SILK LOGISTICS HOLDINGS

Annual Report 2021

Delivering results

Contents

Non-IFRS financial information

The 2021 Annual Report contains certain non-IFRS financial measures of earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest and tax (EBIT) and before significant items. Significant items are costs associated with mergers and acquisitions activity, capital restructures or certain one-off costs incurred in reporting periods that are not reflective of underlying business activities. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which the Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information. These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as position of the Group. Non-IFRS measures are not subject to audit or review.

Driving growth

Silk Logistics Holdings Limited (“Silk” or the “Company”) is pleased to share with you our inaugural Annual Report, for FY21 (for the 52-week period ended 27 June 2021).

Silk’s Annual Report covers Silk Contract Logistics Pty Ltd (ABN 56 006 444 355), Rocke Brothers Pty Ltd (ABN 60 100 734 469) and other controlled entities.

About Silk Logistics Holdings Limited

Silk is a leading Australian-owned logistics business providing an integrated ‘port-to-door’ service to some of the world’s best-known brands. Since the management buyout (“MBO”) in 2014, our focus at Silk has been to create a business that is agile, responsive to customers and capable of adapting to changing market dynamics. Silk has proven its focus and resilience in these areas with an impressive FY21 performance and financial results, amidst the COVID-19 pandemic.

FY21 Performance Highlights

Silk delivered record revenue and earnings results in FY21, despite the economic uncertainty and global supply chain issues due to COVID-19.

Silk's adaptability and our broad and growing customer base is evidence of a resilient and growing business.

↑ **28.6%**

Growth in Revenue (YoY for Group)

↑ **50.8%**

Return on capital employed (ROCE)

↑ $22.4m
Operating cash flow

↑ 20.6x
Growth in EBIT*

92.4%
EBITDA* to cash

Delivered Prospectus forecast. Driving future growth.

* EBIT and EBITDA are pre-AASB16 and before significant items.

Silk's Vision

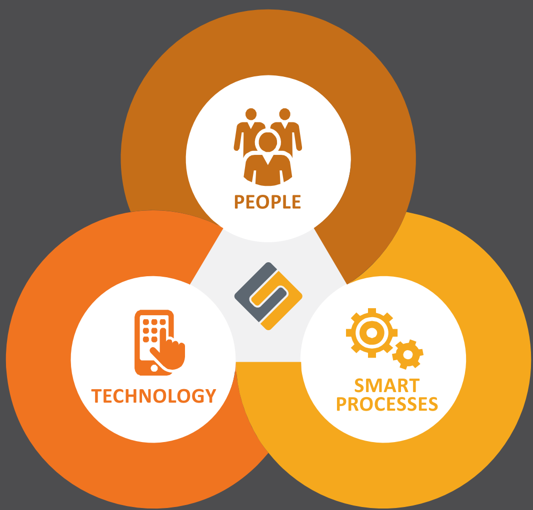
"The market leader of innovative supply chain solutions through our people and connected networks"

The Silk Way

To achieve our vision, we have developed The Silk Way, a set of guiding principles centred around our people, processes and technology.

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

- End-to-end
- Market leader
- Secure, robust & scalable



- High quality
- Highly skilled
- Based locally

- Consistent service delivery
- Highly scalable
- Measurable

Chairman's Letter

Dear Shareholders,

On behalf of Silk, I am pleased to present our first Annual Report for the 52-week period ended 27 June 2021 (FY21). This current period reflects the realisation of the vision of its founders, Brendan Boyd (Managing Director & Chief Executive Officer) and John Sood (Chief Customer Officer & Executive Director), which culminated in Silk's recent successful Initial Public Offer ("IPO") and listing on the Australian Securities Exchange ("ASX") on 9 July 2021 (ASX:SLH).

Silk's operational and financial performance through FY21 has delivered on its Prospectus forecast, and is highlighted by its growth in key business volumes and revenues, and expanding margins. This performance has been achieved whilst meeting the social and workplace challenges that Silk, and indeed many people and businesses have faced, in dealing with the uncertainties of COVID-19.

Silk completed FY21 with revenue of $323.3 million, net profit after tax (NPAT) of $8.4 million and cash at bank of $25.3 million.

Silk's potential for growth was highlighted by the strong demand demonstrated in its IPO, raising $70.0 million through a primary raise of $10.0 million and a secondary raise of $60.0 million to enable partial equity sell-down of the Company's longstanding financial partner and investor Tor Investment Management. Silk achieved a market capitalisation of more than $150.0 million at the time of admission to the ASX, and post that date has maintained a volume weighted average price (VWAP) of $2.415[1].

Silk has developed a business model which blends our physical logistics capabilities with sector leading data analytics. This enables the integrated business to provide predictive insights and supply chain visibility from 'port-to-door', with tracking from wharf to warehouse and right through to delivery for some of the world's best-known brands. Importantly logistics remains an essential service, and despite the disruption caused by COVID-19, our customers, more than ever, need our expertise and services to maintain their business continuity.

This period has been an exceptional one for our Company, people, and customers and I would like to take the opportunity to thank Brendan Boyd, the Silk leadership team and indeed all our employees who have worked passionately and tirelessly to deliver customer-centric solutions, to achieve this year's results and complete the successful ASX listing.

As a listed company, Silk is now well placed for its next phase of growth. Over the near and medium term, Silk will focus on delivering enhanced shareholder value by expanding our services to increase our share of our customers wallet, as well as targeting synergistic acquisitions to support its sector and services strategy.

As a team we are excited about the opportunities ahead of us and I look forward to keeping you updated on our progress throughout FY22.

Terry Sinclair
Chairman
Silk Logistics Holdings Limited

As a listed company, Silk is now well placed for its next phase of growth, and as set out in the Prospectus we expect to deliver EBIT of $20.9 million[2] in FY22.

1. As at 25 August 2021.
2. Pre-AASB16.

Managing Director and Chief Executive Officer's Report

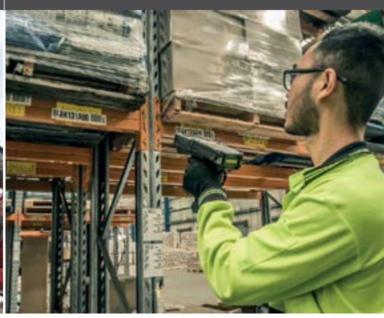
This financial period has been significant in many ways in the history of Silk. As a founder of the Company, along with my fellow Executive Director and Chief Customer Officer John Sood, we are incredibly proud to have brought Silk into the public domain with our recent ASX listing. We primarily undertook the listing to provide Silk with access to capital markets to improve financial flexibility for growth, and enable our long-standing and loyal investor (Tor Investment Management) to complete a partial selldown, and in the process create a liquid market for Silk's shares. This listing was only possible with the backing of a supportive Board of Directors, a dedicated and capable executive leadership team and the entire Silk workforce of employees, sub-contractors and agency labour.

Silk's vision is to be the market leader of innovative supply chain solutions through our people and connected networks. This vision is achieved through our organic way of working – 'The Silk Way' – which brings together our people, processes and technology to provide superior customer-focused, value-added services and solutions to the Australian market. Underpinning The Silk Way are our values – Safety, Innovation, Respect, Integrity, Customer-centric, and Passion. The combination of these essential ingredients differentiates Silk in the segments we operate in and has enabled Silk to become a tier one logistics service provider in the Australian market across our two core segments of Port Logistics and Contract Logistics. It is also the intrinsic driver of the significant growth Silk has experienced since our MBO in 2014.

Despite the COVID-19 pandemic creating operating conditions that have at times been challenging, the essential role Silk plays in global and domestic supply chains has allowed us to leverage our technology enabled, asset-light business model to successfully navigate these challenges. Our safety-first approach, COVIDSafe operating procedures and quick response times to the ever-changing COVID-19 situation allowed us to continue to operate with minimal disruption to our business, employees, contractors, and customers. Indeed, through adversity comes opportunity, and we are working closely with our customers to adapt their business models to meet the accelerated e-commerce market through our solutions focussed collaborative approach.

It is at times like these that our employees make all the difference. Regardless of their position within the company, they have shown through their commitment and performance in the past year that they embody Silk's values. Our LTIFR (lost time injury frequency rate) has improved significantly over the last 12 months, down 48% to 3.8 (on a rolling last twelve-month basis to the end of June 2021).

Our ability to continue to generate strong revenue growth and improved EBIT margins over the past 12-18 months through the COVID-19 pandemic is a testament to our resilient business model and customer base. In the financial period ended 27 June 2021 (FY21) we have delivered the FY21 forecast set out in our Prospectus, maintaining the strong financial performance and sustained growth of the previous seven years (since the MBO). Highlights of our FY21 financial result include revenue of \$323.3 million – up 28.6% on previous corresponding period (pcp), pre-AASB16 EBIT of \$19.4 million – up 20.6 times pcp, ROCE of 50.8%, and closing cash of \$25.3 million.

Segments	Port Logistics	Contract Logistics	
Services	Wharf cartage	Warehousing	Distribution
			

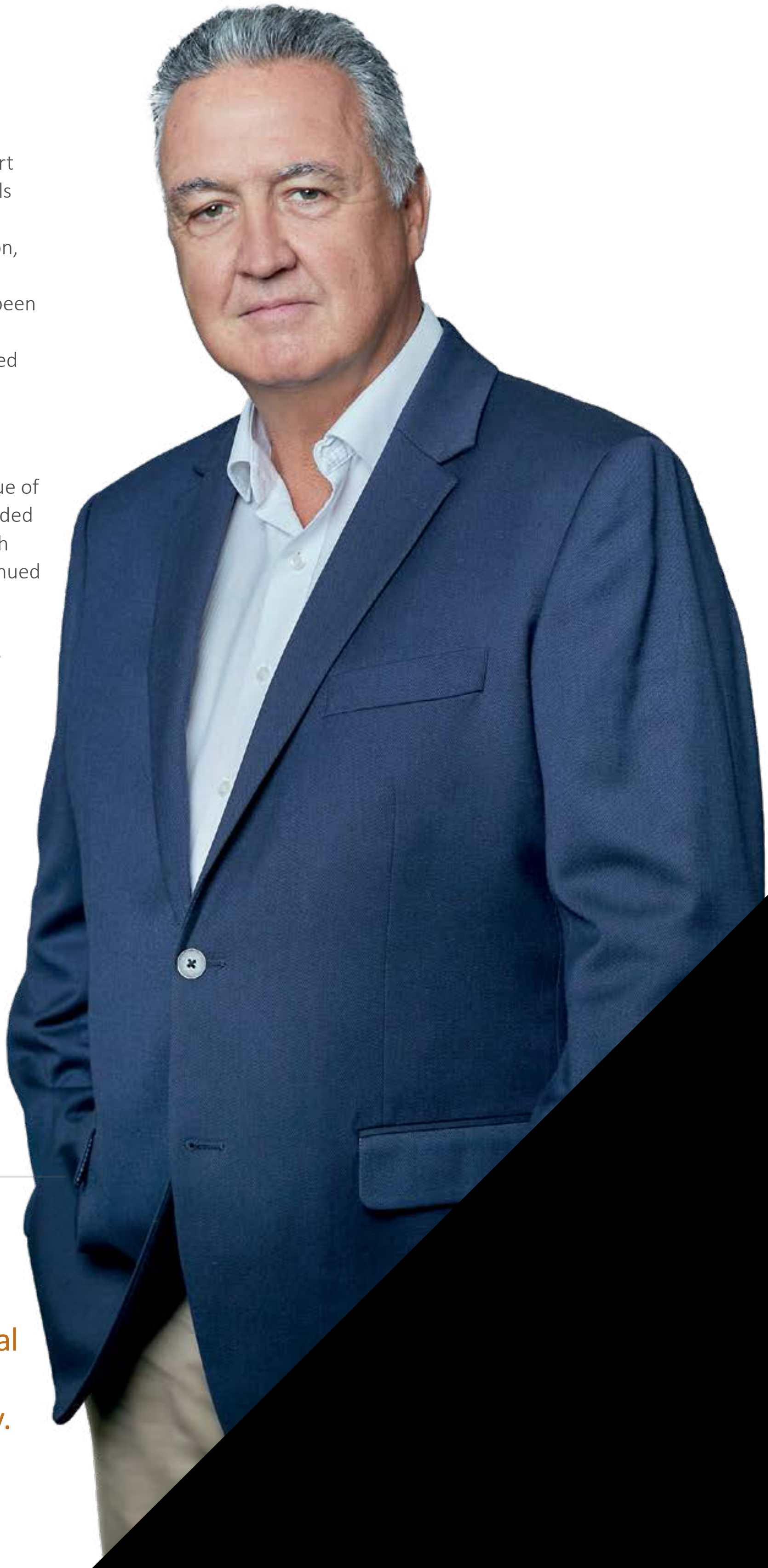
1,190	489	21	8	$323.3m	97%
Personnel as at end of June 2021	Customers	Warehouses	Port Logistics sites	FY21 Revenue	Repeat business

Both operating segments experienced strong growth in the period, underpinned by increased billed containers in our Port Logistics segment, and increased warehouse occupancy levels and billed consignments in our Contract Logistics segment. Silk's annualised new business wins in FY21 were $46.3 million, with some of these wins to fully onboard in FY22. Our FY21 performance benefited from our increased scale which has been delivered through the business acquisitions completed since FY19 and now fully integrated into The Silk Way. This increased scale, ability to cross-sell customers into our full range of integrated 'port-to-door' services and continued focus on operational efficiencies are key drivers of the FY21 result.

In FY22, we expect to deliver continued growth with revenue of $339.4 million, pre-AASB16 EBIT of $20.9 million and expanded margins. Our post-IPO balance sheet positions us for growth with low debt and increased borrowing capacity. Silk's continued growth will be both organic and acquisitive in line with our stated objective of identifying and securing opportunities for synergistic and strategic acquisitions which will increase our operating scale and broaden our national capabilities.

We are committed to building a business that can deliver value to our shareholders and we have developed a robust strategy that will enable us to achieve this objective. I look forward to sharing our progress and achievements with you over the year to come.

Brendan Boyd
Managing Director & Chief Executive Officer
Silk Logistics Holdings Limited



Silk is carving out a reputation as a leading provider of specialised end-to-end logistics solutions, as we leverage our technology and operational capabilities, paving the way to become one of the major players in our industry.

Company Overview:
Contract Logistics & Port Logistics

Silk's Values

Safety
We will demonstrate an uncompromising commitment to safety, promoting safe practices and behaviours, by taking responsibility and always being accountable for our actions.

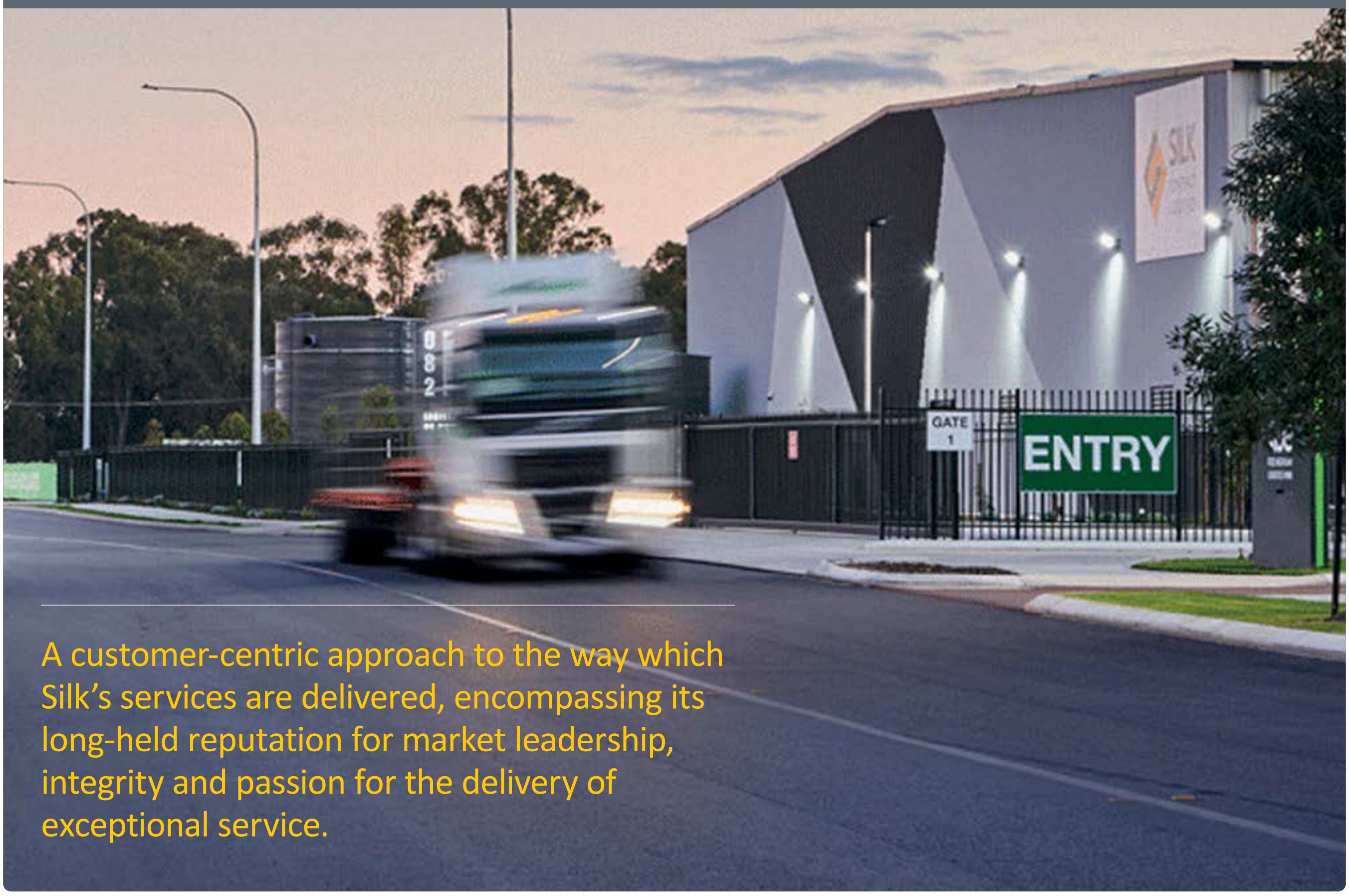
Innovation
We will continuously find improvements by challenging the status quo and striving for excellence.

Respect
We respect and recognize team members and their role in the business. We will treat one another with dignity and understanding.

Integrity
We will always do the right thing regardless of the outcome. We will be courageous and accountable for our decisions and actions.

Customer-Centric
We will seek to anticipate, understand and exceed client needs through the provision of innovative and customised solutions.

Passion
We are proud to be part of a team that is passionate about making a positive contribution each day to achieve our vision.



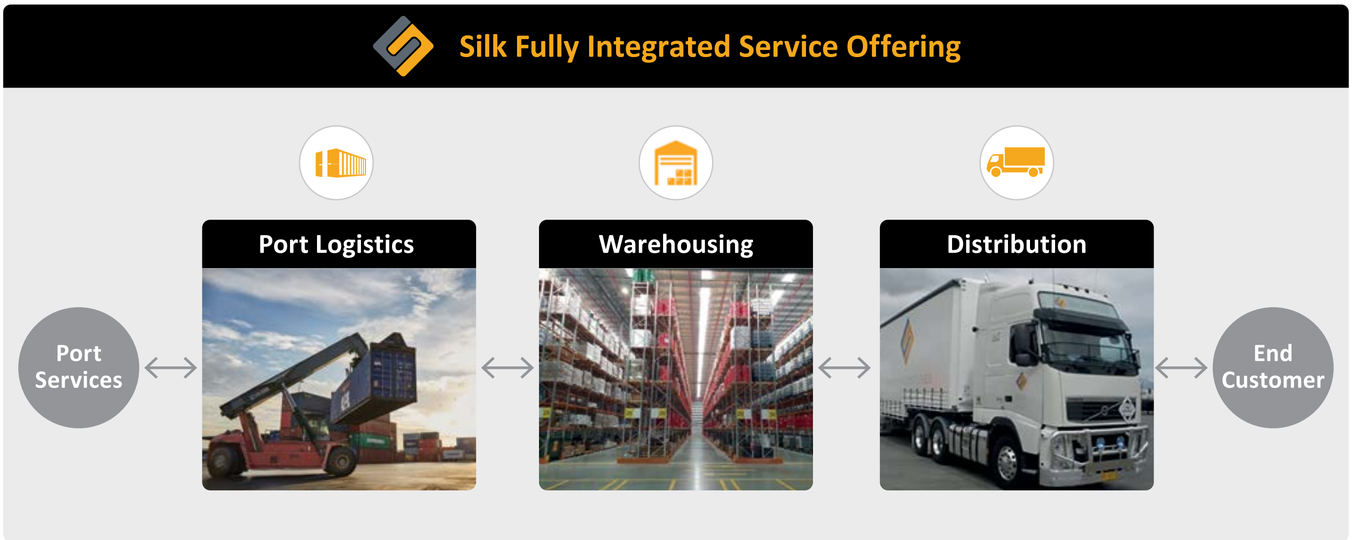
A customer-centric approach to the way which Silk's services are delivered, encompassing its long-held reputation for market leadership, integrity and passion for the delivery of exceptional service.

Company Overview

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

Silk provides a time certain, specialised, port-to-door logistics offering through three distinct services across two primary segments: our Port Logistics segment provides wharf cartage services, whilst our Contract Logistics segment offers warehousing and distribution services.

Port-to-door service offering figure



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, implemented as part of the MBO:

Phase 1

Build and grow (complete)

- Target and win large customers in attractive segments
- Build capacity to deliver organic growth
- Develop people and systems
- Enhance operational capacity and services

Phase 2

Scale platform and footprint (complete)

- 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

Phase 3

Pursue growth via industry consolidation (target)

- Further increase size, scale and capabilities
- Lead sector consolidation initiatives
- Become alternative of choice to the large majors

Company Overview: Contract Logistics & Port Logistics

Continued

Port Logistics Segment

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

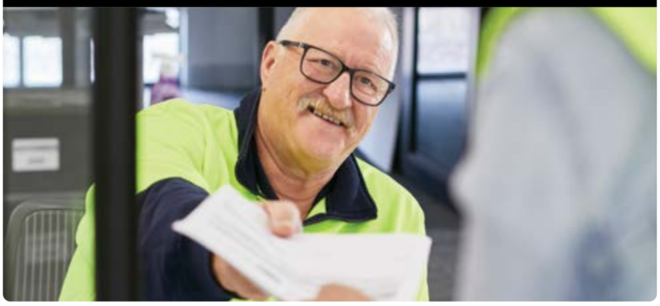
Revenue is earned from undertaking tasks including:

- 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.

Silk's Port Logistics segment is primarily based on trading terms and conditions rather than long term contracts, as is a feature of the industry. Nonetheless, the segment 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[1]. The key customers in Port Logistics have an average tenure of approximately 13 years with the longest being 21 years[1].

Contract Logistics Segment



Silk's Contract Logistics segment 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.

Silk's Contract Logistics segment 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 solution.

History of Silk

Late 19th and early **20th centuries**

Hoffmann Transport Established over 100 years ago as a horse and cart operation providing cartage services to and from the Melbourne waterfront

Doolan's Heavy Haulage

Bunker Freight Lines

WA Freightlines

1950

Kagan Logistics Originally established as a textile processing and exporting business, Kagan evolved into a large warehouse and distribution operation in Victoria

2008

Gresham-backed private equity purchased five companies and Silk Group is formed

2013

Kagan Logistics and Hoffmann Transport merged together under the banner of Silk Contract Logistics

2014

Senior management from Silk Contract Logistics buyout the business entities. A private investor partners with management to fund the transaction. The combined entities trade as Silk Contract Logistics

2016

Management shareholders buy-out the shares of the private passive investors

Strategy

Our strategy is focused on keeping our customers at the centre of everything we do, whilst increasing our market share in those industry verticals where the long-term outlook for growth remains supportive.

With opportunity to increase our share of wallet from our existing 489[1] 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.

Customers

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.

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 certain 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.

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.

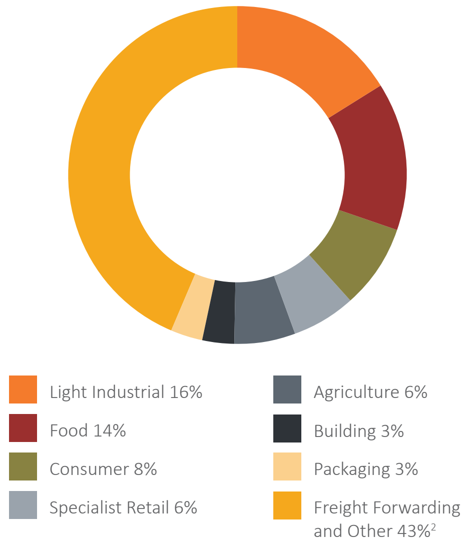
The figure below shows the level of tenure across Silk's top 10 warehousing customers highlighting that the top 10 warehousing customers have an average tenure with the business of 9 years, and the average tenure of warehouse customers including significant long term uncontracted and transactional customers is 6 years.

Recurring revenues

Silk has 489 customers with no customer representing more than 5%[1] of total revenue.

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.



1 FY21 Prospectus figures.
2. Freight forwarding represents various end markets.

2018

June 2018
Equity investment by Tor

July 2018
Acquisition of Container Swinglift Services, a Brisbane-based port logistics and distribution business

November 2018
Acquisition of CTC Logistics, a Sydney-based port logistics and distribution business

2019

Rocke Brothers

August 2019
Acquisition of Rocke Brothers, one of Victoria's largest port logistics businesses, with long-standing customers, attractive margins and impressive growth, bringing a number of significant synergy opportunities and operational benefits for Silk

2021

Initial Public Offering (IPO)

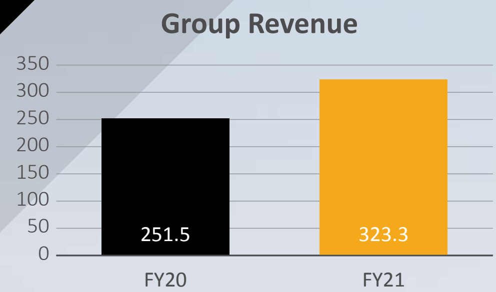
July 2021
Listing on the Australian Securities Exchange (ASX) on 9 July 2021

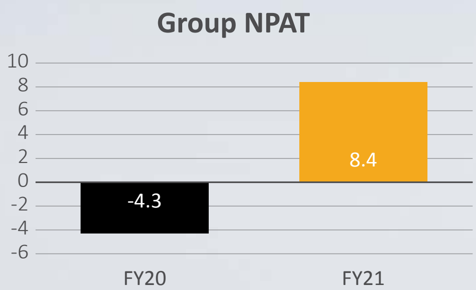
FY21 Key Statistics

A scale operator with strong capabilities and a broad network.

3.8 LTIFR

↓ 48% YoY



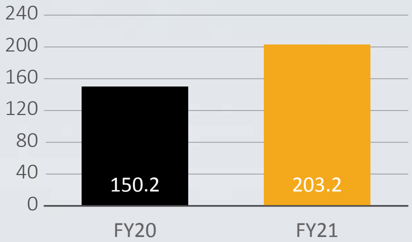


↑ 25.9%
YoY billed containers

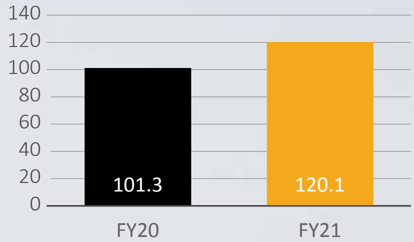
↑ 43.9%
YoY billed consignments

↑ 77.9%
Average leased warehouse occupancy for FY21

Port Logistics Segment Revenue



Contract Logistics Segment Revenue



Silk Logistics Holdings Limited

(Formerly known as Marrakech Road Pty Ltd)
ABN 45 165 867 372

Annual Report – 27 June 2021

Directors

Mr Terry Sinclair
Mr Brendan Boyd
Mr John Sood
Mr Stephen Moulton

Company secretary

Ms Melanie Leydin

Registered office

Unit 3, 850 Lorimer Street, Port Melbourne VIC 3207

Principal place of business

Unit 3, 850 Lorimer Street, Port Melbourne VIC 3207

Share register

Boardroom Pty limited
Level 7, 411 Collins Street, Melbourne VIC 3000
www.boardroomlimited.com.au

Auditor

Deloitte Touche Tohmatsu
477 Collins Street, Melbourne VIC 3000

Stock exchange listing

Silk Logistics Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: SLH)

Website

www.silklogisticsholdings.com.au

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of Silk Logistics Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the 52 week period ('the period') ended 27 June 2021 (with comparatives for the 52-week period ended 28 June 2020).

Directors

The following persons were directors of Silk Logistics Holdings Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Terry Sinclair
Mr Brendan Boyd
Mr John Sood
Mr Stephen Moulton

Mr Terry Sinclair and Mr Stephen Moulton were appointed as directors on 14 July 2020.

Principal activities

The consolidated entity's principal activities during the period consisted of the provision of Port Logistics and Contract Logistics services. Port Logistics operations consist of wharf cartage services; whilst Contract Logistics consists of warehousing and distribution services.

The consolidated entity has operations in Victoria, New South Wales, Queensland, Western Australia and South Australia and offered these principal activities across each region.

There have been no changes to the principal activities in the current period.

Other matters or circumstances arising since 27 June 2021 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods are set out within this directors' report in the matters subsequent to the end of the financial period section.

Dividends

There were no dividends paid in the current or previous financial period. Refer to matters subsequent to the end of the financial period section for further information.

Review of operations

The profit for the consolidated entity after providing for income tax (net profit after tax or NPAT) amounted to $8,389,000 (28 June 2020: loss of $4,324,000) including the after-tax costs associated with the initial public offering of $1,879,000.

Port Logistics activities, measured by the volume of shipping containers billed in the period, recorded strong growth over the prior period due to strong domestic demand for consumer goods driving import volumes and resilient agriculture sector export markets. Likewise, Contract Logistics benefited from generally buoyant domestic demand through the financial period, particularly in household goods, food additive products, light industrial sector and pet food products. Warehouse occupancy levels and associated handling activities experienced steady growth in the period.

Port congestion and union industrial action resulted in some disruption to wharf cartage activities with dislocation of container availability, vessel bunching and re-routings required. New South Wales Port Logistics operations were particularly impacted with over-capacity empty container yards and union shut-down actions which required the re-direction of cargo into Victoria and Queensland. Notwithstanding these issues, the segment performed strongly with volumes (billed containers) rebounding robustly from the COVID-19 impacted prior period. The Group's ability to win new business and retain existing business was also a driver of revenue growth. The integration and consolidation of the businesses acquired in the past three periods has delivered scale in the Port Logistics operations which has driven profit margin expansion.

In the Contract Logistics segment, warehousing storage levels benefited from new customer wins, strong consumer demand for customer products and the emerging shift for customers to hold more stock locally to protect against the supply chain disruptions experienced as a result of COVID-19 manufacturing shut-downs in various international countries. The Group's integrated port-to-door logistics service offer continued to deliver customer revenue growth in the Distribution business as the expansion of Silk's 4PL network continued.

Whilst the COVID-19 pandemic has presented challenges in the financial period, the Group's resilient business model, customer industry segment exposure and the benefits of scale delivered through both organic growth and acquisitions in recent periods has protected the business from any significant negative impacts.

Outlook

The Group 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 increase its market share. The Group 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 also intends to undertake synergistic 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.

Corporate activities during the period

There were no changes in the consolidated entity's corporate activities in the financial period.

Impact of COVID-19 pandemic on operations

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries through financial periods ended June 2020 and 2021 have caused disruption to businesses and economic activity. Due to the nature of the consolidated entity's principal activities, the COVID-19 pandemic has had a negligible impact on its operation and results.

In response to COVID-19, both the Federal Government and State Governments' implemented policies and measures through calendar years 2020 and 2021 with the aim of containing the virus, with most jurisdictions requiring state-wide extended social and workplace restrictions. Despite these measures, given the national footprint of the consolidated entity's operations, and the essential services requirement for domestic and global supply chains to remain open, these measures have not had any material impact on the business. The emergence of the COVID-19 Delta-variant has resulted in extended lockdowns, particularly in New South Wales and Victoria, at the commencement of FY22. The Group's business operations currently remain resilient in the face of the challenges presented by these continuing social and workplace restrictions.

The consolidated entity did not receive any financial assistance from the Federal or State governments during the current or previous financial period.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

Subsequent to the end of the financial period, the events and matters set out below are relevant to the consolidated entity's future financial periods.

The Company commenced trading on the Australian Stock Exchange (ASX) under ticker code SLH on 9 July 2021 following a successful initial public offering ('IPO' or 'the Offer') of its shares which raised $70.0 million. The purpose of the offer was to provide the Company with access to capital markets to improve financial flexibility for growth, provide a liquid market for its shares, repay an amount of existing debt, and provide the selling (preferential) shareholder with an opportunity for a partial selldown of its investment in the Company. The Offer consisted of a primary equity raise of $10.0 million from the issue of new shares by the Company and a secondary raise of $60.0 million from existing shares with the proceeds paid to the selling shareholder. Prior to listing a sequence of equity changes were completed to establish a capital structure to support the IPO, consisting of an ordinary share consolidation, and ordinary share and preference share split – refer to note 24. On 6 July 2021 the preference shares were converted to ordinary shares on a one-for-one basis, and 8,000,000 new ordinary shares were issued (5,000,000 allocated to the primary raise at $2 per share, and 3,000,000 issued to PGA Services Pty Ltd at $2 per share on realisation of the deferred contingent consideration arising on the acquisition Rocke Brothers Pty Ltd – see note 23). The Company established an equity incentive program for executives and directors, consisting of 1,399,539 pre-IPO options and 842,822 options under its long-term incentive plan. The grant of the options occurred immediately upon listing. The total number of ordinary shares on issue at the completion of the IPO was 75,761,963, and the number of options on issue was 2,242,361.

The cash cost of the offer amounted to $7.4 million (pre-tax) and equity-settled costs $2.0 million. The costs of the offer are either expensed through profit and loss or allocated to equity based on the proportionate quantum of the secondary and primary raise respectively. IPO costs charged to profit in the current period were $2.7 million (pre-tax) and equity-allocated costs of $0.4 million (pre-tax) are held on balance sheet as other current assets. The remaining IPO costs of $6.3 million (pre-tax) will be reported in the subsequent financial period (through profit or loss $5.4 million; equity $0.9 million) and all FY21 equity allocated costs will be reclassified to share capital in the balance sheet. Refer note 7 for further details.

A pre-IPO fully franked dividend of $10.0 million was proposed on 6 June 2021, however, was conditional on the IPO completing. Completion was deemed to be on 7 July 2021 when the share allocation was finalised and the joint lead managers' underwriting agreement was signed, and at this date the dividend was effectively declared (based on shareholdings prior to the offer share allocation). Accordingly, as this event occurred subsequent to reporting date, this dividend has not been recorded in the reporting period ended 27 June 2021. The dividend was partially paid on 7 July 2021 and the balance paid on 12 July 2021.

On 7 July 2021 the Company made an $8.0 million repayment against the Westpac Banking Corporation (WBC) finance facilities that existed at period-end which reduced the outstanding loan to $8.0 million. On 2 August 2021, the Company entered into a new finance facility agreement with National Australia Bank (NAB) to replace the WBC facility. The NAB facility comprises a debt facility $8.0 million, working capital facility $8.0 million, bank guarantee facility $13.0 million, and an asset finance facility $4.0 million. The term of the debt facility, working capital facility and bank guarantee facility is two years. The asset finance facility is subject to annual review. The NAB debt facility was fully drawn on 2 August 2021 and was used to repay the WBC facility. The working capital facility is undrawn. The debt facility and working capital facility bear interest at a variable rate of 1.45% above (minimum) 90-day BBSY bid rate. The bank guarantee bears a fixed interest rate of 2.46% per annum; whilst the asset finance facility interest rate is set on each contract. The NAB finance facilities are subject to satisfaction of periodic financial undertakings testing. The first test date will be on the last twelve months ending 27 December 2021, and thereafter each six months based on last twelve months financial results.

Apart from the above matters, no other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Likely developments and expected results of operations

At the date of this report, uncertainty remains with the impact on the economy of COVID-19 lockdowns which are likely to continue until such a time as the vaccine program has been substantially completed. Nonetheless, the consolidated entity's strategic intent remains on growing its market share, delivering a full suite of services to its customers, driving operational efficiencies across its property footprint, and leveraging from its agile, capital-light business model. The consolidated entity's focus on superior customer service delivery is built around strong relationships and supported by technology-enabled solutions. Along with strategic business acquisitions, these remains key areas in future periods to drive growth and deliver enhanced shareholder value.

Information on directors and key management personnel

The following persons were directors of Silk Logistics Holdings Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Name:	**Mr Terry Sinclair**
Title:	Chairman, Non-Executive Director (Appointed on 14 July 2020)
Experience and expertise:	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). He previously held roles including Head of Corporate Development General Manager National Logistics at Australia Post and Chairman Star Track Express. He currently serves as an Industry Advisor to AustralianSuper, and as a director of PlusES Partnerships Pty Ltd (a subsidiary of Ausgrid Limited) and faethm.ai Pty Ltd.
Other current directorships:	Non-Executive Director of Cleanaway Limited (ASX: CWY)
Former directorships (last 3 years):	Non-Executive Director of Ovato Limited (ASX: OVT)
Interests in shares:	None
Interests in options:	509,193 unlisted options (granted subsequent to period end date and immediately upon listing)

Name:	**Mr Brendan Boyd**
Title:	Managing Director, Chief Executive Officer
Experience and expertise:	Prior to his present role, Brendan was General Manager Warehousing with Silk Logistics Group. He also worked in the past as General Manager Distribution Courier and Logistics Services at Australia Post, General Manager Toll Fast at Toll Group, Chief Executive Officer DX Express at AUSDOC and Chief Operating Officer of Mayne Nickless Express.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	10,751,794 fully paid ordinary shares
Interests in options:	277,244 unlisted options (granted subsequent to period end date and immediately upon listing)

Name:	**Mr John Sood**
Title:	Director and Chief Customer Officer
Experience and expertise:	Prior to his present role, John was General Manager Business Development with Silk Logistics Group. He also worked in the past as General Manager Portside United, General Manager Marketing and Business Development with Linfox and General Manager Development with Westgate Logistics.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	10,801,794 fully paid ordinary shares
Interests in options:	166,346 unlisted options (granted subsequent to period end date and immediately upon listing)

Name:	**Mr Stephen Moulton (Appointed on 14 July 2020)**
Title:	Non-Executive Director
Experience and expertise:	Stephen is a Director of Danaher Moulton Legal (a corporate advisory and legal firm), The O'Brien Foundation and Sugarbyhalf Ltd. Prior to his present roles he was a partner at a corporate advisory/ M&A firm, Gadens, a partner at Clayton Utz, and PwC (Head of Legal in Victoria), and Chairman of Partners and Managing Partner of Mills Oakley. Stephen was a director of the Carlton Football Club for 6 years until 2012.
Other current directorships:	None
Former directorships (last 3 years):	Buymyplace.com.au Limited (ASX: ESL)
Interests in shares:	None
Interests in options:	342,846 unlisted options (granted subsequent to period end date and immediately upon listing)

Name:	**Mr Brendon Pentland**
Title:	Chief Financial Officer
Experience and expertise:	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. Brendon joined the Group in March 2020 and was appointed to the role of Chief Financial Officer (CFO) in July 2020. He leads the Group's finance function and has responsibility for finance, commercial, corporate planning, business analysis, taxation, reporting, corporate services and legal administration.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	25,000 fully paid ordinary shares
Interests in options:	266,346 unlisted options (granted subsequent to period end date and immediately upon listing)

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Company secretary

Melanie Leydin, CA

Ms Leydin joined the Group in May 2020 and was appointed as Company Secretary. She is a Chartered Accountant and the founding director of Leydin Freyer, an independent firm specialising in company secretarial and accounting services for ASX listed companies, with over 25 years' experience in the accounting profession and over 15 years' experience as a Company Secretary for ASX listed companies. 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.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 27 June 2021, and the number of meetings attended by each director were:

	Full Board		Sustainability Committee		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr. Terry Sinclair	16	16	1	1	1	1
Mr. Brendan Boyd	16	16	–	–	–	–
Mr. John Sood	16	16	–	–	–	–
Mr. Stephen Moulton	16	16	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration Report (audited)

Contents

1. Executives & Non-Executive Directors Covered by this Report

The remuneration of Key Management Personnel (KMP) for the Group is disclosed in this Report.

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the Group's major activities, whether directly or indirectly. The Board has determined that the Key Management of the Group are the individuals whose details are set out below for the 52-weeks ended 27 June 2021 and are covered by this report.

Table 1

Name	Position	Term as KMP
Non-Executive Directors		
Terry Sinclair	Chair, Non-Executive Director	From 14 July 2020
Stephen Moulton	Non-Executive Director	From 14 July 2020
Managing Director & Chief Executive Officer		
Brendan Boyd	Managing Director and Chief Executive Officer	Full Period
Senior Executive Leaders		
John Sood	Director and Chief Customer Officer	Full Period
Brendon Pentland	Chief Financial Officer	From 4 July 2020

2. Our Rewards Framework & Philosophy

The key objective of the Company's remuneration policies and practices is to attract, retain, motivate and reward talent. To achieve this, the Company offers compensation and benefits that embody the following:

- Competitive within the industry
- Motivate management to pursue business objectives and pursue growth and success
- Encourage a high level of performance; and
- Align the interests of management with the interests of shareholders

Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Sustainability Committee. The Sustainability Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration.

Under the ASX Listing Rules, the total amount or value of remuneration paid to Non-Executive Directors in any period may not exceed the amount approved by Shareholders at a general meeting. This amount is currently fixed at $600,000 per annum.

The following table describes the adopted framework for Non-Executive Director Remuneration for the 52 weeks ended 27 June 2021 and for the 52 weeks commencing 28 June 2021.

Table 2

Fee Type	52 weeks ended 27 June 2021	52 weeks commencing 28 June 2021
Chair of Board	$75,000	$110,000
Non-Executive Director	$50,000	$75,000
Committee Chair	–	$15,000
Committee Member	–	$10,000

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

As recognition of their contribution to the IPO process and subsequent to 27 June 2021, the Non-Executive Directors received equity in the form of non-performance-based options as recognition of work undertaken during the IPO process. In addition, the Chair received time vesting options as part of a long-term incentive.

Non-Executive Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs. They also may be paid additional remuneration as the Directors decide is appropriate where a Director performs extra services.

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

Table 3

		Short-term benefits		Post-employment benefits	Long-term benefits		
Name	Period	Cash salary and Fees	STI	Superannuation	Long service leave	Share-based payments	Total Paid
Non-Executive Directors							
Terry Sinclair	2021	$75,000	–	–	–	–	$75,000
	2020	–	–	–	–	–	–
Stephen Moulton	2021	$50,000	–	–	–	–	$50,000
	2020	–	–	–	–	–	–
Total	2021	$125,000	–	–	–	–	$125,000
Total	2020	–	–	–	–	–	–

Senior Executive Leader Remuneration

Our goal has been to provide a remuneration framework that attracts, retains and motivates a high quality and experienced leadership team with the necessary capabilities and attributes to lead our people in achieving our long and short-term objectives and create value for our shareholders. We are continually assessing, reviewing and improving our programs to enhance engagement and performance and whilst we will always look for new and emerging talent to engage, our talent baseline has grown significantly, and we are now in a transition phase shifting to building and retaining talent, rather than employing.

Our rewards program aims to encourage a collaborative approach in the pursuit of our outperformance goals by rewarding the achievement of both overall group and individual targets. The targets we have set are a mixture of financial and non-financial, they are challenging, clear and within the control of individuals to achieve either directly through their own actions or through the actions of the people they lead. Pay in the variable context is directly linked to performance.

The objective of our Executive Rewards program is to ensure that it is competitive and appropriate against the outcomes and results achieved. Our aim is to reward our executives in line with market practice, taking into account their position, responsibilities and performance within the Group and benchmarked against commensurate organisations. Our key components provide a mix of fixed and variable (at risk) pay and short and long-term incentives.

Component	Description
Fixed Remuneration	Annual remuneration paid regularly in the form of base pay (cash), superannuation and where relevant other applicable allowances. This component is not at risk and is independently benchmarked against comparable roles. Typically, median pay is our target.
Short-Term Incentive	Annual, variable at risk opportunity, linked to the achievement of specific objectives in a given performance period. It is designed to encourage achievement and outperformance against annual targets that contribute to enterprise value. **52 weeks ended 27 June 2021** The Board set the short-term incentive opportunity for Participants at the start of the performance period, with the determination of the amount of cash to occur at the end of the relevant performance period based on targets set by the Board. Targets were communicated at the start of the performance period as part of a balanced scorecard encompassing both financial and non-financial components. Each component is assessed individually to determine the incentive amount payable, provided particular financial and non-financial gates are achieved. The financial targets set for the current period included stretch targets of 25%-100% based on pre-AASB16 EBITDA results for the period. **52 weeks commencing 28 June 2021** 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 Shareholders approval requirements under the ASX Listing Rules. For the FY22 Performance period the short-term incentive may be paid 50% in cash and 50% by way of the granting of Zero Priced Options at the election of the participant. Targets are communicated at the start of the performance period as part of a balanced scorecard encompassing both financial and non-financial components. Each component is assessed individually to determine the incentive amount payable, provided particular financial and non-financial gates are achieved. The Options will vest upon the release of the Company's full year audited results to the ASX for the relevant financial period performance, and subject to the Board determining that the Company's pre-AASB16 EBIT forecast for that financial period (after taking into account the impact of the short-term incentives and the long term incentives on the profit and loss of the Company) has been met. The FY22 Short-Term Incentive Plan (STIP) for the CEO has four components of assessment including Safety, ESG, Financial and Individual. The bonus is calculated on a percentage of fixed remuneration.

Component	Description
Long-Term Incentive	Grant of options to the Executive Leadership team that encourages alignment with shareholder interests. **52 weeks ended 27 June 2021** There were no long-term incentives set for executives during this period. **52 weeks commencing 28 June 2021** The number of options granted subsequent to period end for the FY22 LTI Program represents 150% of the Participants entitlement with actual number of options vesting dependent upon the satisfaction of Vesting Conditions. The vesting conditions are based on targets associated as follows: **Service Based** The Participant remains employed or engaged by a Group Company for 3 years from the date of grant. **Safety and EBIT** The Participant receiving a rating of 3 or greater under the Company's Approved FY22 Performance Objectives; and The Board determining that the Company's FY22 pre-AASB16 EBIT forecast of $20.9m (after taking into account the impact of the short-term incentives and the long-term incentives on the profit and loss of the Company) has been met. **EPS** 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. 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 period. 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 to vest will be determined by multiplying the total number of Ordinary Options by the "vesting multiplier" set out in the following vesting schedule:

Component	Description		
Long-Term Incentive (continued)	**EPS CAGR for the relevant performance period**	**Performance against 'target'**	**Vesting multiplier**
	Less than 10%	Under performance (0%)	0
	Equal to 10%	Minimum performance (0%)	0.3333
	Greater than 10% and less than 15%		Pro rata vesting multiplier on a straight line basis between 0.3333 and 0.6667
	Equal to or greater than 15% and less than 17·5%	Target performance (100%)	Pro rata vesting multiplier on a straight line basis between 0.6667and 1.00
	Equal to or greater than 17·5%	Exceptional performance (150%)	1.00
Pre-IPO Bonus	**52 weeks commencing 28 June 2021** A Pre-IPO Bonus was awarded subsequent to 27 June 2021 following the completion of the Company's IPO. 100% of the bonus was paid in the form of Zero Priced Options under the Equity Incentive Plan (EIP). The options will vest upon granting and will expire on the date 6 years from the date of their grant. The resultant 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. The Executive Directors did not receive any Zero Price Options allocation under this component of the EIP.		

3. Governance

Our Board takes a proactive approach to decision making in the evaluation of Executive Remuneration outcomes. Our remuneration and governance frameworks enable our Board to assess the achievement of strategic objectives and balance the interests of the business, employees and shareholders.

Board

Our Board has overall responsibility for Executive Remuneration, including the assessment of performance and remuneration for the CEO. Ensuring there is a transparent connection between pay and performance is the key objective of the Board in rewarding outcomes for our leaders.

During the period the Board engaged an independent consultant, to review Executive Remuneration and provide benchmarks for senior executive positions.

The Board is committed to providing competitive rewards that attract and retain talent and compensate Executive Leaders commensurate with the progress and growth of the Company.

The Sustainability Committee

Our Sustainability Committee works with Executive Leaders to present information and make recommendations to the Board. The Committee assists the business and the Board by developing and reviewing organisation policies and practices including remuneration as well as challenging leaders to continually review and revise remuneration targets and approaches to ensure they are contemporary and market leading. The Sustainability Committee is also responsible for Nomination matters, Health, Safety and Environment matters and Environmental, Social and Governance matters.

Executive Leadership

Our Executive Leadership Team (ELT) is responsible for leading the implementation of initiatives designed to inspire people to be their best. The ELT provides feedback on organisational practices and uses data and qualitative assessments to provide insight into culture and organisational performance – including the effectiveness of the rewards program. The ELT has input into and makes recommendations to the Sustainability Committee in relation to Executive Remuneration and has done this with the advice and support of subject matter experts to continuously improve our program.

The CEO is responsible for providing recommendations on fixed pay and Short-Term Incentive outcomes for direct reports and puts the recommendations to the Sustainability Committee for review and discussion prior to recommendations going to our Board for its decision.

Determining Executive Rewards Plans

We continue to use independent data and advice in the annual evaluation of our Executive Leaders remuneration and benefits. It is important to ensure they are fairly compensated for their contribution and responsibilities as the Company grows. Any changes recommended will be discussed at our Sustainability Committee and recommendations for our CEO and direct reports, role changes or new appointments will be made to the Board for their decision making. We are continuing to refine our approach to shift our incentive plans to recognise and reward for more contemporary strategic inputs that result in out-performance outcomes for the Company, adding to shareholder value. Our plan is that the remuneration review will extend to all our employee categories.

4. Executive Remuneration – Performance, Outcomes & Disclosures

2021 Group Performance Highlights

The earnings of the consolidated entity for the last five full financial periods are summarised below:

Table 4

Group	52 weeks ended 27 June 2021 $ millions	52 weeks ended 28 June 2020 $ millions	53 weeks ended 30 June 2019[2] $ millions	52 weeks ended 24 June 2018[2] $ millions	52 weeks ended 25 June 2017[2] $ millions
Revenue and other income	323.3	251.5	195.0	144.1	112.1
Statutory EBITDA[1]	57.7	43.1	5.9	8.4	3.9
Statutory NPAT	8.4	(4.3)	(0.8)	1.7	4.1
Share Price at Start of financial year	N/A	N/A	N/A	N/A	N/A
Share Price at End of financial year	N/A	N/A	N/A	N/A	N/A
EPS[3]	12.38	(19.51)	–	–	–

1. EBITDA as calculated in Note 4 of the financial report.
2. The Group adopted AASB16 Leases from 1 July 2019. Reporting periods prior to adoption have not been restated to reflect the impact of AASB16 Leases in each period.
3. EPS is diluted earnings per share. Periods ended 30 June 2019 and prior are not stated as this measure was not reported and was not relevant when the Company was a private company.

N/A – The Company commenced trading on the ASX on 9 July 2021.

CEO Scorecard and Performance

Mr Boyd's remuneration in the 52 weeks ended 27 June 2021 was structured as 64% fixed and 36% at risk. The at-risk component for this period was 100% allocated to the Short-Term Incentive Plan (STIP). During the year strong financial and non-financial performance was maintained and operational thresholds were met.

Mr Boyd's scorecard outcomes are outlined in Table 5 below. The awards are to be settled in cash. The STI reward base was set at $100,000 for achievement of all components at 100%. An additional 50% of the STI was achievable for each additional $1.0 million of pre-AASB16 EBITDA achieved up to $22.0 million. There was no further STI payable should pre-AASB16 EBITDA exceed $22.0 million. The award for the 52 weeks ended 27 June 2021 was calculated at 150% based on the pre-AASB16 EBITDA performance for the period.

Table 5

Component	Weighting	Description	Outcome	Performance Assessment	% Earnt
Financial	25%	Key financial performance metrics based on Revenue Target.		Group Revenue Target of $280m and achieved $323 million.	100%
Financial	25%	Key financial performance metrics based on pre-AASB16 EBITDA.		EBITDA (pre-AASB16) performance threshold – target performance at $18.0 million and achieved $24.2 million.	100%
Safety	10%	Improve Safety Metrics.		Improved notification of incidents, improvements in investigations and completion of other safety initiatives and metrics.	100%
Safety	10%	LTIFR reduction > 10%.		Achieved LTIFR 3.8 (FY20 7.3).	100%
Corporate	30%	Successful Liquidity Event.		Achievement of IPO.	100%

Summary of Senior Executive Leader Remuneration

Table 6

		Short-term benefits			Post-employment benefits	Other Long-term benefits			Variable – At Risk		
Name	**Year**	**Cash salary and Fees $**	**STI $**	**Other $**	**Superannuation $**	**Annual leave $**	**Long service leave $**	**Total $**	**Fixed %**	**STI %**	**LTI %**
Executive Directors											
Brendan Boyd	2021	475,000	300,000	6,972	25,000	22,829	17,299	847,100	64	36	–
	2020	392,698	–	10,397	27,529	3,976	21,304	455,903	100	–	–
John Sood	2021	450,000	150,000	6,941	–	–	–	606,941	75	25	–
	2020	391,549	–	10,409	–	–	–	401,959	100	–	–
Other Executive KMP											
Brendon Pentland	2021	353,997	150,000	14,059	21,003	11,771	440	551,270	72	28	–
	2020	–	–	–	–	–	–	–	–	–	–
Total	2021	$1,278,997	$600,000	$27,972	$46,003	$34,600	$17,739	$2,005,311			
Total	2020	$784,247	–	$20,806	$27,529	$3,976	$21,304	$857,862			

Service Agreements

Table 7

Service Agreements	Position	Contract Duration	Employer Notice Period	Employee Notice Period
Brendan Boyd	Managing Director and Chief Executive Officer	Ongoing	6 months	6 months
John Sood	Chief Customer Officer	12 months	6 months	6 months*
Brendon Pentland	Chief Financial Officer	Ongoing	3 months	3 months

* Currently engaged via a contract which will cease on 31 December 2021 and will transition to a standard Silk Executive Employment Service Agreement (inclusive of a 6 month notice period) on 1 January 2022.

5. Other Disclosures & Shareholdings

Share-based compensation

Issue of Shares

There were no shares issued to directors and other key management personnel as part of compensation during the period ended 27 June 2021.

Options and Rights

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 27 June 2021.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the period ended 27 June 2021.

Subsequent to the period end there were options issued to key management personnel as outlined under "Senior Executive Remuneration Framework" within this Remuneration Report.

KMP Shareholdings

Shareholdings at Year End

The number of ordinary shares in the Company held during the financial period ended 27 June 2021 by each Key Management personnel are set out below:

Table 8

Name	Balance at start of period	Received during the period on exercise of options	Purchases or other additions	Sale	Balance at the end of period
Non-Executive Directors					
Terry Sinclair	–	–	–	–	–
Stephen Moulton	–	–	–	–	–
Executives					
Brendan Boyd[1]	10,751,794	–	–	–	10,751,794
John Sood[1]	10,751,794	–	50,000	–	10,801,794
Brendon Pentland	–	–	–	–	–

1. This reflects the share consolidation (ratio of 2.1938:1) and share split (ratio of 1:32.3155) that occurred immediately prior to Admission to the ASX.

Rights and Option Holdings at Year end

There were no key management personnel Rights or Option Holdings during the year ended 27 June 2021.

Equity Holdings as at the date of this report

The relevant interest of each Director in the shares and performance rights of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, as at the date of this report is as follows:

Table 9

Directors	Ordinary Shares	Options over Ordinary Shares[1]
Terry Sinclair	–	509,193
Stephen Moulton	–	342,846
Brendan Boyd	10,751,794	277,244
John Sood	10,801,794	166,346
Brendon Pentland	25,000	266,346

1. All options over ordinary shares held at the date of this report were issued subsequent to the year ended 27 June 2021.

THIS IS THE END OF THE REMUNERATION REPORT (AUDITED)

Shares under option

Unissued ordinary shares of Silk Logistics Holdings Limited under option at the date of this report are as follows:

Table 10

Grant date	Expiry date	Exercise price	Number under option
9 July 2021	9 July 2025	$1.60	672,039
9 July 2021	9 July 2026	$1.60	842,822
9 July 2021	9 July 2027	$0.00	590,000
			2,104,861

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Silk Logistics Holdings Limited were issued during the period ended 27 June 2021 and up to the date of this report on the exercise of options granted:

Table 11

Date options granted	Exercise price	Number of shares issued
9 July 2021	$0.00	137,500

Environmental regulations

The consolidated entity's operations are regulated by environmental regulations under laws of the Commonwealth or of a State or Territory.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Non-audit services provided during the financial period by the auditor consisted of tax compliance and advisory services.

Officers of the company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

Rounding of amounts

The company is a company of a kind referred to in *ASIC Corporations ((Rounding in Financials/Directors Reports) Instrument 2016/191*, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in this director's report are rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

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

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

On behalf of the directors

Terry Sinclair
26 August 2021

Auditor’s Independence Declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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26 August 2021

The Board of Directors
Silk Logistics Holdings Limited
850 Lorimer Street
PORT MELBOURNE VIC 3207

Dear Directors

Silk Logistics Holdings Limited (formerly Marrakech Road Pty Ltd)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Silk Logistics Holdings Limited.

As lead audit partner for the audit of the financial statements of Silk Logistics Holdings Limited for the financial year ended 27 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the period ended 27 June 2021

	Note	Consolidated 52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Revenue	5	323,312	251,492
Other income	6	597	427
Expenses			
Employee benefits expense	7	(69,701)	(64,547)
Subcontractors and labour agency expenses		(96,370)	(69,864)
Fleet and material handling equipment expenses		(20,360)	(20,734)
Occupancy expense		(8,799)	(8,196)
Other transport & warehousing expenses		(59,199)	(34,945)
Administration expense		(8,272)	(10,046)
Finance costs	7	(8,812)	(9,126)
Depreciation and amortisation expense	7	(36,763)	(39,677)
Change in measurement of deferred contingent consideration		(667)	(500)
IPO related expenses		(2,687)	–
Profit/(loss) before income tax (expense)/benefit		**12,279**	**(5,716)**
Income tax (expense)/benefit	8	(3,890)	1,392
Profit/(loss) after income tax (expense)/benefit for the period attributable to the owners of Silk Logistics Holdings Limited		**8,389**	**(4,324)**
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to the owners of Silk Logistics Holdings Limited		**8,389**	**(4,324)**

		Cents	Cents
Basic earnings per share	37	37.28	(19.51)
Diluted earnings per share	37	12.38	(19.51)

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

Consolidated Statement of Financial Position

As at 27 June 2021

		Consolidated	
	Note	27 June 2021 $'000	28 June 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	9	25,264	19,820
Trade and other receivables	10	47,705	36,746
Current tax assets	11	–	246
Other current asset	12	3,703	2,951
Total current assets		76,672	59,763
Non-current assets			
Property, plant and equipment	13	13,281	15,864
Right-of-use assets	14	156,729	173,451
Intangibles	15	34,272	33,841
Deferred tax	16	11,212	8,746
Other non-current assets		136	–
Total non-current assets		215,630	231,902
Total assets		292,302	291,665
Liabilities			
Current liabilities			
Trade and other payables	17	29,820	23,293
Borrowings	18	8,000	26,000
Lease liabilities	19	34,820	30,485
Current tax liabilities	20	5,032	–
Provisions	21	10,500	7,718
Deferred revenue	22	–	297
Other financial liabilities	23	6,000	5,333
Total current liabilities		94,172	93,126
Non-current liabilities			
Borrowings	18	8,000	–
Lease liabilities	19	144,004	161,202
Provisions	21	3,286	2,926
Total non-current liabilities		155,290	164,128
Total liabilities		249,462	257,254
Net assets		42,840	34,411
Equity			
Issued capital	24	52,226	52,186
Reserves		(24,453)	(24,453)
Retained profits		15,067	6,678
Total equity		42,840	34,411

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

Consolidated Statement of Changes in Equity

for the period ended 27 June 2021

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	32,275	(24,453)	11,002	18,824
Loss after income tax benefit for the period	–	–	(4,324)	(4,324)
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	(4,324)	(4,324)
Issued capital	20,000	–	–	20,000
Share issue cost, net of tax	(89)	–	–	(89)
Balance at 28 June 2020	52,186	(24,453)	6,678	34,411

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 29 June 2020	52,186	(24,453)	6,678	34,411
Profit after income tax expense for the period	–	–	8,389	8,389
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	8,389	8,389
Issued capital	40	–	–	40
Balance at 27 June 2021	52,226	(24,453)	15,067	42,840

The reserves balance relates to a share buy-back undertaken in the financial period ended June 2017.

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

Consolidated Statement of Cash Flows

for the period ended 27 June 2021

		Consolidated	
	Note	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		346,485	274,082
Payments to suppliers and employees (inclusive of GST)		(288,859)	(225,666)
		57,626	48,416
Interest received		121	33
Interest and other finance costs paid		(8,774)	(8,891)
Tax (paid)/receipts		(945)	588
Net cash from operating activities	35	48,028	40,146
Cash flows from investing activities			
Payment for business acquisitions	33	–	(36,555)
Payments for property, plant and equipment, and software	13, 15	(2,953)	(2,763)
Proceeds from disposal of property, plant and equipment		696	2,296
Net cash used in investing activities		(2,257)	(37,022)
Cash flows from financing activities			
Proceeds from issue of equity	24	40	20,000
Share issue transaction costs		–	(127)
Initial public offer costs		(920)	–
Proceeds from borrowings		–	15,000
Repayment of borrowings		(10,000)	(3,000)
Repayment of lease liabilities		(29,447)	(25,801)
Net cash (used in)/from financing activities		(40,327)	6,072
Net increase in cash and cash equivalents		5,444	9,196
Cash and cash equivalents at the beginning of the financial period		19,820	10,624
Cash and cash equivalents at the end of the financial period	9	25,264	19,820

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

Notes to the Consolidated Financial Statements

For The Period Ended 27 June 2021

Note 1. General information

The financial statements cover Silk Logistics Holdings Limited as a consolidated entity consisting of Silk Logistics Holdings Limited and the entities it controlled at the end of, or during, the 52 weeks ended 27 June 2021. The financial statements are presented in Australian dollars, which is Silk Logistics Holdings Limited's functional and presentation currency.

Silk Logistics Holdings Limited (the "company") is a listed public company limited by shares incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Unit 3, 850 Lorimer Street, Port Melbourne VIC 3207	Unit 3, 850 Lorimer Street, Port Melbourne VIC 3207

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2021.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit entities. This is the Group's first set of consolidated financial statements that comply with Australian Accounting Standards. AASB 1, First-time Adoption of Australian Accounting Standards, sets out the transitional rules for when the Australian Accounting Standards are applied for the first time. The Group is required to select accounting policies in accordance with Australian Accounting Standards valid at its first reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. The Group did not elect to use any optional exemptions. There was no material impact to the transition given that recognition and measurements applied were in line with Australian Accounting Standards. The accounting policies set out below have been applied in preparing the financial statements for the periods ended 27 June 2021 and 28 June 2020.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new and revised Standards and amendments thereof and Interpretations that became effective for the current period were applicable or material to the Group.

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing software-as-a-service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing controlled systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

In response to this agenda decision, the Group reviewed the status of such arrangements and concluded that there was no material impact on the Group.

Standard/Amendment

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

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 and financial assets at fair value through other comprehensive income.

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Working capital deficiency

At reporting date, the consolidated entity reported a deficiency in current assets compared to current liabilities of $17,500,000 (June 2020: $33,363,000). This deficiency was due to lease liabilities of $34,820,000, which are classified as current liabilities, whilst the corresponding right-of-use assets are classified as non-current, and a current deferred contingent consideration of $6,000,000. The payment of these current lease liabilities will continue to be paid from operating cash flows, and the cash flow forecast for the forthcoming twelve months indicates sufficient cash generation for the Group to meet its financial obligations as and when they arise. Subsequent to reporting date, on completion of the Company's IPO, the deferred contingent consideration of $6,000,000 was converted to equity and did not require cash to settle this liability.

At the date of this report and having considered the above factors the Directors are confident that the company will be able to continue as a going concern.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silk Logistics Holdings Limited ('company' or 'parent entity') as at 27 June 2021 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'), identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The Group's reportable segments under AASB 8 *Segment Reporting* are:

- Port Logistics – provision of wharf cartage services to customers
- Contract Logistics – provision of warehousing and related transport services to customers

Information regarding these segments is set out in note 4.

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 over 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 volume of goods stored), warehouse handling activities (recognised at a point in time) and transport 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.
- 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 AASB 15, 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 fair value through other comprehensive income (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 fair value through profit or loss (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.

Notes to the Consolidated Financial Statements
continued

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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days end of month.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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 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 present value 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 21 days of recognition.

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.

Finance costs

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

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 liability 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 acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer 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.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 and preference shares, by the weighted average number of ordinary and preference shares outstanding during the financial period, adjusted for bonus elements in ordinary and preference shares issued during the financial period.

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 and preference shares.

Due to changes in the Company's share structure in the current period – refer to note 24 – the number of shares on issue after the share consolidation and split has been applied to the current and comparative period for the purpose of calculating basic and diluted earnings per share.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Silk Logistics Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The Group did not have any foreign operations in the current of prior financial periods.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Property, plant and equipment

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular period will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future periods.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of employee entitlements at reporting date:

- future increases in salaries and wages;
- future on cost rates; and
- experience of employee departures and period of service.

Provision for expected credit losses

Management's judgement is applied in determining the provision for doubtful debts in accordance with note 2.

Classification of preference shares

Management's judgement is applied in determining whether there is any obligation for the Company to deliver cash or another financial asset as part of the preference share arrangement. Further information on the terms of the preference shares is summarised in note 24.

Lease term and incremental borrowing rate

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements, and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

In addition, at the commencement of a lease the incremental borrowing rate is utilised in order to measure the present value of the lease payments to be made. The incremental borrowing rate is a function of both the aforementioned lease term and the credit risk of the company. Judgement is required in determining such rates.

Intangible asset carrying values

In determining value in use, and assessing whether the carrying value of intangibles assets is impaired, judgement is required to establish a range of factors including financial performance over the forthcoming five-year period, expected future growth rates (revenue and cost base), discount rate and terminal values. The factors selected for input into the calculation model are based on market knowledge, economic outlook, long-term bond yields, and certain industry and company specific risk ratings using external agency consensus benchmarks.

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: Port Logistics (being the transport of shipping containers) and Contract Logistics (warehousing operations and distribution services). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

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

Intersegment transactions

No intersegment transactions are included in segment results presented below.

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity does not have a major customer that contributes more than 10% or more to the consolidated entity's revenue.

Notes to the Consolidated Financial Statements
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Operating segment information

	Port Logistics $'000	Contract Logistics $'000	Corporate^ $'000	Total $'000
Consolidated – June 2021				
Revenue				
Sales to external customers	203,183	120,129	–	323,312
Total revenue	203,183	120,129	–	323,312
Other income	468	129	–	597
Segment operating expenses	(178,315)	(85,172)	(2,687)	(266,174)
EBITDA	25,336	35,086	(2,687)	57,735
Depreciation & amortisation expense	(14,166)	(22,597)	–	(36,763)
EBIT	11,170	12,489	(2,687)	20,972
Finance cost	(2,746)	(5,947)	–	(8,693)
Profit/(Loss) before income tax benefit	8,424	6,542	(2,687)	12,279
Consolidated – June 2020				
Revenue				
Sales to external customers	150,202	101,290	–	251,492
Total revenue	150,202	101,290	–	251,492
Other income	362	65	–	427
Segment operating expenses	(136,644)	(72,188)	–	(208,832)
EBITDA	13,920	29,167	–	43,087
Depreciation & amortisation expense	(12,564)	(27,113)	–	(39,677)
EBIT	1,356	2,054	–	3,410
Finance cost	(2,150)	(6,976)	–	(9,126)
Profit/(Loss) before income tax benefit	(794)	(4,922)	–	(5,716)
Consolidated – June 2021				
Current assets	51,367	24,806	499	76,672
Non-current assets	74,246	141,249	135	215,630
Total assets	125,613	166,055	634	292,302
Current liabilities	47,080	45,619	1,473	94,172
Non-current liabilities	30,381	124,909	–	155,290
Total liabilities	77,461	170,528	1,473	249,462
Consolidated – June 2020				
Current assets	38,485	21,278	–	59,763
Non-current assets	66,931	164,971	–	231,902
	105,416	186,249	–	291,665
Current liabilities	55,537	37,589	–	93,126
Non-current liabilities	11,303	152,825	–	164,128
	66,840	190,414	–	257,254

^ Corporate expenses, assets and liabilities are related to the IPO.

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

The accounting policies of the reportable segments are the same as the Group's accounting policies

Segment earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest and tax (EBIT) represents the profit/(loss) earned by each segment including the allocation of the share of corporate overhead costs including directors' salaries, non-operating gains and losses in respect of financial instruments and finance costs. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

Note 5. Revenue

Revenue from contracts with customers is categorised into the reportable segments disclosed below. Revenue is recognised when the performance obligations are delivered at point in time except for port logistics and storage services which are recognised over time. Once a contract has been executed, the Group has an enforceable right to payment for work completed to date.

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Port logistics	203,183	150,527
Distribution	18,058	9,675
Storage	40,435	37,108
Handling	61,636	54,182
Revenue	323,312	251,492

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Timing of revenue recognition		
Goods transferred at a point in time	79,694	63,857
Services transferred over time	243,618	187,635
	323,312	251,492

Note 6. Other income

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Interest income	121	53
Profit from sale of property, plant and equipment	472	170
Other income	4	204
Other income	597	427

Note 7. Expenses

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation and amortisation		
Plant and equipment and intangible assets	4,818	7,143
Land and buildings and plant and equipment right-of-use assets	31,945	32,534
Total depreciation	36,763	39,677
Finance costs		
Bank fees	23	24
Amortisation of borrowing costs	–	87
Interest expense – debt	1,188	1,580
Interest expense – leases	7,601	7,435
Finance costs expensed	8,812	9,126
IPO related expenses	2,687	–
Employee benefits expense		
Salaries, wages and fees	55,400	50,949
Superannuation	4,533	4,367
Employee entitlements	5,500	5,218
Other employee benefits expense	4,268	4,013
Total employee benefits expense	69,701	64,547

IPO related expenses consists of the costs incurred in relation to the IPO proportionally allocated to either profit and loss or equity based on the quantum of the secondary raise ($60.0 million) or primary raise ($10.0 million) respectively. Total IPO costs (pre-tax) are expected to be $9.4 million, consisting of cash costs $7.4 million and share based payments of $2.0 million. Due to ASX listing date being post period-end (9 July 2021), and conditions associated with services provided, in the current financial period certain costs are expensed through profit or loss or, for the equity portion, deferred on balance sheet. IPO costs charged to profit in the current period were $2.7 million (pre-tax) and equity-allocated costs of $0.4 million (pre-tax) are held on balance sheet as other current assets.

Note 8. Income tax expense/(benefit)

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Income tax expense/(benefit)		
Current tax	6,317	1,410
Deferred tax – origination and reversal of temporary differences	(2,395)	(2,802)
Under statement of prior period income tax expense	(32)	–
Aggregate income tax expense/(benefit)	3,890	(1,392)
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 16)	(2,466)	(2,802)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax expense/(benefit)	12,279	(5,716)
Tax at the statutory tax rate of 30%	3,683	(1,715)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	39	36
Non-deductible acquisition-related costs	200	331
Under statement of prior period tax provision	(32)	(56)
Other	–	12
Income tax expense/(benefit)	3,890	(1,392)

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Amounts charged directly to equity		
Deferred tax assets (note 16)	–	343

Note 9. Cash and cash equivalents

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Cash at bank and in hand	25,264	19,820

Note 10. Trade and other receivables

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Trade receivables	46,183	36,953
Less: Allowance for expected credit losses	(600)	(467)
	45,583	36,486
Other receivables	2,122	260
	47,705	36,746

Notes to the Consolidated Financial Statements
continued

The average credit period on sales of services is 30 days end of month. Generally, no interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Allowance for expected credit losses

The consolidated entity has recognised a loss of $172,000 (June 2020: $176,000) in profit or loss in respect of the expected credit losses for the period ended 27 June 2021.

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	27 June 2021 %	28 June 2020 %	27 June 2021 $'000	28 June 2020 $'000	27 June 2021 $'000	28 June 2020 $'000
Not overdue	0.2%	0.4%	43,466	25,206	93	99
0 to 3 months overdue	3.0%	0.7%	2,089	11,430	62	80
3 to 6 months overdue	27.9%	2.4%	111	–	31	–
Over 6 months overdue	80.1%	90.9%	517	317	414	288
			46,183	36,953	600	467

Note 11. Current tax assets

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Current tax assets	–	246

Note 12. Other current asset

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Prepayments	2,064	1,472
Accrued Income	1,172	1,436
Inventory	145	36
Other assets	322	7
	3,703	2,951

Accrued income is recognised in the port logistics segment to account for revenue earned from the movement of shipping containers which remain unbilled to customers at period end. The services provided for the collection and movement of containers attract costs which are recognised in the period they are incurred. Revenue attributable to the services provided can be reliably measured based on agreed rates per containers. Further, accrued income is recognised in respect of unbilled warehousing storage costs.

Note 13. Property, plant and equipment

	Consolidated	
	27 June 2021 $'000	**28 June 2020 $'000**
Plant and equipment – at cost	25,682	26,528
Less: Accumulated depreciation	(12,401)	(10,664)
	13,281	15,864

Reconciliations

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

	Plant & Equipment $'000	Fixtures & Fittings $'000	Total $'000
Cost			
Balance at 1 July 2019	29,949	1,081	30,030
Additions	2,666	26	2,692
Disposals	(6,163)	(31)	(6,194)
Balance at 28 June 2020	25,452	1,076	26,528
Balance at 28 June 2020	25,452	1,076	26,528
Additions	1,989	4	1,993
Disposals	(2,839)	–	(2,839)
Balance at 27 June 2021	24,602	1,080	25,682
Accumulated depreciation			
Balance at 1 July 2019	(7,327)	(879)	(8,206)
Depreciation	(6,717)	(109)	(6,826)
Disposals	4,337	31	4,368
Balance at 28 June 2020	(9,707)	(957)	(10,664)
Balance at 28 June 2020	(9,707)	(957)	(10,664)
Depreciation	(4,313)	(40)	(4,353)
Disposals	2,616	–	2,616
Balance at 27 June 2021	(11,404)	(997)	(12,401)
Carrying value			
As at 28 June 2020	15,745	119	15,864
As at 27 June 2021	13,198	83	13,281

Note 14. Right-of-use assets

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Land and buildings – right-of-use	188,180	176,326
Less: Accumulated depreciation	(50,385)	(26,993)
	137,795	149,333
Plant and equipment – right-of-use	30,948	29,943
Less: Accumulated depreciation	(12,014)	(5,825)
	18,934	24,118
	156,729	173,451

Reconciliations

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

	Land and buildings – right-of-use $'000	Plant and equipment – right-of-use $'000	Total $'000
Cost			
Balance at 1 July 2019 (on adoption)	118,795	18,148	136,943
Additions	57,750	11,795	69,545
Disposals	(219)	–	(219)
Balance at 28 June 2020	176,326	29,943	206,269
Balance at 28 June 2020	176,326	29,943	206,269
Additions	13,824	2,545	16,369
Disposals	(1,970)	(1,540)	(3,510)
Balance at 27 June 2021	188,180	30,948	219,128
Accumulated amortisation			
Balance at 1 July 2019 (initial make good)	–	–	–
Amortisation	(27,058)	(5,825)	(32,883)
Disposals	65	–	65
Balance at 28 June 2020	(26,993)	(5,825)	(32,818)
Balance at 28 June 2020	(26,993)	(5,825)	(32,818)
Amortisation	(25,364)	(6,869)	(32,233)
Disposals	1,972	680	2,652
Balance at 27 June 2021	(50,385)	(12,014)	(62,399)
Carrying value			
As at 28 June 2020	149,333	24,118	173,451
As at 27 June 2021	137,795	18,934	156,729

The Group enters into leases of property (predominantly warehouses and shipping container hardstands), fleet assets (prime movers and trailers) and material handling equipment (mainly reachstackers and forklifts). At 27 June 2021 the average remaining lease term is 3 years (2020: 3.8 years). The Group's obligations are secured by the lessors' title to the leased assets for such leases. The Group exited two property leases in the current financial period as part of its site consolidation initiative in Western Australia. Several short-term leases (12-18 month terms) have been entered into in the current period to accommodate customer demand and provide operating flexibility, and several leases extended or expected to extend in accordance with lease option periods. None of the short-term leases or option period leases are individually significant in respect of contribution to the property right-of-use asset portfolio value. Additions to right-of-use assets were $13.8 million in 2021 (2020: $57.8 million).

The Group has approximately 450 assets under operating lease. These individual assets operate under master lease agreements and lease terms generally range from 5 – 7 years, with cyclical lease periods planned to ensure the Group operates an optimal mix of modern and efficient fleet of assets. The incremental borrowing rates applicable to the leases are in the range of 4.0% – 5.0% (2020: 4.0% – 5.0%). During any 52-week period, the Group will exit and replace equipment on a regular basis, depending on a number of factors including property lease portfolio, customer demand, customer stock keeping unit changes, customer business models, changes in operating methods and availability of equipment supplier stock. To retain a flexible business model and respond to customer requirements, the Group maintains its equipment portfolio on a mixture of fixed lease and casual lease terms.

The maturity analysis of lease liabilities is presented in note 19.

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Depreciation expense on right-of-use assets	31,945	32,534
Interest expense on lease liabilities	7,601	7,435
Expense relating to short-term leases	5,268	4,895
Expense relating to leases of low value assets	191	308
Income from sub-leasing right-of-use assets	(118)	(20)

Note 15. Intangibles

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Goodwill	33,063	33,063
Software – at cost	4,446	3,486
Less: Accumulated amortisation	(3,237)	(2,708)
	1,209	778
	34,272	33,841

Reconciliations

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

	Goodwill $'000	Software $'000	Total $'000
Cost			
Balance at 1 July 2019	33,063	2,731	35,794
Additions	–	755	755
Disposals	–	–	–
Balance at 28 June 2020	33,063	3,486	36,549
Balance at 28 June 2020	33,063	3,486	36,549
Additions	–	960	960
Disposals	–	–	–
Balance at 27 June 2021	33,063	4,446	37,509
Accumulated depreciation			
Balance at 1 July 2019	–	(2,391)	(2,391)
Depreciation	–	(317)	(317)
Disposals	–	–	–
Balance at 28 June 2020	–	(2,708)	(2,708)
Balance at 28 June 2020	–	(2,708)	(2,708)
Depreciation	–	(529)	(529)
Disposals	–	–	–
Balance at 27 June 2021	–	(3,237)	(3,237)
Carrying value			
As at 28 June 2020	33,063	778	33,841
As at 27 June 2021	33,063	1,209	34,272

Goodwill is attributable to business acquisitions completed in prior financial periods and has been allocated entirely to the port logistics segment (cash generating unit or CGU) due to the nature of the businesses acquired. Goodwill is considered to have an indefinite useful life due to the on-going cash generation attributable to the CGU and its recoverable value is assessed annually on a value-in-use (VIU) discounted cash flows basis. The key bases and assumptions on which VIU is determined includes most recent budget or forecast for the CGU, projections of financial performance over the future 5-year period which include revenue growth rates, profit margin, changes in working capital and capital expenditure based on historical and expected future trends (referenced against industry projections). CGU growth rate is estimated to be 5.0% (2020: 4.0%) and the discount rate applied against future cash flows is 12.2% (2020: 15.1%). Terminal growth rate is 2.5% (2020: 2.5%).

Note 16. Deferred tax

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Receivables and prepayments	(233)	(148)
Property, plant and equipment	–	(66)
Make good assets	(551)	(348)
Provision for lease make good	1,017	794
Provisions	2,591	2,255
Accrued expenses and other payables	1,545	769
Deferred revenue	89	89
Lease liabilities	52,133	56,323
Right of use assets	(46,388)	(51,535)
Blackhole expenditure	1,009	613
Deferred tax asset	11,212	8,746
Movements:		
Opening balance	8,746	6,287
Credited to profit or loss (note 8)	2,331	2,802
Credit charged to deferred costs (balance sheet) (note 8)	135	–
Charged to equity (note 8)	–	(343)
Closing balance	11,212	8,746

Note 17. Trade and other payables

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Trade payables	16,061	10,810
Employee and related payables	4,207	2,358
GST	766	869
Property related and other payables	6,387	9,256
IPO related payables	2,399	–
	29,820	23,293

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 21 days. No interest is charged by supplier on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates their fair value.

Refer to note 26 for further information on financial instruments.

Note 18. Borrowings

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
External borrowings – secured	16,000	26,000

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
External borrowings – current	8,000	26,000
External borrowings – non current	8,000	–
	16,000	26,000

Refer to note 26 for further information on financial instruments.

The loan outstanding at 27 June 2021 was used to acquire businesses in prior periods (fully drawn amount of $26.0 million). Under the finance facility agreement (revised in June 2020) amortising repayments are not due unless certain financial undertakings are not met for a defined period of time. There were no periods of non-compliance with the financial undertakings in the facility agreement in the current period. Fixed and floating charges are provided by the Group in respect to the financing facility.

The term of the debt facilities has been extended until 31 December 2022 with revised financial undertakings.

Repayments made in the current financial period were $10.0 million (2020: $3.0 million).

As at 27 June 2021, $8.0 million of the external borrowings were classified as current due to the intended repayment following completion of the IPO offer as stated in the prospectus. This $8.0 million repayment was made on 7 July 2021.

The remaining borrowings of $8.0 million were classified as non-current and are subject to a debt facility expiring on 31 December 2022.

Total secured liabilities

The total secured liabilities are as follows:

The loan bears interest at variable market rates and is repayable by 31 December 2022. Amortising repayments amounting to $10.0 million (2020: $3.0 million) were made in line with agreed repayment terms that existed during the current financial period.

The loan carries interest rate at 2.9% above 90-day bank bill swap bid rate (BBSY). The weighted average interest rate in the period was 3.40%.

The bank facility includes a bank guarantee facility of $13.0 million which is used as security against certain leased premises. At 27 June 2021, $11.8 million of the facility has been utilised. The utilised portion of the facility attracts a bank guarantee margin at 2.9% per annum, whilst the unutilised amount is charged at 50% of the bank guarantee margin.

During the prior financial period, the Group breached two components of its financial undertakings in the facility agreement in respect of the quarters ended March 2020 and June 2020. The breaches were due to: (i) lower than expected earnings calculated on a last twelve-month basis; (ii) non-payment of March amortising repayment to preserve cash for the unknown impacts of COVID-19 at that time. There have been no breaches in the current reporting period.

Subsequent to period end the finance facilities that existed as at period end have been replaced by new facilities. Refer to note 34.

Note 19. Lease liabilities

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Lease liability – current	34,820	30,485
Lease liability – non current	144,004	161,202
	178,824	191,687

The carrying value of lease liabilities is determined based on cash cost and term of leases, with future lease payments discounted to present value using the Group's assessed incremental borrowing rate.

Maturity analysis of total discounted lease liabilities as at the reporting date are as follows:

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
1 year or less	34,820	30,485
Between 1 and 2 years	31,801	31,982
Between 2 and 5 years	65,531	82,470
Over 5 years	46,672	46,750
	178,824	191,687

Refer to note 26 for further information on financial instruments.

Note 20. Current tax liabilities

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Provision for income tax	5,032	–

Note 21. Provisions

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Provisions – current		
Employee benefits	8,040	6,533
Onerous lease	–	150
Make good provisions	810	810
Other provisions	1,650	225
	10,500	7,718
Provisions – non-current		
Employee benefits	704	1,089
Make good provisions	2,582	1,837
	3,286	2,926

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	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Total provisions	13,786	10,644

Make good provision represents the estimated cost the Company will incur on termination of property leases in accordance with lease terms. The provision movement in the period of $745,000 was due to additional make good costs recognized of $916,000 and finance charges of $39,000 less make good costs paid $210,000. The movement for the 52-weeks ended 28 June 2020 of $1,264,000 was due to additional make good costs recognised of $746,000, amounts recognised through business combinations $486,000 and finance charges $32,000. No make good payments were made in the prior period.

Other provisions charge in the period was $1,425,000 (2020: $225,000). No payments or other movements were recognised against other provisions in the current or previous period.

Note 22. Deferred revenue

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Deferred revenue	–	297

Note 23. Other financial liabilities

	Consolidated	
	27 June 2021 $'000	28 June 2020 $'000
Deferred contingent consideration	6,000	5,333

Deferred contingent consideration relates to the acquisition of Rocke Brothers Pty Ltd on 5 August 2019.

The transaction included contingent deferred consideration of up to $6.0 million depending on the value realised by the principal shareholders of the Group in the event that the directors enter into a contractually binding liquidity event (exit) prior to 30 June 2022 and complete the exit prior to 31 December 2022. The payment is not contingent on the on-going employment or services of the vendors in the business and accordingly is considered by management to be akin to consideration for the Enterprise (rather than remuneration) under AASB 3 *'Business Combinations'*. Under the sale agreement, if the liquidity event was in the form of an initial public offering, the vendor could elect to redeem the deferred contingent consideration in either cash or shares.

In the prior period, to determine the fair value of the deferred contingent consideration, management prepared a Monte Carlo valuation model and arrived at a valuation of $5.35 million (remeasured to $5.33 million at June 2020). The model simulates a series of potential exit multiples, timings and pay-offs to the vendor using a random normal distribution.

The primary model assumptions are that on acquisition of Rocke Brothers Pty Ltd the consolidated group had an EV valuation of greater than the highest hurdle and that the probability of a liquidity events in FY20, FY21 and FY22 were 0%, 33.3% and 66.6% accordingly. At December 2020, the expected Group EV valuation remained greater than the highest hurdle and the probability of a liquidity event was revised. Accordingly, the deferred contingent consideration had been revalued to $6.0 million at 27 December 2020 and had not been discounted due to the near-term timing of the expected exit event. As at 27 June 2021 the valuation remained unchanged at $6.0 million and the vendors had elected to redeem the deferred contingent consideration in shares as part of the IPO. Consequently, on realisation of this liability (on ASX listing date), the deferred contingent consideration will be reclassified from liabilities to contributed equity.

Note 24. Issued capital

	Consolidated			
	27 June 2021 Shares	28 June 2020 Shares	27 June 2021 $'000	28 June 2020 $'000
Ordinary shares – fully paid	22,506,532	1,504,738	5,000	4,960
Preference shares – fully paid	45,255,430	1,400,404	47,226	47,226
	67,761,962	2,905,142	52,226	52,186

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	29 June 2020	1,504,738		4,960
Shares issued during the period	1 July 2020	23,138	$1.75	40
Share consolidation (2.1938:1)	6 June 2021	(1,527,876)	–	–
Share consolidation (2.1938:1)	6 June 2021	696,462	–	–
Share split (1: 32.3155)	6 June 2021	(696,462)	–	–
Share split (1: 32.3155)	6 June 2021	22,506,532	–	–
Balance	27 June 2021	22,506,532	–	5,000

Movements in Preference share capital

Details	Date	Shares	Issue price	$'000
Balance	29 June 2020	1,400,424		47,226
Share split (1: 32.3155)	6 June 2021	(1,400,424)	–	–
Share split (1:32.3155)	6 June 2021	45,255,430	–	–
Balance	27 June 2021	45,255,430	–	47,226

The changes to the Company's share structure in the current year were to establish a capital structure to support the IPO, consisting of an ordinary share consolidation, and ordinary share and preference share split. Subsequent to period end, and to facilitate the allocation of shares offered under the IPO, the preference shares were converted to ordinary shares on a one-for-one basis on 6 July 2021.

Ordinary shares

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

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

Convertible preference shares (CPS)

CPS were originally issued at $46.81 per share (437,937 shares). The CPS are classified as equity on the basis that they cannot be redeemed by the Holder and there are no mandatory repayment obligation features (principal or interest). To the extent CPS are entitled to dividends they will only be declared and paid with Board of Director discretion. Furthermore, CPS will convert to ordinary shares on a one-for-one basis at certain Board of Director controlled liquidity events.

Convertible redeemable preference shares (CRPS)

CRPS were originally issued at $51.3772 per share (962,487 shares). The rights, privileges and conditions attached to the CRPS are the same as CPS other than redemption rights. Redemption of CRPS only occurs at certain Board of Director controlled liquidity events.

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity will continue to assess investments which create shareholder value.

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

Note 25. Dividends

There were no dividends paid in the current or previous financial period. Refer note 34.

Note 26. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates manages financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity is not exposed to foreign currency risk through foreign exchange rate fluctuations.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from short-term and long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. Due to the low interest margin outlook in the next 2 years, the company considers interest rate risk to be low and maintains borrowings on variable interest basis.

For the consolidated entity the bank loans outstanding, totalling $16.0 million (2020: $26.0 million), are principal and interest payment loans. Throughout the current financial period, cash outlays of approximately $0.2 million (2020: $0.25 million) per quarter are required to service the interest payments. An official increase/decrease in interest rates of 25 basis points would have an adverse/favourable effect on profit before tax of $52,500 (2020: $65,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits where considered applicable. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral, however under its terms of business, retains the right to exercise a lien over its customers products where certain conditions apply.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity does not have a significant credit risk exposure with any identified customers as at reporting date. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

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

Note 27. Key management personnel disclosures

Directors

The following persons were directors of Silk Logistics Holdings Limited during the financial period:

Mr Terry Sinclair (Chairman, Non-Executive Director)
Mr Brendan Boyd (Managing Director, Chief Executive Officer)
Mr John Sood (Director and Chief Customer Officer)
Mr Stephen Moulton (Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Mr Brendon Pentland (Chief Financial Officer) (appointed from 1 July 2020)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	52 weeks ended 27 June 2021 $	52 weeks ended 28 June 2020 $
Short-term employee benefits	2,066,569	809,029
Post-employment benefits	46,003	27,529
Long-term employee benefits	17,739	21,304
	2,130,311	857,862

Note 28. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by, the auditor of the company:

	Consolidated	
	52 weeks ended 27 June 2021 $	52 weeks ended 28 June 2020 $
Audit services –		
Audit or review of the financial statements	359,750	171,000
Other services –		
Tax compliance services	62,500	115,052
Tax advisory services	81,598	45,408
Corporate advisory services	–	55,000
	144,098	215,460
	503,848	386,460

Note 29. Contingent liabilities

As at the date of this report, the Group has provided security for bank guarantees to the value of $11.8 million which have been issued by its financier to landlords of properties that the Group leases for the purpose of conducting its business. Refer note 18.

Note 30. Related party transactions

Parent entity

Silk Logistics Holdings Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

During the period, the Group utilised the services of Danaher Moulton for legal advice to the value of $130,681. Stephen Moulton (appointed as director on 14 July 2020) is a partner of Danaher Moulton and is the principal contact for the Group.

Receivable from and payable to related parties

There were no trade receivables from related parties at the current and previous reporting date.

Other than amounts owed to Danaher Moulton of $10,000 (June 2020: $20,000) there were no trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

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

Note 31. Controlled Entities

Details of controlled entities at the end of the reporting period are as follows:

Name of Entity	Country of incorporation	Ownership % 2021	Ownership % 2020
Controlled entities			
Hoffman SPV Pty Ltd	Australia	100	100
R Hoffman & Co Pty Ltd	Australia	100	100
Kagan SPV Pty Ltd	Australia	100	100
Kagan Bros. Storage Pty Ltd	Australia	100	100
Kagan Bros. (VIC) Pty Ltd	Australia	100	100
Silk Contract Logistics Pty Ltd	Australia	100	100
Marrakech Lane Pty Ltd	Australia	100	100
Container Swinglift Services Pty Ltd	Australia	100	100
Flincept Pty Ltd	Australia	100	100
L&M Scott Haulage Pty Ltd	Australia	100	100
Rocke Brothers Pty Ltd	Australia	100	100

The company and all of its wholly owned subsidiaries have entered into a deed of cross guarantee with Silk Logistics Holdings Limited pursuant to ASIC Corporations (wholly owned Companies) Instrument 2016/785 and are relieved from the requirement to individually prepare and lodge audited financial statements. This deed of cross guarantee was entered into on 20 December 2019. All wholly owned subsidiaries have a financial period ended 27 June 2021 (prior period: 28 June 2020).

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 52 weeks ended 27 June 2021 $'000	Parent 52 weeks ended 28 June 2020 $'000
Loss after income tax	(3,124)	(2,116)
Total comprehensive income	(3,124)	(2,116)

Statement of financial position

	Parent	
	27 June 2021 $'000	28 June 2020 $'000
Total current assets	1,456	2,089
Total assets	103,673	102,084
Total current liabilities	21,322	31,901
Total liabilities	63,778	59,105
Equity		
Issued capital	52,226	52,186
General reserve	(24,453)	(24,453)
Retained profits	12,122	15,246
Total equity	39,895	42,979

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 27 June 2021 and 28 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 27 June 2021 and 28 June 2020.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 27 June 2021 and 28 June 2020.

Significant accounting policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See note 2 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

Tax consolidation

The company and its wholly owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The company is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

Note 33. Business combinations

There were no business combination transactions during period ended 27 June 2021.

In the prior financial period ending 28 June 2020, the Company acquired Rocke Brothers Pty Ltd. Transaction costs of $1.1 million were recognised in the loss for the year. At the date of acquisition (5 August 2019), the fair value of assets and liabilities acquired were:

	Consolidated
	52 weeks ended 28 June 2020 $'000
Current assets	
Cash and cash equivalents	1,932
Trade and other receivables	8,853
Other assets	892
Total current assets at fair value	11,677
Non-current assets	
Property, plant and equipment	17,174
Right of Use assets	5,271
Deferred tax assets	381
Total non-current assets at fair value	22,826
Total assets	34,503
Liabilities	
Total liabilities	
Trade and other payables	3,395
Provisions	1,946
Lease liabilities	5,271
Total liabilities at fair value	10,612
Total identifiable net assets acquired at fair value	23,891
Goodwill arising on acquisition	
Consideration transferred	32,487
Deferred consideration	6,000
Deferred contingent consideration	5,352
Less: fair value of identifiable net assets acquired	(23,891)
Goodwill arising on acquisition	19,948
Net cash flow as presented in the cash flow statement	
Cash consideration	38,487
Less: Cash and cash equivalents on acquisition date	(1,932)
	36,555

Refer note 23 for further information on the deferred contingent consideration.

Notes to the Consolidated Financial Statements
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Note 34. Events after the reporting period

Subsequent to the end of the financial period, the events and matters set out below are relevant to the consolidated entity's future financial periods. None of the matters below are required to be reflected in the financial statements in the current reporting period and have been identified as non-adjusting subsequent events.

The Company commenced trading on the Australian Stock Exchange (ASX) under ticker code SLH on 9 July 2021 following a successful initial public offering (IPO) of its shares which raised $70.0 million. The purpose of the offer was to provide the Company with access to capital markets to improve financial flexibility for growth, provide a liquid market for its shares, repay an amount of existing debt, and provide the selling (preferential) shareholder with an opportunity for a partial selldown of its investment in the Company. The offer consisted of a primary equity raise of $10.0 million from the issue of new shares by the Company and a secondary raise of $60.0 million from existing shares with the proceeds paid to the selling shareholder. Prior to listing a sequence of equity changes were completed to establish a capital structure to support the IPO, consisting of an ordinary share consolidation, and ordinary share and preference share split – refer to note 24. On 6 July 2021 the preference shares were converted to ordinary shares on a one-for-one basis, and 8,000,000 new ordinary shares were issued (5,000,000 allocated to the primary raise at $2 per share, and 3,000,000 issued to PGA Services Pty Ltd at $2 per share on realisation of the deferred contingent consideration arising on the acquisition Rocke Brothers Pty Ltd – see note 23). The Company established an equity incentive program for executives and directors, consisting of 1,399,539 pre-IPO options and 842,822 options under its long-term incentive plan. The grant of the options occurred immediately upon listing. The total number of ordinary shares on issue at the completion of the IPO was 75,761,963, and the number of options on issue was 2,242,361.

The cash cost of the offer amounted to $7.4 million (pre-tax) and equity-settled costs $2.0 million. The costs of the offer are either expensed through profit and loss or allocated to equity based on the proportionate quantum of the secondary and primary raise respectively. IPO costs charged to profit in the current period were $2.7 million (pre-tax) and equity-allocated costs of $0.4 million (pre-tax) are held on balance sheet as other current assets. The remaining IPO costs of $6.3 million (pre-tax) will be reported in the subsequent financial period (through profit or loss $5.4 million; equity $0.9 million) and all FY21 equity allocated costs will be reclassified to share capital in the balance sheet. Refer note 7 for further details.

A pre-IPO fully franked dividend of $10.0 million was proposed on 6 June 2021, however, was conditional on the IPO completing. Completion was deemed to be on 7 July 2021 when the share allocation was finalised and the joint lead managers' underwriting agreement was signed, and at this date the dividend was effectively declared (based on shareholdings prior to the offer share allocation). Accordingly, as this event occurred subsequent to reporting date, this dividend has not been recorded in the reporting period ended 27 June 2021. The dividend was partially paid on 7 July 2021 and the balance paid on 12 July 2021.

On 7 July 2021 the Company made an $8.0 million repayment against the Westpac Banking Corporation (WBC) finance facilities that existed at period-end which reduced the outstanding loan to $8.0 million. On 2 August 2021, the Company entered into a new finance facility agreement with National Australia Bank (NAB) to replace the WBC facility. The NAB facility comprises a debt facility $8.0 million, working capital facility $8.0 million, bank guarantee facility $13.0 million, and an asset finance facility $4.0 million. The term of the debt facility, working capital facility and bank guarantee facility is two years. The asset finance facility is subject to annual review. The NAB bank debt facility was fully drawn on 2 August 2021 and was used to repay the WBC facility. The working capital facility is undrawn. The debt facility and working capital facility bear interest at a variable rate of 1.45% above (minimum) 90-day BBSY bid rate. The bank guarantee bears a fixed interest rate of 2.46% per annum; whilst the asset finance facility interest rate is set on each contract. The NAB finance facilities are subject to satisfaction of periodic financial undertakings testing. The first test date will be on the last twelve months ending 27 December 2021, and thereafter each six months based on last twelve months financial results

Apart from the above matters, no other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Note 35. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Profit/(loss) after income tax (expense)/benefit for the period	8,389	(4,324)
Adjustments for:		
Gain on sale of property, plant and equipment	(472)	(170)
Non-cash net interest expense	37	254
Non-cash net interest income	–	(20)
Remeasurement of deferred contingent consideration liability	667	481
Depreciation and amortisation	36,763	39,677
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(9,166)	(1,159)
(Increase)/decrease in other current assets	(1,189)	53
(Increase)/decrease in deferred tax assets	(2,467)	(2,527)
Increase/(decrease) in trade and other payables	7,457	5,660
Increase/(decrease) in provision for income tax	5,413	1,287
(Decrease)/increase in deferred revenue	(297)	297
Increase/(decrease) in provisions	2,893	637
Net cash from operating activities	48,028	40,146

Note 36. Changes in liabilities arising from financing activities

Consolidated	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2019	14,000	–	14,000
Non-cash changes:			
Transition	–	140,338	140,338
Acquisition of leases	–	71,879	71,879
Change through business combination	–	5,271	5,271
Net cash from/(used in) financing activities	12,000	(25,801)	(13,801)
Balance at 28 June 2020	26,000	191,687	217,687
Non-cash changes:			
Acquisition of leases	–	16,584	16,584
Net cash used in financing activities	(10,000)	(29,447)	(39,447)
Balance at 27 June 2021	16,000	178,824	194,824

Note 37. Earnings per share

	Consolidated	
	52 weeks ended 27 June 2021 $'000	52 weeks ended 28 June 2020 $'000
Profit/(loss) after income tax attributable to the owners of Silk Logistics Holdings Limited	8,389	(4,324)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	22,503,731	22,165,700
Weighted average number of ordinary and preference shares used in calculating diluted earnings per share	67,759,161	22,165,700

	Cents	Cents
Basic earnings per share	37.28	(19.51)
Diluted earnings per share	12.38	(19.51)

Due to changes in the Company's share structure in the current period – refer to note 24 – the number of shares on issue after the share consolidation and split has been applied to the current and comparative period for the purpose of calculating basic and diluted earnings per share.

The preference shares in the comparative period were considered to be anti-dilutive in nature. Therefore, the diluted earnings per share in the comparative period is based on the weighted average number of ordinary shares only.

Directors' Declaration
27 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 27 June 2021 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Terry Sinclair
26 August 2021

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Melbourne VIC 3000
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Melbourne VIC 3001 Australia

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Independent Auditor's Report to the Members of Silk Logistics Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Silk Logistics Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 27 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 27 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of the carrying value of goodwill At 27 June 2021 the Group has reported goodwill of $33,063,000 as disclosed in Note 15. The accounting policy and the significant estimates and judgements in relation to goodwill impairment testing are disclosed in Notes 2 and 3. The goodwill relates to one Cash Generating Unit ("CGU") Port Logistics where goodwill is monitored by management. The Group is required to assess the recoverability of the carrying value of goodwill at least annually. The recoverable amount of the Port Logistics CGU has been determined based on a value-in-use model, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates, and an applicable discount rate. The estimation uncertainty has increased as a result of the impact of COVID-19 on macroeconomic factors underlying the assumptions in the value-in-use model.	Our procedures included, but were not limited to: • Evaluating the appropriateness of management's identification of the CGU to which the goodwill is allocated; • Agreeing forecast cash flows to the latest board approved budget and assessing the historical accuracy of budgeting; • Assessing how the Group has selected key assumptions including short- and long-term growth rates and an applicable discount rate; • Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate selected by management; • Evaluating the value in use estimates determined by the Group against its market capitalisation; and • Testing the mathematical accuracy of the impairment model. We have also assessed the appropriateness of the disclosures in Note 15 to the financial statements.
Assessment of lease terms under AASB 16 Leases At 27 June 2021 the Group has reported a right of use asset of $135,603,000 relating to leased land and buildings. The lease term forms part of the assessment for determining the right of use asset and associated lease liability. The accounting policy and the significant estimates and judgements in relation to determining the lease term are disclosed in Notes 2 and 3. In determining the lease term the Group is required to reassess whether there are significant events which result in renewal options being required to be incorporated into the assessment. Where lease terms have been reassessed, the Group is required to determine an appropriate incremental borrowing rate to be applied in the calculation of right of use assets and lease liabilities.	Our procedures included, but were not limited to: • Evaluating the estimates and judgements applied by management in determining the probability of exercising options; • Where option periods have been required to be reassessed, agreeing management's assessment to underlying lease agreements; and • On a sample basis, assessing the mathematical accuracy of management's calculation for reassessment by recalculating the lease liability and right of use asset. We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 27 June 2021 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 28 of the Directors' Report for the year ended 27 June 2021.

In our opinion, the Remuneration Report of Silk Logistics Holdings Limited, for the year ended 27 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 26 August 2021

Shareholder Information

Silk Logistics Holdings Limited ACN 165 867 372

Registered Office
Unit 3, 850 Lorimer Street
Port Melbourne VIC 3207
+61 (3) 9281 6900

www.silklogisticsholdings.com.au

Share Registry

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:

Boardroom Pty Ltd,
Level 12, 225 George Street,
Sydney NSW 2000
Tel: 1300 737 760
www.boardroomlimited.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of address

Changes to your address can be updated online at www.boardroomlimited.com.au or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

Annual General Meeting

The Annual General Meeting will be held in Melbourne on or about 15 November 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately upon dispatch.

The Closing date for receipt of nomination for the position of Director is Monday, 27 September 2021. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Monday, 27 September 2021, at the Company's Registered Office.

The Company notes that the deadline for the nominations for the position of Director is separate to voting on Director elections Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

Corporate Governance Statement

The Company's 2021 Corporate Governance Statement has been released to the ASX on this day and is available on the Company's website at www.silklogisticsholdings.com.au.

Annual report mailing list

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Securities exchange listing

Silk Logistics Holdings Limited's shares are listed on the Australian Securities Exchange and trade under the ASX code SLH. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System).

ASX Shareholder Disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 18 August 2021.

1. Total securities on issue

ASX code	Description	Expiry	Listed	Unlisted
SLH	Fully paid ordinary shares	–	75,899,462	–
SLHAA	Share options	Various dates	–	2,104,861
			75,899,462	2,104,861

2. Distribution of equity securities – ordinary shares

Range	Securities	%	No. of holders	%
100,001 and Over	60,661,823	79.92	23	1.45
10,001 to 100,000	9,727,762	12.82	391	24.70
5,001 to 10,000	3,103,826	4.09	366	23.12
1,001 to 5,000	2,323,618	3.06	673	42.52
1 to 1,000	82,433	0.11	130	8.21
Total	75,899,462	100	1,583	100
Unmarketable Parcels	2,166	0.00	15	0.01

3. Voting rights

Shareholders in Silk Logistics Holdings Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy. All quoted and unquoted share options, and convertible notes, have no voting rights.

4. Substantial shareholders

Substantial shareholders as disclosed in substantial holder notices given to the Company under the Corporations Act.

Rank	Name	Shares	%
1	Tor Asia Credit Master Fund LP, Tor Asia Credit Fund GP Ltd and Tor Investment Management LP	15,255,430	20.10
2	John Sood (and all associated entities)	10,801,794*	14.25
3	BBJJ Investments Pty Ltd <The Boyd Family A/C>	10,751,794	14.16

* 10,751,794 shares held by Karma Beverages Pty Ltd <John Sood Family A/C> and 50,000 shares held by Jas Logistics Consulting Pty Ltd <Jas Super Fund A/C>.

5. Share buy-back

There is no current or planned buy-back of the Company's shares.

6. Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

Shareholder Information
continued

7. Twenty largest shareholders – ordinary shares

Rank	Name	Shares	%
1	HSBC Custody Nominees Australia Limited <GSCO ECA A/C>	15,255,430	20.100
2	BBJJ Investments Pty Ltd <The Boyd Family A/C>	10,751,794	14.166
2	Karma Beverages Pty Ltd <John Sood Family A/C>	10,751,794	14.166
3	National Nominees Limited	5,722,692	7.446
4	HSBC Custody Nominees (Australia) Limited	4,134,964	5.213
5	Citicorp Nominees Pty Limited	3,485,946	5.077
6	PGA Services Pty Ltd	3,000,000	4.033
7	J P Morgan Nominees Australia Pty Limited	2,434,673	3.953
8	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	763,128	0.930
9	UBS Nominees Pty Ltd	729,628	0.793
10	Mr John Richard William Evans	601,787	0.710
11	Mr Earl Evans & Mrs Katie Alexandra Evans <The Evans Family S/F A/C>	420,000	0.529
12	Dannwill Pty Ltd <The Evans Family A/C>	401,157	0.428
13	Sandhurst Trustees Ltd <Cyan C3G Fund A/C>	325,000	0.362
14	BNP Paribas Nominees Pty Ltd <IOOF Insmt Mgmt Ltd DRP>	275,000	0.329
15	Kruger Park Pty Ltd	250,000	0.288
15	Adaptalift Investments Pty Ltd	250,000	0.270
16	Rocket Science Pty Ltd <The Trojan Capital Fund A/C>	184,227	0.264
17	N A Investments (Vic) Pty Ltd <Nigel Austin Investment A/C>	150,000	0.198
17	Mr John Scott Pearson	150,000	0.198
	Total	60,037,220	79.453

8. Twenty largest optionholders – quoted share options

No options are quoted.

Corporate Directory

Registered Office

Unit 3, 850 Lorimer Street
Port Melbourne VIC 3207

Directors

John Sood
Brendan Boyd
Terry Sinclair
Stephen Moulton

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Company's website

www.silklogisticsholdings.com.au

Legal Advisers

Danaher Moulton

Level 7, 333 Collins Street
Melbourne VIC 3000

Gadens

Level 13, 447 Collins Street
Melbourne VIC 3000

Auditors

Deloitte Touche Tohmatsu

477 Collins Street
Melbourne VIC 3000

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