliantly store light industrial goods, including:

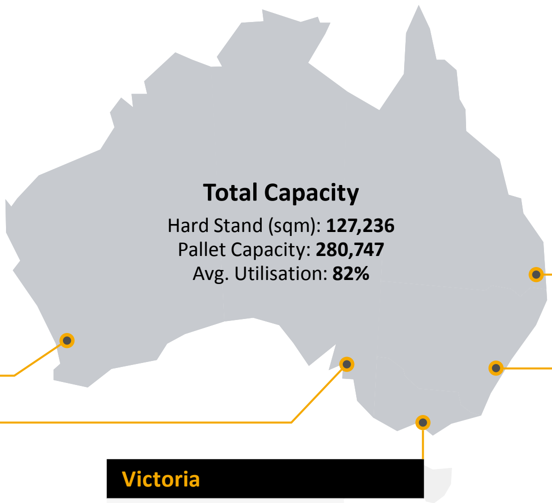
- Laverton North and D1-Derrimut (Victoria)
- Erskine Park 1 (NSW)
- Erskine Park 2 (NSW)
- Freight Street (QLD)
- Kenwick (WA)

Silk does not have Border Force bonded licences, however it does have the equivalent ATO licences (Storage and/or Manufacture Excisable Goods licences) at the following locations:

- D1-Derrimut (VIC)
- Guildford (NSW)
- Freight Street (QLD)

Silk also has container yard facilities in Victoria, NSW and Queensland either on or near the major container ports in those states.

Figure 9: Strategically located assets



WA	
Sites (Leased) – Kenwick	1
Pallet Capacity:	22,729
Avg. Utilisation:	100%

SA	
Sites (Leased) – Greenfields	1
Pallet Capacity:	2,340
Avg. Utilisation:	93%

Victoria	
Sites – Leased: Altona North Derrimut – D1 Derrimut – D2 Tullamarine Laverton North Dawson's – Tottenham – Managed: Dandenong (Caprice) Clayton (PPG) Sunshine (Fuchs)	9
Pallet Capacity:	94,587
Hard Stand (sqm):	77,236
Avg. Utilisation:	82%

Queensland	
Sites (Leased) – 2, Lytton – 1B, Lytton – Port of Brisbane	3
Pallet Capacity:	47,842
Hard Stand (sqm):	20,000
Avg. Utilisation:	73%

NSW	
Sites – Leased: Erskine Park 1 Erskine Park 2 Erskine Park 3 Eastern Creek Yennora DC – Timberlink (Shed 1) Yennora DC – (Shed 3) – Managed: Guildford	7
Pallet Capacity:	79,787
Hard Stand (sqm):	30,000
Avg. Utilisation:	82.5%

3.5.1 Fleet and MHE (materials handling equipment)

Silk maintains an 'asset-light' approach to the ownership of fleet and MHE. Where specialist equipment is required, such as sideloaders, or equipment is operated on or near a 100% utilisation basis, such as dedicated Super A combinations, the Company prefers to acquire the assets. For generic equipment, such as warehouse forklifts and standard prime movers, Silk prefers a rental/leasing model and the use of transport contractors.

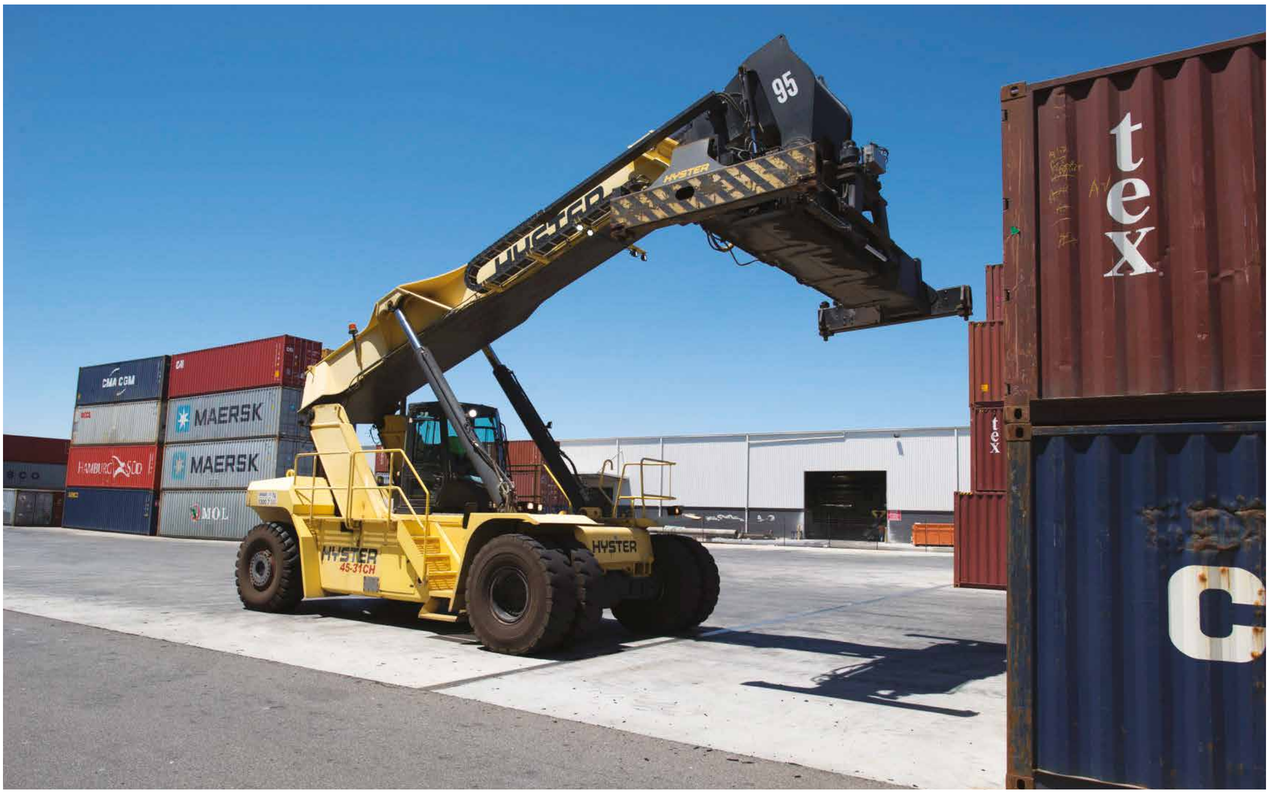
The focus on rental/leasing equipment is more than just a preference to preserve capital. Silk's experience is that renting/leasing equipment and using transport contractors has two additional key benefits:

- ongoing maintenance efficiencies as the owners of this equipment possess the scale to maintain and service the equipment more efficiently than Silk could as an owner-operator; and
- using transport contractors allows it to engage providers on fixed "boxed rates", which eliminate the need for Silk to more proactively micromanage the efficiency and productivity of each driver since a fixed rate is agreed upfront for each delivery.

Silk has been progressively transitioning from owned prime movers to rentals/leases and will continue to optimise its asset ownership mix on an ongoing basis.

3. Company Overview

Figure 10: Silk reach stacker



3.5.2 Property

Silk's warehouse facilities are leased, with racking and other fit-out primarily owned by the landlord. The current occupancy costs (last twelve months to December 2020) associated with warehouse properties are 34.3% of total revenue, reducing from 35.3% in FY20. The proportion that these costs represent of total revenue is forecast to decrease to 30.9% in FY21 as a result of site optimisation and other initiatives. Current national average occupancy sits at approximately 84% approaching the target occupancy in each property at 90%), providing a fixed cost base for some increased warehousing demand.

This asset-light operating model has allowed Silk to expand year-on-year without a corresponding increase in its annual capital expenditure requirements. Silk's annual depreciation and capital expenditure requirements have been reducing over the past few years as Silk continues to optimise its service model with rental/leased assets and transport contractor focus (see Section 4 – Financial Information).

3.6 Customers

3.6.1 High Quality Customer Base

Silk services a diverse customer base of 489 customers. Silk's customers are predominantly FMCG and light industrial customers, with food, specialist retail and containerised agriculture also making major contributions. Silk's Port Logistics and Contract Logistics operations are also utilised by several global freight forwarders.

Figure 11: A selection of Silk's blue-chip customers

Silk places significant focus on securing and maintaining customers that require a 'time certain' offering that favours a degree of specialisation.

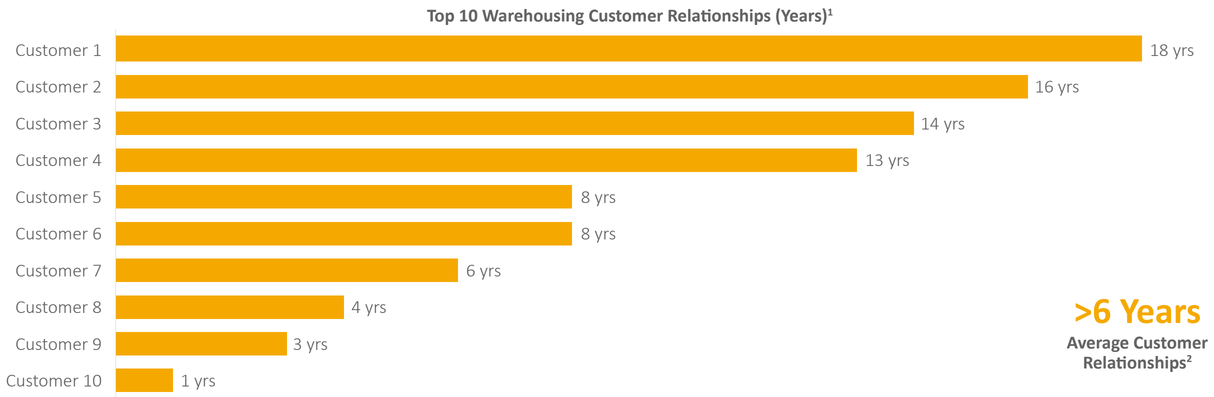
Silk's business model is positioned in the market as a premium service for customers that value technology-driven, time certainty and reliable service levels. Silk does not compete for high volume, low price opportunities. However, new customers are increasingly moving to Silk as they understand the value of Silk's business model to their own business.

3.6.2 Long standing customers

Silk has a strong track record of forming long-term relationships with its customers. Growth in revenue has predominantly been driven by expanding the spend of, and Silk's wallet share from, long-term customers.

The business has an established portfolio of long-standing relationships with its key customers in some cases dating back more than 15 years. The figure below shows the level of tenure across its top 10 warehousing customers highlighting that the top 10 warehousing customers have an average tenure with the business of 9 years, and the average tenure of warehouse customers including significant long term uncontracted and transactional customers is 6 years.

Figure 12: Long-standing customer relationships



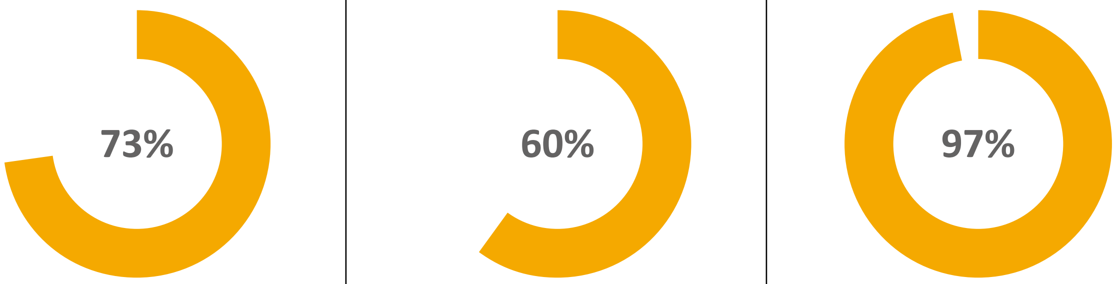
1. Top 10 warehousing customers by revenue for FY21 (forecast).
2. Average customer relationship across warehouse customers. Average including significant long term uncontracted/transactional customers is ~6 years.

3.6.3 Recurring Revenues

Silk's Contract Logistics division benefits from significant long-dated contracted revenue with blue chip customers, many of whom have enjoyed long-standing relationships with the Company. Silk views its customers as partners, working collaboratively with them through a continuous improvement methodology to offer a tailored end-to-end supply chain product.

Key revenue stickiness metrics include:

Figure 13: Recurring revenue stickiness



Silk's top 20 contracted warehouse customers account for 73% of the forecast FY21 warehouse revenue.

Contracted warehouse customers with a tenure of 4 years or more account for 60% of the top 20 customers by revenue.

Approximately 97% of Silks YTD FY21 revenue was revenue earned from existing Silk customers.

Silk's Port Logistics division is primarily based on trading terms and conditions rather than long term contracts, as is a feature of the industry. Nonetheless, the division has an excellent customer retention record. As an example, 75% of Rocke Brothers YTD revenue comes from customers that have been with Rocke Brothers for at least 9 years. The key customers in Port Logistics have an average tenure of approximately 13 years with the longest being 21 years.

3.6.4 Customer Concentration

Silk has 489 customers with no customer representing more than 5% of total revenue.

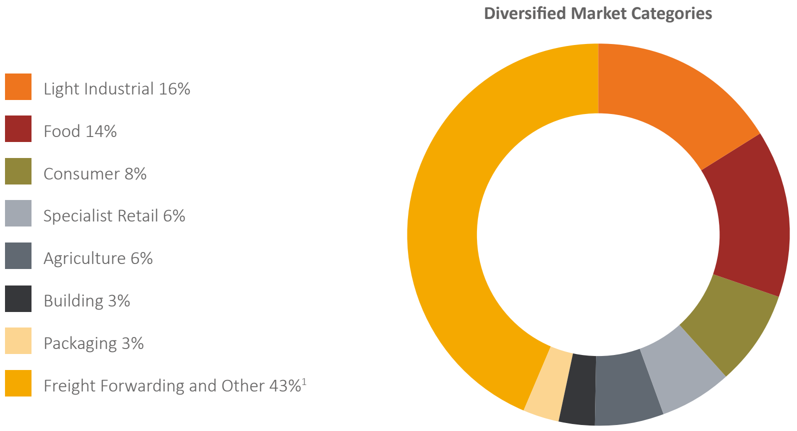
Table 2: Top 10 customer revenue contribution in FY21 (forecast)

Customer	% Contribution
Customer 1	5%
Customer 2	4%
Customer 3	4%
Customer 4	4%
Customer 5	3%
Customer 6	3%
Customer 7	3%
Customer 8	2%
Customer 9	2%
Customer 10	2%
Top 10	**32%**
Next 15	**25%**

3.6.5 Diversified Market Categories

Silk serves a range of market categories ensuring that the business is not reliant on any particular market. Customers are generally stable and engaged in the provision of staple products domestically. Freight forwarding, which comprises the largest market category, represents a diverse range of end customers.

Figure 14: Silk revenue by market category



1. Freight forwarding represents various end markets.

3.7 Key Strengths

Silk is strategically positioned as a leading integrated contract logistics and port logistics business and aims to leverage its integrated offering to provide a stronger value proposition to its customers to maximise its revenues and margin opportunities. The Company believes it offers the following key points of differentiation to enhance its competitive positioning to customers:

- **Data analytics, technology-enabled platform:** Silk successfully blends physical logistics capabilities, scale and a national footprint with cutting edge data analytics technology platform capable of providing predictive insights and control tower visibility from wharf to warehouse to last mile distribution.
- **Long-standing customer partnerships:** Silk has supported and, in some cases, invested in the growth of many suppliers, distributors, importers and exporters by working with them to redesign their supply chain operations and investing in specific infrastructure and dedicated facilities. As a result, Silk has numerous established customers, who have been using Silk's services for many years.
- **Detailed understanding of market needs:** Silk has a detailed understanding of the inventory optimisation and supply chain visibility and efficiency needs of leading blue-chip customers and has designed its technology platform and service delivery model to ensure it can consistently meet or exceed the requirements of its customers.
- **Nation-wide footprint:** With a presence in all mainland states in Australia, Silk is positioned to attract large, global and domestic blue-chip customers who require multi-city services. There are a number of recent examples in which the breadth of Silk's integrated logistics offering has been central to winning new key accounts.
- **Integrated "left-to-right" of the warehouse offering:** Silk provides a one-stop shop for integrated port-to-door logistics, providing services in wharf cartage, warehousing, and domestic distribution.
- **Understanding and exceeding customer needs:** The agility and flexibility built into the business allows Silk to remain nimble, while providing innovative, tier 1, customised solutions with a personalised service and without compromising on safety.
- **Flexible cost structures and technology solutions:** Silk continuously provides innovative solutions and improvements that fit the customer. Silk's flexible and fully configurable systems allow its customers to fine-tune their supply chains, maximising operational efficiency and controlling costs.

- **Reliability:** Silk's reliability and integrity is demonstrated through its customer support, consultative services and proactive account management. With an experienced and responsive team, Silk's services offer the time-certainty and flexibility customers require from their supply chain managers.
- **Customer engagement and collaboration:** Silk engages with all facets of a customer's supply chain to collaboratively identify and implement improvement solutions, demonstrating Silk's passion for customer service and innovation. Total transparency with customers is core to Silk's philosophy.

3.8 Barriers to Competition and New Entrants

3.8.1 Scale

Scale is required to compete effectively in the Australian logistics market. Medium to large market players such as Silk have been acquiring smaller operators to help build market presence and capability.

Challenges for new market entrants include:

- **Substantial capital requirement:** Without an existing footprint within the logistics industry, new entrants will require substantial capital to develop the size and scale required to provide a level of service expected by customers.
- **Economies of scale:** Existing companies are advantaged through their current infrastructure and possess economies of scale over any new entrant in building their customer bases and improving service offerings.
- **Existing customer relationships:** Winning customer contracts is highly competitive and larger players that offer a complete, integrated service solution typically have an advantage over new entrants.
- **Integrations into major customers:** Existing customer integrations make players like Silk 'sticky' with their current customer base.

3.8.2 Technology

A key barrier to new entrants in the integrated port-to-door logistics sector is the large investment in technology required to provide a competitive integrated port-to-door logistics service. Smaller players generally compete on price rather than value as they lack the tier 1 systems and processes required to provide the quality and reliability of execution expected from larger, blue-chip customers.

3.8.3 Compliance

Increasing compliance costs and an onerous regulatory burden have put many small businesses in the logistics industry under significant commercial pressure.

Silk's compliance systems and licenses include:

- Quality Management Systems – ISO 9001:2015
- Food Safety Programs – HACCP Code:2003

Industry based standards – Any applicable or appropriate industry code of conduct guides or practices, including:

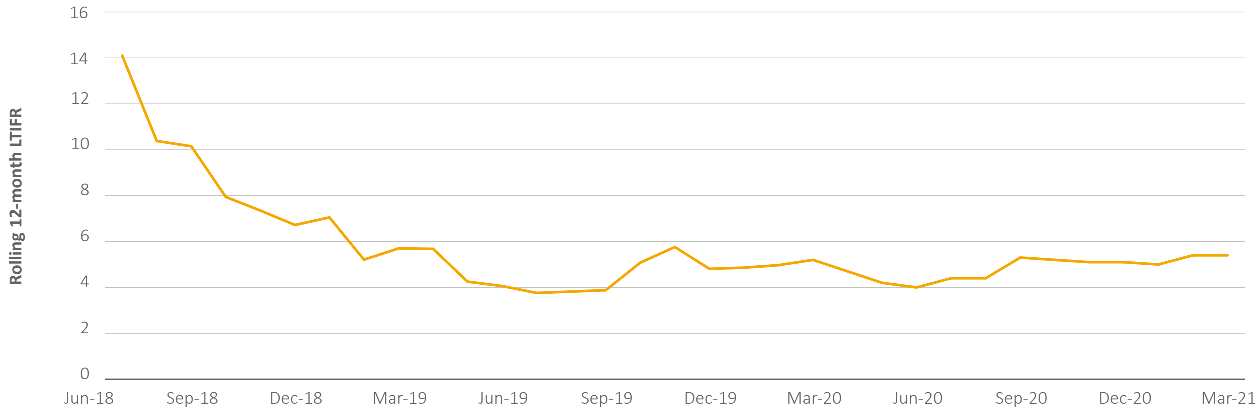
- Light Industrial Goods
- AQIS (Australian Quarantine)
- National Heavy Vehicle Accreditation schemes for Mass, Load Restraint, Fatigue Management, Speed & Maintenance
- Legislative Requirements – including Chain of Responsibility, Fatigue Management, NHVS maintenance regimes.

3.8.4 Workplace Health and Safety

Silk has an established risk management framework and an unwavering commitment to safety, with both lost time injury frequency rate (**LTIFR**) and total recordable injury frequency rate (**TRIFR**) having come down markedly over the past seven years since the MBO.

As with other compliance activities, ensuring adherence to current workplace health and safety regulations is an increasingly complex process that requires significant corporate oversight and rigorous ongoing management. Smaller operators and new entrants may not necessarily have the expertise or resources to maintain a risk management framework to the required standard.

Figure 15: Silk 12 month rolling Lost Time Injury Frequency Rate (LTIFR) up to March 2021



3.9 Growth Strategy

Silk will continue to invest in its technology platform and national capabilities. The business aims to leverage this deep operational capability and experience to pursue new opportunities that exist with national, blue-chip customers and leading global freight-forwarding businesses.

Silk also expects to drive further organic growth through operational improvements, increasing margins and cross-selling a broader suite of Contract Logistics services to its Port Logistics customers.

3.9.1 Increase share of wallet from existing customers

An analysis of Silk's current 489 customers, shows the following service use:

Figure 16: Service use

Wharf Cartage

An analysis of Silk's current 489 customers, shows the following service use:

1 Service	
Number of customers	
– Wharf Cartage	350
– Warehousing	16
– Distribution	3
Total	**369**

2 Services	
Number of customers	
– Wharf Cartage & Warehousing	20
– Warehousing & Distribution	28
– Wharf Cartage & Distribution	8
Total	**56**

3 Services	
Number of customers	
– Wharf Cartage, Warehousing & Distribution	64
Total	**64**

75.4% of total customers

11.5% of total customers

13.1% of total customers

120 (or 25%) of Silk's 489 customers use two or more of the three port-to-door service lines.

Warehousing

128 Total Customers

1 Service	
Warehousing	16
Total	**16**

2 Services	
Warehousing & Distribution	20
Wharf Cartage & Distribution	28
Total	**48**

3 Services	
Wharf Cartage, Warehousing & Distribution	64
Total	**64**

12% of total customers

38% of total customers

50% of total customers

Silk's "left and right" of warehouse strategy has been successful in cross-selling wharf cartage or distribution services to warehouse customers. 88% of the current 128 warehouse customers also using wharf cartage and/or distribution services.

There is substantial further organic growth potential through internal cross-selling opportunities. These include the migration of Port Logistics customers into contracted warehousing & storage services, where warehousing and distribution services fits with customers' logistics strategies and operations. There are further opportunities for single geography customers becoming national customers. The build-out of Silk's national scale and capability is increasing the size of these opportunities.

3.9.2 Growth by acquisition

Since the MBO, Silk has undertaken a number of successful acquisitions. Except for a handful of large, diversified operators, Silk stands as one of the few companies capable of driving industry consolidation through a program of targeted strategic acquisitions.

Silk has identified opportunities in both Port Logistics and Contract Logistics, which can improve and expand customer service capabilities. Following the Offer, Silk expects to have the balance sheet flexibility to undertake acquisitions that can improve Silk's service offering and generate Shareholder value.

It is Silk's intention to only assess and acquire logistics businesses that meet the following criteria:

- the business can be acquired at a price that fits within the Company's financial and strategic parameters;
- the business has the potential to extend Silk's national physical or technology capabilities or deliver scale that will deliver operational efficiencies or significant cross-selling opportunities;
- the business can deliver increased earnings growth opportunities through synergy extraction and operational efficiencies;
- the business is geographically appropriate; and
- the business possesses appropriate facilities, equipment operating processes (ideally not requiring immediate replacement or investment).

From a capability expansion perspective, there is a strong incentive for Silk to acquire established wharf cartage businesses in Perth and Adelaide. This will unlock cross-selling opportunities and demand from Silk's existing customer base as well as allowing Silk to compete for national contract and port logistics accounts with major blue-chip customers.

3.9.3 Realising synergies from acquisition integration

Silk has a proven track record of successful integration of newly acquired businesses and has the balance sheet flexibility and management structures necessary to absorb new operations into the wider group without disrupting existing business activities. Based on prior experience, the Company has developed a detailed plan for the integration of newly acquired businesses, undertaking a sensitive and staged approach which includes:

- initially focusing on a smooth handover of key customer relationships and ongoing satisfaction of customer requirements;
- focusing on new revenue and cross-selling opportunities, and cost reduction efficiencies and/or opportunities to share pre-existing equipment and infrastructure;
- Silk's management information systems and technology platform are both scalable and expandable as required and depending on the acquired technical infrastructure, 'changeover' to Silk's back-office systems can occur once an appropriate integration and mapping plan has been completed; and
- back-office functions, such as banking and accounting, are transferred in a staged approach with the priority on a continuation of existing performance, and then integrating visibility into Silk's systems and finally consolidating systems and processes onto Silk's platform directly.

The integration plan is designed to ensure that Silk can produce accurate, real-time information for each acquired business. This real-time reporting allows management to assess the 'live' status of integration including detailed customer, volume, cost and revenue data.

3.9.4 Property and site consolidation opportunities

Silk's increase in scale over the past three years has allowed it to consolidate multiple sites into new purpose-built facilities in Brisbane and Perth. This has delivered significant operational efficiencies as well as material property lease savings.

Silk is looking to achieve similar results through the consolidation of its six Victorian Port Logistics sites into a new purpose-built facility. A similar opportunity exists in NSW in FY24, with the potential to consolidate four sites into one.

3.10 Technology-enabled integrated service offering

Silk successfully blends physical logistics capabilities, scale and a national footprint with a cutting-edge data analytics technology platform capable of providing predictive insights and control tower visibility from wharf to warehouse, and to last mile distribution.

Silk's technology stack is primarily made up of:

- **Front-end data intelligence tools:** Primarily Microsoft's Power Business Intelligence (**BI**) suite and ONE Network's market leading "control tower" visibility and predictive analytics.
- **Back-end specialist logistics systems:** Silk's tier 1 technologies including warehouse management system Blue Yonder (Red Prairie), Container Chain and Driver.

This technology approach provides Silk's customers with real-time visibility and supply chain analytics from wharf to warehouse to last mile distribution. 18 of Silk's top 20 warehouse customers have invested, often at substantial cost, in technology integration with Silk's systems, achieving significant supply chain optimisation benefits.

This technology underpins Silk's ability to consistently deliver market leading service levels and reliability, while simultaneously ensuring it operates as efficiently and profitably as possible.

Silk does not own the intellectual property rights to the underlying components of its technology stack, instead and consistent with its asset-light business model, Silk's ability to integrate and effectively utilise these technologies derives from licenses provided by the respective owners of the underlying technologies.

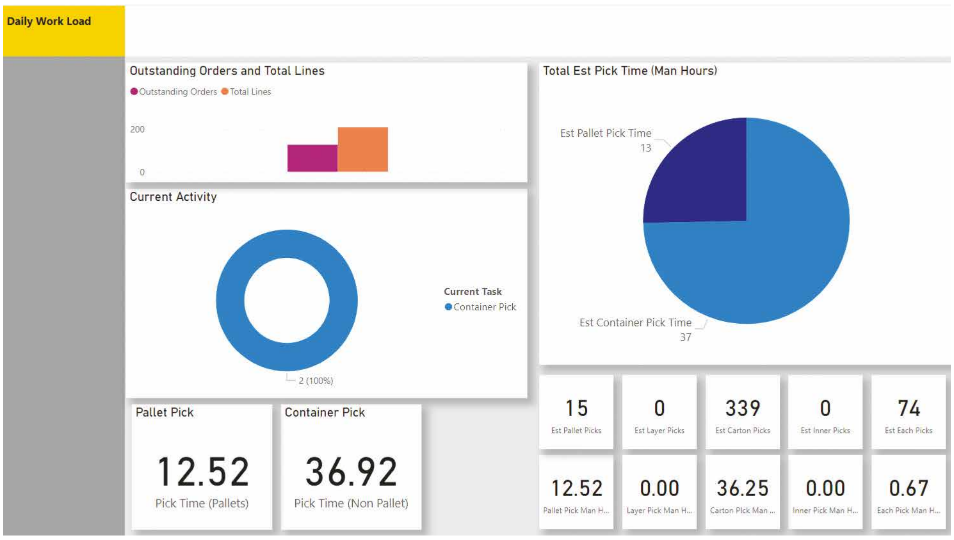
3.10.1 Real time Power BI Performance Reporting Dashboard

Silk has the ability to deploy for each of its customers a Power Business Intelligence (**BI**) Key Performance Indicator (**KPI**) reporting dashboard that is customised for each customer and takes into account their unique needs and requirements. Features include:

- live KPI and activity data derived from interfaced Silk systems;
- highly configurable to customers' requirements and can supplement any information exchanged via interface;
- cloud based and viewable on numerous devices; and
- Power BI license for data extraction/drilldown and analysis and/or static view of KPI's through online portal.

These operational and productivity dashboards deliver real time optimisation of labour, storage and distribution capacity, and to ensure that customer requirements are satisfied as efficiently as possible 7 days a week, 365 days a year, delivering significant productivity gains.

Figure 17: Labour productivity monitors at Altona warehouse facility



3.10.2 ONE Network Control Tower

The ONE Network Control Tower delivers visualisation, real time response management and advanced planning and optimisation capabilities, powered by ONE Network's intelligent autonomous agent technology.

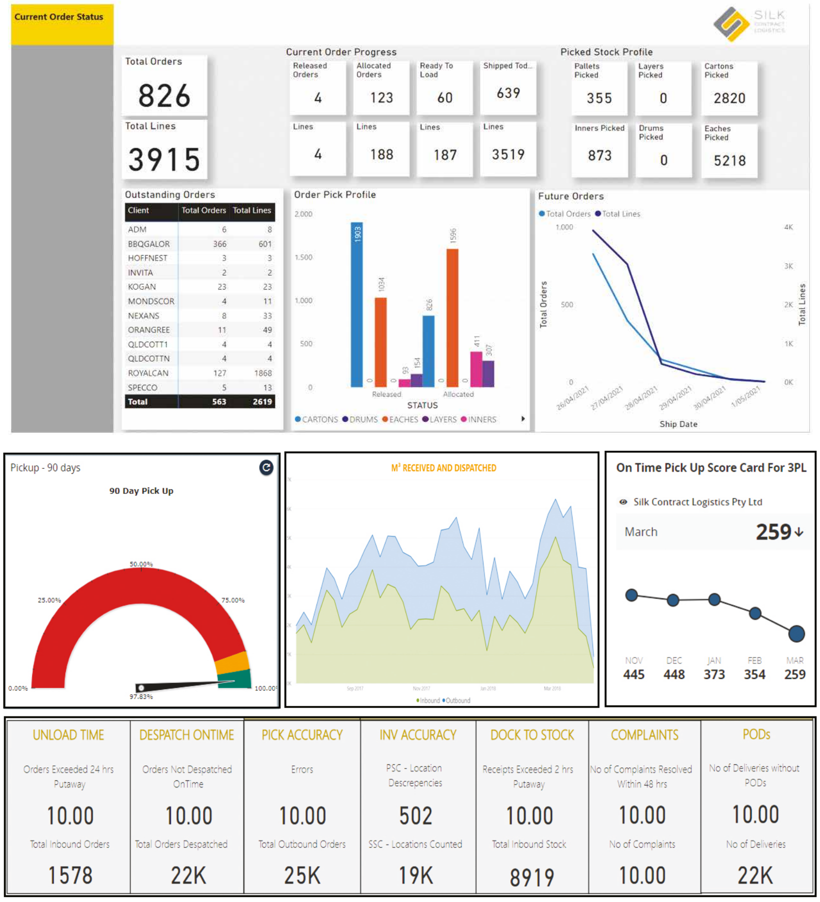
Silk's Warehouse Management System (**WMS**) is tightly integrated with ONE Network Control Tower and into multiple local carrier providers to offer a real time, end to end control tower service for Silk's customers.

By enabling autonomous optimised execution across the supply network, spanning transport and vendor management, customers can effectively measure business performance.

ONE Network Control Tower:

- overlays the physical operations of wharf cartage, warehousing and distribution;
- integrates with existing customer systems such as Oracle, Dynamics, SAP and emergent cloud solutions;
- connects customer POS data to manufacturing and order replenishment; and
- allows for detailed, real-time monitoring of those goods through shipping, container movement, warehousing and distribution.

Figure 18: Labour management and KPI reporting



3.10.3 Blue Yonder (Red Prairie)

Silk utilises Blue Yonder (Red Prairie), one of the world's leading warehouse management systems, materially influencing its ability to monitor labour spend and ensure service level attainment across its contract logistics operations. Blue Yonder is at the forefront of machine learning and artificial intelligence developments in the technology-enabled logistics sector and provides Silk with cutting edge, end-to-end digital supply chain capabilities, ensuring increased efficiency, speed and agility.

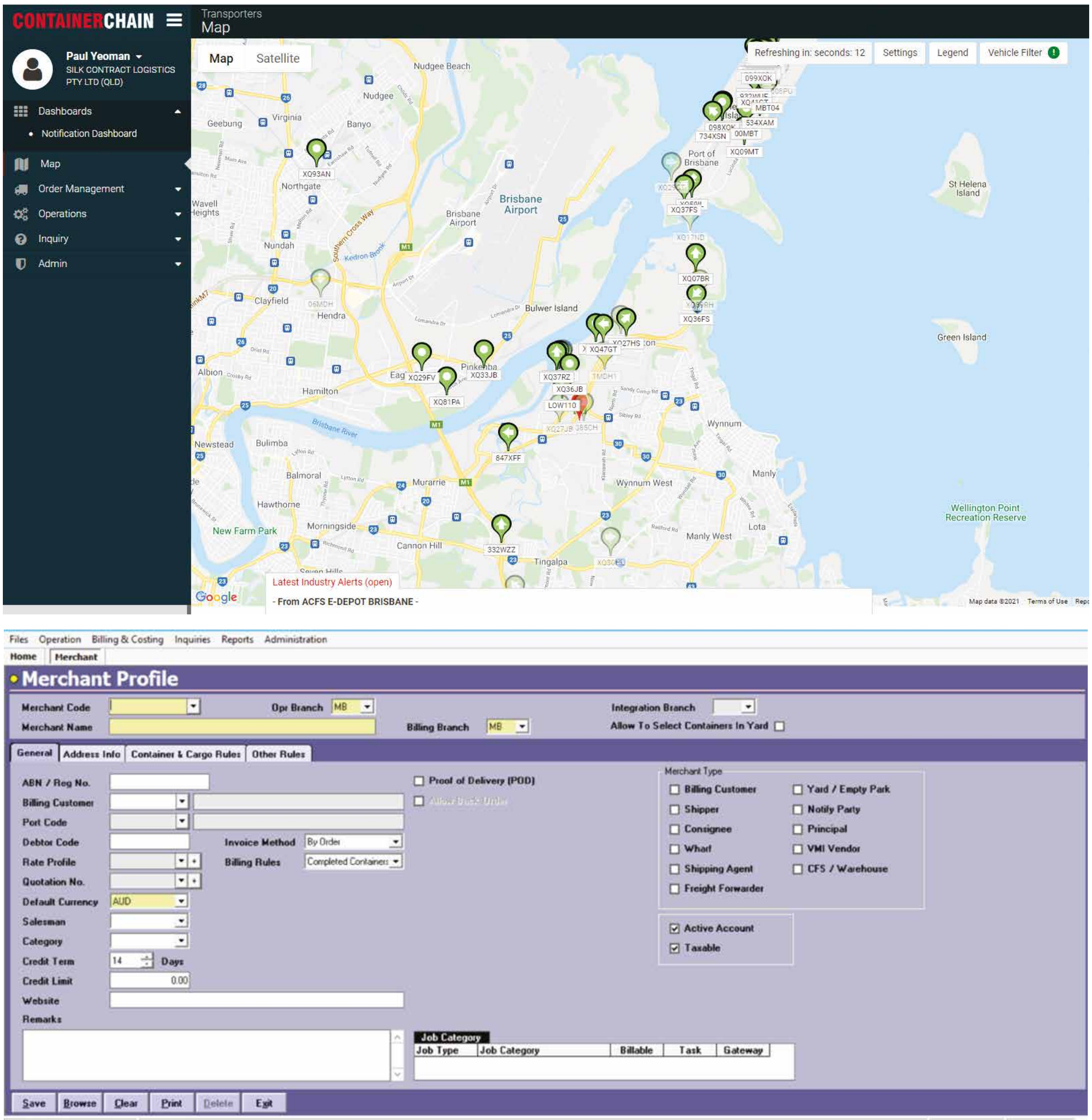
3. Company Overview

3.10.4 ContainerChain

Silk uses tier-1 information technology systems to maintain its service offering to its Port Logistics customers. Principal among these is ContainerChain (formerly known as Maximas), a globally recognised, integrated transport and container management system that provides up-to-the-minute tracking data through both a centralised desktop environment and mobile tablet functionality.

ContainerChain allows Silk to add tariffs and agreed quotes for invoicing, manage transport movements and invoice customers once all steps in a job are completed. It is fully integrated for ease of truck appointment scheduling at container facilities.

Figure 19: ContainerChain system



3.10.5 Driver

Supporting the core ContainerChain application, Driver is an application-based mobility product for container transport companies that facilitates connectivity between container truck drivers, transport operations and container depots. It assists with automated gate processing at container facilities, provides paperless document management and camera functionality as well as sophisticated tracking and dispatch capability.

3.10.6 Cyber-Security

The Contract Logistics and Port Logistics industry is vulnerable to cyber-security threats. Silk prides itself on its overall technology platform, including its cyber-security framework. The business has implemented robust cyber-security infrastructure, ensuring uninterrupted, consistent and high-quality service to its customers in Contract Logistics and Port Logistics.

Silk's best practice cyber-security framework includes real-time monitoring and consistent processes to safeguard its network and customer data. With ongoing investment in its cyber-security framework, Silk customers can be assured of:

- ongoing provision of high-quality service;
- protection against business interruption to their supply chain function; and
- risk mitigation of cyber-attacks on their systems through periodic testing of Silk's cyber-defences. Silk's systems are routinely tested through penetration testing by outside, independent cyber-security consultants.

Silk's people, processes and technology are the differentiating factors in its approach to cyber-security:

- **People:** ongoing Cyber-security user awareness training and testing;
- **Processes:** best practice Cyber-security frameworks and disciplines; and
- **Technology:** leading technologies designed to try and prevent Cyber-attacks from occurring in the first place.

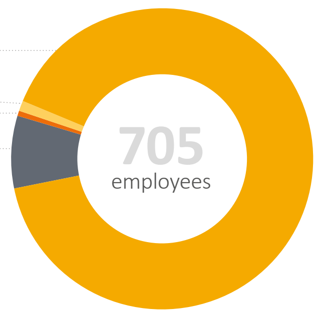
3.11 Organisation and Industrial Relations

Silk employs approximately 700 people across Australia, in addition to approximately 200 labour agency supplied staff and 274 transport contractors. The workforce is engaged across a wide range of operational and supervisory areas including warehouse operations, wharf cartage, business development, account management and administration. The majority of Silk's contract staff are engaged on an as-needed basis for warehouse and distribution operations.

Table 3: Silk labour breakdown as at the end of February 2021

1. Company employed Labour

Permanent/ Fixed Term	Full Time	640
	Part Time	7
	Fixed Term Contract	5
	Total	**652**
Casual	Full Time	53



2. Agency supplied

(W/E 21/2 Weekly FTEs)

Action Workforce	136
Summit	27
TRP	46
Total	**209**

3. Transport contractor Pool

Transport contractor Pool	**274**

4. FTE Equivalent Contractors

Full Time	2
Part Time	4
Total	**6**

3. Company Overview

Silk currently has nine enterprise agreements across its various sites and divisions, with staggered expiry terms to ensure Silk is able to continue to negotiate commercially acceptable terms with its employees.

Figure 20: Silk organisational structure

The Corporate division comprises five key areas:

- **Customers –** includes all aspects of customer engagement including business development, account management, contract administration, new service development, marketing, customer implementations and continuous improvement;
- **Finance –** includes financial reporting and planning, treasury, taxation and investor relations, legal, risk, company secretariat, procurement services, and corporate strategy;
- **Operations –** includes service delivery, labour management, asset management, contractor management, Occupational Health and Safety (**OH&S**) implementation, licensing and Environment, Social and Governance (**ESG**);
- **Information Technology –** includes maintaining and continual re-investment in Silk's data analytics, technology enabled platform, real time dashboards and customised integrations into customers' own core systems; and
- **People –** includes industrial relations, corporate communications, transformation, remuneration, talent and leadership, recruitment, OH&S policy development and learning and development.

4. Financial Information

Reach stacker, Rocke Brothers – Lara, VIC

4. Financial Information

4.1 Introduction

The financial information for Silk contained in this Section 4 includes historical financial information for the 53 week period ended 30 June 2019 (**FY19**), the 52 week period ended 28 June 2020 (**FY20**), the 26 week period ended 29 December 2019 (**1H20**) and the 26 week period ended 27 December 2020 (**1H21**), the financial position as at 27 December 2020 and the forecast financial performance and cash flow information for the 52 week period ending 27 June 2021 (**FY21**) and the 52 week period ending 26 June 2022 (**FY22**).

The statutory historical financial information comprises the:

- statutory historical consolidated statement of financial position as at 27 December 2020;
- statutory historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21; and
- statutory historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21,

(together, **Statutory Historical Financial Information**).

The pro forma historical financial information comprises the:

- pro forma historical consolidated statement of financial position as at 27 December 2020;
- pro forma historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21; and
- pro forma historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21,

(together, **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information**.

The statutory forecast financial information comprises the:

- statutory forecast consolidated statement of financial performance for FY21 and FY22; and
- statutory forecast consolidated statement of cash flows for FY21 and FY22,

(together, **Statutory Forecast Financial Information**).

The pro forma forecast financial information comprises the:

- pro forma forecast consolidated statement of financial performance for FY21 and FY22; and
- pro forma forecast consolidated statement of cash flows for FY21 and FY22,

(together, **Pro Forma Forecast Financial Information**).

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the **Forecast Financial Information**.

The Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

The Financial Information has been reviewed in accordance with the Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information* by PricewaterhouseCoopers Securities Ltd (**PwCS**), whose Independent Limited Assurance Report is contained in Section 8. Investors should note the scope and limitations of this report (see Section 8).

The information in this Section 4 should be read in conjunction with the key risks set out in Section 5 and the other information contained in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1m. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information and explanation of certain non-statutory financial information (Section 4.2);
- a description of the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Financial Information and reconciliations to the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (respectively) (Sections 4.3 and 4.5);
- a summary of Silk's indebtedness and a description of the existing debt facilities that will remain in place at Completion of the Offer (Section 4.4);
- segment information (Section 4.6);
- management discussion and analysis of the Financial Information (Section 4.7);
- assumptions underlying the Forecast Financial Information (Section 4.8);
- an analysis of key sensitivities in respect of the Forecast Financial Information (Section 4.9); and
- Silk's proposed dividend policy (Section 4.10).

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding:

- the historical financial performance, cash flows and financial position of Silk; and
- forecast financial information to provide an indication of the future prospects of Silk.

The Financial Information has been prepared on a going concern basis.

The Directors are responsible for the preparation and presentation of the Financial Information.

The Statutory Historical Financial Information and Statutory Forecast Financial Information has been prepared in accordance with the recognition and measurement principles specified in the Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**). The recognition and measurement bases are more fully described in the accounting policies set out in Appendix A: Significant Accounting Policies.

Silk's accounting policies have been consistently applied in the preparation of the Financial Information, including in relation to the Pro Forma Historical Financial Information, the application of Australian Accounting Standard *AASB16 Leases* (**AASB16**).

AASB16 was adopted by Silk for financial reporting periods beginning on or after 1 July 2019 and is reflected in the Statutory Historical Financial Information for FY20 and 1H21. AASB16 has been applied to the preparation of the Pro Forma Historical Financial Information and the Forecast Financial Information on a consistent basis as if this standard applied from the beginning of FY19. The application of AASB16 is discussed below in Sections 4.2.4 and 4.4.1.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information adjusted for certain transactions and pro forma adjustments as described further below. It has been prepared solely for inclusion in this Prospectus and in accordance with the recognition and measurement principles specified in AAS, as described above, and it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 25 June 2018 in the case of the statements of financial performance and cash flows, and as at 27 December 2020 in the case of the statement of financial position.

This Prospectus also includes Forecast Financial Information, which is based on general and specific assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information.

The Pro Forma Forecast Financial Information has been prepared in accordance with the recognition and measurement principles specified in AAS, other than it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 29 June 2020.

Due to the nature of the Pro Forma Forecast Financial Information, it does not represent Silk's actual or prospective financial performance or cash flows.

The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

4.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been derived from the audited special purpose financial statements of Silk and its controlled entities for FY19 and FY20 (the **Audited Financial Statements**) and from the half-year interim consolidated financial statements for 1H21 (which include comparative financial information for 1H20) (the **Interim Financial Statements**).

The Audited Financial Statements were audited by Deloitte Touche Tohmatsu (**Deloitte**) in accordance with Australian Auditing Standards. Deloitte issued unmodified audit opinions in respect of the Audited Financial Statements. The Interim Financial Statements were reviewed by Deloitte in accordance with Australian Auditing Standards. Deloitte issued an unmodified review conclusion on the Interim Financial Statements. The Interim Financial Statements were prepared in accordance with *AASB 134 Interim Financial Reporting*.

The financial statements for Silk can be viewed on Silk's website at www.silklogistics.com.au.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information reflects the impact of adjustments described further in Section 4.3, in order to reflect:

- Silk's indebtedness and capital structure following Completion;
- public company costs associated with being a listed entity as if they were incurred from the beginning of FY19;
- application of AASB16 from the beginning of FY19;
- the removal of certain non-recurring items of expenditure such as costs related to acquisitions;
- the historical financial performance and cash flows of Rocke Brothers prior to its acquisition by Silk, including adjustments to expenses arising from subsequent remeasurement of deferred consideration liabilities; and
- the income tax effect of the applicable pro forma adjustments above.

Silk acquired Rocke Brothers on 5 August 2019 and Rocke Brothers was consolidated in the Statutory Historical Financial Information from that date. The Pro Forma Historical Financial Information includes an adjustment to include the results of Rocke Brothers as if the business had been owned from the start of FY19. The pre-acquisition financial information for Rocke Brothers has been derived from audited special purpose financial statements for FY19 and unaudited management accounts for the five-week period in FY20 to 4 August 2019. The financial statements for FY19 for Rocke Brothers were audited by KPMG. KPMG issued an unmodified audit opinion. The contribution of Rocke Brothers for the five-week period in FY20 to 4 August 2019 is immaterial to Silk as a whole and forms part of the Pro Forma Historical Financial Information of Silk which has been reviewed by PwCS as set out in the Independent Limited Assurance Report in Section 8.

Silk acquired Flincept Pty Limited and L&M Scott Haulage Pty Limited (together **CTC**) on 13 November 2018. The Pro Forma Historical Financial Information does not include an adjustment to include CTC as if this business had been owned from the start of FY19 due to a lack of reliable financial information for CTC for the pre-acquisition period. CTC contributes to the year-on-year growth as described in the management discussion and analysis in Section 4.7. CTC contributed $10.5 million in revenue and $0.5 million in NPAT in FY19 post acquisition.

Silk acquired Container Swinglift Services Pty Ltd and Marrakech Lane Pty Ltd (formerly Tapper Group Pty Ltd) (together **CSS**) on 2 July 2018. The Pro Forma Historical Financial Information does not include an adjustment to include CSS for the one week pre-acquisition period as this is immaterial to Silk as a whole.

The pro forma historical consolidated statements of cash flows for FY19 and FY20 have been adjusted for payments related to the acquisition of Rocke Brothers, CTC and CSS.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and has been prepared based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the specific assumptions set out in Section 4.8.

The Directors are satisfied that the Forecast Financial Information has been prepared with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, by their nature, forecasts are predictive (and not fact) and so investors should not place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the Directors' best estimate of general and specific assumptions set out in Section 4.8. This information is intended to assist investors in assessing the reasonableness and likelihood of assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Silk's actual financial performance, cash flow or financial position. Accordingly, neither Silk nor any other person can give investors any assurance that the outcomes presented in the Forecast Financial Information will occur.

Potential investors are advised to review the assumptions set out in Section 4.8 in conjunction with the accounting policies included in Appendix A, the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and other information set out in this Prospectus.

The forecast consolidated statements of financial performance and consolidated statements of cash flows for FY21 and FY22 have been prepared on a pro forma and a statutory basis. The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information for FY21 include the actual results of Silk for the 35 week period ended 28 February 2021 and the forecast results for the remainder of FY21. The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information adjusted for pro forma adjustments to reflect the full year impact of the changes resulting from the Completion of the Offer as if it had occurred before 29 June 2020.

The Pro Forma Forecast Financial Information reflects the impact of adjustments described further in Sections 4.3 and 4.5 in order to reflect:

- Silk's indebtedness and capital structure following Completion;
- public company costs associated with being a listed entity;
- the removal of certain non-recurring items of expenditure such as costs related to acquisitions; and
- the income tax effect of the applicable pro forma adjustments above.

Silk has no intention to update or revise the Forecast Financial Information or other forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required to by law.

4.2.4 Application of AASB16 to the Financial Information

Silk has applied AASB16 to its statutory financial statements from 1 July 2019. This standard introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of greater than 12 months, unless the underlying asset is of low value. This significantly affects how Silk accounts for leases. Under previous AAS, Silk accounted for operating leases as an expense on a straight-line basis over the term of the lease.

Under previous AAS, lease expense was included in occupancy expenses (property leases) or fleet and material handling equipment expenses (material handling equipment leases) in the consolidated statement of financial performance (within EBITDA). Occupancy expenses under previous AAS also included a reduction in rent expense to reflect lease incentives recognised in the consolidated statements of financial performance on a straight-line basis over the relevant lease terms. AASB16 instead requires leases to be recognised as right-of-use assets, impairment write-downs (previously onerous lease provisions), in non-current assets and the relevant lease obligation measured at the present value of the liability in the consolidated balance sheet. The right-of-use assets are then amortised over their useful lives with the expense included in amortisation expense in the consolidated statements of financial performance. Interest expense on lease liabilities is recognised in the consolidated statements of financial performance in net finance expenses. The timing of expense recognition materially changes as a greater amount of interest expense is recognised in the earlier periods of the lease liabilities.

AASB16 has no effect on Silk's overall cash flows. Under previous AAS, rent payments were included in operating cash flows. AASB16 instead requires that lease payments be classified and presented between the interest portion of the payment, included in interest paid, and the principal portion of the payment, included in financing cash flows.

AASB16 has been applied to the preparation of the Pro Forma Historical Financial Information and the Forecast Financial Information as if this standard applied from the beginning of FY19. As Silk only applied AASB16 to its statutory financial statements from the beginning of FY20, adjustments have been made to the pro forma historical consolidated statement of financial performance for FY19 to reflect the impact on FY19 of applying AASB16 from the beginning of that year.

AASB16 also significantly affects non-IFRS measures (set out in Section 4.2.6) of EBITDA, EBIT and NPAT, operating cash flows. In order to assist potential investors with an understanding of the financial effect of AASB16, certain selected information has been presented in this section as if AASB16 had not been applied. This information is identified as "pre AASB16" where applicable.

Refer to Section 4.3.2 for a reconciliation between the selected pro forma consolidated income statement line items of EBITDA, EBIT and NPAT to their corresponding pre AASB16 measures, and to Section 4.5.1 for a reconciliation of operating cash flows and its corresponding measure excluding the impact of AASB16.

4.2.5 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Silk makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The areas involving significant estimates and assumptions include useful lives of property, plant and equipment, assumptions in calculating employee entitlements, provision for doubtful debts, classification of preference shares, judgements on likelihood of extension options for lease accounting, impairment of goodwill, estimated fair value of certain assets or liabilities acquired in a business combination, including goodwill and intangible assets and estimated fair value of share-based payments. Refer to the significant accounting policies of Silk set out in Appendix A for further information.

4.2.6 Explanation of certain non-IFRS and other financial measures

Silk uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred to in this Section as 'non-IFRS financial measures' consistent with their meaning under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC.

The principal non-IFRS measures referred to in this Prospectus are as follows:

- 'EBITDA' is earnings before interest (net finance cost), taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and taxation. Management uses EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Silk's operations;
- 'EBITDA (pre AASB16)' is EBITDA, adjusted to include an expense for operating lease payments that would have been recognised under previous AAS. A reconciliation of EBITDA to EBITDA (pre AASB16) is included in Section 4.3.2. EBITDA margin (pre AASB16) is EBITDA (pre AASB16) expressed as a percentage of total revenue;
- 'EBIT' is earnings before interest (net finance cost) and taxation;
- 'EBIT (pre AASB16)' is EBIT, adjusted to remove the amortisation on right-of-use assets arising from the adoption of AASB16. A reconciliation of EBIT to EBIT (pre AASB16) is included in Section 4.3.2;
- 'working capital' is trade and other receivables, plus other assets less trade and other payables, deferred revenue and provisions;
- 'indebtedness' is gross borrowings less cash and cash equivalents;
- 'operating cash flow' is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses) and changes in working capital;
- 'operating cash flow (pre AASB16)' is operating cash flow less operating lease payments that would base been included in operating cash flow under AAS prior to the adoption of AASB16;
- 'net cash flow before dividends' is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses) and changes in working capital less payments for finance costs, income tax, capital expenditure, other non-current assets/intangible assets, payments for acquisition of subsidiaries plus proceeds from the sale of property, plant and equipment plus proceeds from the issue of shares;
- 'Return on Capital Employed (ROCE)' is EBIT (pre AASB16 and before significant items) divided by Capital Employed; and
- 'Capital Employed' is total equity (average opening and closing balance) plus borrowings (excluding lease liabilities) less cash and cash equivalents.

Although the Directors believe that these measures provide useful information about Silk's financial performance, they should be considered as supplements to the measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, IFRS, or any other recognised body of accounting standards, they do not have prescribed definitions, and the way Silk calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

4. Financial Information

4.3 Historical and forecast financial information

4.3.1 Pro Forma Historical and Forecast Financial Information, and Statutory Forecast Financial Information

Table 4.3.1.1 sets out the pro forma historical consolidated statements of financial performance for FY19 and FY20, the pro forma forecast consolidated statement of financial performance for FY21 and FY22 and the statutory forecast consolidated statement of financial performance for FY21 and FY22.

Table 4.3.1.1: Pro forma historical and forecast consolidated statements of financial performance

		Historical (Pro forma)		Forecast (Pro forma)		Forecast (Statutory)	
$ millions	**Notes**	**FY19**	**FY20**	**FY21**	**FY22**	**FY21**	**FY22**
Contract Logistics		120.2	101.0	117.7	124.4	117.7	124.4
Port Logistics		136.2	156.6	197.4	214.1	197.4	214.1
Other services		0.8	0.9	0.9	0.9	0.9	0.9
Total revenue		**257.2**	**258.4**	**316.1**	**339.4**	**316.1**	**339.4**
Other income		0.3	0.2	0.3	0.1	0.3	0.1
Employee benefits expense	2	(65.9)	(66.0)	(70.5)	(73.8)	(72.3)	(73.8)
Subcontractor & labour agency expenses		(73.0)	(71.5)	(92.5)	(100.7)	(92.5)	(100.7)
Fleet & material handling equipment expenses		(22.4)	(21.5)	(18.4)	(21.8)	(18.4)	(21.8)
Other transport & warehousing expenses		(26.3)	(34.9)	(58.1)	(63.8)	(58.1)	(63.8)
Occupancy expenses		(9.3)	(8.4)	(8.6)	(8.1)	(8.6)	(8.1)
Other operating expenses	3	(6.7)	(9.6)	(8.2)	(9.1)	(14.6)	(9.1)
EBITDA before significant items		**53.8**	**46.7**	**60.1**	**62.2**	**51.9**	**62.2**
Significant items	1	(2.4)	(1.5)	–	–	–	–
EBITDA after significant items		**51.5**	**45.2**	**60.1**	**62.2**	**51.9**	**62.2**
Depreciation & amortisation		(7.8)	(7.4)	(5.1)	(5.2)	(5.1)	(5.2)
Amortisation of right of use asset		(28.2)	(32.5)	(31.6)	(31.1)	(31.6)	(31.1)
EBIT		**15.5**	**5.2**	**23.4**	**25.9**	**15.2**	**25.9**
Net finance costs		(7.5)	(8.7)	(8.3)	(6.9)	(8.5)	(6.9)
Profit/(loss) before tax		**8.0**	**(3.5)**	**15.1**	**19.0**	**6.7**	**19.0**
Income tax (expenses)/benefit		(3.4)	0.8	(4.5)	(5.7)	(2.2)	(5.7)
Net profit/(loss) (post AASB16)		**4.6**	**(2.6)**	**10.6**	**13.3**	**4.5**	**13.3**

Notes:

1. **Significant items** include expenses related to: in FY19 – expenses related to congestion in New South Wales empty container parks resulting in excess charges being levied on Silk by port operators ($1.4 million); and one-off integration costs attributable to recently acquired businesses ($0.9 million); and in FY20 –executive leadership team member exit payment ($0.2 million); bad debts expense related to a customer that was placed into administration ($0.6 million); and an expense related to the payment for lost pallets that had been lost over a number of years ($0.7 million).
2. **Employee benefits expense** in the Statutory Forecast Statement of Financial Performance for FY21 include a grant of (a) market priced options over 672,039 ordinary shares in Silk and zero priced options over 90,000 ordinary shares in Silk upon Completion of the Offer as an IPO bonus to the Chairman and a Non-Executive Director amounting to $0.8 million; and (b) zero price options over 547,500 ordinary shares in Silk upon Completion of the Offer as an IPO bonus to certain executives of Silk amounting to $1.1 million (see Section 6.3.4). The Statutory and Pro Forma Forecast Statement of Financial Performance for FY22 include an expense of $0.1 million relating to an additional grant of zero priced options over 90,000 ordinary shares in Silk to the Chairman as these options will vest 3 years from their grant date.
3. **Other operating expenses** in the Statutory Forecast Statement of Financial Performance for FY21 include expensed Offer costs of $6.2 million and an expense of $0.7 million related to the remeasurement of a deferred consideration liability for the Rocke Brothers acquisition in 1H21. Of the total expensed Offer costs included in other operating expenses of $6.2 million, $1.4 million relates to adviser fees that are subject to share price hurdles post Offer (refer Section 6.3.6). The fair value of these adviser fees payable has been assumed as $1.6 million (of which $1.4 million is expensed and $0.2 million is netted against share capital issued).

Table 4.3.1.2 sets out the pro forma historical consolidated statements of financial performance for 1H20 and 1H21.

Table 4.3.1.2: Pro forma historical consolidated statements of financial performance for 1H20 and 1H21

$ millions	Notes	1H20	1H21
Contract Logistics		52.2	58.4
Port Logistics		78.0	95.2
Other income		0.2	0.2
Total revenue		**130.4**	**153.9**
Other income		0.2	0.2
Employee benefits expense		(33.1)	(33.7)
Subcontractor & labour agency expenses		(37.5)	(45.0)
Fleet & material handling equipment expenses		(11.3)	(9.2)
Other transport & warehousing expenses		(15.3)	(27.2)
Occupancy expenses		(4.2)	(3.7)
Other operating expenses		(4.9)	(5.6)
EBITDA before significant items		**24.3**	**29.7**
Significant items		–	–
EBITDA after significant items		**24.3**	**29.7**
Depreciation & amortisation		(3.5)	(2.5)
Amortisation of right of use asset		(15.3)	(15.9)
EBIT		**5.5**	**11.3**
Net finance costs		(4.2)	(4.2)
Profit/(loss) before tax		**1.4**	**7.1**
Income tax (expenses)/benefit		(0.7)	(2.3)
Net profit/(loss)		**0.7**	**4.8**

4.3.2 Summary pro forma financial results pre AASB16

As explained in Section 4.2.1, the pro forma historical statement of financial performance and forecast statement of financial performance have been prepared as if AASB16 was in effect from the commencement of FY19. Table 4.3.2.1 sets out EBITDA, EBIT and NPAT for the historical and forecast period pre the adoption of AASB16.

Table 4.3.2.1: Summary pro forma financial results without the impact of AASB16

$ millions	FY19	FY20	FY21	FY22	1H20	1H21
Revenue	257.2	258.4	316.1	339.4	130.4	153.9
EBITDA before significant items (pre AASB16)	21.4	10.4	22.9	26.0	7.1	11.0
EBITDA after significant items (pre AASB16)	19.1	8.9	22.9	26.0	7.1	11.0
EBIT before significant items (pre AASB16)	13.6	3.0	17.8	20.9	3.6	8.5
EBIT after significant items (pre AASB16)	11.3	1.5	17.8	20.9	3.6	8.5
NPAT (pre AASB16)	6.4	(0.0)	11.9	14.1	1.7	5.6

Table 4.3.2.2 provides a reconciliation of EBITDA, EBIT and NPAT shown in the pro forma historical statement of financial performance and the pro forma forecast statement of financial performance to their corresponding pre AASB16 measures.

Table 4.3.2.2: Reconciliations of pro forma EBITDA (Pre AASB16), EBIT (Pre AASB16) and NPAT (Pre AASB16)

$ millions	Notes	FY19	FY20	FY21	FY22	1H20	1H21
EBITDA (before significant items)		**53.8**	**46.7**	**60.1**	**62.2**	**24.3**	**29.7**
Inclusion of equipment lease charges under previous AAS	1	(4.1)	(6.2)	(7.3)	(5.4)	(2.9)	(3.7)
Inclusion of rent expenses under previous AAS	1	(28.3)	(30.1)	(29.9)	(30.7)	(14.3)	(14.9)
EBITDA before significant items (pre AASB16)		**21.4**	**10.4**	**22.9**	**26.0**	**7.1**	**11.0**
Pro forma depreciation and amortisation expense		(36.0)	(40.0)	(36.7)	(36.3)	(18.8)	(18.3)
Remove amortisation of right-of-use assets under AASB16	2	28.2	32.5	31.6	31.1	15.3	15.9
EBIT before significant items (pre AASB16)		**13.6**	**3.0**	**17.8**	**20.9**	**3.6**	**8.5**
Significant items		(2.4)	(1.5)	–	–	–	–
EBIT after significant items (pre AASB16)		**11.3**	**1.5**	**17.8**	**20.9**	**3.6**	**8.5**
Pro forma net finance expense		(7.5)	(8.7)	(8.3)	(6.9)	(4.2)	(4.2)
Remove net interest on lease liabilities	3	6.8	7.4	7.5	6.2	3.4	3.8
Pro forma income tax expense		(3.4)	0.8	(4.5)	(5.7)	(0.7)	(2.3)
Tax effect of reconciling items	4	(0.8)	(1.1)	(0.6)	(0.3)	(0.4)	(0.3)
NPAT (pre AASB16)		**6.4**	**(0.0)**	**11.9**	**14.1**	**1.7**	**5.6**

Notes:

1. **Inclusion of equipment lease charges and rent expenses under previous AAS:** under AAS prior to the adoption of AASB16, rents for leased sites were expensed in occupancy expenses as incurred and rents for materials handling equipment were expensed in fleet & material handling equipment expenses on a straight-line basis.
2. **Remove amortisation expense on right-of-use assets:** the adoption of AASB16 by Silk has given rise to the recognition of right-of-use assets in the consolidated balance sheet. The amortisation of right-of-use assets is recognised in depreciation and amortisation expense in the consolidated statement of financial performance. Under previous AAS, right-of-use assets were not recognised. Further information on amortisation expense arising under AASB16 is provided in Section 4.2.4.
3. **Remove net interest expense on lease liabilities:** as explained in Section 4.2.4 the adoption of AASB16 by Silk has given rise to the recognition of an interest expense on the corresponding lease liabilities.
4. **Tax effect of the above reconciling items:** this adjustment represents the cumulative income tax effect of the above reconciling items using Silk's corporate tax rate of 30%.

4.3.3 Pro forma adjustments to statutory historical and forecast statements of financial performance

Table 4.3.3.1 below sets out the pro forma adjustments that have been made to revenue, EBITDA and NPAT in the historical and forecast periods.

Table 4.3.3.1: Pro forma adjustments to the Statutory Historical Consolidated Statements of Financial Performance and the Statutory Forecast Consolidated Statements of Financial Performance

		Historical Results		Forecast	
$ millions	**Notes**	**FY19**	**FY20**	**FY21**	**FY22**
Statutory revenue		**194.8**	**251.5**	**316.1**	**339.4**
Impact of acquisition – Rocke Brothers	1	62.5	6.9	–	–
Pro forma revenue		**257.3**	**258.4**	**316.1**	**339.4**
Statutory EBITDA		**5.8**	**43.1**	**51.9**	**62.2**
Incremental public company costs	2	(0.7)	(0.7)	(0.6)	–
Offer costs expensed	3	–	–	8.2	–
Application of AASB16	4	32.4	–	–	–
Impact of acquisition – Rocke Brothers	1	11.6	1.3	–	–
Acquisition costs	5	2.4	1.6	0.7	–
Pro forma EBITDA		**51.5**	**45.2**	**60.1**	**62.2**
Add back significant items		2.4	1.5	–	–
Pro forma EBITDA before significant items		**53.8**	**46.7**	**60.1**	**62.2**
Statutory NPAT		**(0.8)**	**(4.3)**	**4.5**	**13.3**
Incremental public company costs	2	(0.7)	(0.7)	(0.6)	–
Offer costs expensed	3	–	–	8.2	–
Application of AASB16	4	(2.6)	–	–	–
Impact of acquisition – Rocke Brothers	1	8.4	1.0	–	–
Acquisition costs	5	2.4	1.6	0.7	–
Finance costs	6	0.4	0.4	0.2	–
Tax impact on pro forma adjustments	7	(2.6)	(0.6)	(2.3)	–
Pro forma NPAT		**4.6**	**(2.6)**	**10.6**	**13.3**

Table 4.3.3.2: Pro forma adjustments to the Statutory Historical Consolidated Statements of Financial Performance for 1H20 and 1H21

$ millions	Notes	1H20	1H21
Statutory revenue		**123.5**	**153.9**
Impact of acquisition – Rocke Brothers	1	6.9	–
Pro forma revenue		**130.4**	**153.9**
Statutory EBITDA		**22.2**	**29.3**
Incremental public company costs	2	(0.3)	(0.3)
Offer costs expensed	3	–	–
Application of AASB16	4	–	–
Impact of acquisition – Rocke Brothers	1	1.3	–
Acquisition costs	5	1.1	0.7
Pro forma EBITDA		**24.3**	**29.7**
Add back significant items		–	–
Pro forma EBITDA before significant items		**24.3**	**29.7**
Statutory NPAT		**(0.7)**	**4.3**
Incremental public company costs	2	(0.3)	(0.3)
Offer costs expensed	3	–	–
Application of AASB16	4	–	–
Impact of acquisition – Rocke Brothers	1	1.0	–
Acquisition costs	5	1.1	0.7
Finance costs	6	0.1	0.1
Tax impact on pro forma adjustments	7	(0.6)	0.1
Pro forma NPAT		**0.7**	**4.8**

Notes:

1. Adjustment to reflect the revenue, EBITDA and NPAT of Rocke Brothers as if the acquisition had been completed prior to the commencement of FY19.
2. Upon becoming a listed company, Silk will incur additional operating expenses. These include additional Non-Executive Director remuneration, additional audit fees, listing costs, increased directors' and officers' insurance premiums, share registry costs and annual general meeting and annual report costs. The additional operating expenses are included in employee benefits expenses and other operating expenses as appropriate in the pro forma consolidated statement of financial performance as if these costs were being incurred from the start of FY19.
3. Total expenses of the Offer are estimated at $9.2 million of which $8.2 million (before tax) will be expensed in the FY21 statutory forecast, inclusive of non-recoverable GST and $1.0 million (before tax) will be netted against share capital issued.
4. This adjustment applies AASB16 Leases from 25 June 2018 so that FY19 is presented on a consistent basis to all other periods. See Section 4.3.2 for further information.
5. Adjustment to remove transaction costs incurred in relation to the acquisitions of CTC and Rocke Brothers. In respect of CTC, this includes a remeasurement of acquisition consideration that was made in FY20 of $0.5 million (recognised in the statement of financial performance). In respect of Rocke Brothers, deferred contingent consideration was fair valued at $5.3 million in FY20 and was revised to $6.0 million in 1H21 ($0.7 million recognised in the statement of financial performance). Upon Completion of the Offer, the liability will be settled with no further gain or loss. This adjustment also includes the removal of the expense recognised on the adjustment to fair value from EBITDA and NPAT on a pro forma basis as they relate to the acquisition of Rocke Brothers.
6. This adjustment removes the interest expense on existing borrowings during the relevant historical and forecast periods and replaces it with the pro forma costs of the amended Facility. The pro forma costs reflect the level of borrowings in the relevant periods post the repayment of $8.0 million that will be repaid upon Completion of the Offer.
7. The tax impact attributable to all relevant adjustments has been calculated using an effective tax rate of 30%.

4.3.4 Key operating and financial metrics

Table 4.3.4.1 summarises Silk's key pro forma historical operating and financial metrics for FY19 and FY20, and Silk's key pro forma forecast operating and financial metrics for the FY21 and FY22 forecast periods.

Table 4.3.4.1: Pro forma historical and forecast key operating metrics

	Notes	FY19	FY20	FY21	FY22
Key Operating Metrics					
Number of billed containers (#)	1	231,844	233,975	277,284	297,033
Average weekly stored pallets	2	208,537	174,989	181,127	187,571
Pallet space occupancy (%)	3	87.5%	72.9%	77.3%	80.1%
Number of billed consignments (#)	4	37,273	36,090	49,949	59,613
Pro Forma Key Financial Metrics					
Pro forma revenue growth		n/a	0.5%	22.3%	7.4%
Pro forma EBITDA growth (before significant items)		n/a	-13.2%	28.7%	3.4%
Pro forma EBIT growth (before significant items)		n/a	-62.3%	248.2%	10.5%
Pro forma EBITDA margin		20.0%	17.5%	19.0%	18.3%
Pro forma EBIT margin		6.0%	2.0%	7.4%	7.6%
Pro Forma Key Financial Metrics (pre AASB16)					
Pro forma revenue growth (pre AASB16)		n/a	0.5%	22.3%	7.4%
Pro forma EBITDA growth (before significant items) (pre AASB16)		n/a	-51.3%	119.6%	13.6%
Pro forma EBIT growth (before significant items) (pre AASB16)		n/a	-78.1%	495.7%	17.0%
Pro forma EBITDA margin (pre AASB16)		7.4%	3.5%	7.3%	7.7%
Pro forma EBIT margin (pre AASB16)		4.4%	0.6%	5.6%	6.1%

Notes:

1. **Number of billed containers:** relates to the Port Logistics segment. FY19 included 53 weeks vs. FY20 which included 52 weeks.
2. **Average weekly stored pallets and pallet space occupancy:** relates to warehousing within the Contract Logistics segment. From September 2019 excludes occupancy rate of warehouse converted from activity-based pricing to a pass-through leasing arrangement.
3. **Average annual pallet space occupancy:** relates to warehousing services within the Contract Logistics segment. From September 2019 excludes occupancy rate of a warehouse converted from activity-based pricing (Silk leased site) to a pass-through leasing arrangement (effectively a Silk managed site).
4. **Billed consignments:** relates to distribution services within the Contract Logistics segment.

Statutory historical consolidated statements of financial performance

Table 4.3.4.2 sets out the statutory historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21.

Table 4.3.4.2: Statutory Historical Consolidated Statements of Financial Performance

	Historical Results		Historical Results	
$ millions	FY19	FY20	1H20	1H21
Total revenue	**194.8**	**251.5**	**123.5**	**153.9**
Other income	0.2	0.2	0.2	0.2
Employee benefits expense	(50.7)	(64.3)	(31.4)	(33.6)
Subcontractor & labour agency costs	(57.9)	(69.9)	(35.9)	(45.0)
Fleet & material handling equipment expenses	(18.2)	(20.7)	(9.9)	(9.2)
Other transport and warehousing expenses	(18.7)	(34.9)	(15.3)	(27.2)
Occupancy expenses	(35.5)	(8.2)	(4.0)	(3.7)
Other operating expenses	(8.3)	(10.7)	(5.1)	(6.1)
EBITDA	**5.8**	**43.1**	**22.2**	**29.3**
Depreciation & amortisation	(4.6)	(7.1)	(3.2)	(2.5)
Amortisation of right of use asset	–	(32.5)	(15.3)	(15.9)
EBIT	**1.2**	**3.4**	**3.7**	**10.9**
Net finance costs	(1.2)	(9.1)	(4.3)	(4.3)
Profit/(loss) before tax	**0.1**	**(5.7)**	**(0.6)**	**6.6**
Income tax (expenses)/benefit	(0.8)	1.4	(0.1)	(2.3)
Net profit/(loss)	**(0.8)**	**(4.3)**	**(0.7)**	**4.3**

Notes:

1. The classification of expenses in the statutory historical consolidated statements of financial performance for FY19 and FY20 shown above have been updated to be consistent with a change in classification that was adopted for the Interim Financial Statements. This change in classification resulted in the addition of the fleet & material handling equipment expenses line and the reallocation of expenses previously classified as direct warehouse and transport costs across subcontract and labour agency expenses, fleet & material handling equipment expenses and other transport and warehousing expenses.

4.4 Statutory and pro forma historical consolidated statement of financial position

Table 4.4.1 sets out the statutory historical consolidated statement of financial position as at 27 December 2020, and the adjustments that have been made to derive the pro forma historical consolidated statement of financial position. These adjustments reflect the impact of the operating structure that will be in place at Completion of the Offer as if the Offer had occurred as at 27 December 2020.

The pro forma historical consolidated statement of financial position is therefore provided for illustrative purposes only and is not necessarily indicative of Silk's view of its future financial position.

Further information on the sources and uses of funds of the Offer is contained in Section 7.1

Table 4.4.1: Statutory and Pro Forma Historical Consolidated Statement of Financial Position

$ millions	Statutory as at 27 Dec-20	1. Pre-Offer dividend	2. Repayment of borrowings	3. Impact of Offer	4. Reclassification of cash	Pro forma before working capital requirement as at 27 Dec-20	5. Working capital requirement	Pro forma as at 27 Dec-20
Cash and cash equivalents	12.9	(10.0)	(8.0)	2.7	2.4	–	22.4	22.4
Trade and other receivables	50.6	–	–	–	–	50.6	–	50.6
Other assets	4.8	–	–	–	–	4.8	–	4.8
Total current assets	**68.3**	**(10.0)**	**(8.0)**	**2.7**	**2.4**	**55.4**	**22.4**	**77.8**
Property, plant and equipment	13.7	–	–	–	–	13.7	–	13.7
Right of use assets	157.9	–	–	–	–	157.9	–	157.9
Intangible assets	34.2	–	–	–	–	34.2	–	34.2
Deferred tax assets	9.2	–	–	2.8	–	11.9	–	11.9
Finance lease receivable	1.1	–	–	–	–	1.1	–	1.1
Total non-current assets	**216.1**	**–**	**–**	**2.8**	**–**	**218.8**	**–**	**218.8**
Total assets	**284.3**	**(10.0)**	**(8.0)**	**5.5**	**2.4**	**274.2**	**22.4**	**296.6**
Trade and other payables	(26.6)	–	–	–	–	(26.6)	–	(26.6)
Other financial liabilities	(6.0)	–	–	6.0	–	–	–	–
Lease liabilities	(36.7)	–	–	–	–	(36.7)	–	(36.7)
Provisions	(8.2)	–	–	–	–	(8.2)	–	(8.2)
Deferred revenue	(0.5)	–	–	–	–	(0.5)	–	(0.5)
Current tax liabilities	(1.9)	–	–	–	–	(1.9)	–	(1.9)
Borrowings	(19.0)	–	19.0	–	(2.4)	(2.4)	–	(2.4)
Total current liabilities	**(98.9)**	**–**	**19.0**	**6.0**	**(2.4)**	**(76.3)**	**–**	**(76.3)**
Lease liabilities	(143.7)	–	–	–	–	(143.7)	–	(143.7)
Provisions	(3.0)	–	–	–	–	(3.0)	–	(3.0)
Borrowings	–	–	(11.0)	–	–	(11.0)	(22.4)	(33.4)
Total non-current liabilities	**(146.8)**	**–**	**(11.0)**	**–**	**–**	**(157.8)**	**(22.4)**	**(180.2)**
Total liabilities	**(245.6)**	**–**	**8.0**	**6.0**	**(2.4)**	**(234.1)**	**(22.4)**	**(256.5)**
Net assets	**38.7**	**(10.0)**	**–**	**11.5**	**–**	**40.2**	**–**	**40.2**
Issued capital	52.2	–	–	17.2	–	69.4	–	69.4
Retained earnings	10.9	(10.0)	–	(5.7)	–	(4.8)	–	(4.8)
Reserves	(24.5)	–	–	–	–	(24.5)	–	(24.5)
Total equity	**38.7**	**(10.0)**	**–**	**11.5**	**–**	**40.2**	**–**	**40.2**

Notes:

1. **Pre-Offer dividend:** Reflects the impact on cash and cash equivalents of a pre-IPO dividend subsequent to 27 December 2020 of $10.0 million. The dividend was declared pre-IPO and will be paid post listing.
2. **Repayment of borrowings:** Borrowings of $8 million will be repaid promptly following the completion of the Offer from a combination of existing cash balances (including cash generated in 2H21) and Offer proceeds. A pro forma adjustment has been made to reclassify the remaining borrowings as non-current based on the amended terms of the cash advance facility (refer Section 4.4.3).
3. **Impact of the Offer:** The Offer is assumed to raise gross proceeds of $10 million, from which Offer costs of $7.3 million will be paid. Total Offer raising costs are estimated to be $9.2 million, of which $8.2 million is expensed ($5.7 million after tax) with the remaining $1.0 million ($0.7 million after tax) netted against share capital issued. A deferred tax asset of $2.8 million is recognised on the Offer costs. The Offer raising costs of $9.2 million includes an equity settled expense of $1.9 million related to an IPO bonus of share options, with the remaining $7.3 million settled in cash. The Offer raising costs include $1.6 million in adviser fees that are subject to share price hurdles post Offer (refer Section 6.3.6). The Pro Forma Statement of Financial Position assumes that these adviser fees are paid in full. Deferred consideration in relation to the acquisition of Rocke Brothers of $6 million will be settled from $6.0 million in ordinary shares. Existing convertible preference shares and convertible redeemable preference shares will be converted to ordinary shares and some sold to incoming investors as part of the Offer.
4. **Reclassification of cash:** The pro forma current borrowings of $2.4 million reflect the overdrawn cash position on a pro forma basis as at 27 Dec-20. The Company is forecast to have a cash balance of $7.9 million following completion of the Offer based on 2H21 forecast cash flow.
5. **Working capital requirement:** Tor Asia Credit Master Fund LP has agreed to provide the Company with a working capital facility (by an amount in the order of $22.4 million) to enable the Company to meet ASX's working capital requirements for admission under the ASX Listing Rules. The Pro Forma Statement of Financial Position reflects financial position of the Company as if this facility is drawn down. The size of this facility is solely influenced by the need to satisfy the requirement that the Company has a minimum "working capital" (defined in the ASX Listing Rules as being current assets less current liabilities) as shown in its Pro Forma Statement of Financial Position of at least $1.5 million. To the extent that the Company does not require additional working capital in the period after listing, it would not draw down on the working capital facility.
6. $35.9 million and $143.4 million of current and non-current lease liabilities respectively and the right of use asset relate to AASB16.

4.4.1 Indebtedness

Table 4.4.2 sets out the net cash/(debt) position as at 27 December 2020, on a statutory basis (before Completion of the Offer) and on a pro forma basis (post Completion of the Offer).

The key adjustments between the statutory cash and cash equivalents at 27 December 2020 and pro forma cash and cash equivalents reflect the cash proceeds from the Offer net of Offer costs. The borrowings balance of $19.0 million was reduced by a $1.5 million amortising payment on 4 January 2021 and a further $1.5 million amortising payment on 26 March 2021 to $16.0 million. Promptly following the Completion of the Offer, the remaining $16.0 million will be paid down to $8.0 million.

Table 4.4.2: Historical indebtedness as at 27 December 2020

$ millions	Notes	Statutory 27 Dec-2020	Pro forma before working capital requirement 27 Dec-2020	Pro forma[2] 27 Dec-2020	Pro forma (pre AASB16)[2] 27 Dec-2020
Borrowings		19.0	13.4	35.8	35.8
Other financial liabilities	1	6.0	–	–	–
Less cash and cash equivalents		(12.9)	–	(22.4)	(22.4)
Net indebtedness pre lease liabilities		**12.1**	**13.4**	**13.4**	**13.4**
Lease liabilities		180.4	180.4	180.4	1.1
Net total indebtedness		**192.5**	**193.8**	**193.8**	**14.5**

Notes:

1. **Other financial liabilities:** reflects the liability for Rocke Brothers deferred purchase consideration. This liability will be extinguished upon Completion of the Offer.
2. As described in Note 3 of Table 4.4.1, the pro forma borrowings and cash and cash equivalents include the illustrative impact of a $22.4 million drawdown to meet the ASX's working capital requirement.

4.4.2 Liquidity and Capital Resources

Following Completion of the Offer, on a pro forma basis at 27 December 2020, Silk is expected to have approximately $13.4 million net indebtedness pre lease liabilities on its consolidated statement of financial position. Silk is forecast to have $0.1 million net indebtedness following Completion of the Offer based on the pro forma net indebtedness at 27 December 2020 and forecast cash flow for 2H21. Silk's principal sources of funds are expected to be cash flow generated from operations and cash on hand. The main use of cash is to fund operations and support growth initiatives including acquisitions. Historical and forecast capital expenditure and working capital trends are described in Sections 4.7.9 to 4.7.10. Silk expects that the business will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period.

Silk will maintain the facilities (as described in Section 4.4.3) on Completion of the Offer. Quantitative and qualitative disclosures about market risk sensitive instruments are addressed in Sections 4.9 and 5.

4.4.3 Description of Banking Facilities

4.4.3.1 Westpac Facility

Following Completion of the Offer, Westpac Banking Corporation (**Westpac**) has agreed to extend the Group's secured loan facility (**Westpac Facility**) on amended terms (see section 9.6.2 for further information). All references to the Westpac Facility in this Section 4.4.3 are based on the amended terms that will apply following Completion of the Offer.

The Westpac Facility will comprise a cash advance facility and a revolving guarantee facility, both repayable by 31 December 2022.

- The cash advance facility will have a limit of $16.0 million, Silk will repay $8.0 million of this facility early and promptly following the Completion of the Offer.
- The revolving guarantee facility will have a limit of $13.0 million. This facility is used as security against leased premises, and $12.1 million of the facility was utilised as of 27 December 2020.

Fixed and floating charges will be provided by Silk in respect of the Westpac Facility. The Westpac Facility will also be secured by the following financial undertakings:

- negative pledge that imposes certain covenants including a restriction to provide other security over its assets, meet all of its financial obligations, maintain property, and not to make any substantial change to the nature or scope of its business; and
- maintenance of certain financial thresholds for shareholders' equity, leverage ratio and fixed charge ratio.

4.4.3.2 Working Capital Facility

Tor Asia Credit Master Fund LP has agreed to provide an unsecured working capital facility to enable the Company to meet working capital requirements for admission under the ASX Listing Rules.

The working capital facility comprise a cash advance facility, repayable by 2 August 2022.

The cash advance facility will have a limit of $22.4 million. The size of this facility is solely influenced by the need to satisfy the requirement that the Company has minimum "working capital" (defined in the ASX Listing Rules as being current assets less current liabilities) as shown in its pro forma statement of financial position of at least $1.5 million. To the extent that the Company does not require additional working capital in the period after listing, it would not draw down on the working capital facility.

Although Tor's Preferred Shares represent 66.79% of issued shares as at the Prospectus Date, Tor is not a related party of the Company as Tor has entered into a binding agreement to not exercise any voting rights attaching to those Preferred Shares to the extent such exercise would result in Tor having the ability to control the Company prior to Completion.

4.4.4 Capital and contractual commitments

The maturity profile of total discounted lease liabilities on the pro forma historical consolidated statement of financial position as at 27 December 2020 are set out in the table below. There were no material capital commitments as at that date.

Table 4.4.3: Summary of lease commitments

$ millions	27 Dec-2020
1 year or less	36.7
Between 1 and 2 years	31.5
Between 2 and 5 years	76.5
Over 5 years	35.8
	180.4

4.5 Pro forma historical and forecast consolidated statements of cash flows

Table 4.5.1 sets out the pro forma historical consolidated statements of cash flows for FY19 and FY20, the pro forma forecast consolidated statement of cash flows for FY21 and FY22 and information extracted from the statutory forecast consolidated statement of cash flows for FY21 and FY22.

The pro forma forecast consolidated statement of cash flows for FY21 and FY22 and information extracted from the statutory forecast consolidated statement of cash flows for FY21 and FY22 are subject to the general and specific assumptions underlying the Forecast Financial Information (see Section 4.8).

The presentation of cash flows in Table 4.5.1 shows net cash flow before dividends in order to illustrate Silk's liquidity. Refer to Section 4.10 for Silk's dividend policy.

Table 4.5.1: Pro forma Historical Consolidated Statements of Cash Flows, Pro Forma Forecast Consolidated Statements of Cash Flows and Statutory Forecast Consolidated Statements of Cash Flows

		Historical Results		Forecast		Forecast (Statutory)	
$ millions	**Notes**	**FY19**	**FY20**	**FY21**	**FY22**	**FY21**	**FY22**
EBITDA		**51.5**	**45.2**	**60.1**	**62.2**	**51.9**	**62.2**
Non cash EBITDA items		0.2	(0.2)	(0.3)	0.3	2.4	0.3
Changes in working capital		(6.2)	5.5	(6.6)	(3.1)	(0.3)	(9.4)
Operating cash flow		**45.5**	**50.6**	**53.2**	**59.3**	**53.9**	**53.0**
Net lease principal payments		(25.6)	(25.8)	(28.9)	(32.2)	(28.9)	(32.2)
Net lease finance payments		(6.8)	(7.4)	(7.6)	(6.2)	(7.6)	(6.2)
Proceeds from disposal of plant & equipment		8.1	2.3	1.8	0.7	1.8	0.7
Capital expenditure		(5.1)	(3.4)	(3.0)	(4.9)	(3.0)	(4.9)
Net cash flow before borrowing costs, tax & dividends		**16.1**	**16.3**	**15.4**	**16.6**	**16.1**	**10.3**
Net interest paid on borrowings		(0.9)	(1.1)	(0.9)	(0.7)	(1.1)	(0.7)
Income tax paid	1	(6.9)	0.0	(1.6)	(6.9)	(1.6)	(6.9)
Repayment of borrowings						(10.0)	(8.0)
Proceeds from the issue of shares						–	10.0
Offer costs						–	(1.0)
Net cash flow before dividends		**8.3**	**15.2**	**12.9**	**9.0**	**3.4**	**3.7**

Notes:

1. $1.2 million of FY22 income tax paid relates to FY21 earnings.

Table 4.5.2 sets out the pro forma historical consolidated statements of cash flows for 1H20 and 1H21.

Table 4.5.2: Pro forma Historical Consolidated Statements of Cash Flows for 1H20 and 1H21

$ millions	Notes	1H20	1H21
EBITDA		**24.3**	**29.7**
Changes in working capital		(5.9)	(9.5)
Operating cash flow		**18.4**	**20.1**
Net lease principal payments		(13.8)	(14.8)
Net lease finance payments		(3.4)	(3.8)
Proceeds from disposal of plant & equipment		0.4	0.7
Capital expenditure		(1.5)	(1.0)
Net cash flow before financing, tax & dividends		**0.0**	**1.1**

4.5.1 Reconciliation of key cash flows measures with and without the impact of AASB16

As explained in Section 4.2.4, the pro forma historical and forecast cash flows presented above have been prepared as if AASB16 was in effect from the commencement of FY19. Table 4.5.1.1 sets out operating cash flow excluding the impact of AASB16. It is noted that AASB16 does not impact overall cash flows in any financial year but does impact the classification of lease payments between operating cash flows and financing cash flows for statutory reporting purposes. Table 4.5.1.1 below includes reconciliations of pro forma operating cash flow to the corresponding measure on a pre AASB16 basis.

Table 4.5.1.1 Reconciliation to Pro Forma Operating Cash Flows (Pre AASB16)

		Pro Forma Historical		Pro Forma Forecast	
$ millions	**Notes**	**FY19**	**FY20**	**FY21**	**FY22**
Operating cash flows		45.5	50.6	53.2	59.3
Less rent payments under previous AAS	1	(32.4)	(33.2)	(36.5)	(38.4)
Operating cash flow (pre AASB16)		13.1	17.4	16.7	20.9
Net capex		3.0	(1.1)	(1.3)	(4.3)
Net cash flow before borrowing costs, tax & dividends		**16.1**	**16.3**	**15.4**	**16.6**

Notes:

1. Rent payments under previous AAS: represents cash paid on property rents and the hire of materials handling equipment, which under previous AAS were included in operating cash flows. Under AASB16, lease payments are classified as financing cash flows, with the interest portion of lease payments included in interest paid.

4.5.2 Pro forma adjustments to statutory historical and forecast statements of cash flows

Table 4.5.2.1 contains a reconciliation of the statutory historical and forecast consolidated statements of cash flows to the pro forma historical and forecast consolidated statements of cash flows at the operating, investing and financing activity levels.

Table 4.5.2.1: Pro forma adjustments to the Statutory Historical Consolidated Statements of Cash Flows and Statutory Forecast Consolidated Statements of Cash Flows

		Historical		Forecast	
	Notes	FY19	FY20	FY21	FY22F
Statutory cash flow		**(23.2)**	**9.2**	**3.4**	**3.7**
Cash impact of pro forma adjustments to NPAT:	1				
Pre-acquisition operating cash flows of Rocke Brothers		10.5	1.4	–	–
Acquisition costs		2.4	1.1	–	–
Incremental public company costs		(0.7)	(0.7)	(0.6)	–
Finance costs		0.4	0.4	0.2	–
Pro forma change in income tax paid		(3.0)	(0.2)	–	–
Pre-acquisition net capex of Rocke Brothers		0.2	(0.6)	–	–
Payments for business acquisitions	2	12.6	36.6	–	–
Repayment of existing borrowings	3	9.2	3.0	10.0	8.0
Proceeds from borrowings	3	–	(15.0)	–	–
Proceeds from the issue of shares		–	(19.9)	–	–
Proceeds from the Offer (net of Offer costs)	4	–	–	–	(2.7)
Pro forma net cash flow before dividends		**8.3**	**15.2**	**12.9**	**9.0**

Notes:

1. These adjustments reflect the cash impact of the pro forma adjustments made to the Consolidated Statements of Financial Performance.
2. This adjustment removes the net cash paid for the acquisitions of CSS, CTC and Rocke Brothers.
3. These adjustments remove repayments and drawdowns of existing borrowings. The new Westpac Facility does not require repayments during the term of the facility.
4. This adjustment is consistent with the pro forma adjustment made to the Consolidated Statement of Financial Position in section 4.4.

4.5.3 Statutory historical consolidated statements of cash flows

Table 4.5.3.1 sets out the statutory historical consolidated statements of cash flows for FY19 and FY20 extracted from the annual financial statements and the statutory historical consolidated statements of cash flows for 1H20 and 1H21 extracted from the Interim Financial Statements.

Table 4.5.3.1: Statutory Historical Consolidated Statements of Cash Flows

	Historical Results			
$ millions	**FY19**	**FY20**	**1H20**	**1H21**
Net profit after tax	**(0.8)**	**(4.3)**	**(0.7)**	**4.3**
(Gain)/loss on sale of property, plant and equipment	0.2	(0.2)	(0.3)	(0.2)
Non-cash interest expense/(income)	–	0.2	0.0	(0.1)
Remeasurement of deferred consideration liability	–	0.5	–	0.7
Depreciation of non-current assets	4.6	7.1	3.3	2.4
Amortisation right-of-use assets	–	32.5	15.2	15.9
Changes in net working capital	(8.1)	4.2	(6.8)	(7.8)
Net cash from operating activities	**(4.2)**	**40.1**	**10.8**	**15.2**
Net cash paid for business acquisitions	(12.6)	(36.6)	(30.6)	–
Payments for property, plant & equipment	(0.7)	(2.8)	(0.9)	(1.0)
Proceeds from disposal of property, plant and equipment	3.5	2.3	0.4	0.7
Net cash flow from/(used in) investing activities	**(9.9)**	**(37.0)**	**(31.1)**	**(0.3)**
Proceeds from issue of equity	–	20.0	20.0	–
Share issue transaction costs	–	(0.1)	(0.1)	–
Proceeds from borrowings	–	15.0	15.0	–
Repayment of borrowings	(9.2)	(3.0)	(1.0)	(7.0)
Repayment of lease liabilities	–	(25.8)	(13.8)	(14.8)
Net cash from/(used in) financing activities	**(9.2)**	**6.1**	**20.1**	**(21.8)**
Net increase/(decrease) in cash	**(23.2)**	**9.2**	**(0.2)**	**(6.9)**

4.6 Segment Information

Silk management considers that its operating segments for the purposes of AASB 8 *Operating Segments* comprise Port Logistics (wharf cartage and associated services) and Contract Logistics (warehousing operations and distribution services).

Table 4.6.1: Segment Information

Port Logistics ($ millions)	**FY19**	**FY20**	**FY21**	**FY22**
Port Logistics revenue	136.2	156.6	197.4	214.1
Other services	0.6	0.3	0.7	0.9
Pro forma revenue	**136.8**	**156.9**	**198.1**	**215.0**
Pro forma EBITDA	**10.3**	**12.6**	**20.8**	**21.8**
EBITDA margin	*7.5%*	*8.0%*	*10.5%*	*10.1%*
Pro forma EBIT	**0.9**	**1.9**	**11.3**	**12.5**
EBIT margin	*0.6%*	*1.2%*	*5.7%*	*5.8%*
Pro forma EBITDA (pre AASB16)	**6.8**	**8.0**	**14.0**	**15.4**
EBITDA margin (pre AASB16)	*5.0%*	*5.1%*	*7.1%*	*7.2%*
Pro forma EBIT (pre AASB16)	**0.4**	**1.6**	**10.3**	**11.8**
EBIT margin (pre AASB16)	*0.3%*	*1.0%*	*5.2%*	*5.5%*
Pro forma EBITDA before significant items (pre AASB16)	**9.1**	**8.1**	**14.0**	**15.4**
EBITDA margin before significant items (pre AASB 16)	*6.7%*	*5.2%*	*7.1%*	*7.2%*
Pro forma EBIT before significant items (pre AASB 16)	**2.7**	**1.7**	**10.3**	**11.8**
EBIT margin before significant items (pre AASB 16)	*2.0%*	*1.1%*	*5.2%*	*5.5%*

Contract Logistics ($ millions)	**FY19**	**FY20**	**FY21**	**FY22**
Contract Logistics revenue	120.2	101.0	117.7	124.4
Other services	0.2	0.5	0.2	–
Pro forma revenue	**120.4**	**101.5**	**117.9**	**124.4**
Pro forma EBITDA	**41.3**	**32.7**	**39.3**	**40.3**
EBITDA margin	*34.3%*	*32.2%*	*33.3%*	*32.4%*
Pro forma EBIT	**14.7**	**3.4**	**12.1**	**13.4**
EBIT margin	*12.2%*	*3.3%*	*10.3%*	*10.8%*
Pro forma EBITDA (pre AASB16)	**12.4**	**1.1**	**8.9**	**10.6**
EBITDA margin (pre AASB16)	*10.3%*	*1.0%*	*7.5%*	*8.5%*
Pro forma EBIT (pre AASB16)	**11.0**	**0.0**	**7.6**	**9.1**
EBIT margin (pre AASB16)	*9.1%*	*0.0%*	*6.4%*	*7.3%*
Pro forma EBITDA before significant items (pre AASB16)	**12.3**	**2.3**	**8.9**	**10.6**
EBITDA margin before significant items (pre AASB16)	*10.3%*	*2.4%*	*7.5%*	*8.5%*
Pro forma EBIT before significant items (pre AASB16)	**11.0**	**1.4**	**7.6**	**9.1**
EBIT margin before significant items (pre AASB16)	*9.1%*	*1.4%*	*6.4%*	*7.3%*

Group ($ millions)	FY19	FY20	FY21	FY22
Group revenue	256.4	257.5	315.1	338.5
other services	0.8	0.9	0.9	0.9
Pro forma revenue	**257.2**	**258.4**	**316.1**	**339.4**
Pro forma EBITDA	**51.6**	**45.3**	**60.1**	**62.2**
EBITDA margin	*20.1%*	*17.5%*	*19.0%*	*18.3%*
Pro forma EBIT	**15.6**	**5.3**	**23.4**	**25.9**
EBIT margin	*6.1%*	*2.1%*	*7.4%*	*7.6%*
Pro forma EBITDA (pre AASB16)	**19.2**	**9.0**	**22.9**	**26.0**
EBITDA margin (pre AASB16)	*7.5%*	*3.5%*	*7.3%*	*7.7%*
Pro forma EBIT (pre AASB16)	**11.4**	**1.6**	**17.8**	**20.9**
EBIT margin (pre AASB16)	*4.4%*	*0.6%*	*5.6%*	*6.1%*
Pro forma EBITDA before significant items (pre AASB16)	**21.4**	**10.4**	**22.9**	**26.0**
EBITDA margin before significant items (pre AASB16)	*8.4%*	*4.1%*	*7.3%*	*7.7%*
Pro forma EBIT before significant items (pre AASB16)	**13.7**	**3.1**	**17.8**	**20.9**
EBIT margin before significant items (pre AASB16)	*5.3%*	*1.2%*	*5.6%*	*6.1%*

4.7 Management discussion and analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information

4.7.1 Key elements of Silk's operating results and their drivers

This Section includes a discussion of key factors that affected Silk's operating and financial performance during the period of the Historical Financial Information and a discussion of key factors that are expected to drive Silk's operating and financial performance for FY21F and FY22F.

The discussion in this Section focuses on Pro Forma Financial Information before significant items and pre AASB16 as defined in Section 4.3.2. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Silk's historical operating and financial performance, or everything that may affect Silk's operations and financial performance in the future. The information in this Section 4.7 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.7.2 Revenue

Silk generates revenue from its integrated 'port-to-door' service offering with revenue reported across the Port Logistics (wharf cartage and associated services) and Contract Logistics (warehousing and distribution services) operating segments.

Services offered by Silk include wharf cartage, unpacking, goods handling, warehousing, and 4PL distribution.

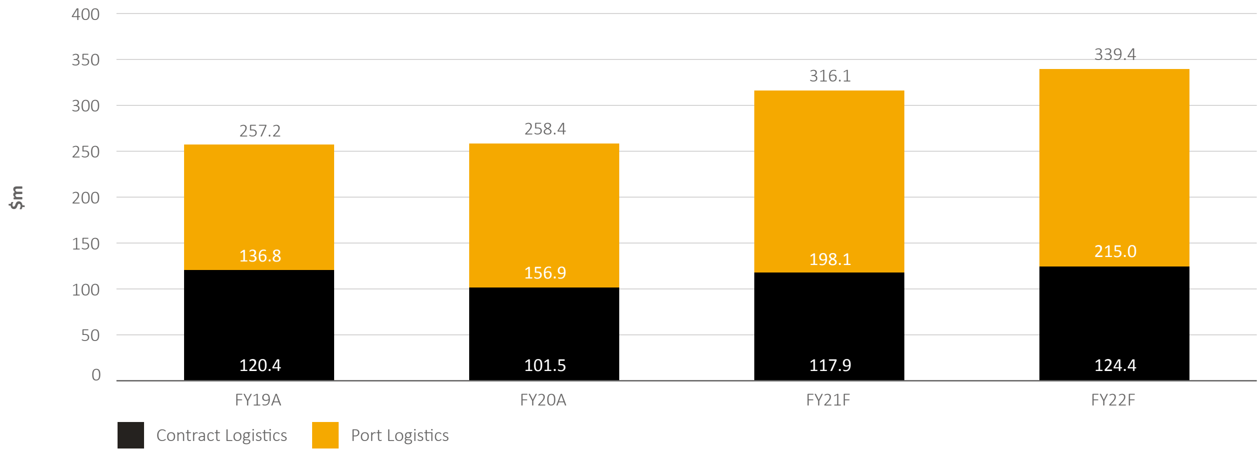
Silk's current customer base includes the FMCG, light industrial, food, specialised retail and containerised agriculture sectors.

Silk's revenue growth is expected to continue to be driven by several factors described in Sections 2 and 3 of this Prospectus. These factors include:

- growth in international and domestic Australian containerised trade;
- increased outsourcing of logistics services by shippers;
- trend towards a smaller number of IT-enabled, larger LSPs;

- Silk's specialised and configurable capabilities and national footprint;
- Silk's continued investment in technology and integrated service offering;
- Silk's targeted approach to sales and marketing; and
- the continued successful execution of Silk's strategic growth plan (see Section 3.9).

Figure 21: Pro Forma Group Revenue



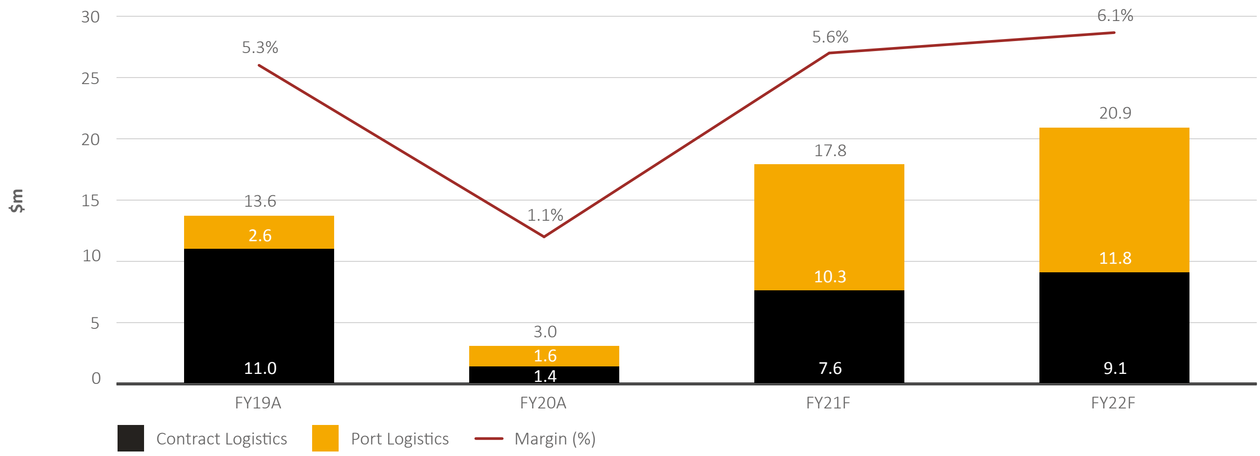
Silk's pro forma revenue is forecast to increase from $257.2 million in FY19 to $339.4 million in FY22, representing a CAGR of 9.7%, driven by factors including:

- increasing revenues from existing customers in Port Logistics through provision of additional services lines and sites;
- extension of offering to existing warehouse customer 'pull-through' into distribution services in Contract Logistics; and
- new customer wins during FY20 and FY21 (1H21) across both Port Logistics and Contract Logistics.

Segment revenue is described in Section 4.7.4 and 4.7.5 below.

4.7.3 Group EBIT

Figure 22: Pro Forma Group EBIT and EBIT margin before significant items (pre AASB16)



Silk's pro forma EBIT is forecast to increase from $13.6 million in FY19 to $20.9 million in FY22, representing a CAGR of 15.2%. EBIT and EBIT margin expansion reflect factors including:

- the aforementioned growth in revenue;
- benefits of operational leverage gained from scalable business model and increased volume; and
- rebound of Contract Logistics occupancy levels in FY21.

In FY20, Group EBIT decreased from $13.6 million to $3.0 million primarily as a result of excess storage capacity in Contract Logistics.

Management views Silk's FY20 pro forma overhead (comprising other operating expenses and approximately 20.0% of employee benefits expense in FY20) as sufficient to support a significantly larger business. Management expects the pro forma overhead costs to decline as a percentage of total revenue from FY19 to FY22 as the relatively fixed nature of these costs means they will not increase at the same rate as revenue and this will continue to drive earnings growth as the business continues to scale.

Segment EBIT is described below in Sections 4.7.4 and 4.7.5, and a more detailed breakdown of operating expense line items is set out in Section 4.7.6.

4.7.4 Port Logistics

Table 4.7.4.1. Pro Forma Historical and Pro Forma Forecast financials for Port Logistics before significant items (pre AASB16)

$ millions	Notes	FY19	FY20	FY21	FY22
Billed Containers (000's)	1	231.8	234.0	277.3	297.0
Revenue		136.8	156.9	198.1	215.0
EBITDA before significant items (pre AASB16)		9.1	8.1	14.0	15.4
EBIT before significant items (pre AASB16)		2.7	1.7	10.3	11.8
Key operating and financial metrics					
Revenue Growth (%)			14.7%	26.3%	8.5%
EBITDA (before significant items) margin (%)		6.7%	5.2%	7.1%	7.2%
EBIT (before significant items) margin (%)		2.0%	1.1%	5.2%	5.5%

Notes:

1. FY19 included 53 weeks vs. FY20 which included 52 weeks.

Revenue

Port Logistics revenue is forecast to represent 63% of total revenue in FY21. Port Logistics revenue comprises port-based transport services such as wharf cartage, container storage and handling, fumigation, container packing and unpacking and transport delivery of loose cargo. Customers are charged fees for various services offered, with fees for billed containers being the key driver. Fees charged are determined based on specific individual services provided and reflect the cost of providing the service plus a margin.

Silk's Port Logistics revenue is forecast to increase by $78.2 million between FY19 and FY22, representing a CAGR of 16.3%.

In FY20, Port Logistics revenue increased by $20.1 million (14.7%) and billed container volume increased 0.9% demonstrating Silk's ability to increase revenue per billed container through the provision of incremental services (e.g. fumigation, AQIS inspections, packing and unpacking) and increase in ancillary transport charges including VBS charges and port access fees which are recovered from customers.

In FY21, Port Logistics revenue is forecast to increase by $41.3 million (26.3%) driven by an increase in billed containers of 18.5% as well as continued incremental services and recovery of increased ancillary transport charges:

- $27.0 million relates to a net increase from existing customers, driven by an expansion of sites to existing customers driving a 48% and 25% increase in billed containers in NSW and QLD, respectively;
- $6.7 million relates to the full-year impact of new customers won and onboarded during FY20; and
- $7.6 million relates to new customers won and onboarded during FY21.

In FY22, Port Logistics revenue is forecast to increase by $16.8 million (8.5%) driven by a forecast 7.1% increase in billed containers from existing customers and the full year impact of new customers won and onboarded during FY21.

EBIT

Silk's Port Logistics EBIT is forecast to increase by $9.1 million from FY19 to FY22, representing a CAGR of 62.8%.

It is management's view that Port Logistics margins were compressed during FY19 (2.0%) and FY20 (1.1%) due to structural and temporary factors including:

- industry-wide container de-hiring in Sydney as a result of congestion at the port, which resulted in a temporary pause in new customers during FY19;
- consolidation of sites into a single purpose-built facility at the Port of Brisbane in FY20;
- agricultural volumes in QLD impacted by drought in FY19 and FY20;
- MHE and labour inefficiencies in NSW in FY20 which have subsequently been rectified through the implementation of driver tracking technology and improved MHE; and
- higher depreciation expenses relating to the historical asset-heavy business models of acquired businesses in both FY19 and FY20.

Port Logistics EBIT is forecast to increase by $8.6 million in FY21, with EBIT margins expanding by 400bps to 5.2%, driven by factors including:

- significant increase in revenue;
- benefits of operating leverage with increased scale in QLD and NSW operations; and
- the completion of integration initiatives of the recently acquired businesses (including labour and MHE efficiencies and decreased depreciation costs arising from transitioning the acquired businesses to an asset-light operating model).

EBIT in FY22 is forecast to increase by $1.5 million in FY22, with a slight increase in margins of 30bps to 5.5%, largely driven by further revenue growth and benefits of operating leverage with increased scale.

4.7.5 Contract Logistics

Table 4.7.5.1. Pro Forma Historical and Pro Forma Forecast financials for Contract Logistics before significant items (pre AASB16)

$ millions	Notes	FY19	FY20	FY21	FY22
Pallet Space Occupancy (%)	1	87.5%	72.9%	77.3%	80.1%
Average weekly stored pallets (000's)	2	208.5	175.0	181.1	187.6
Billed Consignments (000's)	3	37.3	36.1	49.9	59.6
Revenue		120.4	101.5	117.9	124.4
EBITDA before significant items (pre AASB16)		12.4	2.4	8.9	10.6
EBIT before significant items (pre AASB16)		11.0	1.4	7.6	9.1
Key Operating Metrics					
Revenue Growth (%)			(15.7%)	16.2%	5.5%
EBITDA before significant items (pre AASB16) Margin (%)		10.3%	2.4%	7.5%	8.5%
EBIT before significant items (pre AASB16) Margin (%)		9.1%	1.4%	6.4%	7.3%

Notes:

1. From September 2019 excludes occupancy rate of warehouse converted from activity-based pricing to a pass-through leasing arrangement.
2. From September 2019 excludes occupancy rate of warehouse converted from activity-based pricing to a pass-through leasing arrangement.
3. FY19 included 53 weeks vs. FY20 which included 52 weeks.

Revenue

Contract Logistics revenue is forecast to represent 37% of total revenue in FY21. Contract Logistics revenue includes the provision of freight handling, warehousing and distribution services to customers with stored pallets, the rate per stored pallet and billed consignments being key drivers.

Silk's Contract Logistics revenue is forecast to increase by $4.1 million between FY19 to FY22, representing a CAGR of 1.1%.

In FY20, Contract Logistics revenue declined by $18.9 million (15.7%), with a commensurate decline in pallet space occupancy (16.7%) due to various factors including a reduction in customer inventory levels and a lag in the replacement of certain customer contracts during the period affected by the COVID-19 pandemic, and a distribution contract not being renewed.

In FY21, Contract Logistics revenue is forecast to increase by $16.4 million (16.2%), with pallet space occupancy increasing by 6.0% (to 77.3%). Key drivers include:

- $7.5 million reflecting the full-year impact of new customers won in FY20 and on-boarded in 1H21;
- $4.2 million relating to new customer wins in FY21 (already secured); and
- $2.7 million relating to sale of distribution services to existing customers serviced by the One Network Transport Management System (TMS) and 4PL distribution network.

In FY22, Contract Logistics revenue is forecast to increase by approximately $6.5 million (5.5%), with pallet space occupancy increasing by 3.6% (to 80.1%). Key drivers include:

- approximately $3.5 million relates to an increase in distribution revenue from existing customers; and
- approximately $3.0 million relates to the full-year impact of new warehouse customer wins in FY21 and growth from existing warehouse customers.

EBIT

Contract Logistics EBIT is forecast to decline by $1.9 million between FY19 and FY22, reflecting an overall decline in occupancy levels from 87.5% in FY19 to 80.1% in FY22. Incremental revenue from further recovery in occupancy levels will benefit from the operational leverage within the segment.

In FY20, Contract Logistics EBIT declined by $9.6 million primarily driven by the revenue reduction as described above combined with the relatively high proportion of fixed costs including occupancy and employee benefits expense.

In FY21, Contract Logistics EBIT is forecast to increase by $6.2 million driven by:

- an increase in storage revenue as a result of a rebound in pallet space occupancy and the associated benefit of operational leverage;
- increase in distribution revenue;
- an increase in handling revenues; and
- efficiencies from ongoing operational improvements.

In FY22, Contract Logistics EBIT is forecast to increase by $1.5 million, with EBIT margin increasing by 90bps to 7.3% due to storage and distribution revenue growth and the benefit of operating leverage.

4.7.6 Operating expenses

A summary of Silk's operating expenses are set out in the table below.

Employee benefit expense	Includes salaries and wages, superannuation, payroll tax, workers compensation and leave expenses relating to employees working in Port Logistics, Contract Logistics and shared functions including operating segment management, group management, finance & administration, business development, solution development, information technology, human resources and other group functions.
Subcontractor and labour agency expenses	Includes cost related to subcontractors and the labour agency workforce. This includes fleet drivers, MHE operators, warehousing staff and certain operational support functions in both the port logistics and contract logistics segments.
Fleet & material handling equipment expenses	Includes costs for the hire of fleet and MHE equipment, repair & maintenance costs, fuel, tyres, registrations and other on-road costs.
Other transport & warehousing expenses	Includes costs associated with Silk's transport and warehousing operations including VBS charges, port access fees, pallet hire, detention costs, packing materials, fumigation, waste removal and licencing.
Occupancy expenses	Prior to the adoption of AASB16, occupancy expenses primarily included rent expense and outgoings for office space, warehouses and container yards. Occupancy expenses under AASB16 relating to outgoings mainly comprise electricity and water utility costs, council rates, security, cleaning and waste services.
Other operating expenses	Includes travel costs, marketing costs, employee training, OH&S costs, software licences, consulting expenses and finance and administration costs.

Total operating costs are forecast to increase by $77.4 million (32.8%) between FY19 and FY22, compared to an increase in revenues of 32.0%. The overall cost increase reflects the significant growth in the Port Logistics segment which has a variable cost model and a significant proportion of 'pass through' costs (e.g. VBS charges, tolls and other ancillary transport costs), which are reflected in the other transport & warehousing expenses and subcontractor & labour costs line items

Table 4.7.6.1. Pro forma historical and pro forma forecast operating expenses (pre AASB16)

$ millions	Notes	FY19	FY20	FY21	FY22
Employee benefits expense		65.9	66.0	70.5	73.8
Subcontractor & labour costs		73.0	71.5	92.5	100.7
Fleet & MHE expenses		26.5	27.7	25.7	27.2
Other transport & warehousing expenses		26.3	34.9	58.1	63.8
Occupancy expenses	1	37.6	38.5	38.5	38.9
Other operating expenses		6.7	9.6	8.2	9.1
Total Operating Costs		**236.0**	**248.1**	**293.4**	**313.4**
Total Operating Costs as % of Revenue		**91.8%**	**96.0%**	**92.8%**	**92.4%**

Notes:

1. Refer to Table 4.3.2.2 in respect to the adjustment to add back rent expense under the previous AAS.

Silk's current corporate and administrative overhead function which comprises other operating expenses and a portion of employee benefits expense (approximately 20% of FY20) is sufficient to support a significantly larger business. These expenses are forecast to increase by $1.9 million between FY19 and FY22, reducing from 8.1% of revenue in FY19 to 6.7% in FY22.

Table 4.7.6.2. Pro forma historical and pro forma forecast overhead expenses (pre AASB16)

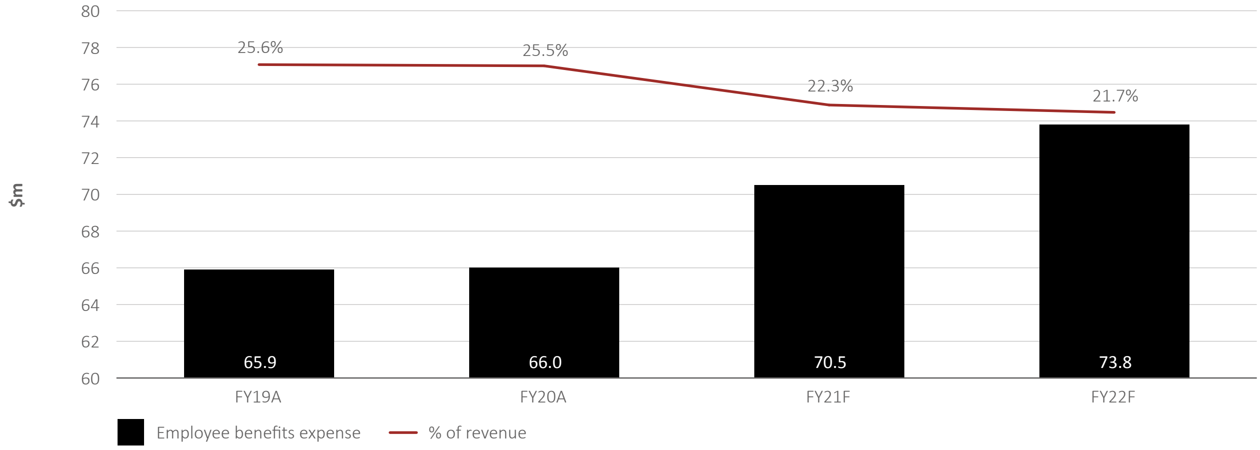
$ millions	Notes	FY19	FY20	FY21	FY22
Corporate employee overhead	1	14.2	12.7	13.8	13.7
Other operating expenses		6.7	9.6	8.2	9.1
Total		**20.9**	**22.2**	**22.0**	**22.8**
% of revenue		**8.1%**	**8.6%**	**7.0%**	**6.7%**

Notes:

1. Corporate employee overhead reflects employee benefits expense for shared functions including operating segment management, group management, finance & administration, business development, solution development, information technology, human resources and other group functions.

Employee benefits expense

Figure 23: Pro forma employee benefits expense and percentage of revenue (%) (pre AASB16)

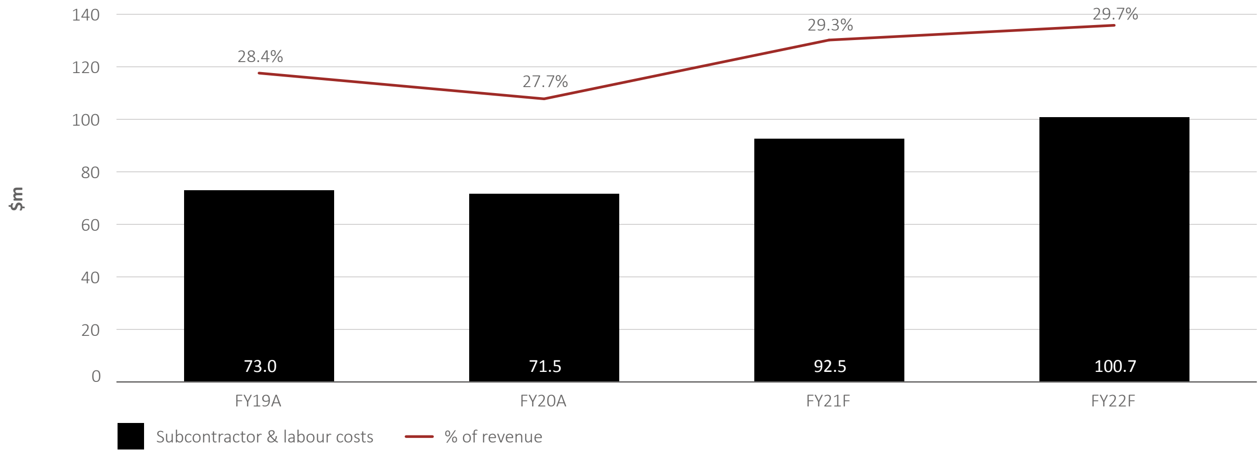


The increase in employee benefits expense over the forecast period is driven by annual wage increases, investment in new staff across the corporate support functions (including business development, finance, human resources) as well as operational staff in the Port Logistics and Contract Logistics operations, and an increase in short term incentive payments (STIP) in FY21 relating to operational outperformance during the year. Increases in employee benefits expenses are partially offset by a change in the mix of Silk employees towards the use of subcontractors and agency staff and overall labour and employee productivity gains.

The employee benefits expense is forecast to increase by $7.9 million from FY19 to FY22F, however decrease from 25.6% of total revenue in FY19 to 21.7% in FY22 reflecting the investment in corporate support functions, including business development and sales roles during FY20 and FY21 which are relatively fixed in nature and management considers are sufficient to support a significantly larger business.

Subcontractor & labour agency expenses

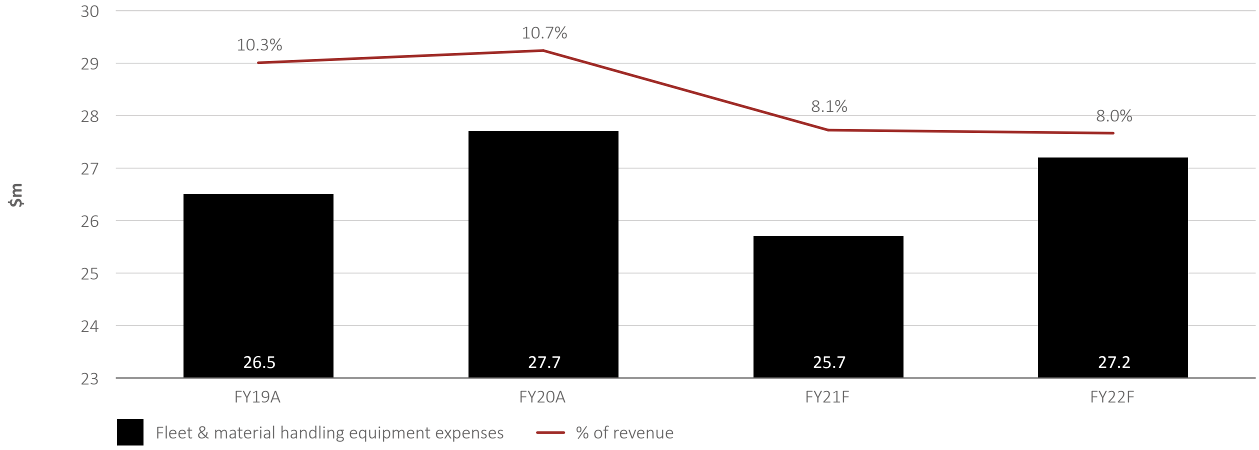
Figure 24: Pro forma subcontractor & labour agency expenses and percentage of revenue (%) (pre AASB16)



Subcontractor and labour agency expenses are forecast to increase by $27.7 million from 28.4% of total revenue to 29.7% of total revenue between FY19 and FY22, driven by an increase in the use of subcontractors and labour agency staff as a result of increased activity, particularly in the Port Logistics segment. Growth in Silk's 4PL distribution business is also driving an increase in the use of subcontractors.

Fleet & material handling equipment expenses

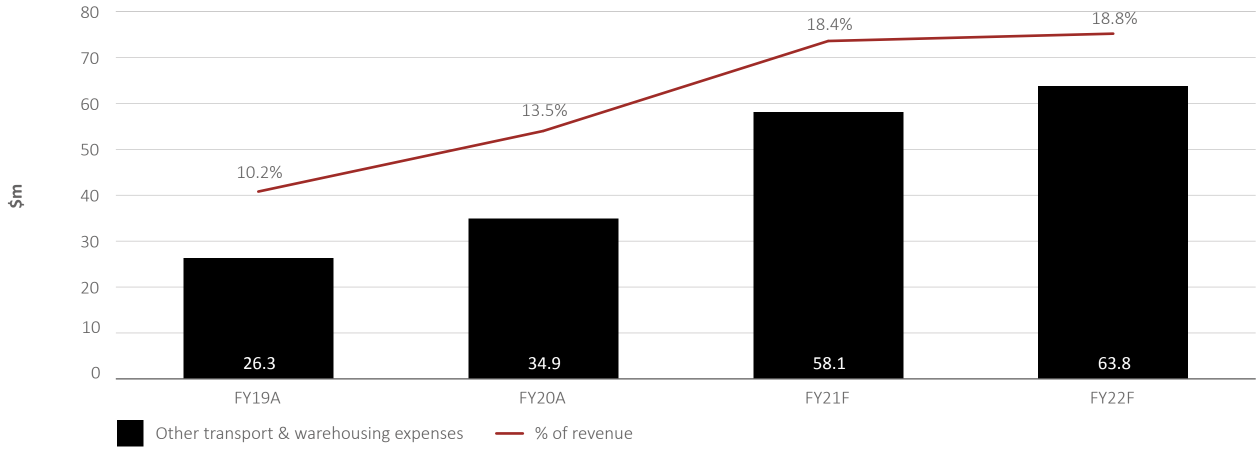
Figure 25: Pro forma fleet & MHE expenses and percentage of revenue (%) (pre AASB16)



Fleet & material handling equipment expenses are forecast to increase by $0.7 million between FY19 to FY22 but will decrease from 10.3% of total revenue to 8.0% of total revenue over this period. These decrease as a % of revenue over the forecast period is primarily due to a further shift towards the use of subcontractors in Port Logistics which reduces the need for owned fleet and associated costs, renegotiation of hire and repair and maintenance costs with a major supplier, an increased focus on de-hiring underutilised equipment and productivity gains resulting from the rollout of on-board ForkTrack (a fleet management system) technology on MHE.

Other transport & warehousing expenses

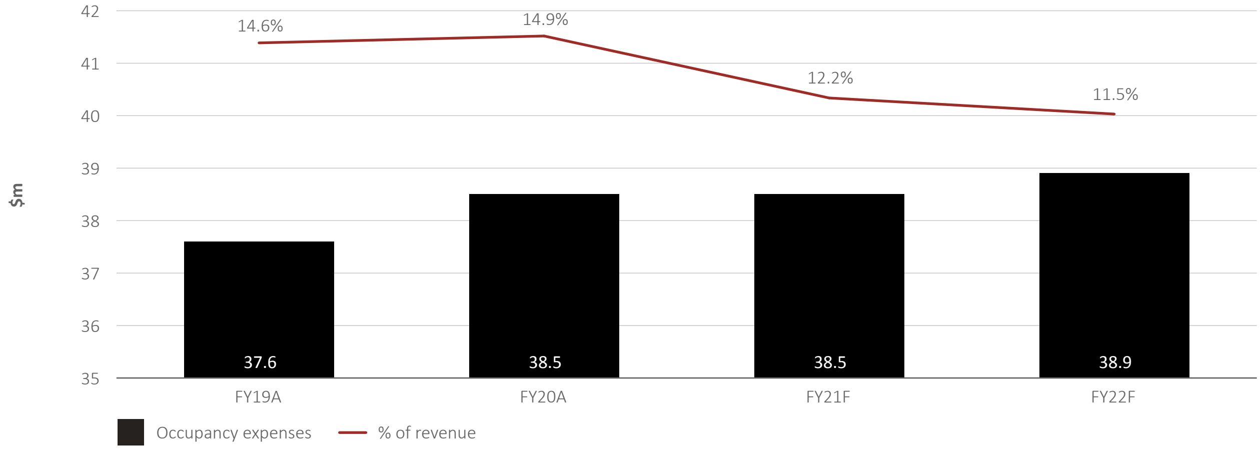
Figure 26: Pro forma other transport & warehousing expenses and percentage of revenue (%) (pre AASB16)



Other transport & warehousing expenses are forecast to increase by $37.5 million from 10.2% to 18.8% of revenue between FY19 and FY22, primarily driven by an increase in VBS, toll and other ancillary port related expenses which are recovered from customers.

Occupancy expenses

Figure 27: Pro forma occupancy expenses and percentage of revenue (%) (pre AASB16)

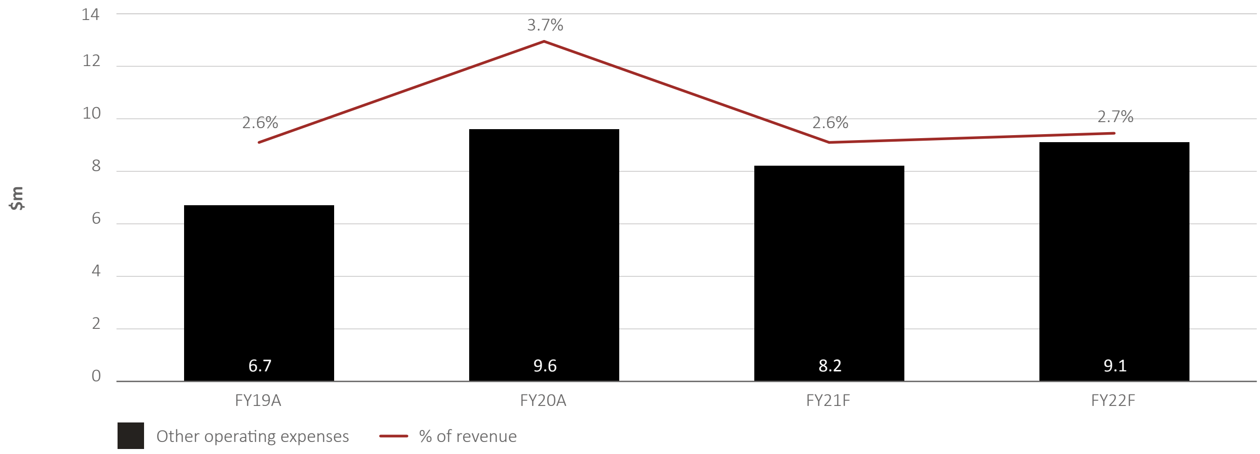


Occupancy expenses are forecast to increase by $1.2 million (3.2%) between FY19 and FY22. Occupancy expense remains relatively stable over time, with significant increases occurring when Silk expands its overall warehouse capacity in line with new contracted commitments from its customers. No new sites are assumed in the forecast. Variances in occupancy expenses over the forecast period relate to annual rent increases and the use of short term leases to address temporary capacity constraints, offset by favourable lease re-negotiations and customer conversions from activity-based pricing to pass-through arrangements.

No new site leases have been included in the forecast periods.

Other operating expenses

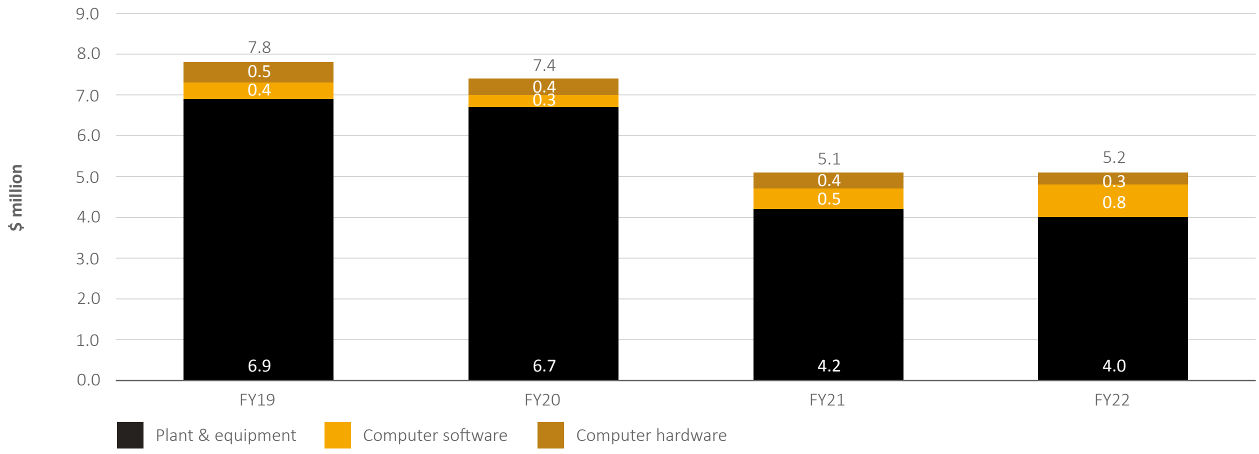
Figure 28: Pro forma other operating expenses and percentage of revenue (%) (pre AASB16)



Other operating expenses are forecast to increase by $2.4 million between FY19 and FY22. The variability in other operating expenses is driven by consolidation of support functions and common costs in acquired businesses realising synergies, reduced travel and accommodation due to COVID-19 restrictions which are expected to normalise in the forecast period to FY22, and cost efficiencies generated as part of Silk's procurement strategy.

4.7.7 Depreciation and amortisation

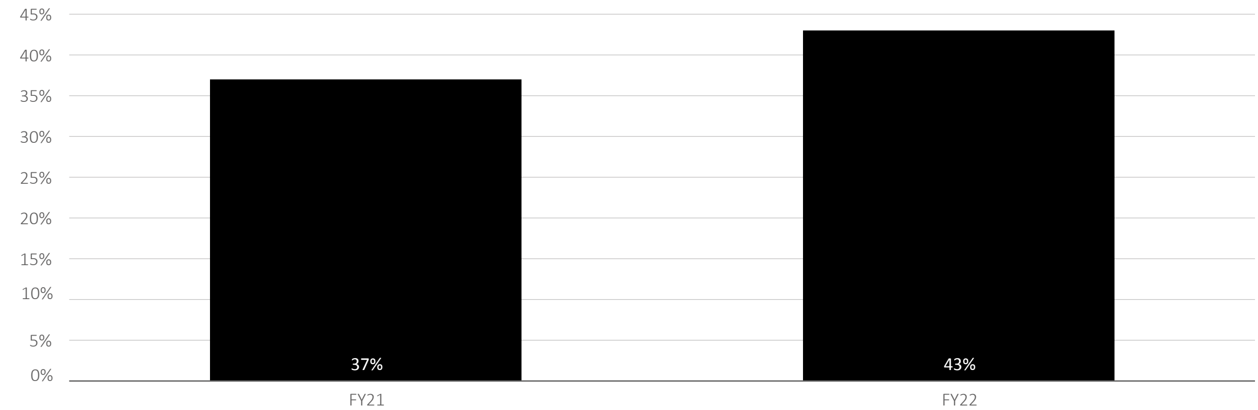
Figure 29: Depreciation and amortisation (excluding amortisation of right-of-use assets)



Depreciation and amortisation expense includes depreciation on property, plant & equipment and amortisation of intangible assets (excluding amortisation of right-of-use assets) and is forecast to decrease by $2.6 million from FY19 to FY22 due to the disposal of assets acquired during recent acquisitions as Silk transitions the businesses to an asset-light model. The expense decreases in FY21 due to accelerated depreciation following a re-assessment of the useful lives of assets acquired during recent acquisitions.

4.7.8 Return on Capital Employed (ROCE)

Figure 30: Return on capital employed



Silk's asset-light business model is expected to deliver an average Return on Capital Employed (ROCE) of 40.1% between FY21 and FY22 (pre AASB16). Capital Employed is calculated based on the pro forma balance sheet and forecast net cash flow before dividends. The key drivers of this are Silk's asset-light operating model and efficient capital structure.

4.7.9 Cash Flow relating to changes in Working capital

Table 4.7.9.1. Changes in underlying Pro forma working capital (pre AASB16)

$ millions	FY19	FY20	FY21	FY22
Pro forma changes in working capital (outflow)/inflow	**(6.2)**	**5.5**	**(6.6)**	**(3.1)**
Impact of AASB16 on changes in working capital	–	3.1	0.7	(2.3)
Pro forma changes in working capital (pre AASB16) (outflow)/inflow	**(6.2)**	**8.6**	**(5.9)**	**(5.4)**
BAS deferral impact	–	(2.4)	2.4	–
Landlord deferral impact[1]	–	(1.5)	0.0	1.2
STI payment	–	–	(2.0)	2.0
Underlying changes in net working capital (outflow)/inflow	**(6.2)**	**4.7**	**(5.5)**	**(2.3)**

Notes:

1. On a post-AASB16 basis these changes impact net lease principal and interest payments rather than changes in working capital.

Underlying changes in net working capital reflects management's view of the requirements for the business, excluding one-off impacts of COVID-19 related relief measures including deferred lease payment terms and deferred BAS payments.

No STI payments were made in FY19 or FY20 and (except for those detailed in Section 6.3.4.4) are not included in FY22F. Any amounts payable in FY22F on a comparable basis to FY21 may only be paid if financial forecasts are exceeded.

The underlying net working capital outflow in FY22 reflects the forecast requirements to achieve the forecast increase in FY22 revenue, with the terms for trade receivables, trade and other payables expected to remain consistent with prior periods.

4.7.10 Capital expenditure

Table 4.7.10.1. Pro forma historical and Pro forma forecast capital expenditure

$ millions	FY19	FY20	FY21	FY22
Computer Hardware	(0.4)	(0.2)	(0.4)	(0.6)
Computer Software	(0.1)	(0.8)	(1.2)	(0.8)
Plant & equipment	(4.6)	(2.4)	(1.5)	(3.5)
Total capital expenditure	**(5.1)**	**(3.4)**	**(3.1)**	**(4.9)**
Proceeds from sale of P&E	8.1	2.3	1.8	0.7
Net Capex inflows/(outflows)	**3.0**	**(1.1)**	**(1.3)**	**(4.3)**

Silk capitalises costs related to the purchase, improvement and upkeep of company owned plant & equipment, and expenses all other costs including costs associated with the maintenance and upkeep of leased property, plant and equipment.

Capital expenditure on plant & equipment warehouse improvements primarily relates to the installation of warehouse racking, reconfiguration of warehouse layout for the purposes of delivering operational efficiencies or increased capacity and building improvements. Expenditure in FY19 reflects the purchase of equipment by Rocke Brothers previous owners. FY20 and FY21 relates to warehouse fit-out costs for new Contract Logistics customers as well as investment in replacement fleet assets. FY22 relates to the replacement of specialist equipment, including prime movers, reach stackers and side loaders, which management has determined is not commercial to source via a lease.

IT capital expenditure relates to the upgrading of core operating and support systems, and hardware purchases (such as laptop and desktop computers, radio frequency guns and mobile printers used in warehouse operations, tablets and other technology equipment).

Proceeds from the sale of property, plant and equipment relates to Silk pursuing an asset-light operating model, with the disposal of plant and equipment acquired as part of the acquisitions of Rocke Brothers, CSS and CTC.

4.7.11 Free cash flow from operations

Table 4.7.11.1. Pro forma free cash flow and underling free cash flow

$ millions	FY19	FY20	FY21	FY22
EBITDA before significant items and pre AASB16	**21.4**	**10.4**	**22.9**	**26.0**
Non cash items	0.2	(0.2)	(0.3)	0.3
Underlying changes in net working capital[1]	(6.2)	3.9	(4.6)	(2.3)
Net capex	3.0	(1.1)	(1.3)	(4.3)
Net underlying cash flows (after capex)	**18.4**	**13.0**	**16.7**	**19.7**
Indicative net cash/EBITDA conversion before significant items and pre AASB16	86.0%	125.0%	72.9%	75.8%

Notes:

1. $0.9 million of changes in working capital have been moved from FY20 to FY21 to reflect cash impact of FY20 significant items in FY21.

Silk's Pro Forma Historical and Pro Forma Forecast underlying cash flows after capital expenditure, which have been adjusted for selected transactions identified in Table 4.7.9.1 above, remained relatively consistent in FY19 and FY21. There was some decrease in FY20 as a result of reductions in Contract Logistics revenue however working capital inflows partially offset the reduction in EBITDA.

4.8 Forecast Financial Information

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, the Directors have undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for FY21 and FY22. The Company and its Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the assumptions set out in this Section 4.8. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of Silk and its Directors. Accordingly, none of Silk, the Directors nor any other person can give any assurance that the Forecast Financial Information or any forward-looking statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Independent Limited Assurance Report on the Forecast Financial Information set out in Section 8. The pro forma adjustments to the forecast consolidated statement of financial performance are set out in Section 4.3 and the pro forma adjustments to the forecast consolidated statement of cash flows are set out in Section 4.5.

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Silk, which are in accordance with AAS, and are included in Appendix A of this Prospectus.

4.8.1 General assumptions

In preparing the Forecast Financial Information, Silk has adopted the following general assumptions:

- no business acquisitions or disposals are assumed to occur;
- no material changes in the competitive environment in which Silk operates;
- no significant deviations from current market expectations of economic and market conditions relevant to Silk and its customers or suppliers;
- no material changes in legislation, regulatory requirements or government policy (including the manner in which those are enforced) that will have a material impact on Silk's business or customers beyond those announced as at the Prospectus Date;
- no material changes in the tax laws in the jurisdictions in which Silk operates;
- no material changes in applicable AASB, IFRS, or other mandatory professional reporting requirements or the Corporations Act that could have a material impact on Silk's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material changes in key staff, including key management personnel, and Silk is able to recruit and retain staff required to support the current business and future growth of Silk;
- no material changes to operational processes in Silk's Port Logistics and Contract Logistics businesses;
- no significant interruptions or industry disturbances in relation to Silk's technology, workplace management platform or operational support systems;
- no material industry disturbances or disruptions to the continuity of operations of Silk;
- no material amendments to any material contract, agreement or arrangement relating to Silk's business;
- no occurrence of the key risk factors listed in Section 5, or in the event of any occurrence, no material adverse impact on Silk's operations;
- progress of the Offer in accordance with the timetable set out in the key dates on page 4 of this Prospectus;
- no contingent liabilities will arise or be realised other than as disclosed in this Prospectus;
- no material impact in relation to litigation or claims (existing or otherwise);
- no material change in economic factors (e.g. business confidence and consumer sentiment);
- no material losses of customers or contracts;
- no material business interruption resulting in non-performance of key suppliers;
- no material change in Silk's corporate and funding structure other than as set out in, or contemplated by, this Prospectus; and
- reduction of bank loan from proceeds generated from the IPO.

4.8.2 Specific assumptions

The Forecast Financial Information is based on various specific assumptions, including those set out below. These are a summary only and do not represent all factors that will affect forecast financial performance and cash flows.

4.8.2.1 Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- Revenue is forecast on a customer-by-customer basis, and where applicable, a warehouse-by-warehouse or state-by-state basis.
- Port Logistics revenue is forecast by customer based on billed container volumes and revenue per billed container.
- The forecast total number of billed containers is expected to grow by 7.1% between FY21 and FY22.
- The forecast revenue per billed container is based on current rates and forecast increases per customer from July 2021. The implied overall increase from FY21 to FY22 based on the specific customer assumptions is 1.2%.

- Contract Logistics revenue is forecast by customer based on storage revenue (weekly stored pallets and rate per weekly stored pallet), handling revenue (ratios of handling to storage revenue) and distribution revenue (average daily distribution revenue).
- The forecast average weekly stored pallets is expected to grow by 3.6% between FY21 and FY22.
- The forecast revenue per weekly stored pallet is assumed to remain consistent between FY21 to FY22.
- The forecast ratios of handling to storage revenue are based on current levels.
- The forecast distribution revenue is based on prevailing rates per billable consignment.
- No net change in customers has been assumed during the forecast period.

4.8.2.2 Operating expenses

The Forecast Financial Information is based on the below key expense assumptions:

- Employee benefits expense is forecast based on:
  - current award rates or salaries and expected increases. The expected increases average 2.0% from FY21 to FY22;
  - existing headcount and 7 (net) planned new staff across Port Logistics and Contract Logistics operations and shared service functions;
  - Board remuneration costs;
  - a share-based payment expenses relating to the Long-Term Incentive Offer (under the Company's Incentive Plan) in FY22 relating to FY21; and
  - no expense related to the proposed Short-Term Incentive Offer (under the Company's Incentive Plan) in FY22 as vesting hurdles will be set above forecast FY22 EBIT (pre AASB16).
- Subcontractor and labour agency expense is forecast based on current levels of combined employee benefits expense and subcontract and labour agency expense as a percentage of revenue for each operating segment and subtracting the forecast employee benefits expense (derived based on the assumption described above).
- Fleet & MHE expenses are forecast based on current equipment hire agreements (for equipment hire), current percentages of segment revenue as applicable (for repairs & maintenance and fuel.
- Other transport & warehousing expenses are forecast based on current rates applied against forecast container volumes (for VBS charges), current rates applied against forecast stored pallets (for pallet hire).
- Occupancy expenses are forecast based on inflationary increases (for outgoings) of 2% and expected needs for overflow storage. No new sites are assumed.

4.8.2.3 Depreciation and amortisation

Depreciation of motor vehicles, plant and equipment, computer hardware, leasehold improvements and furniture and fittings and amortisation of right-of-use assets are forecast in accordance with the accounting policy set out in Appendix A.

4.8.2.4 Net finance expense

Pro forma interest expense related to borrowings is forecast based on the bank guarantee facility under the new banking facilities and the average interest rates applicable under the bank guarantee facility, together with other facility fees. Interest expense relating to lease liabilities is forecast in accordance with AASB16 based on each relevant lease.

4.8.2.5 Financing cash flows

Silk's corporate loan facility has transitioned to an interest-only facility from April 2021, however, Silk intends to repay the principal amount outstanding promptly following Completion of the Offer.

4.8.2.6 Income tax expense

The forecast income tax expense for FY21 and FY22 is based on the Australian corporate tax rate of 30% applicable to companies like Silk.

4.8.2.7 Operating cash flows

The following specific assumptions underpin operating cash flows for FY21 and FY22:

- no significant change in payment terms from customers to Silk; and
- no significant change in payment terms from Silk to its suppliers.

4.8.2.8 Capital expenditure

Forecast capital expenditure assumes $1.7 million in the remainder of FY21 and $4.9 million in FY22 in computer hardware and software and plant & equipment based on Board-approved new information technology systems, schedule replacement of selected specialised equipment (e.g. prime movers, reach stackers and side loaders) and other equipment expected to be required to support the growth of Silk's business throughout the forecast period.

Disposal proceeds are assumed based on the scheduled replacement of assets and assuming sales proceeds in line with written down values.

4.8.2.9 Working capital

Changes in working capital reflects the movements in trade and other receivables and other assets less trade and other payables, deferred revenue and provisions. The Forecast Financial Information assumes cash continues to be collected in line with the historical customer invoicing and collection experience and trade and other payables continue to be paid in arrears in accordance with current terms and payments to suppliers.

4.8.2.10 Lease principal and interest payments

Forecast lease payments for FY21 and FY22 (which are split between principal and interest payments in the Statutory and Pro Forma Historical and Forecast Cash Flows) are based on contractual payment obligations under lease agreements with landlords and material and handling equipment lessors. The split between the interest and principal component of each lease payment is determined in accordance with AASB16.

4.9 Sensitivity Analysis

The Forecast Financial Information included in this Section 4 of the Prospectus is based on a number of estimates and assumptions as described in Section 4.8. These estimates and assumptions are subject to business, general economic and competitive uncertainties, many of which are beyond the control of Silk, its Directors and management. These estimates are also based on assumptions with respect to future business developments and decisions, which are subject to change.

Table 4.9.1 sets out a summary of the sensitivity of NPAT to changes in a number of key assumptions. The changes in key assumptions are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely key impact on NPAT, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that Silk's management would respond to an adverse change in one item to seek to minimise the net effect on Silk's NPAT.

Table 4.9.1: Sensitivity Analysis

$ millions	Note	FY21 Assumption	FY22 Assumption	Range	FY21 NPAT impact	FY22 NPAT impact
Port Logistics – volume (billed containers in 000s)	1	277	297	+/- 1%	+/- $0.1	+/- $0.3
Port Logistics – revenue per container (% increase)	2	current levels	1.2%	+/- 0.2%	+/- $0.1	+/- $0.3
Contract Logistics – warehousing volume (average weekly stored pallets (in 000s)	3	181	188	+/- 1%	+/- $0.1	+/- $0.3
Employee benefits expense	4	$70.5	$73.8	+/- 1%	+/- $0.1	+/- $0.5
Subcontractor and labour agency expense	5	$92.5	$100.7	+/- 1%	+/- $0.2	+/- $0.7

Notes:

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information for FY21 include the actual results of Silk for the 35 week period ended 28 February 2021 and the forecast results for the remainder of FY21. The above FY21 sensitivities reflect only the remaining 17 week period impact of the stated change in assumption.

1. The impact on FY21 and FY22 NPAT of a 1% increase or decrease in port logistics volume (billed containers).
2. The impact on FY22 NPAT of a 0.2% increase or decrease in the growth rate of port logistics revenue per billed container ($). This sensitivity assumes no change in expenses. Where the increase or decrease in port logistics revenue per billed container relates to an increase or decrease in expenses, which are recovered from customers (for example, VBS charges and port access fees), the NPAT impact would be lower.
3. The impact on FY21 and FY22 NPAT of a 1% increase or decrease in warehouse storage volume (average weekly stored pallets). The impact includes the impact on both storage and handling revenue, net of variable costs.
4. The impact on FY21 and FY22 NPAT of a 1% increase or decrease in employee benefits expense.
5. The impact on FY21 and FY22 NPAT of a 1% increase or decrease in subcontractor and labour agency expense.

4.10 Dividend Policy

The payment of dividends by Silk, if any, subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by Silk. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of Silk. In determining whether to declare future dividends, the Directors will have regard to Silk's earnings, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), potential acquisitions and reinvestments, the general business environment, and any other factors that the Directors may consider to be relevant.

It is the current intention of the Board to target a dividend payout ratio of between 40% to 60% of Silk's NPAT, subject to future business conditions and future cash flow requirements of Silk. The initial dividend (if declared) will relate to the period ending 26 December 2021 and (if declared) is expected to be paid in March 2022.

Thereafter, depending on the ongoing available earnings and the ongoing financial position of Silk, it is the intention of the Board to declare interim dividends in respect of half years ending the last Sunday in December and final dividends in respect of half years ending the last Sunday in June each year, which are expected to be paid out in March and September respectively. Shares issued as a result of this Prospectus will rank equally with all other Shares for dividend entitlements.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend in future periods.

5. Risks

Volvo prime movers – Lara, VIC

5. Risks

5.1 General

There are a number of risks, both specific to the Group and of a general nature, which may either individually, or collectively, adversely affect in a material way the future business, operations and financial performance of the Group and the value of the Shares. While the Group seeks to manage risks to prevent adverse outcomes, many of these risks are outside the control of the Group, the Directors and management.

This Section 5 describes some of the key risks associated with an investment in the Shares. These risks have been separated into:

- risks associated with the Group's business and the industry in which it operates; and
- risks associated with an investment in Shares in the Company.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of Directors as at the Prospectus Date. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in the Company. This Section 5 should also be read in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives, financial situation or particular needs, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in the Company

5.2.1 Deterioration in economic conditions and trade volumes

The Group is exposed to the general risks associated with operating in the transport and logistics sectors. Trade volumes can be affected by various economic and political factors and general economic conditions in the market, such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption. The performance of the Group's business is highly dependent upon the Australian, Asian and global economies, in particular bilateral trade between Australia and China. In the event that conditions in any of these economies deteriorate, this may result in lower levels of international trade which may adversely affect the Group's financial results.

5.2.2 COVID-19

While the COVID-19 pandemic has not, as at the Prospectus Date, materially impacted the Group's business, associated measures imposed by local and international governments to limit the spread of COVID-19 has caused a number of challenges to the Group's operations. This included the impact on warehouse storage volumes from the increased speed of outbound product handling, shipping delays causing the rate at which the inbound stock was able to be replenished, and general impacts on overseas supply chains. In addition, restrictions on movement were imposed on part of the Group's workforce, with the head office in Melbourne being required to work remotely between March 2020 and Nov 2020.

However, there is continued uncertainty as to the duration and further impact of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian and global economy.

5.2.3 Key customer concentration and contracts

The Group's top 20 contracted warehouse customers account for 73% of the forecast FY21 warehouse revenue. The failure to hold, maintain or renew contracts with several major customers or to renew them on the same or more favourable terms or the financial failure or default in a payment obligation of several major customers could have a material adverse effect on the Group's business, operational performance and financial results.

Customers may contract with one of the Group's existing or future competitors or decide to adopt a different business model and undertake logistics services themselves. Any failure of third parties, including the Group's key customers and key suppliers, to comply with their contractual commitments may have a material adverse effect on the Group's business, operational performance and financial results. The Group is also subject to the risk that its rights against third parties, including the Group's key customers and key suppliers, may not be enforceable in all circumstances.

5.2.4 Failure to renew warehouse leases

The Group has entered into a number of agreements to lease warehouse spaces, which are critical to the Group's business and operations. Whilst the majority of the Group's leases are long term leases, there is no guarantee that those leases will be renewed at the expiration of their term on commercially acceptable terms, or at all. In addition, there is a risk that, in some circumstances, the Group's existing contractual arrangements could be terminated by landlords before the end of their term, whether by default of the Group or otherwise. If these risks materialise, particularly in relation to one of the Group's key warehouses or in relation to a number of its warehouses at the same time, the Group may lose its leasehold rights and may need to relocate its business and operations. This may cause disruptions to the Group's operations and result in significant relocation costs which could materially adversely affect the Group's financial position and prospects.

5.2.5 Disruption to port operations

The Group's Port Logistics operations may be adversely affected by operational disruptions at container ports that are beyond the control of the Group, including:

- adverse weather events or natural disasters (such as cyclones, earthquakes, landslides, floods, explosions, fire), major plant breakdown, pipeline or electricity rupture or other disasters that damage or prevent the use of port facilities;
- an inability of the port operator to operate the port facilities as required due to factors including employee strikes, industrial disputes, labour shortages, financial difficulty or the outbreak or continuation of a pandemic, such as COVID-19;
- technical difficulties, including with respect to automated systems and information technology;
- disruptions in third-party infrastructure and operations relating to rail and shipping; or
- security breaches, terrorist acts or cyber-attacks that disrupt port operations.

Any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, or economical, to protect the Group's operations from these risks.

The occurrence of any of the above factors, and particularly a repeated occurrence or prolonged occurrence, may result in port operations being interrupted or suspended for an extended period, and could have a material adverse effect on the Group's business, operational performance and financial results.

5.2.6 Business approvals, permits and licences

The Group requires certain licences and approvals to conduct its business. These licences are granted at the discretion of the relevant Australian authorities, and the criteria for eligibility may change. The business activities of the Group are subject to the supervision of these authorities which have the power to revoke previously granted licences or approvals or reject applications for new or extended licences or approvals. If any activity of the Group fails to meet the requirements of applicable rules or regulations, the Group may incur legal liabilities. In particular, if any entity in the Group fails to obtain the grant or renewal of any required licences or approvals, the business activities of the affected entity and the Group as a whole may be interrupted, or, if the affected entity continues to operate without the necessary licences and approvals, it may be liable to penalties. Any interruption to the Group's business activities or potential penalties may have a material and adverse effect on the Group's business, net assets, financial condition and operational results.

Growth plans of the Group are also in part reliant on new or varied licences and approvals which may not be obtained in the time contemplated in the Group's business plan or at all. Adverse regulatory outcomes such as these may materially impact the Group's future revenues and profitability.

To mitigate this risk, the Group conducts regular audits to ensure it is compliant with the conditions of its permits and licences. Furthermore, the Group provides regular training of its employees to ensure its workforce is aware of the permit and licence requirements.

5.2.7 Competitive position

The Group's competitive position in the integrated logistics market may deteriorate as a result of factors including actions by competitors, the entry of new competitors (including existing customers deciding to undertake Contract Logistics or Port Logistics activities themselves) or a failure by the Group to position itself successfully in markets in which it competes. A deterioration in the Group's competitive position may result in a decline in revenue, loss of key personnel or a loss of market share which could have an adverse effect on the Group's business, operational performance and financial results.

5.2.8 Government policy, and legal and regulatory oversight

The Group's operations depend on government maintained public infrastructure including roads, seaports and associated infrastructure. The financial results and position of the Group depend upon government policy and the continued maintenance and provision of this infrastructure. Legislative or policy changes, especially in customs and quarantine policies, may also have a material adverse effect on the Group.

The Group is currently not aware of any changes to government policy that would have a material adverse effect on the Group's business, operational performance or financial results. However, workplace relations laws and policy are relatively dynamic. Given the nature of the Group's business and operations, any changes to workplace relations laws and policy may have an adverse effect on the Group's business, operational performance or financial results.

5.2.9 Employee relations

A proportion of the Group's employees belong to labour unions. The Group's enterprise agreements have been approved by Fair Work Australia, whilst some have reached their nominal expiry dates and are currently being actively re-negotiated the remaining enterprise agreements will reach their nominal expiry dates over the next two years. Any strike or other industrial action or failure to resolve a material dispute with labour unions could have an adverse impact on the Group's business, operational performance and financial results.

While the Group considers that it has a relatively robust system in place for reviewing its casual workforce, there is a risk that casual employees consider that they should be properly characterised as part-time employees or full time employees under the *Fair Work Act 2009* (Cth). If there were a high number of casual employees asserting that they should properly be characterised as part-time or full time employees, this could have an adverse effect on the Group's reputation and financial performance.

5.2.10 Reliance on third-party contractors

As part of its asset-light operating model, the Group relies to a considerable extent on third-party contractors to carry out its business, particularly its distribution services and Port Logistics services in Adelaide and Perth. An inability to readily source these contractors or renew or extend contracts or find suitable alternate resources at comparable rates could adversely affect the Group's financial position and performance.

There is an inherent risk in the nature of contractor relationships that a contractor may consider that the relationship should be more appropriately characterised as an employment relationship. If there were a high number of contractors asserting that they should be properly characterised as employees, this could have an adverse effect on the Group's reputation and financial performance.

5.2.11 Information technology

The Group is heavily reliant on the operational capability and reliability of its information technology systems and staff across its business operations. Disruptions to the Group's information technology systems, including computer hardware, software and communications equipment, could lead to security breaches or other operational difficulties, which could have a material adverse effect on its business, reputation, operational performance and financial results.

5.2.12 Cyber-security

The Group operates much of its business and stores a significant amount of proprietary information on information technology systems, including third-party systems. Cyber-attacks or malicious hacking activity that breach the Group's information technology environment or any third-party system on which the Group relies could lead to operational disruption or theft of data (including commercially sensitive information) which could have a material adverse effect on its business, reputation, operational performance, competitive position and financial results.

5.2.13 Privacy breaches

As a consequence of the nature of the Group's business, the Group collects, stores, uses and discloses the personal information of numerous individuals, including customer, employee and third-party details. Accordingly, the Group is required to comply with the provisions of the *Privacy Act 1988* (Cth) (**Privacy Act**) and the Australian Privacy Principles (**APPs**) in relation to personal information.

Data protection systems play an important part in the Group's compliance with the Privacy Act and the APPs, and its ongoing business. The Group is reliant on technology providers and partners not only to provide certain technology and service platforms but also to provide data protection systems.

Cyber security incidents may compromise or breach technology and service platforms used by the Group as part of its ongoing business. While the Group has in place data protection systems, it is possible that these may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information about the Group, its customers, employees or third parties. Any compromise or breach involving personal or confidential information, whether accidental or intentional, may result in loss of data integrity as well as subject the Group to reputational damage, claims from those affected, loss of customers, legal action, increased regulatory scrutiny or regulatory action.

5.2.14 Key management and employees

Following Completion of the Offer, the Group's founders Brendan Boyd and John Sood (together, the **Founders**) will collectively retain a substantial portion of the total number of Shares on issue, have operational roles within the Group and have substantial influence over the day-to-day affairs and strategic direction of the Group.

The successful operation and growth of the Group's business depends upon the performance and expertise of key management personnel and the Group's ability to attract and retain skilled employees at all levels of the organisation. Changes that adversely affect the Group's ability to attract and retain employees could materially impact the Group's business, operational performance and financial results.

5.2.15 Seasonal cycle effect

The Group's business is subject to seasonal cycles in demand for its services. There is usually more demand for logistics services during the period from September to January since there will generally be an increase in trade volumes due to increasing consumer demand in the months leading up to Christmas and Chinese New Year. There may also be less demand for logistics services during holiday periods, causing seasonal revenue variations.

5.2.16 Plant and equipment leases

The Group leases a significant amount of its plant and equipment, and these lease arrangements could potentially give rise to the risk of the Group being deprived of critical operating equipment in the event that the Group breaches the obligations owed to the lease counterparties. If these risks were to eventuate, they could have a material adverse effect on the Group's business, operational performance and financial results.

5.2.17 Occupational health and safety

The Group has approximately 700 employees, in addition to approximately 200 labour agency supplied staff and a pool of 274 transport contractors undertaking a range of operational, professional and administrative tasks. A number of operational tasks involve the use of heavy machinery at port logistics facilities and within operational warehouses. Any failure by the Group or responsible third parties to safely conduct operations or to otherwise comply with the necessary occupational health and safety requirements across the jurisdictions in which the Group operates could result in death or injury to staff, contractors and/or members of the public, criminal prosecution, fines, penalties and compensation for damages as well as reputational damage to the Group, which may have a material adverse effect on the Group's business, operational performance and financial results.

5.2.18 Insurance coverage

Although the Group considers that its insurance coverage is appropriate, it is not insured against all foreseeable risks for its business. The ability to claim under any existing insurance policies will always depend on the terms of the relevant policy and, in particular, any exclusions. There is a risk that the Group's insurance policies will not be sufficient to cover damages when they arise which could have a material adverse effect on the Group's business, operational performance and financial results.

5.2.19 Acquisitions and investment risk

The Group regularly examines corporate and investment opportunities (including potential acquisitions) with a view to expanding its business operations and market share and determining whether those opportunities will enhance its financial results and position. The successful implementation of the Group's corporate and investment strategies will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to a business which is acquired.

Any corporate opportunity that the Group pursues could have a material adverse effect on the Group if it is not successfully implemented for a variety of reasons. In addition, in the course of expanding the Group's business into additional markets, failure to adapt the Group's business processes may have a material adverse effect on the Group's financial results.

5.2.20 Negative publicity and damage to brand and reputation

Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or the Group itself may adversely affect the brand and reputation of the Group and the Share price performance of the Company. Examples of this negative publicity or announcement may include involvement in legal proceedings, failed acquisitions, joint ventures or other business transactions or other affairs or scandals.

5.2.21 Litigation

The Group is not currently involved in any litigation that is likely to have a material adverse impact on the financial performance of the Group, and is not aware of any facts or circumstances that may give rise to litigation that is likely to have such an impact. However, given the scope of the Group's activities and the wide range of parties with which it is likely to deal, the Group may be subject to the risk of litigation and other disputes with its customers, employees, consultants, landlords, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to the Group's reputation, which ultimately is likely to have an adverse effect on the financial performance of the Group.

The Group actively takes steps to minimise the risk arising from claims including by obtaining appropriate insurance in the conduct of the Group's business (however refer to the risk in Section 5.2.18), defending claims where necessary, and in the appropriate commercial circumstances the Group may consider a negotiated settlement with the other party.

5.2.22 Protection of intellectual property rights

The Group believes that reputation and brand recognition are vital to its business and effective protection of intellectual property rights is critical to its interests. The Group currently holds registered intellectual property rights in Australia. There is risk that other companies may register the Group's intellectual property in their name, meaning that the Group may not be able to use its intellectual property in those jurisdictions without commencing legal action.

Further, the Group cannot ensure that there will not be any unauthorised usage or misuse of the Company's brand. Any such infringement of the Group's intellectual property rights in respect of its trademarks may be detrimental to the Group's reputation, lead to litigation or adversely affect financial results.

5.2.23 Potential industrial dispute

A number of the Group's workforce are covered by single-enterprise bargaining agreements. The Group is currently in the process of negotiating four new enterprise bargaining agreements, three of which have passed their nominal expiry date and one which is due to pass its nominal expiry date on 30 June 2021. The enterprise bargaining agreements cover 102 employees of the Group who form part of its permanent workforce within its warehouse operations in Victoria. A number of those employees are represented by the United Workers Union (**UWU**).

The Group is committed to negotiating employment conditions with its workforce which are commercially reasonable. However, the process for negotiating enterprise bargaining agreements can be complex and various bargaining-related issues may arise during the enterprise bargaining. This may include bargaining representatives seeking bargaining orders (seeking compliance with good faith bargaining requirements), scope orders (regarding agreement coverage) and/or the taking of protected industrial action (which may include, for example, an indefinite number of stop work bans for specific periods or other strike action). The failure to resolve these issues may impact on the timely implementation of a new enterprise agreement. This is particularly in circumstances where an enterprise agreement can only be made where a majority of valid votes cast to approve an enterprise agreement are in favour of its approval. Further, any enterprise bargaining agreement will then need to proceed through the Fair Work Commission approval process.

Once an enterprise bargaining agreement's nominal expiry date has been reached and a new enterprise bargaining agreement has not yet been made, impasses in bargaining may lead to strikes or other forms of industrial action which could adversely impact on the Group's business operations and its financial performance. There are some limitations upon employees' capacity to engage in protected industrial action, including that parties must be "genuinely trying to reach an agreement". This will be a point in time assessment. Prior to any industrial action being taken, applications will need to be made for a protected action ballot order to the Fair Work Commission and for a ballot of relevant employees to be undertaken.

Further, the negotiations could result in increased direct and indirect labour costs for the Group. The Group's labour costs may increase as a result of other factors, including a shortage of appropriately qualified personnel or changes to employment conditions. Any increase in wages as a result of these factors could increase the Group's operating costs.

In order to mitigate the risks and financial implications associated with the bargaining period, the Group complements its permanent workforce with access to over 100 agency labour staff who will continue to perform their roles despite any industrial action taken by employees. In order for protected industrial action to be lawful, at least three days' notice is required to be provided to the Group (but a longer period may be sought depending upon the nature of the industrial action at the time an application is made for industrial action to be taken). In these circumstances, the Group's access to agency labour staff can be scaled up quickly to provide coverage for any employees not on site. The Group also has appropriate expert advisers to assist with responding to any protected industrial action, including assisting with the process of standing down employees participating in stoppages where appropriate.

5.2.24 Geopolitical risk

By operating in the logistics industry, the Group is exposed to the political, economic and social landscape and the broader bilateral relationships between Australia and each of its major trading partners, including China. Any increase in political or economic tensions in those bilateral relationships (including government responses to any tensions) may impact on the Group's operations such as restrictions on foreign export activities. Disruptions or significant increases to the cost of importing goods into Australia at any given time could have an adverse effect on the business and operations of the Group's customers which may in turn impact the operations and financial performance of the Group.

5.2.25 Licensed intellectual property rights

The Group's technology stack comprises technologies that the Group does not own and instead operates under licenses provided by third parties. Should the Group no longer be able to rely on those licenses, the Group's ability to provide its services via those technologies may be adversely impacted. However, other than the agreement with ONE Network Enterprises Inc as outlined in Section 9.6.1, the Company considers that the other technologies in its technology stack are technologies that are readily available from a range of providers and, therefore, in the event that the Group loses its ability to utilise those technologies, the Group expects to be able to obtain licenses from comparable service providers without material impact on the Group's technology stack.

Further, given the Group uses licensed intellectual property rights, there is a risk that competitors may obtain similar licenses to provide services based on a similar technology stack to the Group. However, the Group considers that there is a high barrier to entry due to the large amount of time, effort and cost required to design, integrate, test and implement an effective system of delivery utilising the licensed technology.

5.3 General risks of an investment in the Shares of the Company

5.3.1 Price of Shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all Shares listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by its fundamental operations and activities.

The price at which the Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at a price below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if the Company's earnings increase.

Some of the factors which may adversely affect the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates and general operating and business risks.

5.3.2 Trading and liquidity in Shares and Escrowed Shareholders' interests

There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares.

Following Listing, it is expected that the Escrowed Shareholders will hold up to 52.48% Shares, which may also impact liquidity. The absence of any sale of Shares by the Escrowed Shareholders during the applicable periods during which those Shares are escrowed, may cause, or at least contribute to, limited liquidity in the market for Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, the Escrowed Shareholders will be able to freely trade their Shares on ASX. A significant sale by the Escrowed Shareholders, or the perception that sales have occurred or might occur, could adversely impact the price of the Shares.

5.3.3 Shareholder dilution

The Company may issue further Shares or other securities.

The Company cannot predict the size or pricing of future issues or the impact, if any, that future issues of securities will have on the market price of the Shares.

Issues of substantial numbers of Shares, or the perception that issue or sales of substantial numbers of Shares could occur, may adversely impact prevailing market prices of the Shares.

While the Company will be subject to the constraints of the ASX Listing Rules relating to the issue of Shares or other securities, with any additional issue of Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Share.

5.3.4 Changes in tax law

The tax treatment of a Shareholder's investment may be impacted by legislative changes in tax law or the interpretation of tax laws (including goods and services taxes, rules relating to deductible liabilities and stamp duty taxes).

Any changes to the current rate of Company income tax may impact Shareholder returns, and any change in tax rules and tax arrangements could have an adverse impact on the level of dividend franking and Shareholder returns.

Potential investors should consult their professional tax adviser before deciding whether to apply for Shares pursuant to this Prospectus.

5.3.5 Dividends may not be fully franked

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company. Shareholders should otherwise be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.6 Accounting standards

Australian Accounting Standards are issued by the AASB and are not within the control of the Company or the Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance and position of the Company.

5.3.7 General economic and financial market conditions

General economic conditions (both domestically and internationally) may adversely impact the price of Shares as well as the Company's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. As a result, the Company is unable to forecast the market price of the Shares, and they may trade on ASX below the Offer Price.

5.3.8 Interest rate fluctuations

Changes in interest rates will impact borrowings which bear interest at floating rates. An increase in interest rates will impact the Company's cost of servicing these borrowings, which may adversely impact its financial position.

5.3.9 Force majeure events

Events may occur within or outside the markets in which the Company operates that could impact upon the global or regional economies, the operations of the Company and/or the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that can have an adverse impact on the demand for the Company's products or its ability to conduct business.

6. Key People, Interests and Benefits

Silk Contract Logistics prime mover – Derrimut (D1), VIC

6. Key People, Interests and Benefits

6.1 Board of Directors

The Directors of the Company bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance.

Figure 31: Board of Directors – Experience and background

Name/Position	Experience
 **Terry Sinclair** *Non-Executive Chairman; Chair of the Audit and Risk Committee (interim)*	Terry has significant operational and corporate development experience across Industrial, Resources and Consumer Services sectors including 20 years in senior management roles in BHP (Minerals, Steel and Transport/Logistics). Terry also provides Mergers and Acquisitions advisory services to private equity and government clients. Terry's current roles include Industry Advisor to Australian Super, Non-Executive Director of Cleanaway Limited (ASX:CWY), and Non-Executive Director of Locate Technologies Pty Ltd and Faethm.ai Pty Ltd. Terry's previous roles include Chairman of Star Track Express, Managing Director of Service Stream Limited; Director of Sai Cheng Logistics (China); and Director of Asia Pacific Parcels Alliance (HK). Terry holds a Master of Business Administration (M.B.A) and a Graduate Diploma in Management. Terry has also completed executive management courses with the Boston University Graduate School of Management, Executive Program, Finance and Stanford University Graduate School of Business, Executive Program, Business Strategy.
 **Brendan Boyd** *Managing Director & Chief Executive Officer*	Brendan is a highly regarded industry leader and has held roles with many of the industry's largest companies. Brendan has previously served as the Group's General Manager Warehousing. Prior to joining the Group, Brendan's experience includes roles at Australia Post as General Manager Distribution Courier and Logistics Services; at Toll Group as General Manager Toll Fast; at AUSDOC/DX Express as Chief Executive Officer DX Express; and at Mayne Nickless as Chief Operating Officer of Mayne Nickless Express.
 **John Sood** *Executive Director & Chief Customer Officer*	John is a highly regarded and respected leader in Australia's supply chain management industry. John has developed long standing relationships with Australia's retailers, manufacturers and wholesale distributors. John has previously served as the Group's General Manager Business Development. Prior to joining the Group, John's experience includes roles at Linfox as General Manager Portside United and General Manager Marketing and Business Development; and at Westgate Logistics as General Manager Development. John studied at the University of Virginia School of Business Administration and the Australian Institute of Management Logistics.

Name/Position	Experience
 **Stephen Moulton** *Non-Executive Director; Chair of the Sustainability Committee*	Stephen is a Corporate Advisory and Mergers & Acquisitions law partner with over 30 years' experience. Stephen has previously served as a Director on ASX listed companies and has commercial experience in Logistics, Transport and Financial Services. He holds a LLB, B Juris, Law from Monash University. Stephen's prior and current board experience includes serving as Director (2000-present) and Chairman (2018-present) of the O'Brien Foundation; as Director (2016-present) of SugarbyHalf Ltd; as Director (2020-present) of Defeat Diabetes Pty Ltd; as Director (2000-2009) of the O'Brien Institute (microsurgical research); as Director (2017-2018) of buyMyplace.com.au Ltd (ASX:BMP); as Director (2018-2019) of GMDX Holdings Ltd; and as Director (2006-2012) of the Carlton Football Club.

The Board intends to appoint an additional Non-Executive Director after Listing, who will act as the Chair of the Audit and Risk Committee (Director Terry Sinclair will act as Chair of this committee until the appointment of the additional Non-Executive Director is made). The appointment will be put to Shareholders for ratification at the next annual general meeting following the appointment.

6.2 Management

Profiles of the Company's management team are set out below.

Further information on the terms of employment of certain members of the management team, including CEO and Managing Director, are set out in Section 6.3.2.

Figure 32: Senior management – Experience and background

Name/Position	Experience
 **Brendan Boyd** *Managing Director & Chief Executive Officer*	See above in Section 6.1
 **John Sood** *Executive Director & Chief Customer Officer*	See above in Section 6.1

6. Key People, Interests and Benefits

Name/Position	Experience
 **Brendon Pentland** *Chief Financial Officer*	Brendon joined the Group in March 2020 and was appointed to the role of Chief Financial Officer (**CFO**) in July 2020. Brendon leads the Group's finance function and has responsibility for finance, commercial, corporate planning, business analysis, taxation, reporting, corporate services and legal administration. Prior to joining the Group, Brendon held the role as CFO with Plan Partners, served as Group Finance Manager with McMillan Shakespeare and spent 5 years in the UK holding senior financial roles in media organisations. Brendon has over 25 years' experience in finance, within domestic and international companies across a wide range of industry segments. Brendon has been responsible for business acquisitions and integration, strategic investments, commercial analysis, due diligence and managed debt and equity restructuring.
 **Matthew Hannah** *Chief Information Officer*	Matthew joined the Group in November 2015 as Chief Information Officer (**CIO**). Matthew leads the group's IT function and has responsibility for all IT solutions, services, security, optimisation and development. Prior to joining the Group, Matthew worked for UTi Worldwide for over 10 years and during this time he was promoted to IT Director, a role which he held for over 5 years. Matthew was responsible for IT implementation activities for the logistics and distribution line, developing IT needs specific to client requirements, team restructuring to ensure better service delivery, project management and the design and implementation of IT solutions. Matthew is an experienced CIO with over 20 years' experience in the logistics and supply chain industry. He is skilled in IT Transformation, IT Strategy, Supply Chain Optimisation, ITIL, Electronic Data Interchange (EDI) and Software Development Life Cycle (SDLC).
 **Nicole Sullivan** *Chief People Officer*	Nicole joined the Group in September 2019 as a HR Manager, was seconded into the role of Chief People Officer (**CPO**) for 12 months and has now been appointed to the CPO role. Nicole leads the Group's People & Culture function and has responsibility for safety, quality, payroll and HR. Prior to joining the Group, Nicole held roles with Polar Fresh Cold Chain Services as Head of People & Culture and with Americold as the National HR Manager. Nicole has over 25 years of HR experience across a variety of industries, with over 10 years HR leadership experience and over 10 years' experience in the logistics and supply chain industry. She is skilled in leading multi-disciplined teams across business partnering, employee relations, industrial relations, organisational development, talent management, training & development, culture and engagement and workplace safety.
 **Melanie Leydin** *Company Secretary*	Melanie joined the Group in May 2020 and was appointed as Company Secretary. Melanie holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors. Melanie has over 25 years' experience in the accounting profession and over 15 years' experience holding board positions including company secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

6.3 Interest and benefits

This Section 6.3 sets out the nature and extent of the interest and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or a financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of the Prospectus with ASIC, or has held in the 2 years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Non-Executive Directors

6.3.1.1 Non-Executive Director appointment letters

Prior to the Prospectus Date, each Non-Executive Director has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Non-Executive Directors.

6.3.1.2 Non-Executive Directors' remuneration

Under the Constitution, the Board determines the total amount paid to each Non-Executive Director as remuneration for their services as a Director.

The total amount of fees paid to all Directors (excluding the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The aggregate amount of Directors' fees that has been fixed as at the Prospectus Date is $600,000.

Annual Non-Executive Directors' fees (inclusive of superannuation) currently agreed to be paid by the Company are:

- $110,000 per annum to the Chairman; and
- $75,000 per annum to other Non-Executive Directors.

In addition, Non-Executive Directors are entitled to additional fees in the amount of $15,000 per annum (inclusive of superannuation) for chairing any Board committee, and $10,000 per annum (inclusive of superannuation) for acting as a member of any Board committee.

The remuneration of Non-Executive Directors does not, and must not include a commission, or a percentage of, profits or operating revenue.

In addition, as recognition of their contribution to the Offer the Board has agreed to offer and grant certain Options to the Non-Executive Directors under the Pre-IPO Bonus Offer as part of the Company's Incentive Plan. Further, in due course the Board may also invite Non-Executive Directors to participate in the Fee Sacrifice Offer under the Incentive Plan. The details and terms of the Options that will offered under the Pre-IPO Bonus Offer, and the Options which may be offered in the future under the Fee Sacrifice Offer, are set out in Sections 6.3.4.3 and 6.3.4.6.

6.3.1.3 Non-Executive Directors' interests in Shares

As at the Prospectus Date, the Non-Executive Directors do not hold any interest in Shares.

6.3.1.4 Other

Non-Executive Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

Non-Executive Directors may also be paid additional remuneration as the Directors decide is appropriate where a Director performs extra services or make special exertions.

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

6.3.2 Executive remuneration

6.3.2.1 Brendan Boyd

Brendan Boyd is employed as Managing Director and Chief Executive Officer. Brendan commenced with the Company on 24 February 2014 as Managing Director. Brendan's current remuneration package of $500,000 per annum comprises:

- base salary,
- superannuation contributions,
- other non-cash benefits (including motor vehicles) as agreed between the Company and Brendan; and
- the amount of any fringe benefits tax, or any other taxes payable by the Company as a consequence of the provision of any non-cash benefit.

Brendan's remuneration will be reviewed annually with the next review to take place in July 2021, with any additional increase to take effect from 1 August 2021.

Additional non-cash benefits Brendan is entitled to include access to a BP fuel card and the Company's motor vehicle insurance program.

Under the terms of Brendan's employment contract, either party is entitled to terminate his employment by giving 6 months' written notice. The Company may elect to pay Brendan 6 months' salary in lieu of providing notice or any combination of such notice and payment in lieu of notice.

Brendan has participated in the Company's FY21 cash settled short term incentive program under which he may be paid a cash incentive amount of up to $300,000 subject to meeting his performance target set by the Board for the FY21 financial year.

Brendan is also eligible to participate in the Long Term Incentive Offer under the Company's Incentive Plan. The Board has resolved to offer and grant to Brendan, with effect from Listing, 277,244 Ordinary Options under the Long Term Incentive Offer on the terms summarised in Section 6.3.4.5. The Company attributes a value of $250,000 to these Options based on a Black-Scholes valuation (noting that the amount of Options that will vest will depend on the extent to which the relevant vesting conditions are satisfied).

Finally, the Board also intends to invite Brendan to participate in the Short Term Incentive Offer under the Incentive Plan (the terms of which are summarised in Section 6.3.4.4) for the FY22 performance period up to a total value of $250,000 (being his pre-determined short term incentive opportunity) upon meeting his performance target set by the Board for the FY22 performance period, with the amount of cash and Zero Priced Options that may be granted to be determined in 2022 (the latter subject to any approvals required from Shareholders under the ASX Listing Rules).

6.3.2.2 John Sood

John Sood provides services to the Group as Executive Director and Chief Customer Officer under a consultancy agreement via his associated entity Socius Pty Ltd ACN 161 247 785 (**Consultant**) (**Consultancy Agreement**) which expires on 30 June 2022. Under the Consultancy Agreement, the Group pays a monthly remuneration of $37,500 (plus GST) for John's services, amounting to $450,000 per annum (plus GST).

Under the Consultancy Agreement:

- the Group is not responsible for liabilities that would otherwise be payable by the Consultant, including PAYG tax and superannuation relating to any challenge to the status of the Consultant or John as an independent contractor to the Group;
- the Group will provide support, infrastructure and communication facilities to enable the Consultant to perform the services;

- the Consultant is to provide all equipment and materials to enable John to provide his services to the Group; and
- the Group is responsible for obtaining and keeping a policy of insurance in respect of the activities to be undertaken by the Consultant.

Additional non-cash benefits John is entitled to include access to a BP fuel card and the Company's motor vehicle insurance program.

Under the terms of the Consultancy Agreement, either party is entitled to terminate by giving 6 months' written notice.

John has participated in the Company's FY21 cash settled short term incentive program under which he may be paid a cash incentive amount of up to $150,000 subject to meeting his performance target set by the Board for the FY21 financial year.

John is also eligible to participate in the Long Term Incentive Offer under the Company's Incentive Plan. The Board has resolved to offer and grant to John, with effect from Listing, 166,346 Ordinary Options under the Long Term Incentive Offer on the terms summarised in Section 6.3.4.5. The Company attributes a value of $150,000 to these Options based on a Black-Scholes valuation (noting that the amount of Options that will vest will depend on the extent to which the relevant vesting conditions are satisfied).

Finally, the Board also intends to invite John to participate in the Short Term Incentive Offer under the Incentive Plan (the terms of which are summarised in Section 6.3.4.4) for the FY22 performance period up to a total value of $150,000 (being his pre-determined short term incentive opportunity) upon meeting his performance target set by the Board for the FY22 performance period, with the amount of cash and Zero Priced Options that may be granted to be determined in 2022 (the latter subject to any approvals required from Shareholders under the ASX Listing Rules).

6.3.3 Director's interests in Shares

Directors are not required under the Constitution to hold any Shares in the Company. However, the Directors (and their associates) are entitled to apply for Shares under the Offer.

The number of Shares held by Directors on Completion, either directly or through companies or trusts are set out below:

Director	Shares held prior to Completion of the Offer[3]	Shares held prior to Completion of the Offer[3] (%)	On Completion of the Offer[4]	On Completion of the Offer[4] (%)	Options granted immediately upon Completion
Brendan Boyd[1]	10,751,794	15.87%	10,751,794	14.19%	277,244
John Sood[2]	10,751,794	15.87%	10,751,794	14.19%	166,346
Terry Sinclair	Nil	Nil	Nil	Nil	509,193
Stephen Moulton	Nil	Nil	Nil	Nil	342,846
Total	**21,503,588**	**31.73%**	**21,503,588**	**28.38%**	**1,295,629**

Notes:

1. These Shares are held by BBJJ Investments Pty Ltd as trustee for Director Brendan Boyd's family trust.
2. These Shares are held by Karma Beverages Pty Ltd as trustee for Director John Sood's family trust.
3. Includes the 45,255,430 Preferred Shares currently held by Tor Asia Credit Master Fund LP which will be converted into Shares and partially sold via SaleCo.
4. Assumes:
   - Directors do not participate in the Offer (although Directors are entitled to do so, and Director John Sood has expressed an intention to participate in the Offer);
   - issue of 5,000,000 Shares under the primary Offer;
   - conversion of the Preferred Shares currently held by the Tor Asia Credit Master Fund LP into 45,255,430 Shares immediately prior to Completion of the Offer, and which are then partially sold via SaleCo upon Completion of the Offer; and
   - the issue of 3,000,000 Shares to PGA as the deferred contingent consideration payment in accordance with the share sale agreement under which the Company acquired all shares in Rocke Brothers in August 2019 (see the footnote at Section 3.3).

6.3.4 Incentive Plan

The Company has established an equity incentive program consisting of a plan for executives and employees, and a plan for non-employees (collectively the "**Incentive Plan**"), with both plans governed by plan rules that are substantially the same (**Plan Rules**). The purpose of the Incentive Plan is to assist in the reward, retention and motivation of Senior Executives and other key employees, consultants, contractors and Non-Executive Directors (**Participants**), and align their interests with those of the Shareholders.

Participants may be offered either Options or Performance Rights (**Awards**) as part of the Company's various offers under the Incentive Plan. The Board's present intention is to invite Participants to participate in the following offers under the Incentive Plan: being the Pre-IPO Bonus Offer (see Sections 6.3.4.2 and 6.3.4.3), the Short Term Incentive Offer (see Section 6.3.4.4) and the Long Term Incentive Offer (see Section 6.3.4.5). Further, the Board may seek to invite Non-Executive Directors to participate in the Fee Sacrifice Offer (see Section 6.3.4.6).

In summary, the Incentive Plan operates as follows:

(a) each Award represents a right to acquire a Share;

(b) the Board intends that Senior Executives and other employee participants:

 (i) will be offered a Pre-IPO bonus in the form of being granted Zero Priced Options (Pre-IPO Bonus Offer, see Section 6.3.4.2);

 (ii) will be invited to participate in the Short Term Incentive Offer for the FY22 performance period, under which the Board has set a pre-determined short term incentive opportunity which may be paid partly in cash and partly by the granting of Zero Priced Options (Short Term Incentive Offer, see Section 6.3.4.4); and

 (iii) will be offered a Long Term Incentive to be satisfied by Ordinary Options (Long Term Incentive Offer, see Section 6.3.4.5);

(c) the Board intends that Non-Executive Directors:

 (i) will be offered a Pre-IPO bonus in the form of being granted Zero Priced Options and Ordinary Options (Pre-IPO Bonus Offer, see Section 6.3.4.3); and

 (ii) may be offered in the future the opportunity to sacrifice their fees by being granted Zero Priced Options in lieu (Fee Sacrifice Offer, see Section 6.3.4.6).

A total of 2,242,361 Options will be offered under the Incentive Plan, with their grant to occur immediately upon Listing.

The Zero Priced Options will not require any exercise price, and the Ordinary Options which the Board has a present intention to grant immediately upon Listing will have an exercise price that is at a 20% discount to the Offer Price.

Provided all applicable vesting conditions, performance hurdles and/or other conditions are met or otherwise waived by the Board, a Vesting Notice will be sent to the Participant from the Board, informing the Participant that some or all of their Awards have vested. Unless and until the Vesting Notice is issued by the Company, Awards will not be considered to have vested.

If any applicable vesting conditions, performance hurdles and/or other conditions are not met, Awards will lapse.

Upon issue of the Vesting Notice, the Participant may exercise their vested Awards within a defined exercise period and will be provided with the requisite number of Shares following exercise.

For the purposes of ASX Listing Rule 7.2 (Exception 13), the maximum number of Awards proposed to be granted under the Incentive Plan in the 3 years from Listing is 7,576,196. This maximum amount is not intended to be a prediction of the actual number of Awards to be granted under the Incentive Plan, but is simply a maximum number for the purposes of ASX Listing Rule 7.2 (Exception 13) to allow the Company to grant up to the threshold amount over the 3 year period post-listing without reducing its placement capacity under ASX Listing Rule 7.1.

As at the date of this Prospectus, no securities have previously been issued to the Directors under the Incentive Plan.

Further details of the Plan Rules are set out in Section 6.3.4.1 below.

6.3.4.1 Plan Rules

Key Term	Description
Eligibility	The Incentive Plan will be open to Participants, as determined by the Board. Unless otherwise stated in the invitation (**Invitation**), Participants will not be able to nominate a third-party to be issued the Awards on their behalf. The Board will have discretion to disallow a renunciation of an Invitation in favour of a nominated third-party.
Discretion as to grants	The Board will have the discretion to determine: • when, and with what frequency, Awards will be granted to Participants; • the terms and conditions applicable to the Awards (such as the grant date, vesting conditions, exercise conditions and price, and whether the Awards will be equity settled or cash settled (or both)); • whether the Awards will be granted in one or multiple tranches; and • the quantum of Awards that will be offered under the Plan.
Awards	Grants will be comprised of either Options or Performance Rights. Each Option or Performance Right represents a right to acquire one Share, or a cash payment equivalent to the value of the Shares to be received at exercise less any exercise price payment (if any). Each Share acquired on exercise of the Option or Performance Right will have the same rights as all other Shares on issue (such as voting, dividend rights).
Voting and dividend rights	Participants will have no voting or dividend rights until the Awards are exercised and the Participant are issued or transferred the Shares in the Company.
Cash or equity settled	Prior to the Awards being exercised, the Board will determine whether the Award will be settled in Shares, or in cash payment which will be equivalent to the value of the Shares at the time of exercise less any exercise price payment (if any), or a combination.
Source of Shares	Awards may be satisfied by the issue of Shares, allocation of Shares via an employee share trust, or a transfer of Shares from existing Shareholders.
Vesting	The Board will have the discretion to determine whether service and/or performance-based hurdles (**Vesting Conditions**) must be met by Participants before their Awards will vest. The Board will also have the discretion to waive a Vesting Condition in respect of an Award. Once the Board determines whether applicable Vesting Conditions have been met, it will notify the Participant of the number of Awards that have vested and/or lapsed. The date of the notice will be the vesting date for the Award. No Awards will vest until a vesting notice has been issued.
Exercise	The Board will have discretion to determine what (if any) exercise conditions must be met before the Awards may be exercised. Options are typically manually exercised by the Participant (under an exercise notice) at which point the exercise price is paid. Performance Rights may be either exercised manually by the Participant or automatically exercised by the Company. There is generally no exercise price paid in respect of Performance Rights.
Expiry	Awards that are not exercised before their expiry date will lapse.

Key Term	Description
Lapsing and forfeiture	Generally, when a Participant ceases to be employed or provides services to the Group, they will retain all vested Awards. Whether a Participant will retain all unvested Awards will depend if they are a "good leaver" in which case they will retain unvested Awards on a pro-rata basis by reference to the amount of time served between grant and cessation of their service. If a Participant is not a "good leaver", their unvested Awards will be forfeited unless determined otherwise by the Board. Other circumstances where a Participant's Awards will lapse and be forfeited include if the Vesting Conditions are not met by the relevant time, if the Participant acts fraudulently or dishonestly, or wilfully breaches their duties, or the Participant becomes bankrupt or insolvent. The Board has overriding discretion to determine whether some or all unvested Awards should not lapse or be forfeited.
Clawback and Malus	These provisions allow the Board to forfeit Awards, adjust the number of resulting Shares over which the Awards are exercisable, delay or suspend vesting and/or exercise of the Awards, reset or amend vesting conditions, impose additional restrictions or to demand return of the resulting Shares or the cash benefit of those Shares in circumstances where the Board determines that a Participant receives an unfair benefit as a result of their actions or actions of another person (including, without limitation, in the event of fraud, dishonesty, negligent or gross misconduct, material misstatement, or material breach of the Participant's obligations), or as a result of a 'Financial Misstatement Event' (which includes (without limitation) a material misstatement or omission in the financial statements of the Group).
Cancellation of unvested Awards	Subject to applicable law, a Participant and the Board may agree in writing that some or all of the unvested Awards held by a Participant be cancelled on a specified date or on the occurrence of a particular event. The Board may cancel those Awards for no consideration.
Disposal restriction	The terms of Awards may include disposal restrictions to be placed on Shares issued or transferred under the Incentive Plan, for example by way of an Employee Share Trust or an ASX holding lock.
Employee Share Trust	Shares issued or transferred on exercise may be held via an Employee Share Trust.
Change of control	If a change of control event has occurred or is likely to occur, the Board may in its discretion determine the manner in which any or all of the Awards (vested or unvested) and resulting Shares will be dealt with, subject to applicable laws, the ASX Listing Rules and any specific terms of the relevant Participant's Invitation. In determining how to deal with Awards and resulting Shares in a change of control, the Board may (but is not obliged to): • have regard to factors such as performance of the Company against any targets in Vesting Conditions, the period of time that has elapsed between the date of Award grant and the date of the change of control event, or circumstances of the change of control event; • determine that a Participant may participate in or benefit from any transaction arising from or in connection with the change of control event; • determine that a Participant be required to sell their resulting Shares into the change of control event; • if, as a result of the change of control event, the Company has or will become a wholly owned subsidiary of another entity listed on a recognised stock exchange, determine that a Participant's vested or unvested Awards be exchanged for new awards issued by the new head company with equivalent value and (as far as practicable) the same rights; and/or • determine that a Participant's unvested Awards be cancelled for fair market value, where the Board has determined in good faith that it is necessary or desirable for the purposes of a change of control event that all unvested Awards are cancelled prior to, or with effect from, a change of control event.

Key Term	Description
Change of control continued	A change of control event includes any of the following: • a change in the control of the Company; • where Shareholders approve any compromise or arrangement for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other body corporate or bodies corporate (other than a scheme that does not involve a change in the ultimate beneficial ownership of the Company), which will, upon becoming effective, result in any person (either alone or together with its associates) owning more than 50% of Shares on issue; • where a person becomes the legal or the beneficial owner of, or has a Relevant Interest in, more than 50% of Shares on issue; • where a person becomes entitled to acquire, hold or has an equitable interest in more than 50% of Shares on issue; and • where a takeover bid is made to acquire more than 50% of Shares on issue (or such lesser number of Shares that when combined with the Shares that the bidder (together with its associates) already owns will amount to more than 50% of Shares on issue) and the bid becomes unconditional, and the bidder (together with its associates) has a Relevant Interest in more than 50% of Shares on issue. but, for the avoidance of doubt, does not include any internal reorganisation of the structure, business and/or assets of the Group.
Participation in new issues	Awards do not confer the right to participate in new issues of Shares without their exercise. However, if Shares are issued by the Company pro rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Awards is entitled, upon exercise of the Awards, to receive, in addition to the Shares in respect of which the Awards are exercised and without the payment of any further consideration, an allotment of as many additional Shares as would have been issued to a Shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Shares in respect of which the Awards are exercised. Subject to compliance with all applicable laws and the ASX Listing Rules, the Board may also grant additional Awards, or make any adjustments it considers appropriate to the terms of an Award granted to a Participant in order to minimise or eliminate any material advantage or disadvantage to a Participant resulting from a corporate action by, or capital reconstruction in relation to, the Company, including but not limited to any return of capital.
Variation of terms	The Board may at any time amend the rights of the Award holder to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation at the time of reorganisation.

The Plan Rules set out in the table above apply generally to the Incentive Plan and offers made thereunder, with additional terms specific to each individual offer under the Incentive Plan set out in the sections below.

6.3.4.2 Terms specific to the Pre-IPO Bonus Offer for Senior Executives and other employees

Prior to Listing the Company will have offered 547,500 Zero Priced Options to Senior Executives and other key employees of the Group under the Pre-IPO Bonus Offer, with their grant to occur immediately upon Listing. The terms specific to these Zero Priced Options granted under the Pre-IPO Bonus Offer to Senior Executives and other employees are set out in the table below.

These Options constitute a once-off offer to reward certain employees and Senior Executives for their contribution to the Company, and the performance achieved under their stewardship, prior to completion of the Offer.

Key Term	Description
Expiry	The Zero Priced Options will expire on the date that is 6 years from the date of their grant.
Equity settled	The Zero Priced Options can only be equity settled.
Exercise price	Nil.
Vesting	The Zero Priced Options will vest upon granting.
Exercise	There will be no exercise conditions. Each Zero Priced Option is exercisable into one Share.
Disposal restrictions	The Zero Priced Options are not generally transferrable without consent of the Board. The resulting Shares will be subject to a disposal restriction until 24 hours after the Company's announcement of the full year audited results for FY22 on the ASX.
Non-competition	In addition to the leaver, malus and clawback provisions in the Plan Rules, if the Participant, without consent of the Group, carries on or engages in activities that compete with the Group, or joins or provides services to a competitor, during the disposal restriction period, the Board may require the Awards (whether vested or unvested) or the resulting Shares to be forfeited or compulsorily divested in any manner determined by the Board and consistent with applicable laws and the ASX Listing Rules.

6.3.4.3 Terms specific to the Pre-IPO Bonus Offer for Non-Executive Directors

Prior to Listing the Company will have offered certain Options to the Non-Executive Directors under the Pre-IPO Bonus Offer, with those Options to be granted immediately upon Listing. These Options are:

- 419,193 Ordinary Options to Terry Sinclair;
- 90,000 Zero Priced Options to Terry Sinclair;
- 252,846 Ordinary Options to Stephen Moulton; and
- 90,000 Zero Priced Options to Stephen Moulton.

The Company attributes a total value of $966,000 to these Options to be granted to the Non-Executive Directors based on their Black-Scholes valuations, with the value of Options to be granted to Terry Sinclair totalling $558,000 and the value of Options to be granted to Stephen Moulton totalling $408,000.

The key terms specific to the Ordinary Options and Zero Priced Options to be granted under the Pre-IPO Bonus Offer for Non-Executive Directors are set out in the table below.

These Options constitute a once-off offer to reward the Non-Executive Directors for their contribution to the Company, and the performance achieved under their stewardship, prior to completion of the Offer. The Board has elected to provide the reward in the manner of the Options so that the Options (and to an extent, the resulting Shares) are governed by the Plan Rules (and other specific terms of the Options) which ensures that the interests of Non-Executive Directors remain aligned with those of the Company and the Shareholders.

Key Term	Description
Equity settled	The Options can only be equity settled.
Exercise price	The Zero Priced Options will have a nil exercise price. The Ordinary Options will be exercisable at a 20% discount to the Offer Price, being $1.60 per Option.
Vesting	In relation to the 90,000 Zero Priced Options to be granted to Terry Sinclair, these Options will only vest upon the date that is 3 years from the grant date and on the condition that Terry remains continuously engaged by the Group at all times during this period. Otherwise, the Options will vest immediately upon granting.
Exercise	There will be no exercise conditions. Each Option is exercisable into one Share.
Expiry	The Zero Priced Options will expire on the date that is 6 years from the grant date. The Ordinary Options will expire on the date that is 4 years from the grant date.
Disposal restrictions	The Options are not generally transferrable without consent of the Board. Other than the resulting Shares arising from the exercise of the 90,000 Zero Priced Options to be granted to Terry Sinclair, the resulting Shares will be subject to a disposal restriction until 24 hours after the Company's announcement of the full year audited results for FY22 on the ASX. In relation to the resulting Shares arising from the exercise of the 90,000 Zero Priced Options to be granted to Terry Sinclair, there will be no disposal restrictions (other than restrictions in the Company's securities trading policy and applicable laws).
Non-competition	In addition to the leaver, malus and clawback provisions in the Plan Rules, if the Participant, without consent of the Group, carries on or engages in activities that compete with the Group, or joins or provides services to a competitor, during the disposal restriction period, the Board may require the Awards (whether vested or unvested) or the resulting Shares to be forfeited or compulsorily divested in any manner determined by the Board and consistent with applicable laws and the ASX Listing Rules. However this non-competition restriction does not apply in relation to the 90,000 Zero Priced Options to be granted to Terry Sinclair.

6.3.4.4 Short Term Incentive Offer

After FY21, the Board may invite Senior Executives and key employees of the Group to participate in the Short Term Incentive Offer under which Participants have the opportunity to be granted Awards in the form of Zero Priced Options. The Board will set the short term incentive opportunity for Participants at the start of the performance period, with the determination of the amount of cash, and the offer and grant Zero Priced Options to Participants, to occur at the end of the relevant performance period based on targets set by the Board. Where Executive Directors are invited to participate, the Company's ability to grant Zero Priced Options under the Short Term Incentive Offer will be subject to any Shareholder approval requirements under the ASX Listing Rules. For the FY22 performance period, eligible Participants have an opportunity of being offered up to a total of 342,500 Zero Priced Options under the Short Term Incentive Offer. The actual number of Zero Priced Options that will be offered will be determined at the end of the performance period.

The terms specific to Zero Priced Options that may be granted under the Short Term Incentive Offer are set out in the table below.

Key Term	Description
Expiry	Grants of Zero Priced Options will expire on the date that is 6 years from the date of grant or any other date determined by the Board and as specified in the individual invitations.
Cash or equity settled	The Zero Priced Options may be settled by either cash or equity.
Exercise price	Nil.
Calculation of Short Term Incentives	The short term incentive will be paid 50% in cash and 50% by way of the granting of Zero Priced Options. At the start of the performance period, the Participant will be provided with a pre-determined short term incentive opportunity. As the end of the relevant performance period, the Company will determine the outcome of the short term incentives based on targets set by the Board (**STI Outcome**). Each Participant will be granted: • 50% of their STI Outcome in cash; and • a number of Zero Priced Options equal to: $\dfrac{\textit{STI Outcome x 50\%}}{\textit{5 trading day VWAP of the Shares on the ASX prior to the date of grant of the Zero Priced Options}}$
Vesting	The Options will vest upon the release of the Company's full year audited results to the ASX for the relevant financial year performance period, and subject to the Board determining that the Company's EBIT forecast for that financial year (after taking into account the impact of short term incentives and the long term incentives on the profit and loss of the Company) has been met. In relation to Zero Priced Options that may be granted for the FY22 performance period (year ended 26 June 2022), the relevant EBIT forecast will be $22.9 million.
Exercise	There will be no exercise conditions. Unless cash settled, each Zero Priced Option is exercisable into one Share.
Disposal restrictions	The Zero Priced Options are not generally transferrable without consent of the Board. However the resulting Shares will not be subject to any disposal restrictions (other than restrictions in the Company's securities trading policy and applicable laws).

6.3.4.5 Long Term Incentive Offer

Under the Long Term Incentive Offer and effective upon Listing, the Board has resolved to offer and grant up to 842,822 Ordinary Options to select Senior Executives and key employees of the Group, including Executive Directors Brendan Boyd and John Sood (see Section 6.3.2). The Options will be granted immediately upon Listing. Further grants may be made on an annual basis going forward, at the discretion of the Board.

The Board has elected to incentivise the Executive Directors by allowing them to be granted Options under the Long Term Incentive Offer in order to assist in the reward, retention and motivation of the Executive Directors, and also so that the Options (and to an extent, the resulting Shares) are governed by the Plan Rules and other specific terms such as the relevant Vesting Conditions, which ensures that the interests of Executive Directors remain aligned with those of the Company and the Shareholders. Where the Board may seek to make further offers of Awards to Executive Directors, the Company's ability to grant Awards under the Long Term Incentive Offer will be subject to any Shareholder approval requirements under the ASX Listing Rules.

The terms specific to Ordinary Options to be granted under the Long Term Incentive Offer are set out in the table below.

Key Term	Description
Cash or equity settled	Other than the Ordinary Options to be granted to Executive Directors Brendan Boyd and John Sood, the Ordinary Options can only be equity settled. The Ordinary Options to be granted to Executive Directors Brendan Boyd and John Sood may be settled by either cash or equity.
Exercise price	Other than the 842,822 Ordinary Options to be granted upon Listing, the exercise price of each Ordinary Option is a price that is at a 20% discount to the volume weighted average price (**VWAP**) of the Shares on the ASX over the 5 trading days prior to the date of grant. The 842,822 Ordinary Options to be granted upon Listing will be exercisable at a 20% discount to the Offer Price, being $1.60 per Option.
Vesting	The number of Ordinary Options to be granted represents 150% of the Participant's entitlement. The actual number of Ordinary Options that will vest will depend on satisfaction of the Vesting Conditions set out in the Invitations (and summarised below). In relation to the 842,822 Ordinary Options to be granted upon Listing, the Ordinary Options will vest provided the Participant meets each of the following vesting conditions: **Safety and EBIT based** • the Participant receiving a rating of 3 or higher under the Company's approved FY22 Safety Framework Plan; and • the Board determining (having regard to the Company's audited results for the year ended 26 June 2022 (**FY22**)) that the Company's FY22 EBIT forecast of $22.9 million (after taking into account the impact of short term and long term incentives on profit and loss of the Company for FY22) has been met; **Service based** The Participant remains employed or engaged by a Group company for 3 years from the date of grant. **Performance based** EPS growth (based on 3 years compounding annual growth rate (**CAGR**)) achieved at the end of year 3 (refer to table below). The period over which the Company's EPS CAGR will be tested will be from the period between 28 June 2021 and 30 June 2024 (**EPS Performance Period**). The EPS performance of the Company will be tested following the announcement of the Company's consolidated audited results for the year ended 30 June 2024 (**FY24**) (expected to be in August/September after the end of the relevant final financial year).

6. Key People, Interests and Benefits

<table>
<tr><th>Key Term</th><th>Description</th></tr>
<tr><td>Vesting continued</td><td>
The EPS CAGR will be determined by the Board and will be the annualised CAGR of the Company's EPS (expressed as a percentage), which is measured by reference to the Group's underlying net profit for the EPS Performance Period (statutory net profit adjusted for the after tax effect of any significant items and unusual one-off costs, benefits or adjustments), divided by the weighted average number of Shares on issue across the relevant EPS Performance Period. The Board may (in its discretion) from time to time adjust the EPS CAGR to exclude the effects of extraordinary events, material business acquisitions or divestments and for certain one-off costs.
The starting EPS for the EPS CAGR calculation will be the EPS calculated in accordance with the above principles for the 52 weeks ended 27 June 2021, having regard to the audited consolidated accounts for that financial year. The ending EPS for the EPS CAGR calculation will be the EPS calculated in accordance with the above principles having regard to the audited annual consolidated accounts for FY24.
If each of the Vesting Conditions are met, the number of Ordinary Options will vest will be determined by multiplying the total number of Ordinary Options by the "vesting multiplier" set out in the following vesting schedule:
<table>
<tr><th>EPS CAGR for the relevant performance period</th><th>Performance against "target"</th><th>Vesting multiplier</th></tr>
<tr><td>Less than 10%</td><td>Under performance (0%)</td><td>0</td></tr>
<tr><td>Equal to 10%</td><td>Minimum performance (50%)</td><td>0.3333</td></tr>
<tr><td>Greater than 10% and less than 15%</td><td></td><td>Pro rata vesting multiplier on a straight line basis between 0.3333 and 0.6667</td></tr>
<tr><td>Equal to or greater than 15% and less than 17.5%</td><td>Target performance (100%)</td><td>Pro rata vesting multiplier on a straight line basis between 0.6667 and 1.00</td></tr>
<tr><td>Equal to or greater than 17.5%</td><td>Exceptional performance (150%)</td><td>1.00</td></tr>
</table>
Accordingly, no Ordinary Option will vest if the EPS growth achieved at the end of year 3 is below 10%, pro rata vesting will occur if the EPS growth is between 10% – 15% and 15% – 17.5% and 100% will vest if the EPS growth is equal to or more than 17.5%.
</td></tr>
<tr><td>Exercise</td><td>
There will be no exercise conditions.
Unless cash settled, each Ordinary Option is exercisable into one Share.
</td></tr>
<tr><td>Expiry</td><td>
The 842,822 Ordinary Options to be granted immediately upon Listing will expire on the date that is 5 years from the date of their grant.
Further grants of Ordinary Options will expire on the date that is 5 years from the date of their grant, or any other date determined by the Board and as specified in the invitation letter.
</td></tr>
<tr><td>Disposal restrictions</td><td>
The Ordinary Options are not generally transferrable without consent of the Board. However the underlying Shares will not be subject to any disposal restrictions (other than restrictions in the Company's securities trading policy and applicable laws).
</td></tr>
</table>

6.3.4.6 Fee Sacrifice Offer

No offers are intended to be made prior to Listing under the Fee Sacrifice Offer, however the Board expects that Non-Executive Directors may be invited to participate in the Fee Sacrifice Offer in due course going forward, with the Company's ability to grant Awards under the Fee Sacrifice Offer being subject to any Shareholder approval requirements under the ASX Listing Rules.

The terms of the Fee Sacrifice Offer are set out in the table below.

Key Term	Description
Fee Sacrifice	Non-Executive Directors can elect to sacrifice a portion (or all) of their future Board fees (including committee fees, if applicable) on a pre-tax basis to acquire Zero Priced Options at nil exercise price by forgoing the cash fees the Non-Executive Director has elected to sacrifice. The number of Zero Priced Options will be determined by reference to the volume weighted average price of Shares on the ASX over the 5 trading days prior to the date of grant, or otherwise in a manner decided between the Board and the Participant. The Zero Priced Options will be granted at the time the election is made and confirmed by the Company.
Equity settled	The Zero Priced Options can only be equity settled.
Exercise price	Nil.
Vesting	The Zero Priced Options may vest in tranches as determined in the Invitation.
Exercise	There will be no exercise conditions. Each Zero Priced Option is exercisable into one Share.
Expiry	Zero Priced Options will expire on the date that is 6 years from the date of their grant, or any other date determined by the Board and specified in the invitation letter to the Participant.
Disposal restrictions	The Zero Priced Options are not generally transferrable without consent of the Board. However the underlying Shares will not be subject to any disposal restriction (other than restrictions in the Company's securities trading policy and applicable laws).
Leavers	In addition to the general clawback and malus provisions of the Plan Rules, the following terms will apply (notwithstanding the general leaver provisions under the Plan Rules): **Options** If the Non-Executive Director ceases to be a director with the Company, any vested Zero Priced Options will be retained and remain exercisable until their expiry. Any unvested Zero Priced Options will lapse and the Non-Executive Director will be paid a cash amount equivalent to the fees that they have sacrificed pro-rated from the last vesting date to the date the Non-Executive Director ceases to hold office subject to superannuation and withholding of tax. **Shares** Where a Non-Executive Director ceases to hold office with the Company and holds Shares (acquired on the exercise of Zero Priced Options), the Non-Executive Director will retain the Shares.

6.3.5 Deeds of access, indemnity and insurance

The Company has entered into deeds of access, indemnity and insurance with each Director, and Senior Executives Matthew Hannah (**CIO**), Melanie Leydin (**Company Secretary**), Brendon Pentland (**CFO**) and Nicole Sullivan (**CPO**), which confirms and extends their statutory and general law rights of access to Board papers and the books and records of the Company and its Subsidiaries. The deeds provide that the Directors and Senior Executives be allowed access to, and a copy of, records in certain circumstances.

In accordance with the Constitution, the Company may indemnify any current and former directors and officers of the Company and its Subsidiaries against any liability incurred by that person in that capacity, including legal costs, for the period from when the person becomes a director or officer until seven years after the person ceases to be a director or officer of the Company or its Subsidiaries. Accordingly, the deed also requires the Company to indemnify the Directors and Senior Executives for liability incurred as an officer of the Company and its wholly-owned subsidiaries, to the maximum extent permitted by law. The deed provides that the Company must advance to the Director or Executive for costs reasonably incurred by them in conducting or defending certain proceedings.

The Constitution also allows the Company to enter into and pay premiums on contracts insuring any liability incurred by any current and former Directors and officers of the Company and its Subsidiaries, which is incurred by them in that capacity, including legal costs, for the period from when the person becomes a director or officer until seven years after the person ceases to be a director or officer of the Company or its Subsidiaries.

Accordingly, the deed requires the Company to maintain, to the extent permitted by law, an insurance policy which insures Directors and officers against liability as a Director or officer of the Company and its Subsidiaries from the date of the deed until the date which is seven years after the Director or officer ceases to hold office as a Director or officer of the Company or any of the Subsidiaries.

6.3.6 Interest of advisers

The Company has engaged the following professional advisers:

- Morgans Corporate Limited and Shaw and Partners Limited have acted as Joint Underwriters and Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the Joint Underwriters the fees described in Section 9.5.1 for these services;
- Gadens has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately $450,000 (excluding disbursements and GST) for these services to the Prospectus Date. Further amounts may be paid to Gadens in accordance with their timed-based charge-out rates;
- 333 Capital Pty Ltd has acted as independent financial adviser in relation to the Offer (**Financial Adviser**). The Company has agreed to pay the Financial Adviser, subject to Completion, $900,000 (excluding disbursements and GST) for services performed in relation to the Offer. The Company has also agreed to pay the Financial Adviser incentive payments based on the Share price performance of the Company up to the later of 30 September 2022 and 30 days following the announcement of the Company's preliminary final report (Appendix 4E) for FY22. An incentive payment of $0.4 million is payable where the Share price quoted on ASX reaches $2.25 per Share on any 5 trading days during a 30 day period. Further incentive payments of $0.4 million are payable where the Share price quoted on the ASX reaches $2.50 per Share, $2.75 per Share and $3.00 per Share on any 5 trading days during a 30 day period. The incentive payments are cumulative and may result in a maximum incentive payment of $1.6 million (excluding GST);
- PricewaterhouseCoopers Securities Ltd (**PwCS**) has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report for inclusion at Section 8 of the Prospectus. The Company has paid, or agreed to pay, approximately $420,000 (excluding GST) to the Investigating Accountant for these services to the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with their normal time-based charge-out rates; and
- Frost & Sullivan has prepared the Market Report at Section 2 of the Prospectus. The Company has paid, or agreed to pay, approximately $18,000 (plus GST) for this report.

6.4 Escrow arrangements

The Escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their Escrowed Shares during the Escrow Period (subject to relevant exceptions). Please refer to Section 9.7 of this Prospectus for details on the escrow arrangements.

6.5 Corporate governance

This Section 6.5 explains how the Board will oversee the management of the Company's business.

The Board is responsible for the overall performance of the Company and accordingly is accountable for monitoring the Company's business affairs and strategic direction, establishing policies and overseeing the Company's financial position and performance. The Board is committed to maximising performance, generating appropriate levels of returns for Shareholders and sustaining the growth and success of the Company. Accordingly, the Board has adopted corporate governance policies and procedures designed to promote the responsible management of the Company.

The Company has adopted its corporate governance policies having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) (**ASX Recommendations**). As a listed entity, the Company will be required to report annually on the extent to which it has followed the ASX Recommendations during each financial year. If it has not followed a particular ASX Recommendation during any particular financial year, the Company must disclose its reasons for not doing so.

Copies of the Company's key corporate governance policies and charters are available at www.silklogistics.com.au.

6.5.1 The Board

The following table provides information regarding the composition of the Board and the position and experience (in the Group) of each Director.

Name	Position	Experience (years)	Independence
Terry Sinclair	Non-Executive Chairman; Chair of the Audit and Risk Committee (interim)	July 2020 – present August 2014 – October 2016	Independent
Brendan Boyd	Managing Director & CEO	November 2013 – present	Not Independent
John Sood	Executive Director & CCO	November 2013 – present	Not Independent
Stephen Moulton	Non-Executive Director; Chair of the Sustainability Committee	July 2020 – present	Independent

Biographies of the Directors are set out in Section 6.1.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as an Executive or Non-Executive Directors (as the case may be) without constraints from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring independent judgment to bear on issues before the Board and to act in the best interest of the Company. The materiality of the interest, position, association or relationship will be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's characterisation as an independent Director.

In assessing independence, the Board will have regard to the factors set out in the ASX Recommendations and one of those factors is whether a Director has a substantial holding in the Company (as that term is defined in the Corporations Act and includes a person who has a Relevant Interest of 5% or more) or is otherwise associated with a substantial holder of the Company.

The following Directors have substantial holdings in the Company:

- Brendan Boyd; and
- John Sood.

In this regard, for the purposes of the ASX Recommendations, those Directors will have an interest that may affect the characterisation as an independent Director. Notwithstanding, the Board considers that following Completion of the Offer the interests of those Directors in the Shares work to align their interests with those of other Shareholders and does not impede their ability to bring an independent judgment to bear on issue before the Board and act in the best interests of the Company.

6.5.2 Board Charter

The Board Charter has been adopted to provide a framework for the effective operation of the Board. The Board Charter sets out:

- the Board's composition;
- the role and responsibilities of the Board;
- delegation of duties and powers;
- Board process;
- the role and responsibilities of the Chairman and Company Secretary;
- the relationship between the Board and the CEO and management;
- procedure for the conduct of Board meetings;
- the ability of Directors to seek independent advice; and
- the process for periodic performance evaluations of the Board, each Director and the Board committees.

The Board's role includes to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- provide effective oversight of its management and business activities;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with the Company's values and governance framework (including establishing and observing high ethical standards);
- seek to ensure the Company acts in accordance with its legal and other obligations; and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

6.5.3 Board committees

The Board may from time to time establish committees to assist in the discharge of its responsibilities. In accordance with the Board Charter and ASX Recommendations, the Board has established the following committees:

- Audit and Risk Committee; and
- Sustainability Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skill and expertise of individual Directors.

6.5.4 Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities in respect of financial reporting, risk management, compliance and associated controls.

The committee comprises of:

- Terry Sinclair (Chair); and
- Stephen Moulton.

The Audit and Risk Committee Charter sets out:

- the composition of the committee, including that the committee should comprise of;
  - only Non-Executive Directors;
  - a majority of independent Directors of the Company;
  - an independent Chair, who is not Chair of the Board; and
  - a minimum of 3 members;
- the committee's ability to have access to employees, management, regulatory authorities and auditors (internal and external), and the right to seek explanations and additional information for the purposes of carrying out its responsibilities;
- that the committee may seek the advice of independent advisors on any matter relating to the responsibilities and duties of the committee; and
- the committee's key responsibilities and functions being to:
  - oversee the Company's relationship with its external and internal auditors and audit functions generally;
  - oversee the preparation of financial statements and reports;
  - oversee the preparation of the Company's financial controls and systems; and
  - manage the process of identification of risk and the management of risk strategies.

Although the Audit and Risk Committee will comprise only two members immediately upon Listing, with Director Terry Sinclair being the Chair of the committee as well as Chair of the Board, it is the intention of the Board to appoint an additional Non-Executive Director after Listing, who will act as the Chair of the committee. Terry Sinclair will act as Chair of the committee until the appointment of the additional Non-Executive Director is made.

6.5.5 Sustainability Committee

The role of the Sustainability Committee is to assist the Board fulfil its obligations to ensure the Company has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties, and has appropriate and unbiased remuneration policies and practices. The committee will also monitor all health and safety, environment and governance matters.

The committee comprises of:

- Stephen Moulton (Chair); and
- Terry Sinclair.

The Sustainability Committee Charter sets out:

- the composition of the committee, including that the committee should comprise of;
  - a minimum of 3 members a majority of whom are independent Non-Executive Directors; and
  - an independent Director of the Company as Chair;
- that the committee may seek the advice of independent advisors on any matter relating to the responsibilities and duties of the committee; and
- the specific responsibilities of the committee being to:
  - assist the Board to develop and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
  - assist the Board in regularly reviewing its Board skills matrix to ensure it covers the skills required to address existing and emerging business and governance issues of the Company;
  - review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chair of the Board, Managing Director & CEO and other senior executives, having regard to the skills matrix and the objective that the Board comprise Directors with a broad range of skills, expertise and experience from a broad range of background, including gender;
  - review and recommend to the Board the composition and membership of the Board;
  - assist the Board with the development and implementation of a process for evaluating the performance of the Board, its committees and Directors;

- assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors;
- ensure that processes are in place to support Director induction programs and provide continuing professional development opportunities for Directors and regularly review the effectiveness of these processes;
- regularly assess whether the Directors as a group have the skills, knowledge and experience to deal with new and emerging business and governance issues and recommend professional development opportunities to address such gaps; and
- in accordance with the Company's Diversity Policy, develop and recommend to the Board measurable objectives for achieving gender diversity and, on an annual basis, review them and recommend any changes to the Board.
- approve and recommend to the Board for adoption policies and procedures on sustainability to establish an effective and efficient system for oversight and management;
- regularly review with management, the Company's record of performance on community relationships, occupational health, safety, and environmental matters along with any proposed actions based on the record of performance;
- review and report to the Board on material non-compliance with legislation and regulations across the Company;
- obtain an independent judgment from an external auditor regarding the Company's policies, procedures, and performance on sustainability; and
- monitor changes in applicable regulations and legislation and reviewing compliance with all applicable regulations and disclosures.

Although the Sustainability Committee will comprise only two members immediately upon Listing, it is the intention of the Board to appoint an additional Non-Executive Director after Listing who will act as an additional member of the committee.

6.5.6 Corporate governance policies

Anti-bribery and Corruption Policy

The Company has adopted an Anti-bribery and Corruption Policy. The policy seeks to ensure the Company's officers, Directors, associates, contractors, consultants and staff:

- do not give or accept gifts and/or benefits that will compromise their integrity or appear to cause a conflict of interest;
- do not give or receive payments of secret commissions;
- are educated on what gifts and benefits are unacceptable and acceptable;
- promote investor confidence in the integrity of the Company and its securities; and
- understand the process to be followed if there is a suspected breach of the policy.

The policy also explains key principles of bribery and corruption and the Company's compliance process including that the Board or a committee of the Board must be notified of all material breaches of the policy.

Code of Conduct

The Company has approved the adoption of a formal Code of Conduct which outlines the manner in which the Company expects its Directors and employees to behave and conduct business in the workplace. The Code of Conduct applies to Directors and all employees of the Company.

The objectives of the Code of Conduct are to:

- provide a benchmark for ethical and professional behaviour;
- promote healthy, respectful and positive working environments for all employees and Directors;
- ensure that there is compliance with laws, regulations, policies and procedures relevant to the Company;
- ensure there are appropriate mechanisms and procedures in place for employees and Directors to report breaches of the Code of Conduct; and
- ensure that employees and Directors are aware of the consequences for breaching the Code of Conduct.

Continuous Disclosure Policy

As an entity listed on the ASX, the Company will be subject to the continuous disclosure requirements set out in the ASX Listing Rules and the Corporations Act.

Subject to certain exceptions contained in the ASX Listing Rules, the Company will be required to disclose to the ASX information relating to the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The purpose of the Continuous Disclosure Policy adopted by the Company is to promote awareness of the Company's continuous disclosure requirements and to establish policies and procedures to assist the Directors and management with ensuring compliance with those requirements.

The policy also:

- provides reporting protocols and processes for determining whether information should be disclosed to the market; and
- designates responsibility for managing and monitoring the Company's compliance with its continuous disclosure obligations.

All relevant information provided to ASX will be posted on the Company's website after ASX confirms the appropriate announcement has been made.

The policy also sets out how the Company intends to communicate with Shareholders to ensure Shareholders have sufficient information to assess the performance of the Company and are informed of all major developments affecting the Company.

The policy sets out:

- the manner in which Company announcements are to be made (including that they must be made in a timely manner, easily accessible and readable);
- the regular communications to be received by Shareholders from the Company;
- the manner in which the Company's website is to be used to communicate with Shareholders; and
- the manner meetings of Shareholders are to be conducted.

In addition, the Company is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with ASX and, in some instances, mailing information to Shareholders.

Diversity Policy

The Company recognises the importance of diversity and inclusion in the business. In this regard, the Company has adopted the Diversity Policy in order to ensure that the Company's commitment to diversity and inclusion is clearly documented.

The policy recognises that diversity not only includes gender diversity, but also includes other matters such as, age, ethnicity, religious, cultural background and sexual orientation. The policy includes a commitment to diversifying recruitment and merit-based appointments, as well as recognition that the Company will not tolerate workplace discrimination, harassment, vilification or victimisation.

The policy also includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess the Company's annual achievement of those objectives. These objectives and the progress in achieving them will be disclosed in the Company's annual corporate governance statement, along with the respective proportions of men and women on the Board and in senior executive positions throughout the Company.

6. Key People, Interests and Benefits

Occupational Health & Safety Policy

The Company is committed to providing and maintaining a safe working environment which minimises risks to health for all of the Company's Directors, employees, contractors, consultants, clients or visitors.

The Company has adopted the Occupational Health & Safety Policy, the objective of the policy are to ensure:

- the Company is able to provide and maintain, so far as is reasonably practicable, a safe working environment without risks to health for all of the Company's Directors, employees, contractors, consultants, clients or visitors;
- that the Company's Directors, employees, contractors and consultants are aware of their various duties and responsibilities to ensure a safe working environment;
- there are appropriate mechanisms and procedures for the notification of incident which have, or may have, caused harm to the health and safety of any of the Company's Directors, employees, contractors, consultants, clients or visitors;
- the appropriate management of health and safety incidents which may occur in the work environment; and
- employees of the Company are aware of the consequences for breaches of the Occupational Health & Safety Policy.

Privacy Policy

This policy is to ensure that the privacy of its employees and other workplace participants (such as job applicants, suppliers and clients) will be treated with sensitivity, respect and in accordance with the *Privacy Act 1988* (Cth) and the Australian Privacy Principles.

Securities Trading Policy

The Company has adopted a Securities Trading Policy to:

- ensure that all Directors, employees and contractors of the Company (and their associates) are aware of the Australian insider trading laws as they apply to trading in securities of the Company; and
- protect the reputation of the Company and its Directors and employees by seeking to avoid the possibility that misconceptions, misunderstandings or suspicions might arise as a result of trading by Directors and others who may be, or may be perceived to be, in possession of inside information.

The policy seeks to achieve its objectives by setting certain parameters and restrictions on the trading of securities by Directors, senior management and other specified employees (**Restricted Persons**).

The policy provides an explanation of insider trading and what trading is prohibited by the Corporations Act. In addition, the policy also provides additional procedures that must be followed by Restricted Persons in relation to trading in the Company's securities. These procedures include:

- prohibitions on trading in the Company's securities as follows:
  - no trading without prior approval; and
  - no trading at any other time with the exception of the 4-week period immediately following the release of the Half Year Report and Annual Report of the Company.
- procedures for obtaining prior clearance for trading outside the blackout periods;
- prohibitions on entering into financing arrangements in respect of the Company's securities, unless certain requirements are adhered to;
- prohibitions on short selling of the Company's securities; and
- prohibitions on entering into hedging arrangements.

The policy also provides that Restricted Persons must ensure that any trading by their close family members or closely connected entities also complies with the restrictions and procedures in the policy.

Statement of Values

In order to reinforce the Company's values which underpin how the Company undertakes its business, it has adopted a Statement of Values. It outlines the norms and behaviours expected of the Company's Directors, senior leaders, staff and those who the Company seeks to work with.

The Company's values and behaviours are:

- **Safety:** demonstrating a commitment to safety, promoting safe practices and behaviours, by taking responsibility and being accountable;
- **Innovation:** continuously finding improvements by challenging the status quo and striving for excellence;
- **Respect:** respecting and recognising team members and their roles in the business, and treating one another with dignity and understanding;
- **Integrity:** doing the right thing regardless of the outcome, being courageous and accountable for the decisions and actions;
- **Consumer-centric:** seeking to anticipate, understand and exceed customer needs through the provision of innovative and customised solutions; and
- **Passion:** being proud to be part of a team that is passionate about making a positive contribution each day to achieve the Company's vision.

Whistleblower Policy

The Company has adopted a Whistleblower Policy. The purpose of the Whistleblower Policy is to promote and support a culture of honest and ethical behaviour and encourage disclosure of improper conduct.

The policy ensures that all disclosures made under the policy can be made anonymously and be treated confidentially. Where an individual makes a disclosure on reasonable grounds in accordance with the terms of the policy the Company will act to protect them from any victimisation, adverse reaction or intimidation and ensures that the person's employment or engagement with the Company will not be disadvantaged as a result of the disclosure.

The policy sets out the manner in which the Company will investigate disclosures made under the policy and requires the Company to conduct investigations:

- in a timely and efficient manner;
- thoroughly and in an impartial manner; and
- confidentially to protect the identity of the whistleblower.

The policy also specifies the role and responsibility of the Whistleblower Protection Officers who are responsible for the administration of the policy.

Modern Slavery Policy

The Company has adopted a Modern Slavery Policy which will be used to underpin and inform any statement on slavery and human trafficking that the Company is required to produce further to the transparency in supply chain requirements of the *Modern Slavery Act 2018* (Cth).

The Company expects all who have, or seek to have, a business relationship with the Company to familiarise themselves with this policy and to act in a way that is consistent with its values. The Company will only do business with organisations who fully comply with this policy, or those who are taking verifiable steps towards compliance.

Risk Management Policy

The purpose of this policy is to:

- encourage an appropriate level of risk tolerance throughout the Company;
- establish procedures to analyse risks within agreed parameters across the Company;
- establish appropriate risk delegations and corresponding risk management framework across the Company; and
- ensure the Company has a risk management framework that can measurably react should the risk profile of the Company change.

7.
Details of the Offer

Rocke Brothers customer service team member – Lara, VIC

7. Details of the Offer

7.1 The Offer

This Prospectus relates to the initial public offering of 5,000,001 Shares for issue by the Company (including 1 Share under the Cleansing Offer), and 30,000,000 Shares for sale by SaleCo at an Offer Price of $2.00 per Share.

The 35,000,001 Shares offered under this Prospectus will represent 46.2% of the Shares on issue at Completion.

At Completion, there will be a total of 75,761,962 Shares on issue (not including the 1 Share under the Cleansing Offer, which might not be issued). All Shares will rank equally with each other.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises of:

- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions;
- the Broker Firm Offer, which is only to persons who have received a firm allocation from their Broker and who have a registered address in Australia;
- the Priority Offer, which is open to selected investors in Australia who have received a priority invitation; and
- the Cleansing Offer, which is an Offer of 1 New Share at the Offer Price for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (being Shares issued to Tor on conversion of the Preferred Shares, and the Shares issued to PGA as deferred contingent consideration for the Company's acquisition of Rocke Brothers in 2019).

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer will be determined by the Joint Lead Managers, SaleCo and the Company, having regard to the policies outlined in Sections 7.4, 7.5, and 7.6.

The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company.

The Offer has been full underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange and act as joint lead manager, joint bookrunner and joint underwriter of the Offer. Further details in relation to the Underwriting Agreement are set out in Section 9.5.

7.1.2 Purposes of the Offer

The purposes of the Offer are to:

- provide the Company with access to capital markets to improve financial flexibility for growth;
- provide a liquid market for the Shares;
- repay an amount of existing debt owed to Westpac Banking Corporation; and
- provide the Selling Shareholder with an opportunity to realise some of their investment in the Company.

7.1.3 Sources and uses of funds

The table below sets out the proposed use of funds from cash proceeds under the Offer (expected to be $70 million). The aggregate estimated use of funds does not take into account the Company's ability to utilise existing cash reserves to support its business objectives and operations.

The use of funds remains subject to any intervening events and new circumstances which have the potential to affect the manner in which the funds are ultimately applied. The Board retains the right to vary the use of funds, acting in the best interest of the Company and Shareholders and as circumstances require.

7. Details of the Offer

Table 4: Offer sources and use of funds

Source	Amount ($ millions)	Use of Funds	Amount ($ millions)
Offer proceeds from the issue of New Shares by the Company	10.0	Repayment of debt[1]	2.7
		Costs of the Offer[2]	7.3
		Total from proceeds of issue of new Shares	**10.0**
Offer proceeds received by SaleCo from the sale of Existing Shares by the Selling Shareholder	60.0	Payments to the Selling Shareholder	60.0
TOTAL	**70.0**	**TOTAL**	**70.0**

Notes:

1. Following Completion of the offer, the Company will repay $8.0 million of its facilities with existing financier Westpac Banking Corporation, $2.7 million from Offer proceeds and the remaining $5.3 million from existing cash balances (including cash generated in 2H21).
2. Total expenses of the Offer have been estimated at $9.2 million and includes non-cash expenses of $1.9 million.

7.1.4 Control implications of the Offer

The Directors do not expect any Shareholder to control (as defined by section 50AA of the Corporations Act) the Company on Completion.

7.1.5 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from cash proceeds of the Offer to fulfil the purposes of the Offer, and will have sufficient working capital to meet the Company's stated business objectives.

7.2 Terms and conditions of the Offer

Figure 33: Offer terms and conditions

Topic	Summary
What type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.
What consideration is payable for each Shares?	The Offer Price is $2.00 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in the Key Dates Section on page 4 of this Prospectus. No Shares will be issued or sold on the basis of this Prospectus later than the Expiry Date. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time (AEST).
What are the cash proceeds to be raised?	Approximately $70 million will be raised if the Offer proceeds, comprising $10 million from the issue of New Shares by the Company and $60 million for the sale of Shares by SaleCo on behalf of the Selling Shareholder.

Topic	Summary
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Underwriters.
Is the Offer conditional?	Completion of the Offer is conditional on: • ASX's approval of the Company's application for admission to the Official List and ASX agreeing to quote the Shares on the ASX; • the total amount raised under the Offer being $70 million; and • Settlement in respect of the allotment of Shares in accordance with the Underwriting Agreement.
How is the Offer Structured?	The Offer comprises: • the Broker Firm Offer, which is only to persons who have received a firm allocation from their Broker and who have a registered address in Australia; • the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions; • the Priority Offer, which is open to selected investors in Australia who have received a priority invitation; and • the Cleansing Offer, which is an Offer of 1 New Share at the Offer Price for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (being Shares issued to Tor upon conversion of the Preferred Shares, and the Shares issued to PGA as deferred contingent consideration for the Company's acquisition of Rocke Brothers in 2019). No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker.
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Offer is $2,000 worth of Shares (equivalent to 1,000 Shares at the Offer Price). There is no maximum value of Shares which Applicants may apply for under the Offer, but Applications will be considered in accordance with the allocation policy under the Offer.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Joint Lead Managers, the Company and SaleCo. The Joint Lead Managers, in consultation with the Company and SaleCo, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors. For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares to their retail clients. The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company.
When will I receive confirmation that my Application has been successful?	It is expected that the initial holding statements will be despatched by standard post on or about 12 July 2021.

7. Details of the Offer

Topic	Summary
Will the Shares be quoted?	The Company has applied to ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under ASX code "SLH"). It is anticipated that quotation on ASX will commence on or about 9 July 2021 on a normal settlement basis. Completion of the Offer is conditional on ASX approving the Company's listing application. If approval is not given within 3 months after the Original Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for the contents of this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about 9 July 2021 on a normal settlement basis. It is expected that holding statements will be dispatched by the standard post on or about 12 July 2021. It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. Applicants will be able to confirm their allocations by telephoning the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you received confirmation of your allocation from the Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details of the escrow arrangements are set out in Section 9.7.
Has an ASX confirmation and ASIC relief been provided?	Yes. Details are set out in Section 9.9.
Are there any tax considerations?	Refer to Section 9.12. The tax consequences of any investment in Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest in the Company.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am until 5:30pm (Melbourne Time), Monday to Friday (excluding public holidays) during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Capital structure

7.3.1 Shares

As at the Prospectus Date, the Company has 22,506,532 Shares on issue as well as 45,255,430 Preferred Shares.

The details of the ownership of Shares (which includes Shares held indirectly) on the Prospectus Date, and Shares on Completion of the Offer (not including the 1 Share under the Cleansing Offer which might not be issued) are set out below:

Table 5: Shareholding structure

Existing Shareholder	Shares held at the Prospectus Date[3]	Shares held at the Prospectus Date (%)[3]	Shares to be sold by the Selling Shareholder pursuant to the Offer	Shares acquired under the Offer[4]	Shares held at Completion of the Offer[4]	Shares held at Completion of the Offer[4] (%)
BBJJ Investments Pty Ltd[1]	10,751,794	15.87%	N/A	Nil	10,751,794	14.19%
Karma Beverages Pty Ltd[2]	10,751,794	15.87%	N/A	Nil	10,751,794	14.19%
Tor Asia Credit Master Fund LP[3]	45,255,430	66.79%	30,000,000	Nil	15,255,430	20.14%
Dannwill Pty Limited	401,157	0.59%	N/A	Nil	401,157	0.53%
John Richard Evans	601,787	0.89%	N/A	Nil	601,787	0.79%
New Shareholder – PGA[5]	Nil	0%	N/A	Nil	3,000,000	3.96%
New Shareholders under the Offer	Nil	0%	N/A	35,000,000	35,000,000	46.2%
Total	**67,761,962**	**100%**	**30,000,000**	**35,000,000**	**75,761,962**	**100%**

Notes:

1. Shares are held by BBJJ Investments Pty Ltd as trustee for Director Brendan Boyd's family trust.
2. Shares are held by Karma Beverages Pty Ltd as trustee for Director John Sood's family trust.
3. As at the Prospectus Date Tor holds no Shares, but instead holds a total of 14,152,162 CPS and 31,103,268 CRPS (**Preferred Shares**). All of Tor's Preferred Shares will be converted into 45,255,430 Shares immediately prior to Completion of the Offer, and some of which are then sold via SaleCo upon Completion of the Offer. Further details of the Preferred Shares are set out in Section 7.3.2 below.
4. Assumes Existing Shareholders do not participate in the Offer.
5. In accordance with the share sale agreement under which the Company acquired all shares in Rocke Brothers in August 2019, the Company is obliged to pay to PGA as vendor the amount of $6 million upon being admitted to the Official List in the form of a single deferred contingent consideration payment. PGA has elected to receive the entirety of the $6 million to be paid via the issue of Shares at the Offer Price (see the footnote at Section 3.3).

7.3.2 Preferred Shares

As at the Prospectus Date Tor holds no Shares, but instead holds a total of 14,152,162 CPS and 31,103,268 CRPS (**Preferred Shares**). All of Tor's Preferred Shares will be converted into 45,255,430 Shares immediately prior to Completion of the Offer, and some of which are then sold via SaleCo upon Completion of the Offer.

The terms of the Preferred Shares are governed by a shareholders agreement between the Company and Existing Shareholders (including Tor) (**Shareholders Agreement**). The Shareholders Agreement will be terminated upon Completion.

Although the Preferred Shares will have converted into Shares and the Shareholders Agreement terminated by Completion, it is nonetheless noted that if the Offer does not complete by 31 December 2021, then under the Shareholders Agreement Tor as holder of the Preferred Shares may issue a drag-along notice to the remaining Shareholders requiring that each Shareholder sells its Shares to a third-party.

7.3.3 Options

At as the date of this Prospectus there are no Options on issue.

All Options that will be on issue immediately upon Listing are the 2,242,361 Options under the Incentive Plan, which will be granted immediately upon Listing, the details of which are set out in Section 6.3.4.

7.3.4 Performance Rights

The Company may issue performance rights including to Participants under the Incentive Plan as described in Section 6.3.4. However as at the Prospectus Date the Company does not have any performance rights on issue nor has the Board resolved to issue any performance rights.

7.4 Institutional Offer

7.4.1 Invitations to apply

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers will separately advise Institutional Investors of the Application procedures for the Institutional Offer.

7.4.2 Allocation policy under the Institutional Offer

The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer is determined by the Joint Lead Managers in consultation with the Company and SaleCo. The Joint Lead Managers in consultation with the Company and SaleCo, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer will be advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy is influenced by the following factors:

- The number of Shares bid for by particular Applicants;
- the timelines of the bid by particular Applicants;
- the Company's desire for an informed and active trading market in Shares following Listing;
- the Company's desire to establish a wide spread of Institutional Investor Shareholders;
- the overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company, SaleCo and the Joint Lead Managers considered appropriate.

7.5 Broker Firm Offer

7.5.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not a general public offer and is not open to Institutional Investors (unless they are a Sophisticated Investor) or persons in the United States.

7.5.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or any replacement or supplementary prospectus. Broker Firm Applicants must complete and lodge their Application Form with the Broker from whom they received their firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus or any replacement or supplementary Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Broker Firm Applicants should contact their Broker about the minimum Application amount. The Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Broker Firm Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9am (Melbourne time) on 22 June 2021 and is expected to close at 5pm (Melbourne time) on 2 July 2021. The Company, SaleCo and the Joint Lead Managers may elect to close the Broker Firm Offer early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier closing date. Broker Firm Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.5.3 Payment methods

Broker Firm Applicants must pay their Application Monies in accordance with instructions from their Broker.

7.5.4 Application Monies

The Company and SaleCo reserve the right to decline any or all Applications in whole or in part, without giving any reason. Broker Firm Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

7.5.5 Allocation policy under the Broker Firm Offer

The allocation of firm stock to Brokers has been determined by the Company, SaleCo and the Joint Lead Managers.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Broker Firm Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the Brokers how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.6 Priority Offer

7.6.1 Invitations to apply

The Priority Offer is open to selected investors in Australia nominated by the Company who receive a letter from the Company inviting them to apply for Shares (**Priority Offer Letter**).

7.6.2 How to apply

Applicants who receive a Priority Offer Letter and wish to apply for Shares must apply in accordance with the instructions provided in the Priority Offer Letter. Applicants declare by making an Application that they were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

There is no minimum or maximum value of Shares that may be applied for under the Priority Offer.

The Company reserves the right to scale back or reject Applications in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. The Company may amend or waive the procedures or requirements of Applications under the Priority Offer, in its discretion in compliance with applicable laws.

The Priority Offer opens at 9am (Melbourne time) on 22 June 2021 and is expected to close at 5pm (Melbourne time) on 2 July 2021. The Company, SaleCo and the Joint Lead Managers may elect to close the Priority Offer early, extend the Priority Offer or any part of it, or accept late Applications either generally or in particular cases. The Company and the Joint Lead Managers take no responsibility for any failure to receive Application Monies before the close of the Offer Period arising as a result of, amongst other things, delays in processing of payments by financial institutions.

7.6.3 Payment methods

Applicants must pay their Application Monies in accordance with the instructions on the Application Form and their Priority Offer Letter.

7.6.4 Application Monies

If the amount of your Application Monies (or the amount for which those payments clear in time for allocation) is insufficient to pay for the dollar amount of Shares you have applied for, you may be taken to have applied for such lower dollar amount of Shares as the number for which your cleared Application Monies will purchase (and to have specified that amount on your Application Form) or your Application may be rejected.

7.6.5 Allocation policy under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of the Company.

7.7 Cleansing Offer

The Cleansing Offer is an offer of 1 Share at the Offer Price. The Share offered under the Cleansing Offer will rank equally with the existing Shares on issue.

The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (being Shares issued to Tor on conversion of the Preferred Shares, and the Shares issued to PGA as deferred contingent consideration for the Company's acquisition of Rocke Brothers in 2019).

Application for the Share under the Cleansing Offer must be made using the Cleansing Offer Application Form. You should not complete a Cleansing Offer Application Form unless specifically directed to do so by the Company.

7.8 Underwriting arrangement

The Offer is fully underwritten by the Joint Underwriters.

The Joint Underwriters and Company have entered into the Underwriting Agreement pursuant to which the Joint Underwriters agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement sets out a number of circumstances under which the Joint Underwriters may terminate the agreement and its underwriting obligations.

A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is set out in Section 9.5.

7.9 Disposal restrictions on Shares

Each of the Escrowed Shareholders have entered into Voluntary Escrow Deeds with the Company under which the Escrowed Shareholder will be restricted from dealing with its Escrowed Shares. The Voluntary Escrow Deeds do not prevent the Escrowed Shareholders from exercising their voting entitlements or any rights to receive dividends and distributions or participate in any rights issue or bonus issues.

Further details relating to the Voluntary Escrow Deeds are set out in Section 9.7.

In addition to the Escrowed Shareholders, a number of Awards granted under the Company's Incentive Plan are also subject to disposal restrictions, the details of the Awards and their terms are set out in Section 6.3.4.

7.10 Restrictions on distribution

7.10.1 General

No action has been taken to register or qualify this Prospectus, the Shares, the Offer or otherwise to permit a public offering of Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside of Australia, unless it has attached to it the selling restrictions in the jurisdictions outside Australia; and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

7.10.2 Foreign jurisdictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

New Zealand

The offer of Shares in this Prospectus is restricted to persons in New Zealand who are "Wholesale investors" within the meaning of clause 3(2) or 3(3)(a) of Schedule 1 to the *Financial Markets Conduct Act 2013* (the **FMC Act**), being a person who:

- is an "investment business" as defined in clause 37 of schedule 1 to the FMC Act;
- meets the investment activity criteria specified in clause 38 of schedule 1 to the FMC Act;
- is "large" as defined in clause 39 of schedule 1 to the FMC Act;
- is a "government agency" as defined in clause 40 of schedule 1 to the FMC Act; or
- is an "eligible investor" as defined in clause 41 of schedule 1 to the FMC Act.

(together referred to as "**Excluded Disclosure Investors**" for the purpose of this section).

Applications or requests for information from persons who are not Excluded Disclosure Investors will not be accepted and the Company reserves the right to accept or reject any or all applications at any time. The Company may also require further information, documentation and/or certification from an applicant to confirm their eligibility as an Excluded Disclosure Investor.

Please note that this document is not a regulated document. In particular, this document is not a product disclosure statement for the purposes of the FMC Act. Potential investors therefore need to make their own enquiries as to the appropriateness of this investment for them.

If you have any doubt as to any aspect of the Offer referred to in this document, you should consult your financial or legal advisor.

7.11 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application or allocate to any Applicant fewer Shares than those applied for.

7.12 ASX listing, registers, holding statements, and normal settlement trading

7.12.1 Application to ASX for listing of the Company and quotation of Shares

The Company has, within 7 days after the Original Prospectus Date, applied for admission to the Official List and for quotation of the Shares on ASX. The Company's expected ASX code will be "SLH".

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription or purchase.

If approval is not granted for the official quotation of the Shares on ASX within 3 months after the Original Prospectus Date (or any later date permitted by law), all Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with ASX Listing Rules.

7.12.2 CHESS and issuer sponsored holdings

The Company will apply to participate in ASX's CHESS and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS register. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.12.3 Normal settlement trading and selling Shares on market

It is expected that the Shares will commence trading on ASX on or about 9 July 2021 on a normal settlement basis.

It is expected that holding statements will be dispatched by standard post on or about 12 July 2021. It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. Applicants will be able to confirm their allocations by telephoning the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays).

It is the responsibility of each person who trades in the Shares to confirm their holding before trading in the Shares. If you sell the Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo, the Share Registry, the Joint Lead Managers, and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell the Shares before receiving your holding statement, even if you obtained details of your holding from the Offer Information Line or confirmed your firm allocation through a Broker.

7.13 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List of the ASX.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. In the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote and the resolution will be decided in the negative.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

Hybrid meetings

The Company is permitted to hold hybrid meetings, being general meetings conducted from a physical location in combination with participation from other physical or virtual locations via electronic facilities. Directors may vary a notice of a hybrid meeting after it has been sent to Shareholders if Directors decide that it is impracticable or unreasonable to hold the hybrid meeting at the time and using the electronic facility stated in the notice of the hybrid meeting.

The Chairperson of the hybrid meeting must be satisfied that adequate facilities are available throughout the hybrid meeting to ensure that Shareholders attending by all means are able to participate in the business for which the hybrid meeting has been convened.

Where a resolution is voted on at a hybrid meeting where Shareholders are participating electronically as well as at a physical meeting, the resolution will be decided by a poll.

Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date, for a dividend and the timing and method of payment.

Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the Corporations Act and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of Shares is defined in the ASX Listing Rules and is generally, a holding of Shares with a market value of less than $500.

Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid.

These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that section, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

(a) with the consent in writing of the holders of 75% of the issued shares included in that class; or

(b) by a special resolution passed at a separate meeting of the holders of those shares.

Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three (3) Directors and a maximum fixed by the Directors from time to time, but not exceeding ten (10) Directors. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding the Managing Director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote and the resolution will be decided in the negative.

Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director must not include a commission on, or a percentage of, operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.1. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be paid for all travelling and other expenses properly incurred by them in connection with the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. If a Director performs extra services in connection with the affairs of the Company, the Directors may arrange for a special remuneration to be paid.

The current remuneration of Directors is discussed in Sections 6.3.1 and 6.3.2.

Powers and duties of Directors

The Directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in a general meeting all the powers of the Company which are not required by the Corporations Act, the Constitution or the ASX Listing Rules, to be exercised by the Company in a general meeting.

Indemnities

The Company may, to the extent permitted by law, indemnify each Director and executive officer of the Company on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for a contract insuring each Director and executive officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including for negligence or for reasonable costs and expenses incurred by that person in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

Shareholder liability

As the Shares offered under this Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Ranking of Shares

As at the Prospectus Date and other than the Preferred Shares, all Shares on issue in the Company are of the same class and rank equally in all respects. Furthermore, the Shares offered under this Prospectus are fully paid ordinary shares and will therefore rank equally in all respect with the existing fully paid ordinary Shares in the Company.

Restricted Securities

A holder of Restricted Securities (as defined in the ASX Listing Rules) must comply with the requirements imposed by the ASX Listing Rules in respect of Restricted Securities.

Share buy-back

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares on terms and at times determined by the Board.

Preference shares

The Company may issue preference shares with the rights attaching to preference shares as set out in the Constitution, including preference shares that are subject to redemption or conversion to Shares. Other than the Preferred Shares (see Section 7.3.2), there are no other preference shares on issue as at the Prospectus Date.

Reduction of share capital

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Company may make any reduction or alteration to its share capital in any way permissible by the Corporations Act.

Dividend reinvestment plan

The Constitution permits the Directors to implement, on the terms and conditions they think fit, a dividend reinvestment plan under which any Shareholder or any class of Shareholders may elect that dividends payable by the Company be reinvested by a subscription for Shares in the Company.

Incentive plans

The Directors may implement an incentive plan for officers or employees of the Company on such terms and conditions as they think fit. Further details about the Company's Incentive Plan is contained in Section 6.3.4.

7.14 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and be bound by the terms of the Constitution and the terms of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) included in or accompanying the Application Form and having read them in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian Dollar amount shown on the front of the Application Form;
- agreed to be allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus) or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s) including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends or that dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in circumstances prescribed in this Prospectus; and
- acknowledged and agreed that if the Listing does not occur for any reason, the Offer will not proceed.

The Applicant(s) is/are be taken to have represented and warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside of Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

8.

Independent Limited Assurance Report

Rocke Brothers Port Logistics facility – Brooklyn, VIC

8. Independent Limited Assurance Report

Board of Directors
Silk Logistics Holdings Limited
Unit 3, 850 Lorimer St
Port Melbourne VIC 3207

Board of Directors
Silk Logistics SaleCo Limited
Unit 3, 850 Lorimer St
Port Melbourne VIC 3207

7 June 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Silk Logistics Holdings Limited's historical and forecast financial information and Financial Services Guide

We have been engaged by Silk Logistics Holdings Limited (the **Company**) and Silk Logistics SaleCo Limited (**SaleCo**) (collectively, **you**) to report on the historical and forecast financial information of the Company, as defined below, for inclusion in the prospectus (**Prospectus**) dated on or about 7 June 2021 and relating to the initial public offering of fully paid ordinary shares in the Company (**Shares**) for issue by the Company and sale by SaleCo and the associated listing of the Company and its Shares on the Australian Securities Exchange.

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (**Financial Information**) included in the Prospectus:

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

8. Independent Limited Assurance Report

Statutory Historical Financial Information

Statutory Historical Financial Information comprising:

i. Statutory historical consolidated statement of financial position as at 27 December 2020;
ii. Statutory historical consolidated statements of financial performance for the 53 week period ended 30 June 2019 (**FY19**), the 52 week period ended 28 June 2020 (**FY20**), the 26 week period ended 29 December 2019 (**1H20**) and the 26 week period ended 27 December 2020 (**1H21**); and
iii. Statutory historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of the Company for FY19 and FY20, which were audited by Deloitte in accordance with the Australian Auditing Standards, as well as 1H21 (which includes comparative financial information for 1H20), which was reviewed by Deloitte in accordance with the Australian Auditing Standards. Deloitte issued unmodified audit opinions in relation to FY19 and FY20 and an unmodified review conclusion in relation to 1H21.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

Pro Forma Historical Financial Information comprising:

i. pro forma historical consolidated statement of financial position as at 27 December 2020;
ii. pro forma historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21; and
iii. pro forma historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in section 4.3.3 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.3.3 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance and/or cash flows.

Statutory Forecast Financial Information

Statutory Forecast Financial Information comprising:

i. Statutory forecast consolidated statements of financial performance and cash flows for the 52 week period ending 27 June 2021 (**FY21**) and the 52 week period ending 26 June 2022 (**FY22**).

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.8 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

Pro Forma Forecast Financial Information

Pro Forma Forecast Financial Information comprising:

i. Pro forma forecast consolidated statements of financial performance and cash flows for FY21 and FY22 which assumes completion of the Offer.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 4.3.3 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.3.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 29 June 2020. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance, and/or cash flows for FY21 and FY22.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying pwc

the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, and comprising:

- Statutory historical consolidated statement of financial position as at 27 December 2020;
- Statutory historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21; and
- Statutory historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company and comprising:

- pro forma historical consolidated statement of financial position as at 27 December 2020;
- pro forma historical consolidated statements of financial performance for FY19, FY20, 1H20 and 1H21; and
- pro forma historical consolidated statements of cash flows for FY19, FY20, 1H20 and 1H21.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.3.3 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the statutory forecast consolidated statements of financial performance and cash flows of the Company for FY21 and FY22 do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.8 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast statements of financial performance and cash flows of the Company for FY21 and FY22 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.8 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, applied to the Pro Forma Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for FY21 and FY22. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.9 of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this proposed initial public offering other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

AWelsh

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 7 June 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Silk Logistics Holdings Limited (the **Company**) and Silk Logistics SaleCo Limited (**SaleCo**) to provide a report in the form of an Investigating Accountant's Report in relation to the historical and forecast financial information of the Company (the **Report**) for inclusion in the Prospectus dated on or about 7 June 2021 relating to initial public offering of fully paid ordinary shares in the Company and listing on the Australian Securities Exchange.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to $420,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**AFCA**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Andy Welsh
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay
Southbank VIC 3006

9. Additional Information

Loading pallets on 4PL carrier truck for distribution – Derrimut (D1), VIC

9. Additional Information

9.1 Incorporation

The Company was registered in Victoria on 18 September 2013, as a proprietary Company.

On 30 April 2021, in accordance with section 162(1) of the Corporations Act, the Company converted from a proprietary company limited by shares to a public company limited by shares.

9.2 Subsidiaries

The Company is the ultimate holding company of each of the following wholly-owned entities (all of which are incorporated in Australia):

(a) Hoffmann SPV Pty Ltd, which wholly owns R. Hoffmann & Co Pty Ltd which owns certain assets used in Port Logistics operations in Victoria and is a non-operating entity;

(b) Kagan SPV Pty Ltd, which wholly owns the following entities via a vertical downstream structure: Kagan Bros Storage Pty Ltd, Kagan Bros (Vic) Pty Ltd, and Silk Contract Logistics Pty Ltd. Silk Contract Logistics Pty Ltd is an operating entity that operates Port Logistics in Victoria and Contract Logistics in all mainland states;

(c) Marrakech Lane Pty Ltd, which wholly owns Container Swinglift Services Pty Ltd. Container Swinglift Services Pty Ltd is an operating entity which was acquired in July 2018 and operates Port Logistics in Queensland;

(d) Flincept Pty Ltd is an operating entity which was acquired in November 2018 and operates Port Logistics in New South Wales;

(e) L&M Scott Haulage Pty Limited is an operating entity which was acquired in November 2018 and operates Port Logistics in New South Wales; and

(f) Rocke Brothers Pty Ltd is an operating entity which was acquired in August 2019 and operates Port Logistics in Victoria.

9.3 Company tax status

The Company will be subject to tax at the Australian corporate tax rate.

9.4 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Shares by the Selling Shareholder (following conversion of the Preferred Shares into Shares) immediately prior to Completion of the Offer. As at the Prospectus Date, the Selling Shareholder has committed to sell approximately 30,000,000 Shares into the Offer via SaleCo.

The Selling Shareholder has entered into a deed poll in favour of, and for the benefit of, SaleCo, under which the Selling Shareholder irrevocably offers to sell to SaleCo some of its Shares (issued upon conversion of the Preferred Shares), which will be sold by SaleCo into the Offer, free from encumbrances and third-party rights and conditional, amongst other things on the Selling Shareholder entering into a Voluntary Escrow Deed (to the extent set out in Table 7 at Section 9.7) and ASX providing its approval that the Shares will be quoted on the ASX (which approval may be subject to usual and customary conditions).

The Shares which SaleCo acquires from the Selling Shareholder will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. The Company will bear the costs of the Offer (see Section 7.1.2). The Company will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interest in and obligations under the Underwriting Agreement and the deed poll described above. The directors of SaleCo are John Sood, Terry Sinclair and Stephen Moulton who are also Directors of the Company. The shareholders of SaleCo are John Sood, Terry Sinclair and Stephen Moulton. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of the costs of the Offer. The Company has indemnified SaleCo and the shareholders and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

9.5 Underwriting Agreement

The Company, SaleCo and the Joint Lead Managers have entered into an underwriting agreement dated 7 June 2021 (**Underwriting Agreement**) pursuant to which the Joint Lead Managers have agreed to manage and underwrite the Offer on an exclusive basis.

9.5.1 Commission, fees and expenses

On the Settlement Date, the Company must pay the Joint Lead Managers a management fee equal to 1.00% of the proceeds of the Offer and an underwriting fee of 2.5% of the proceeds of the Offer, with an incentive fee equal to 0.5% of the proceeds of the Offer also payable at the Company's sole and absolute discretion.

The Company has also agreed to reimburse the Joint Lead Managers for reasonable costs and expenses incidental to the Offer.

9.5.2 Termination events

A Joint Lead Manager may, at any time from the date of the Underwriting Agreement and on or before 10:00am on the Settlement Date or at any other earlier time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Manager by notice to the Company, SaleCo and the other Joint Lead Manager), if any of the following events occur:

(a) (**defective Offer Documents**) in the reasonable opinion of the Joint Lead Manager, any of the Offer Documents, public statements or any aspect of the Offer does not comply with the Corporations Act (including if a statement is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document or the public statements);

(b) (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;

(c) (**supplementary or replacement prospectus**) the Company and SaleCo:

   (i) issues or, in the reasonable opinion of the Joint Lead Managers is required to issue, a supplementary or replacement prospectus because of the operation of section 719 of the Corporations Act; or

   (ii) lodges a supplementary or replacement prospectus with ASIC in a form that has not been approved by the Joint Lead Managers in circumstances required by the Underwriting Agreement;

(d) (**market fall**) at any time the Small Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that 90% level on two consecutive Business Days prior to the Settlement Date or on the Business Day immediately prior to the Settlement Date;

(e) (**restriction agreements**) any of the restriction agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or becomes void, voidable, unenforceable or failed to be complied with;

(f) (**forecasts**) there are not, or there ceases to be, reasonable grounds in the opinion of the Joint Lead Manager for any statement or estimate in the Offer documents which relate to a future matter;

(g) (**fraud**) the Company, SaleCo, or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged in any fraudulent conduct or activity whether or not in connection with the Offer;

(h) (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:

   (i) the Company's admission to the Official List of ASX on or before the date on which normal settlement trading commences (**Quotation Date**); or

   (ii) the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the Quotation Date,

   or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(i) (**notifications**) any of the following notifications are made in respect of the Offer:

   (i) ASIC issues an order (including an interim order) under section 739 of the Corporations Act;

   (ii) ASIC holds a hearing under section 739(2) of the Corporations Act;

   (iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document;

(iv) any person who has previously consented to the inclusion of its name in the Prospectus (other than a Joint Lead Manager seeking to terminate under this clause) withdraws that consent; or

(v) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than a Joint Lead Manager);

Unless such notification is withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date, the day prior to the Settlement Date.

(j) (**certificate not provided**) the Company or SaleCo does not provide a Closing Certificate as and when required by the Underwriting Agreement;

(k) (**breach of working capital facility**) the Company breaches, or defaults under the working capital facility (see Section 9.6.3) or any related documentation to which the Company is a party, or an event of default or event which gives the lender the right to accelerate or require repayment under the working capital facility (or other similar material event occurs);

(l) (**withdrawal**) the Company or SaleCo withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;

(m) (**timetable**) an event specified in the Offer timetable up to and including the Settlement Date is delayed by more than 2 Business Days (other than any delay caused solely by the Joint Lead Managers or any delay agreed between the Company, SaleCo and the Joint Lead Managers or a delay as a result of an extension of the exposure period by ASIC);

(n) (**unable to issue Shares**) the Company and/or SaleCo is prevented from allotting, issuing or transferring the Shares under the Offer, by applicable laws, an order of a court of competent jurisdiction or a Government Agency, within the time required by the ASX Listing Rules;

(o) (**change to Company**) the Company alters the issued capital of the Company or a member of the Group, or disposes or attempts to dispose of a substantial part of the business or property of the Group, without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed);

(p) (**insolvency events**) the Company or any member of the Group becomes Insolvent, or there is an act or omission which is likely to result in the Company or a member of the Group becoming insolvent;

(q) (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under the Underwriting Agreement, such that the Company and/or SaleCo is rendered unable to perform its obligations under the Underwriting Agreement;

(r) (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal or commercially impossible for the Joint Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;

(s) (**change in management or vacancy in office**) a change in Chief Executive Officer, Chief Financial Officer, Chief Customer Officer or any directors of the Company or SaleCo occurs;

(t) (**breach**) if:

(i) there is a contravention by the Company, SaleCo or any other member of the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act (or any regulations under those acts), its constitution, or any of the ASX Listing Rules; or

(ii) any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation; or

(iii) the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;

(u) (**representations and warranties**) a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;

(v) (**Constitution**) the Company varies any term of its Constitution without the prior written consent of the Joint Lead Managers;

(w) (**disruption in financial markets**) any of the following occurs:

   (i) a general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a Member State of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or

   (ii) trading in all securities quoted or listed on ASX, New Zealand Exchange, New York Stock Exchange, NASDAQ, Hong Kong Stock Exchange or the London Stock Exchange is suspended for 1 day on which that exchange is open for trading.

9.5.3 Termination events subject to materiality and reasonableness

A Joint Lead Manager may, at any time from the date of the Underwriting Agreement and on or before 10:00am on the Settlement Date or at any other time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Manager by written notice to the Company, SaleCo and the other Joint Lead Manager), if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe that the event:

- has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer, or on the ability of the Joint Lead Manager to market or promote or settle the Offer, or on the likely price at which the Shares will trade on ASX, or the willingness of investors to subscribe for the Shares; or
- will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates of, any applicable law:

  (a) (**prosecution**) any of the following occur:

     (i) a director or proposed director named in the Prospectus of the Company or SaleCo is charged with an indictable offence;

     (ii) any Government Agency commences any public action against the Company or SaleCo or any of their respective directors in its capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or

     (iii) any director or proposed director named in the Prospectus of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6;

  (b) (**disclosures in the due diligence report**) the due diligence report (prepared for the Offer) is, or becomes, false, misleading or deceptive, including by way of omission;

  (c) (**information supplied**) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Group to the Joint Lead Managers in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or is likely to mislead or deceive (including by omission);

  (d) (**adverse change**) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in the Prospectus;

  (e) (**forecasts**) there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Joint Lead Managers for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the Joint Lead Managers, unlikely to be met in the projected timeframe;

  (f) (**certificate incorrect**) a statement in any Closing Certificate is false, misleading, inaccurate or untrue or incorrect;

  (g) (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, the United States, the People's Republic of China, Hong Kong, Japan, or any member of the European Union or a major terrorist act is perpetrated in any of these countries;

(h) (**material contracts**) if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group or material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager) or if all or any part of any of such contracts:

   (i) is amended or varied without the consent of the Joint Lead Managers;

   (ii) is terminated;

   (iii) is breached;

   (iv) ceases to have effect, otherwise than in accordance with its terms; or

   (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;

(i) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand or any State or Territory of Australia a new law, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement and other than a policy of the Reserve Bank of Australia);

(j) (**legal proceedings**) any of the following occurs:

   (i) the commencement of legal proceedings against the Company, SaleCo, any other member of the Group, or against any director of the Company, SaleCo or any other member of the Group in that capacity; or

   (ii) any regulatory body commences any inquiry or public action against any member of the Group;

(j) (**disruption in financial markets**) any adverse effect on the financial markets in Australia, New Zealand, the United Kingdom, Hong Kong or the United States, or in foreign exchange rates.

9.5.4 Representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company and SaleCo to the Joint Lead Managers. The representations and warranties relate to matters such as its powers and capacities, its conduct (including in respect of its compliance with applicable laws and the ASX Listing Rules, business and status, ongoing due diligence and disclosure), the Offer Documents, the information provided (including the Financial Information), insolvency, the conduct of the Offer, litigation and insurance.

The Company's undertakings include that it will not, during the 120-day period after Completion of the Offer, alter its capital structure, amend its Constitution or dispose of its business or property in whole or substantial part except in the ordinary course or as disclosed in the Prospectus.

9.5.5 Indemnity

The Company and SaleCo agrees to keep the Joint Lead Managers and certain of the Joint Lead Managers' affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct or gross negligence of the indemnified party).

9.6 Material Contracts

9.6.1 One Network Agreement

Silk Contract Logistics Pty Ltd (**SCL**), a subsidiary of the Company, has entered into a master agreement in January 2018 with ONE Network Enterprises Inc (**ONE Network**), with the current term of the agreement being extended to January 2024 (**ONE Agreement**). Under the ONE Agreement, SCL orders products and services provided by ONE Network on a periodic basis, such products and services being provided via the ONE Network's cloud based "Real Time Value Network" (**RTVN**). The RTVN allows SCL to connect to its trading partners and synchronises data to promote consistency between SCL and its trading partners with a single version of the truth that incorporates real time data from SCL's supply chain.

Either SCL or the ONE Network may terminate the ONE Agreement by written notice upon any un-remedied material breach by the other party, otherwise the agreement may be terminated by SCL giving three months notice if there are no services being provided by ONE Network under a live order.

ONE Network has provided standard licensing warranties such as ownership, product conformity and quality of services. Further, ONE Network has indemnified SCL against any claims that ONE Network's products infringe upon third-party intellectual property rights. Under the ONE Agreement, ONE Network's total aggregate liability to SCL is limited to the total amount paid by SCL to the ONE Network in the preceding 12 months (in respect of the relevant ONE Network product giving rise to the liability).

ONE Network has acknowledged that the *"tightly integrated Silk WMS and ONE Network TMS solution is unique and powerful to distribute across the Australian market. It integrates with multiple local carrier providers real-time to offer an integrated, end to end control tower service for our customers. [The] strong partnership with One Network is critical to ensure we are their Partner in penetrating the local market with this Control Tower solution as a 3PL"*.

9.6.2 Westpac facility

Pursuant to a facility agreement (**Westpac Facility Agreement**) entered into on 24 February 2014 with Westpac Banking Corporation (**Westpac**), the Group was granted with a cash advance facility which has a limit of $16.0 million (**Cash Advance Facility**) and a bank guarantee facility which has a limit of $13.0 million. Each member of the Group is a party to the Westpac Facility Agreement and are obligors under the facility.

Each member of the Group has also granted a general security over all their respective present and after acquired property and other future property in favour of Westpac.

In connection with the Offer and upon listing, the Company will repay $8.0 million of the principal outstanding to Westpac and the termination date of the facility will be extended from 31 December 2021 to 31 December 2022. The Company is required to repay the balance of all outstanding amounts under the facility on the termination date.

Before the Group can make any draw down under the Westpac Facility Agreement, there are a series of conditions that must be met which are usual for facilities of this nature. These conditions include Westpac having received any fees payable under the Westpac Facility Agreement, the accuracy of certain representations and warranties and Westpac being satisfied that no event of default has occurred or is continuing.

The Westpac Facility Agreement contains certain representations, undertakings, events of default and review events which are usual for facilities of this nature. The events of default include failure to pay, breach of financial undertaking, misrepresentation, cross-default, insolvency and change of control occurring to an obligor.

9.6.3 Working capital facility

Tor, an Existing Shareholder, has agreed to provide the Company with an unsecured working capital facility (by an amount in the order of $22.4 million) to enable the Company to meet working capital requirements for admission under the ASX Listing Rules. The facility can only be drawn down for the purpose of the Company meeting working capital requirements. Before the Company can make any draw down under the facility, certain conditions must be met which are usual for facilities of this nature. The facility otherwise contains terms, including representations, undertakings, events of default and indemnities, which are customary for facilities of this nature.

The size of this facility is solely influenced by the need to satisfy the requirement that the Company has minimum "working capital" (defined in the ASX Listing Rules as being current assets less current liabilities) as shown in its pro forma statement of financial position of at least $1.5 million. To the extent that the Company does not require additional working capital in the period after listing, it would not draw down on the working capital facility. Any drawdowns on this facility are otherwise repayable by 2 August 2022.

Although Tor's CPS and CRPS represents 66.79% of issued shares as at the Prospectus Date, Tor is not a related party of the Company as Tor has entered into a binding agreement to not exercise any voting rights attaching to those Preferred Shares to the extent such exercise would result in Tor having the ability to control the Company prior to Completion.

9.7 Voluntary Escrow

Certain Existing Shareholders as well as PGA (who will become a Shareholder) have entered into voluntary escrow arrangements in relation to their Shares under which they will be restricted from dealing with those Shares for a certain escrow period commencing from prior to allotment and transfer of Shares under the Offer until a certain period following completion of the Offer:

Table 6 Voluntary Escrow

Shareholder	No. of Shares held on Completion of the Offer[1]	No. of Shares subject to voluntary escrow	% of Shareholder's Shares subject to voluntary escrow	% of total issued Shares on Completion subject to Voluntary Escrow	End of Escrow Period
BBJJ Investments Pty Ltd	10,751,794	10,751,794	100%	14.19%	See Table 7 below.
Karma Beverages Pty Ltd	10,751,794	10,751,794	100%	14.19%	
PGA (Services) Pty Ltd	3,000,000	3,000,000	100%	3.96%	
Tor Asia Credit Master Fund LP	15,255,430	15,255,430	100%	20.14%	
Total	**39,759,018**	**39,759,018**		**52.48%**	

Note:

1. Assumes the Shareholder does not participate in the Offer. If a Shareholder participates under the Offer, the Shares acquired under the Offer will not be subject to any escrow.

Each Escrowed Shareholder has entered into a voluntary escrow deed with the Company (**Voluntary Escrow Deed**) under which each of the Escrowed Shareholders will be restricted from dealing with their Shares commencing prior to allotment and transfer of Shares under the Offer and ending a certain period following completion of the Offer (**Escrowed Shares**). The Voluntary Escrow Deeds do not prevent the Escrowed Shareholders from exercising their voting entitlements or any rights to receive dividends and distributions or participate in any rights issue or bonus issue.

The Voluntary Escrow Deeds will prevent the Escrowed Shareholders from disposing of the Escrowed Shares until the end of the relevant escrow period. The table below sets out the period of escrow for each Escrowed Shareholder:

Table 7 Extent of escrow

Shareholder	Number of Shares to be escrowed	Period of escrow
BBJJ Investments Pty Ltd	10,751,794	Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22
Karma Beverages Pty Ltd	10,751,794	Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22
Tor Asia Credit Master Fund LP	7,627,715	Until the date the Company releases to the ASX its preliminary half year report (Appendix 4D) for 1H22
	7,627,715	Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22
PGA (Services) Pty Ltd	1,500,000	Until the date the Company releases to the ASX its preliminary half year report (Appendix 4D) for 1H22
	1,500,000	Until the date the Company releases to the ASX its preliminary final report (Appendix 4E) for FY22

There are limited circumstances in which the Escrowed Shares may be released from escrow namely:

- **Takeover –** to allow an Escrowed Shareholders to accept an offer under a takeover bid (including proportional takeover bids) in relation to its Escrowed Shares where holders of at least 50% of the Shares which are the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- **Merger by way of scheme –** to allow the Escrowed Shares to be transferred or cancelled as part of an amalgamation, merger, restructure under a scheme of arrangement under Part 5.1 of the Corporations Act or similar transaction in relation to the Company;
- **Buy-back or return of capital –** to allow the Escrowed Shares to be brought-back pursuant to a buy-back, redemption or return of capital, but only in proportion to the number of Escrowed Shares that are being brought back by the Company over the total number of Shares on issue and where the buy-back is available to all Shareholders of the Company on a pro rata basis;
- **Court order –** where required pursuant to a court order compelling any Escrowed Shares to be disposed of or a security interest granted over them; or
- **Transfers to affiliates –** if the dealing constitutes a disposal of, but not the creation of a security interest, in some or all of the Escrowed Shares to a company wholly-owned by the Escrowed Shareholder, a trust in relation to which the relevant Escrowed Shareholder is the beneficiary, or an affiliate of a relevant Escrowed Shareholder, provided that the transferee also enters into an escrow deed with the Company in respect of those relevant Escrowed Shares on substantially the same terms as the Voluntary Escrow Deeds referred to in this Section 9.7 and the controller of the Escrowed Shares retains its full economic interest in the affected Escrowed Shares.

The restriction on dealing is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Escrowed Shares, creating any mortgage, charge, pledge, lien or other security interest over the Escrowed Shares, or doing any other thing in respect of the effective ownership and control of the Escrowed Shares.

In addition to the Escrowed Shares and as noted in Section 6.3.4, the Company will grant a number of Awards to employees and Non-Executive Directors that will be subject to disposal restrictions under the terms of the Company's incentive program.

9.8 Transactions with related parties

Except as set out elsewhere in this Prospectus, the Company is not party to any material related party arrangements requiring disclosure in this Prospectus.

9.9 Regulatory relief

9.9.1 ASIC exemptions and relief

The Company has relied on class relief granted by ASIC from section 734(2) of the Corporations Act in ASIC Corporations (Market Research and Roadshows) Instrument 2016/79 to allow companies to conduct limited market research and roadshow presentations in relation to offers which require a disclosure document.

The Company has relied on class relief granted by ASIC from compliance with section 734(2) of the Corporations Act in ASIC Corporations (IPO Communications) Instrument 2020/722 to allow the Company to communicate with its employees and security holders in relation to the Offer, on the terms and subject to the conditions, set out in the relief instrument.

The Company will rely on class relief granted by ASIC from section 606 of the Corporations Act in ASIC Class Order [CO 13/520] which allows the Company to not count a Relevant Interest over the Shares subject to the Voluntary Escrow Deeds on certain conditions, as well as a modification of section 671B of the Corporations Act to require the Company to make substantial holding disclosure of the Relevant Interest it would have acquired, but for the relief, as a result of the Voluntary Escrow Deeds.

The Company has applied for, and has been granted approval from ASIC, for an exemption from section 1020B of the Corporations Act to avoid any breach of the short selling restrictions contained in that provision as a result of an offer of Shares by SaleCo under this Prospectus.

The Company has also applied, and has been granted approval from ASIC in relation to certain exemptions from the Corporations Act in relation to Awards to be granted under the Incentive Plan on the basis that the Incentive Plan otherwise comply with ASIC Class Order 14/1000 notwithstanding the Awards are offered to Participants at a time when the Company has not been admitted to the Official List, and its Shares not having been quoted on the ASX for a period of 3 months.

9.9.2 ASX confirmations and waivers

ASX has provided confirmation to the Company, with respect to ASX Listing Rule 9.2, that the restrictions in clauses 1 to 4, 6 and 7 of Appendix 9B of the ASX Listing Rules will not apply.

The Company has also applied for, and expects to receive, waivers from the ASX from:

- the admission requirement in ASX Listing Rule 1.1 (Condition 12) to allow the granting of Zero Priced Options under the Incentive Plan; and
- the Shareholder approval requirement in ASX Listing Rule 10.14 in relation to the grant and exercise of Options under the Incentive Plan to Directors.

9.10 Ownership and selling restrictions

The sale and purchase of shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.10 contains a general description of these laws.

9.10.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of Relevant Interests in issued voting shares in listed companies, and unlisted companies with more than 50 members, if, as a result of the acquisition, the acquirer's (or another party's) voting power in that company would increase from 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

9.10.2 Selling restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted in Section 7.10.

9.11 Substantial holders

It is expected that the following persons will have a "substantial holding" (as that term is defined in the Corporations Act) in the Company following Completion of the Offer:

Holder	Shares	Substantial Holding
Silk Logistics Holdings Limited[1]	39,759,018	52.48%
Tor Asia Credit Master Fund LP[2]	15,255,430	52.48%
BBJJ Investments Pty Ltd (including Brendan Boyd)[3]	10,751,794	14.19%
Karma Beverages Pty Ltd (including John Sood)[4]	10,751,794	14.19%

Notes:

1. The Company does not actually hold any Shares. However, by virtue of entering into the Voluntary Escrow Deeds. the Company has a Relevant Interest in the Escrowed Shares. For the purposes of the takeover provisions in Chapter 6 of the Corporations Act, the Company is not deemed to have the 52.48% Relevant Interest in the Shares as the Company's Relevant Interest arising under the escrow arrangements in connection with the Offer are not to be counted in accordance with section 609 as modified by ASIC Class Order [CO 13/520].
2. Tor Asia Credit Master Fund LP will have a direct shareholding in the Company of 20.14% upon Completion, and for the purposes of the substantial holding notice requirements only, by virtue of section 608(3) of the Corporations Act is also deemed to have the same 52.48% Relevant Interest in the Shares as the Company. For the purposes of the takeover provisions in Chapter 6 of the Corporations Act, Tor Asia Credit Master Fund LP is not deemed to have the same 52.48% Relevant Interest due to application of section 608(3), as the Company's Relevant Interest arising under the escrow arrangements in connection with the Offer are not to be counted in accordance with section 609 as modified by ASIC Class Order [CO 13/520].
2. BBJJ Investments Pty Ltd holds its Shares as trustee for Director Brendan Boyd's family trust. Brendan has a Relevant Interest in the Shares held by this entity due to him having voting power above 20% in BBJJ Investments Pty Ltd and thus is deemed under section 608(3) of the Corporations Act to also have the same Relevant Interest in the Shares as BBJJ Investments Pty Ltd.
3. Karma Beverages Pty Ltd holds its Shares as trustee for Director John Sood's family trust. John has a Relevant Interest in the Shares held by this entity due to him having voting power above 20% in Karma Beverages Pty Ltd and thus is deemed under section 608(3) of the Corporations Act to also have the same Relevant Interest in the Shares as Karma Beverages Pty Ltd.

The above assumes no additional participation by the Shareholders in the Offer and does not take into account any increase in voting power that may arise if Options (if any) held by the Shareholders are exercised.

Final holdings of all substantial holders will be notified to the ASX on the Company's Listing.

9.12 Australian taxation considerations

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders (**Australian Shareholders**) who acquire Shares under this Prospectus. The categories of Australian Shareholders considered in this summary are limited to individuals, certain companies, trusts and complying superannuation funds, each of whom hold their Shares on capital account for income tax purposes.

These comments do not apply to:

- Australian Shareholders that hold their Shares on revenue account or as trading stock for income tax purposes;
- Australian Shareholders that are banks, insurance companies, managed investment trusts or partnerships;
- Australian Shareholders who are exempt from Australian tax;
- Australian Shareholders who are subject to the Investment Manager Regime in Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth);
- Australian Shareholders who acquired their Shares pursuant to an employee share or option scheme or in return for services; or
- Shareholders that are not Australian tax residents or are tax residents of another country.

This summary also does not cover the consequences for Australian Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders, including Australian Shareholders, should seek their own professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

9. Additional Information

Tax laws are complex and subject to ongoing change. The comments below are based on the Income *Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *Taxation Administration Act 1953* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law or their interpretation after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and goods and services tax (**GST**) consequences of the Share issue should be reconsidered by Australian Shareholders in light of the changes. The summary provided below does not take into account the tax laws of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisors disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

9.12.1 Dividends received by Australian Shareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian Shareholder. Australian Shareholders should include the dividend in their assessable income in the year the dividend is paid for taxation purposes, together with any franking credit attached to that dividend provided that the Shareholder is a “qualified person”. To the extent a dividend distributed by the Company is unfranked, the Australian Shareholders should include the dividend in their assessable income in the year of receipt and claim no franking tax offset.

Where a franking credit is included in an Australian Shareholder’s assessable income, the Australian Shareholder will generally be entitled to a corresponding tax offset against tax otherwise payable on the Australian Shareholder’s taxable income.

To be eligible for the tax offset, an Australian Shareholder must be a “qualified person”. Broadly, to be a “qualified person”, an Australian Shareholder must satisfy the “holding period” rule, including if necessary, the “related payment” rule.

The “holding period” rule broadly requires that an Australian Shareholder hold the Shares “at risk” for at least 45 days continuously (measured as the period commencing the day after the Australian Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend, excluding the days of acquisition and disposal). Any day on which an Australian Shareholder has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Australian Shareholder held the Shares “at risk”.

This “holding period” rule is subject to certain exceptions, including that it will not apply to an Australian Shareholder who is an individual whose tax offset entitlement (from all franked distributions received in the relevant income year) does not exceed A$5,000 for the relevant income year. Special rules apply to trusts and beneficiaries.

Under the “related payment” rule, a different testing period applies where an Australian Shareholder (or one of their “associates”) has made, or is under an obligation to make, a related payment in relation to a dividend. In broad terms, the “related payment” rule will apply if an Australian Shareholder or any of their “associates” passes, or is under an obligation to pass, the benefit of the franked dividend to another person. Under the “related payment” rule, the Australian Shareholder will need to hold the Shares “at risk” for a continuous period of 45 days as set out above but within the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. The exception outlined above relating to the tax offset entitlement not exceeding A$5,000 for the relevant income year does not apply in relation to the “related payment” rule.

Further, there are special integrity measures such as dividend washing rules, which can apply such that no tax offset is available (nor is an amount, equivalent to the amount of any relevant tax offset otherwise available, required to be included in assessable income) for a dividend received. Australian Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Individuals and Complying Superannuation Entities

Where an Australian Shareholder is an Australian resident individual or complying superannuation entity, the Australian Shareholder is required to include both the dividend and any associated franking credit in its assessable income, subject to being a “qualified person”. A tax offset, equal to any franking credit attached to the dividend, is then allowed against tax payable on the Australian Shareholder’s taxable income.

Where an Australian Shareholder is an Australian resident individual or a complying superannuation entity, the Australian Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Australian Shareholder's income tax liability for the income year.

Shareholders, including Australian Shareholders, who are individuals or complying superannuation entities should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

Corporate Shareholders

Where an Australian Shareholder is a company, the Australian Shareholder is required to include both the dividend and associated franking credit in its assessable income, subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend. A corporate Australian Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Australian Shareholders can then pass on the benefit of franking credits to their own shareholder(s) on the payment of dividends. Excess franking credits received cannot generally give rise to a refund, but may be able to be converted into carry forward tax losses in certain circumstances.

Shareholders, including Australian Shareholders, that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Trusts

Australian Shareholders who are trustees (other than trustees of complying superannuation entities) should include both the dividend amount and any associated franking credit in assessable income for the purpose of determining the net income of the trust. Subject to being a "qualified person", the relevant beneficiary of the trust, to whom trust income is distributed and who is "presently entitled" to the trust income, may be entitled to a tax offset equal to the beneficiary's share of the franking credit received by the trust.

Shareholders, including Australian Shareholders, which are trustees (and the beneficiaries of any corresponding trust) should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

9.12.2 Disposal of Shares by Australian Shareholders

The disposal of a Share by an Australian Shareholder will be a capital gains tax (**CGT**) event. The Australian Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceed the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds received from the disposal of that Share.

Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

Generally, all capital gains and losses made by an Australian Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Australian Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in an Australian Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of any applicable loss recoupment rules).

If an Australian Shareholder is an individual, complying superannuation entity or trust, and has held (for income tax purposes) the Shares for at least 12 months or more before disposal of the Shares and certain other requirements have been met, the Australian Shareholder may be entitled to apply a "CGT discount" against the net capital gain made on the disposal of the Shares. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half. Where an Australian Shareholder is a complying superannuation entity, any net capital gain may be reduced by one third. The reduced amount is included in assessable income.

Where the Australian Shareholder is the trustee of a trust that has held (for income tax purposes) the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies and are Australian tax residents. Shareholders, including Australian Shareholders, which are trustees (and the beneficiaries of any corresponding trust) should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for a "CGT discount".

9.12.3 Tax File Numbers

Australian Shareholders are not required to quote their Tax File Number (**TFN**) or, where relevant, Australian Business Number (**ABN**) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided to the Company, Australian income tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate for Australian resident individuals plus any relevant levy (such as the Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

Australian Shareholders may be able to claim a tax credit or rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

An Australian Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

9.12.4 GST Implications

No GST should be payable by Australian Shareholders in respect of the acquisition or disposal of their Shares, regardless of whether or not the Australian Shareholder is registered for GST.

Australian Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition or disposal of the Shares. Separate GST advice should be sought by Australian Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Australian Shareholders on receiving dividends distributed by the Company.

9.12.5 Stamp duty implications

No duty should be payable by an Australian Shareholder on the issue or acquisition of Shares pursuant to the Offer. Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.13 Expenses of the Offer

If the Offer proceeds, the total estimated cash costs in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees, the Financial Adviser's fees, the Joint Lead Managers' management fees and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be $7.3 million. This amount will be paid by the Company from proceeds of the Offer.

The costs of the Offer that are attributable to SaleCo will be borne by the Company.

9.14 Privacy

Persons whom make an Application for Shares will be providing personal information to the Company and SaleCo directly or indirectly to the Share Registry. The Company and SaleCo, and the Share Registry may collect, hold and use personal information to process and assess Applications for Shares, service the needs as a security holder, facilitate distribution payments and corporate communications with the security holder, provide facilities requested and carry out appropriate administration. The Australian taxation legislation and the Corporations Act require personal information about Applicants, including name, address and details about Shares, to be included on the Share Register. Personal information held on the Share Register must be accessible to the public under the Corporations Act and will continue to be included on the Share Register where you cease to be a security holder.

Personal information of security holders may also be used from time to time and disclosed for purposes relating to their investment to the Company's agents and service providers it may engage with in connection with the ordinary conduct of its operations, persons inspecting the Share Register, bidders for securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, legal and accounting firms, auditors and other advisers for the purpose of advising on the Shares, print service providers, mail houses, the Share Registry or as otherwise required under the *Privacy Act 1988* (Cth). The Company's agents may be located outside of Australia where your personal information may not receive the same level of protection as required by Australian law. From time to time, the Company may contract overseas commercial organisations to provide products or services to the Company or its client.

The Company and SaleCo aims to ensure the personal information it holds is accurate, complete and up to date. You may request access to, correction of and an update to the personal information that the Company and SaleCo holds about you by contacting the Share Registry or the Company. You will generally be provided access to your personal information, subject to some exceptions permitted by law. You may be required to pay a reasonable fee to the Share Registry or the Company to gain access to your personal information. Please contact the Company or the Share Registry if you wish to lodge a complaint about the management of your personal information, request access or amendment to your personal information or obtain further information about the Company's privacy practices by using the relevant contact numbers set out on the back page of this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. Persons who make an Application should note that if all the information required on the Application Form is not provided, the Company, SaleCo and the Share Registry may not be able to accept or process the Application.

9.15 Legal proceedings

From time to time, the Company and the Subsidiaries may be party to various disputes and legal proceedings incidental to the conduct of its business.

As at the Prospectus Date, so far as the Directors are aware, there is no current civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company or its Subsidiaries are directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Group. However, please refer to Section 5.2.21 for a summary of the general litigation risks to which the Group is exposed.

9.16 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Victoria, and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

9.17 Working capital statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

9.18 Consents to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Morgans Corporate Limited has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Joint Lead Manager and Joint Underwriter to the Offer in the form and context in which it is named. To the extent permitted by law, Morgans Corporate Limited takes no responsibility for any part of this Prospectus other than any reference to its name.
- Shaw and Partners Limited has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Joint Lead Manager and Joint Underwriter to the Offer in the form and context in which it is named. To the extent permitted by law, Shaw and Partners Limited takes no responsibility for any part of this Prospectus other than any reference to its name.
- Gadens has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to the Company (except in relation to taxation and stamp duty) in the form and context in which it is named. Gadens takes no responsibility for any part of this Prospectus other than any reference to its name.
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the Independent Limited Assurance Report in the form and context in which it is included. PricewaterhouseCoopers Securities Ltd takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Limited Assurance Report.

- 333 Capital Pty Ltd has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Financial Adviser to the Company in the form and context in which it is named. 333 Capital Pty Ltd takes no responsibility for any part of this Prospectus other than any reference to its name.
- Frost & Sullivan has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of the Market Report in Section 2 in the form and context in which it is included. Frost & Sullivan takes no responsibility for any part of this Prospectus other than the Market Report in Section 2.
- Deloitte Touche Tohmatsu (the Australian partnership) has given, and has not withdrawn, prior to lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus as auditor of the Company.
- Boardroom Pty Limited has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Pty Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.
- ONE Network Enterprises Inc has given, and has not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent for the inclusion of the statement cited in Section 9.6.1. Other than the inclusion of the statement in Section 9.6.1, ONE Network has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.

9.19 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Shares to be issued or sold are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional advisers.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

9.20 Statement of Directors

This Prospectus is authorised by each Director of the Company and each director of SaleCo, each of whom has consented to its lodgement with ASIC.

10. Glossary

Rocke Brothers prime mover and trailer waiting to be loaded with full containers – Lara, VIC

10. Glossary

Term/abbreviation	Explanation
2PL, 3PL and 4PL	The types of logistics service providers as described in the Market Report at Section 2 of this Prospectus
Applicant	A person who submits an Application Form
Application	An application made using the Application Form to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth)
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691, as the context requires
ASX Listing Rules	The official listing rules of the ASX
ASX Recommendations	The fourth edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited ACN 008 504 532
ATO	Australian Taxation Office
AUD, $, A$	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Award	An Options or performance right that may be granted under the Incentive Plan
Board	The board of Directors of the Company
Broker	Each Joint Lead Manager or its affiliates and any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer
Broker Firm Offer	The invitation to Australian resident retail clients of Brokers to acquire Shares offered under this Prospectus as discussed in Section 7.5
Business Day	ASX business day in terms of the operating rules of the ASX markets and clearing and settlement facilities
CAGR	Compound annual growth rate
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act
CGT	Capital gains tax
Cleansing Offer	The Offer of 1 New Share at the Offer Price for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date
Cleansing Offer Closing Date	The date on which the Cleansing Offer is expected to close, being 5:00pm (Melbourne time) Wednesday 7 July 2021 unless extended

Term/abbreviation	Explanation
Closing Certificate	A certificate executed by the Company and SaleCo and delivered to the Joint Lead Managers in accordance with the Underwriting Agreement and which certifies (amongst other things) the Company and SaleCo's compliance with their obligations under the Underwriting Agreement and the Offer
Closing Date	The date at which the Offer closes
Company or **Silk**	Silk Logistics Holdings Limited ACN 165 867 372
Completion	The date on which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Completion Date	The date on which Completion occurs
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
CPS	the convertible preference shares held by Tor which will be converted into Shares immediately prior to Completion of the Offer
CRPS	the convertible redeemable preference shares held by Tor which will be converted into Shares immediately prior to Completion of the Offer
CSS	Container Swinglift Services Pty Ltd and Marrakech Lane Pty Ltd (formerly Tapper Group Pty Ltd)
CTC or **CTC Transport**	Flincept Pty Limited and L&M Scott Haulage Pty Limited
Director(s)	The director or directors of the Company
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
Escrowed Shareholders	Existing Shareholders that have entered into a Voluntary Escrow Deed with the Company in relation to their Shares, as described in Section 9.7
Escrowed Shares	Each of the Shares held by the Escrowed Shareholders subject to voluntary escrow
Existing Shareholders	The Shareholders as at the Prospectus Date
Existing Shares	The Shares and Preferred Shares on issue at the Prospectus Date, and in the context of the Preferred Shares includes the Shares that will be issued upon conversion of the Preferred Shares
Expiry Date	7 July 2022, being the date that is 13 months after the date of the Original Prospectus
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Original Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period
Fee Sacrifice Offer	The fee sacrifice offer that may be available to Non-Executive Directors under the Incentive Plan as described in Section 6.3.4.6
Financial Adviser	333 Capital Pty Ltd AFSL 276264
FMCG	Fast-moving consumer goods

10. Glossary

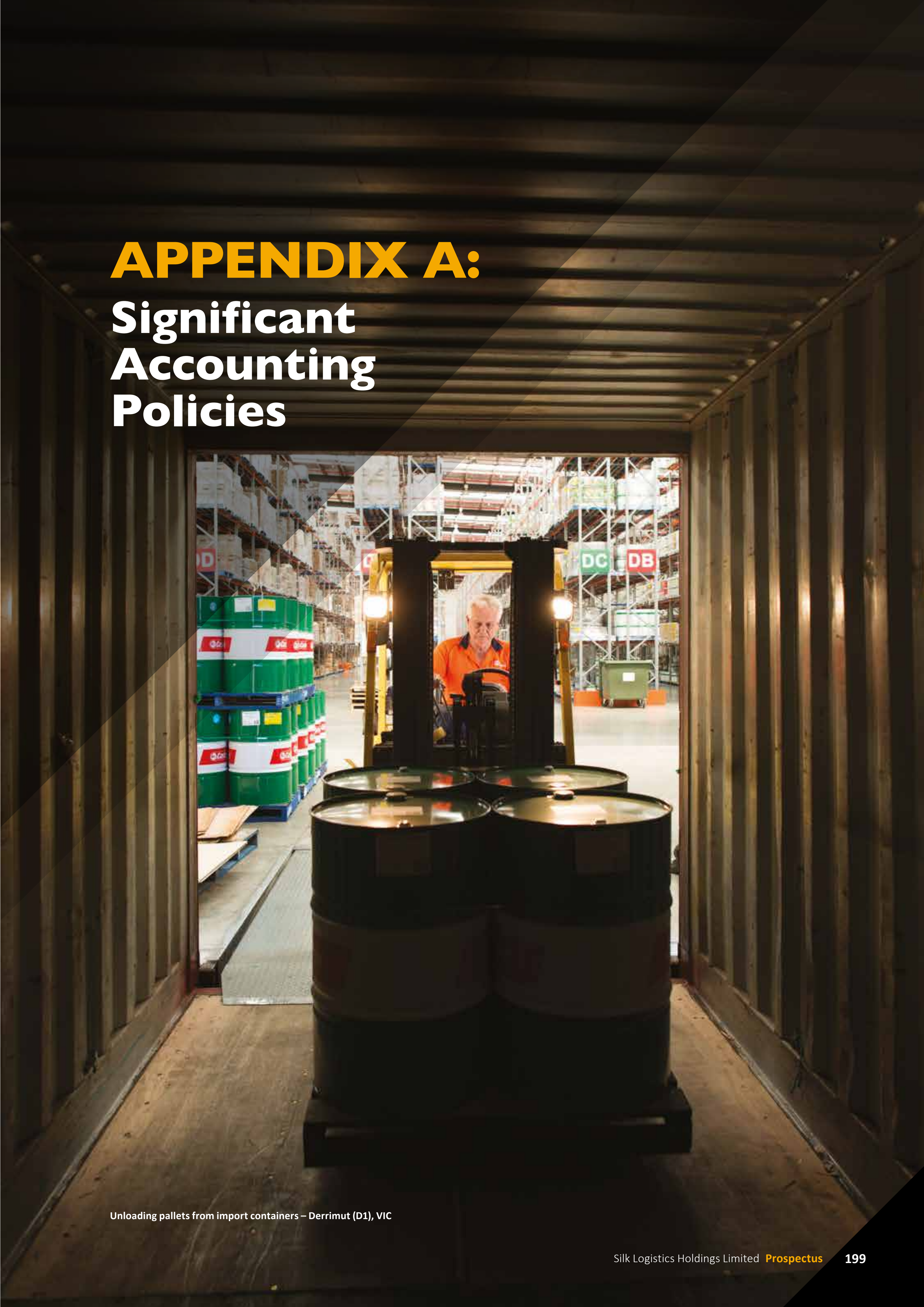
Term/abbreviation	Explanation
Forecast Financial Information	The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information
Forecast Period	The 52 week period ending 27 June 2021 (**FY21**) and the 52 week period ending 26 June 2022 (**FY22**)
FY	Financial year
Government	The Australian Government
Government Agency	Any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency, bureau, municipal, board, instrumentality or entity in any jurisdiction
Group	The Company and its Subsidiaries
GST	Has the meaning given to that term under the GSTA
GSTA	*A New Tax System (Goods and Services Tax) Act 1999* (Cth)
HY, 1H20, 1H21, 1H22	Financial half year. With 1H20,1H21 and 1H22 being the 26 week periods ended 29 December 2019, 27 December 2020, and 26 December 2021 respectively.
IFRS	International Financial Reporting Standards
Incentive Plan	The Company's incentive program consisting of a plan for executives and employees, and a plan for non-employees, with both plans governed by plan rules that are substantially the same. Further details are set out in and director incentive plan as described in Section 6.3.4
Independent Limited Assurance Report	The Independent Limited Assurance Report prepared by the Investigating Accountant and set out in Section 8
Institutional Investor	An investor to whom, in the absolute discretion of the Joint Lead Managers, Shares are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which the Company is willing to comply with), including in Australia, provided that in each case purchasing the Shares in an "offshore transaction" (within the meaning of Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act
Institutional Offer	The invitation under this Prospectus to certain Institutional Investors in Australia, New Zealand, Hong Kong and Singapore (and any other jurisdictions as agreed between the Joint Lead Managers, the Company and SaleCo) to apply for Shares as discussed in Section 7.4
Investigating Accountant	PricewaterhouseCoopers Securities Ltd ACN 003 311 617
IPO	Initial Public Offering
ITAA97	*Income Tax Assessment Act 1997* (Cth)
Joint Lead Managers	Morgans Corporate Limited ABN 32 010 539 607 and Shaw and Partners Limited ABN 24 003 221 583
Joint Underwriters	Morgans Corporate Limited ABN 32 010 539 607 and Shaw and Partners Limited ABN 24 003 221 583
Listing	The commencement of trading of the Shares on ASX on a normal settlement basis following Completion of the Offer
Long Term Incentive Offer	The long-term incentive offer under the Incentive Plan described in Section 6.3.4.5
MBO	The management buyout that occurred in 2014 as described in Sections 3.1 and 3.3

Term/abbreviation	Explanation
MHE	Material handling equipment
New Shares	Shares issued pursuant to the Offer
Non-Executive Director	A Director who is not an employee or executive of the Company
NPAT	Net profit after tax
Offer	The offer under this Prospectus of 35,000,001 Shares by the Company
Offer Document	The documents issued or published by, or on behalf of the Company and SaleCo in respect of the Offer including the Prospectus
Offer Information Line	1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) in each case, open from 8:30am to 5:30pm (Melbourne time) Monday to Friday until Completion
Offer Period	The period from the Opening Date and ending on the Closing Date
Offer Price	The price per Share that all Successful Applicants will pay for Shares under the Offer, being $2.00 per Share
Official List	The official list of entities that ASX has admitted and not removed from listing
Opening Date	The date on which the Offer opens, expected to be 22 June 2021
Option	Option granted by the Company that may be exercised into a Share, subject to its terms and includes Zero Priced Options and Ordinary Options granted under the Incentive Plan
Ordinary Option	Option granted by the Company under the Incentive Plan for which an exercise price is payable
Original Prospectus	The prospectus lodged with ASIC on the Original Prospectus Date (including the electronic form of that document)
Original Prospectus Date	The date of the Original Prospectus, being 7 June 2021
PBT	Profit before tax
PE	Price to earnings
PGA	PGA (Services) Pty Ltd ACN 101 323 942
Plan Rules	The general rules of the Incentive Plan as described in Section 6.3.4.1
Pre-IPO Bonus Offer	The offer to employees and Directors under the Incentive Plan as described in Sections 6.3.4.2 and 6.3.4.3
Preferred Shares	CPS and CRPS
Priority Offer	The component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.6
Priority Offer Applicant	A person who submits an Application under the Priority Offer
Pro Forma Forecast Financial Information	Comprising the pro forma forecast consolidated statements of financial performance and cashflows for FY21 and FY22
Professional Investor	As defined in sections 9 and 708(11) of the Corporations Act
Prospectus	This document (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date of this Prospectus, being 21 June 2021

10. Glossary

Term/abbreviation	Explanation
Relevant Interest	As defined in sections 9 and 608 of the Corporations Act
Rocke Brothers	Rocke Brothers Pty Ltd ACN 100 734 469
SaleCo	Silk Logistics SaleCo Limited ACN 649 416 482
Selling Shareholder	Tor, who has elected to sell Shares to SaleCo
Senior Executives	Any or all of the senior executives of the Company referred to in Section 6.2 of this Prospectus (as the context requires), but excluding the Directors
Settlement	Settlement in respect of the Shares the subject of the Offer, occurring as described in the Underwriting Agreement
Settlement Date	The date when Settlement occurs, being Tuesday 6 July 2021 unless extended
Share	A fully paid ordinary share in the capital of the Company
Share Register	The share register of the Company
Share Registry	Boardroom Pty Limited ACN 003 209 836
Shareholder	A person recorded in the Company's share register as the holder of a Share or a Preferred Share
Short Term Incentive Offer	The short-term incentive offer under the Incentive Plan described in Section 6.3.4.4
Sophisticated Investor	Investors to whom an offer of securities does not need disclosure under Part 6D.2 of the Corporations Act pursuant to section 708(8) of the Corporations Act
Statutory Forecast Financial Information	Comprising the statutory forecast consolidated statements of financial performance and cash flows for FY21 and FY22
Subsidiaries	The wholly owned subsidiaries of the Company at the Prospectus Date as set out in Section 9.2
Successful Applicant(s)	Any one or all Applicant(s) who is issued or transferred Shares under the Offer
TEU	Twenty-foot Equivalent Unit, which is a commonly used standardised unit for measuring container volumes
TFN	Tax file number
Tor	Tor Asia Credit Master Fund LP
Underwriting Agreement	The agreement of that name between the Company, SaleCo and the Joint Underwriters dated on or about the Original Prospectus Date
United States or **U.S.**	United States of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended
Voluntary Escrow Deed	Deed entered into between an Escrowed Shareholder and the Company as described in Section 9.7
VWAP	Volume weighted average price
Zero Priced Option	Option granted by the Company under the Incentive Plan for which no exercise price is payable

APPENDIX A:
Significant Accounting Policies



Unloading pallets from import containers – Derrimut (D1), VIC

Appendix A: Significant Accounting Policies

The financial information presented in this Prospectus has been prepared in accordance with the measurement and recognition (but not all disclosure) requirements of applicable Australian Accounting Standards. The financial information is presented in abbreviated form insofar as it does not comply with all disclosure requirements set out in the Australian Accounting Standards and Interpretations and the Corporations Act. Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (**AIFRS**).

The financial information has been prepared on the basis of historical cost and on a going concern basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated. In the view of the Directors, the omitted disclosures provide limited relevant information to potential investors.

The following significant accounting policies have been adopted in the preparation and presentation of the historical and Pro Forma financial information (collectively referred to as the Financial Information).

The Financial Information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Basis of preparation

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silk Logistics Holdings Limited (**Company** or **parent entity**) and the results of all subsidiaries for the period then ended. Silk Logistics Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

Operating segments

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

The Group's reportable segments under AASB8 Segment Reporting are:

- Port Logistics – provision of wharf cartage services to customers; and
- Contract Logistics – provision of warehousing and distribution services to customers.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

The consolidated entity derives its revenue from the provision of services to commercial customers on normal credit terms over time and at a point in time in each segment (set out previously) in accordance with agreed contractual terms in the period in which the service is provided.

Port Logistics wharf cartage revenues are recognised at a point in time based on the transport of shipping containers to destination(s) before de-hire at empty container yards. Contract Logistics revenues are earned from the storage of customer goods (recognised over time based on quantity of goods stored at agreed rates during the contract period), warehouse handling activities (recognised at a point in time) and distribution services out of warehouse to destination (recognised at a point in time).

Service contracts do not generally contain provisions for rebates or discounts or any ongoing service and the total transaction price does not contain any variable consideration in relation to such items.

Other income

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB15, all financial assets are initially measured at fair value adjusted for transaction costs.

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified as financial assets at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Impairment of financial assets

The entity recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Financial liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Income tax

The Company is part of a tax-consolidated group under Australian taxation law, of which Silk Logistics Holdings Limited is the head entity. The Silk Logistics Holdings Limited tax consolidated group was formed on 1 July 2016. As a result, Silk Logistics Holdings Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including Silk Logistics Holdings Limited) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Silk Logistics Holdings Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the net taxable profit or loss of the entity and the current tax rate. Amounts owing from or to the head entity in accordance with the tax sharing agreement are recognised as an income tax or revenue and inter-company receivables or payables. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that the Company's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Property, plant and equipment

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

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:

Plant and equipment – 3-15 years

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

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

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

Right-of-use assets

A right-of-use asset arising from property leases (container hardstands and warehouses) and equipment leases (truck fleet and material handling equipment) is recognised at the commencement date of a lease except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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

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 consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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; the lease term; and 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.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Short-term employee benefits

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

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment or approved by the Board as part of a short-term incentive arrangement in the period of service and the amount can be reliably measured.

Other long-term employee benefits

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Application Form

Hi-res PDF to be supplied.

(4 pages have been allocated for an Application Form and a duplicate form. This is because the stock used differs from the main Prospectus, and must be a 4-page section for binding purposes.)

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Corporate Directory

Registered Office

Unit 3, 850 Lorimer Street
Port Melbourne VIC 3207

Directors

John Anthony Joseph Sood
Brendan Boyd
Terry Andrew Sinclair
Stephen Fletcher Moulton

Joint Lead Managers and Joint Underwriters

Shaw and Partners Limited

Level 7, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Morgans Corporate Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Company's website

https://www.silklogistics.com.au/

Legal Adviser

Gadens

Level 13, 447 Collins Street
Melbourne VIC 3000

Financial Adviser

333 Capital Pty Ltd

Level 31, 525 Collins St
Melbourne VIC 3000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Level 19, 2 Riverside Quay
Southbank VIC 3006

Auditors

Deloitte Touche Tohmatsu

477 Collins Street
Melbourne VIC 3000

Offer Information Line

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www.colliercreative.com.au #SCL0001

Rocke Brothers Site Manager – Lara, VIC