



**SILK**  
LOGISTICS  
HOLDINGS

# Half Year Report for 26 weeks

ended 25 December 2022



Silk Logistics Holdings Limited ('Silk', 'the Group' or the 'Company') is pleased to provide you with its Half Year Report for Financial Year 2023 ('1H FY23'). 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 and the entities it controlled at the end of, or during, the 26-week period ('the period') ended 25 December 2022.

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## About Silk Logistics Holdings Limited

Silk is a leading Australian logistics provider, with a national, integrated port-to-door service, delivered through best-in-class operating segments, enabled by The Silk Way and tier-one technology. Our focus at Silk is to operate a business that is agile, responsive to customers, capable of adapting to changing market dynamics, and scalable. Silk has delivered strong growth over the prior corresponding period ('pcp'), and continues to invest in its people, processes and systems to deliver its next phase of growth. Silk is listed on the Australian Securities Exchange ('ASX') under code SLH.

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## Non-IFRS financial information

The 2023 Half Year Report contains certain non-IFRS financial measures of earnings before interest, tax, depreciation and amortisation ('EBITDA') and earnings before interest and tax ('EBIT'). Underlying performance measures exclude the impact of significant items, which are profit or loss items associated with mergers and acquisitions activity, capital restructures or certain one-off events included in reporting periods that are not reflective of underlying business activities.

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 the financial position of the Group. Non-IFRS measures are not subject to audit or review.







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# 1H FY23 Highlights

Strong performance driving sustainable growth

Revenue  
outperformance<sup>1</sup>

(pcp for Group)

↑39.1%

Underlying  
EBIT growth<sup>2</sup>

(pcp for Group)

↑34.8%

Attractive  
dividend yield<sup>3</sup>

DPS of 5.27 cps

5.0%

1. Includes 101Warehousing ('101W') revenue for the period and Fremantle Freight & Storage ('FFS') revenue for part of the period (post acquisition).
2. Underlying EBIT is post-AASB16 *Leases*. Underlying performance measures exclude the impact of significant items, which are profit or loss items associated with mergers and acquisitions activity, capital restructures or certain one-off events included in reporting periods that are not reflective of underlying business activities.
3. Annualised dividend yield based on FY23 interim dividend declared.





Average leased  
warehouse occupancy  
for 1H FY23<sup>4</sup>

90.0%

Billed  
containers<sup>5</sup>  
(pcp for Group)

↑2.4%

Billed  
consignments  
(pcp for Group)

↑15.7%

Focus on  
safety  
(reduction in TRIFR<sup>6</sup> compared to pcp)

↓31.0%

4. Silk Contract Logistics leased warehouses only.

5. Includes FFS for part of the period (post acquisition).

6. TRIFR is reported as rolling 12-month average to the end of the reporting period (1H FY23 TRIFR = 8.9). 1H FY22 TRIFR (12.9) has been recalculated to reflect a new calculation method to include all staff hours and incidents inclusive of casual and subcontractors not captured at the time of publishing 1H FY22 results. TRIFR excludes FFS for the period.

Silk is focused on delivering sustainable shareholder value through its growth strategy, risk and governance framework, and strong customer relationships.

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# Corporate Directory

## Directors

Mr Terry Sinclair  
Mr Brendan Boyd  
Mr John Sood  
Mr Stephen Moulton  
Ms Louise Thurgood

## 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](http://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](http://www.silklogisticsholdings.com.au)

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# 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 26-week period ('the period') ended 25 December 2022.

## 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

Ms Louise Thurgood

## Principal activities

The consolidated entity's principal activities during the period were 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 25 December 2022 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.

## Review of operations

The profit for the consolidated entity after providing for income tax ('net profit after tax' or 'NPAT') amounted to \$8,828,000 (26 December 2021: profit of \$3,481,000).

The Group has grown revenue and underlying profits whilst maintaining profit margins in an environment of rising operating costs, and continued shortages of labour and materials in the 26-week period ended 25 December 2022.

The Group has successfully grown its revenue base with annualised sales wins of \$34.0 million in the period across its three service lines. This organic new revenue growth is tracking favourably against full year prior periods and the pipeline of new business opportunities remains positive.

The Group conducts a disciplined yield program to pass on cost increases to its customers in a timely manner, whilst also operating a continuous improvement program to drive operating efficiencies. Whilst the range of previous period supply chain disruptions somewhat dissipated in the current period, the operating environment remained challenging due to the lack of available skilled labour and material shortages.

In the current period, the Group has focused heavily on its customer value proposition to respond to evolving business models and requirements, market driven demand and supply changes, and service delivery to make it easier for our customers to do business. Our agile operating model, and time certain service delivery, remain strong selling points with customers.

Port logistics activities, measured by the volume of import and export shipping containers billed in the period, remained resilient. Total billed containers in the period were 154,816 which represents a 2.4% increase over pcpc; whilst revenue per container was \$969 compared to \$754 pcpc. Revenue per container reflected higher input costs, such as fuel, port access and infrastructure fees, along with labour, which are recovered from our customers. The current reporting period also included the contribution from Fremantle Freight and Storage Pty Ltd ('FFS'), a Western Australian-based port logistics service provider, which was acquired on 31 August 2022.

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## Directors' Report continued

Contract logistics operations benefited from generally solid domestic demand though the financial period, particularly in household goods, food additive products, light industrials and pet foods. Silk leased warehouse occupancy levels averaged 90% in the period compared to 81.6% pc; whilst the total warehouse footprint increased to 486,781 sqm, an increase of 39.3% on pc. The expanded footprint was delivered by new leases to accommodate contracted new customers, and transitioning an existing customer into a new purpose-built facility backed by a long-term contract extension. The contribution from 101Warehousing Pty Ltd ('101W') (acquisition completed on 2 February 2022) is reflected in the current period.

The Distribution business continued to be challenged by road and rail disruptions caused by floods, and shortage of available labour, which has seen persistent inflated cost inputs impacting this service line. The Group's focus is to grow its customer and revenue base and in this period has continued to invest in our people, infrastructure, technology and processes to build out a scalable service offer.

Whilst the COVID-19 pandemic was ever present during the period, and unplanned absenteeism remained a contributing factor to a constrained labour force, the Group has adapted to ways of working which has seen it able to operate without the significant disruption caused in prior periods.

Increasing input costs, integration of acquired businesses, cyber security, dependency on international trade and supply chain channels, rising interest rates and weakening economic environment have been identified as the most significant risks being managed by the Group. Whilst these risks were present through either the whole or part of this half-year period, they are also expected to persist through the remainder of FY23. The Group reviews risks on a periodic basis and continues to develop its risk framework and processes to proactively identify, measure, monitor and mitigate risks to an acceptable level. These risks have been identified as significant as they could inhibit the Group's ability to service its customer and adversely impact profit.

Accordingly, management strategies in place include:

- **Recovery of rising input costs** – rising input costs have the potential to reduce profit margins where those costs cannot be recovered from customers. Significant input costs are property leases, labour, fleet and material handling equipment ('MHE'), stevedore charges and transport costs. Property lease agreements include annual defined cost adjustments, whilst fleet and MHE leases are fixed for the term of each lease (generally 3 -7 years). Labour costs are largely subject to minimum award rates, enterprise agreements and, in respect of unregulated labour, market forces. The Group's customer contracts and agreements provide a mechanism for the Group to recover cost increases or pass on decreases, including an overhead component. Cost input reviews are conducted at least annually in multi-year agreements and more regularly if required. The Group's general terms and conditions permit the pass through of input costs (such as stevedore charges and transport costs) in the port logistics and distribution service lines.
- **Integration of acquired businesses** – acquired businesses are integrated to align with Group policies and procedures, and systems and processes where benefits are identified and validated. Integrations are planned and executed under a managed program of work to ensure minimal disruption to business operations and deliver sustainable benefits. An assessment of integration risks and opportunities is developed through a robust due diligence process and planning prior to the completion. Critical items are included in sale and purchase agreements as conditions precedent to ensure risks are mitigated to an acceptable level prior to ownership.
- **Cyber security** – a cyber security breach has the potential to disrupt the Group's ability to provide efficient service delivery to its customers. The Group mitigates this risk by maintaining and regularly updating its suite of information technology security measures to restrict access to the Group operating systems including multifactor authentication, firewalls, phishing identification software, offsite and cloud hosted solutions. The Group conducts regular penetration testing and training to educate its workforce and ensure its security measures remain at the forefront of available market solutions.
- **International trade and supply chain channels** – variability in import and export containerised freight volumes caused by global shipping disruption and dislocation has the potential to impact the Group's revenue and profit margins. The Group manages this risk by operating an asset-right variable cost model in respect of its workforce (permanent employees and contracted workforce through utilising labour agency and subcontractor fleet operators) and transport fleet assets through a combination of owned assets (highly utilised and specialised equipment), subcontractor owned fleet and casual hire fleet arrangements. The mixture of permanent, agency and subcontractor labour force allows the Group to access multiple sources of suitably skilled labour resources.
- **Interest rates** – the Group actively monitors the interest rate environment to determine its position with respect to managing its cost of debt. Generally variable interest rates have prevailed given the relatively low level of debt in the business and sensitivity to interest rate increases has not been significant. As the Group pursues its growth strategy through acquisitions, interest rate sensitivity will become more prevalent. Fixed interest rates will be secured where our modelling indicates this to be a favourable position for the Group.
- **Weakening economic environment** – the Group has identified a cohort of customer and industry segments that have proven to be resilient in softer economic conditions. The Group protects itself from economic downturns by maintaining an active and focused business development team, and operating an efficient business model which can compete strongly for new revenue streams. Core service delivery is also a major protection, and the Group's average contracted customer tenure is 8.3 years (excluding FFS customers for the period), which reflects the business partnering service the Group provides.



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## Directors' Report continued

### Dividends

On 23 February 2023, the Board of Directors declared a fully franked FY23 interim dividend of 5.27 cents per ordinary share with the record date 3 March 2023 to be paid on 31 March 2023.

On 25 August 2022, the Board of Directors declared a fully franked dividend of 6.3 cents per ordinary share. The total dividend cash payment of \$4.96 million was paid on 30 September 2022.

### Outlook

In future reporting periods, the Group expects to realise further organic growth through operational initiatives to improve margins, and cross-selling a broader suite of Contract Logistics services to its Port Logistics customers and vice-versa. The Group's focus to expand profit margins will include initiatives to reduce its cost to serve, including leased property consolidation, enhanced automation and utilising a modern, efficient, low-emission fleet of prime movers and other material handling equipment.

The Group completed its five-year strategic plan in FY22, which has targeted several key growth pillars, including an expansion of services, build-out of existing capability and geographic gaps, and scale and operational excellence initiatives aimed to grow revenue and profit. Organic growth is expected to be augmented with strategic acquisitions in coming years. Acquisitions will be assessed on a case-by-case basis, with a view to broadening the Company's operating scale and its national service capabilities.

To achieve the strategy, investments in people and technology will be made to scale operations and right-size the infrastructure to support growth.

### 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 COVID-19 pandemic and quarantine measures imposed by the Australian and international governments, including immigration, travel and trade restrictions since March 2020, caused wide-spread disruption to businesses and economic activity. Federal Government and State Governments' implemented policies and measures 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 did not have any material impact on the business.

The current reporting period has seen governments continue to relax COVID-19 isolation rules to enable the community to return to near pre-pandemic ways of living and working. The Group has maintained its high standards of hygiene and vigilance to preserve a safe workplace for its labour-force. Whilst infection levels in the community have fallen, unplanned workplace absences have remained elevated above pre-pandemic levels and continue to have an impact on labour availability.

The Group's business operations currently remain resilient and continue to adapt to changing social and workplace changes.

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

On 23 August 2022, the Group extended its debt facilities by adding a \$22.0 million corporate loan (split into two facilities of \$18.0 million and \$4.0 million), which is subject to quarterly amortising repayments. Corporate loan facility termination dates were extended to 30 September 2025. The Group's asset financing and bank guarantee facilities are subject to an annual review and have a termination date of 30 September 2023. These facilities are expected to be renewed before 25 June 2023.

The financial undertakings in respect of the Group's debt facilities remain unchanged.

On 22 July 2022, the Company announced that it had entered into a binding agreement to acquire the Fremantle Freight & Storage group through the acquisition of 100% of the issued capital of Brightflow Enterprises Pty Ltd, a Western Australian-based port logistics services provider. The acquisition was completed on 31 August 2022.

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

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## Directors' Report continued

### Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 25 December 2022 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 years.

### Likely developments and expected results of operations

At the date of this report, despite the resilience of the Australian economy to date, current economic data points to persistent high inflation, further Reserve Bank of Australia interest rate increases, and rising unemployment (albeit off record low levels) all contributing to softening consumer demand, lower GDP growth and a downturn in business confidence in the short-term.

The consolidated entity's strategic intent is to grow its market share, deliver a full suite of services to its customers, drive operational efficiencies across its property footprint, and leverage 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 remain key areas in future periods to drive growth and deliver enhanced shareholder value.

### Environmental regulations

The consolidated entity's operations are subject to 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.

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## Directors' Report continued

### 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 the directors' declaration.

On behalf of the directors,

A handwritten signature in black ink, appearing to be 'Terry Sinclair', written over a light blue horizontal line.

**Terry Sinclair**  
Chair

23 February 2023

# Auditor's Independence Declaration



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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23 February 2023

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

Dear Board Members

## **Silk Logistics Holdings Limited**

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 review of the half-year financial report of Silk Logistics Holdings Limited for the half-year ended 25 December 2022, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Craig Bryan  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte Organisation.



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 25 December 2022

		Consolidated	
		25 December 2022 \$'000	26 December 2021 \$'000
	Note		
<b>Revenue</b>	4	253,635	182,371
Other income		777	801
<b>Expenses</b>			
Employee benefits expense		(49,966)	(37,970)
Subcontractors and labour agency expenses		(80,375)	(55,604)
Fleet and material handling equipment expenses		(19,320)	(11,892)
Occupancy expense		(7,171)	(4,596)
Other transport & warehousing expenses		(44,744)	(34,623)
Administration expense		(9,726)	(5,175)
Finance costs		(5,519)	(3,827)
Depreciation and amortisation expense		(24,536)	(18,958)
IPO related expenses		–	(5,427)
Change in measurement of financial instrument		–	514
<b>Profit before income tax expense</b>		13,055	5,614
Income tax expense		(4,227)	(2,133)
<b>Profit after income tax expense for the period attributable to the owners of Silk Logistics Holdings Limited</b>		8,828	3,481
Other comprehensive income for the period, net of tax		–	–
<b>Total comprehensive income for the period attributable to the owners of Silk Logistics Holdings Limited</b>		8,828	3,481
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	11.20	4.61
Diluted earnings per share	13	11.17	4.56

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

# Condensed Consolidated Statement of Financial Position

As at 25 December 2022

	Note	Consolidated	
		25 December 2022 \$'000	26 June 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	34,123	31,964
Trade and other receivables		69,421	63,179
Other current assets		7,084	4,309
Total current assets		110,628	99,452
<b>Non-current assets</b>			
Property, plant and equipment		14,350	12,584
Right-of-use assets		188,343	148,892
Intangibles		62,492	41,090
Deferred tax		13,603	13,116
Total non-current assets		278,788	215,682
<b>Total assets</b>		<b>389,416</b>	<b>315,134</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		51,465	42,002
Borrowings	6	6,319	106
Lease liabilities		39,706	39,167
Current tax liabilities		988	5,173
Provisions		11,260	13,157
Other financial liabilities		12,000	4,200
Total current liabilities		121,738	103,805
<b>Non-current liabilities</b>			
Borrowings	6	21,381	9,594
Lease liabilities		168,891	130,552
Provisions		5,819	4,296
Total non-current liabilities		196,091	144,442
<b>Total liabilities</b>		<b>317,829</b>	<b>248,247</b>
<b>Net assets</b>		<b>71,587</b>	<b>66,887</b>
<b>Equity</b>			
Issued capital	7	74,370	73,762
Reserves		(23,354)	(23,577)
Retained profits		20,571	16,702
<b>Total equity</b>		<b>71,587</b>	<b>66,887</b>

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

# Condensed Consolidated Statement of Changes in Equity

For the period ended 25 December 2022

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 28 June 2021	52,226	(24,453)	15,067	42,840
Profit after income tax expense for the period	–	–	3,481	3,481
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	3,481	3,481
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued as part of initial public offering	70,000	–	–	70,000
Share buy-back	(60,000)	–	–	(60,000)
Conversion of deferred contingent consideration to shares	6,000	–	–	6,000
Share issue cost, net of tax	(717)	–	–	(717)
Share-based payments	–	1,976	–	1,976
Dividends paid	–	–	(10,000)	(10,000)
Issue of Shares as a result of exercise of Options	524	(524)	–	–
Balance at 26 December 2021	68,033	(23,001)	8,548	53,580

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 27 June 2022	73,762	(23,577)	16,702	66,887
Profit after income tax expense for the period	–	–	8,828	8,828
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	8,828	8,828
<i>Transactions with owners in their capacity as owners:</i>				
Issued Capital	428	–	–	428
Issue of Shares as a result of exercise of Options	180	(180)	–	–
Share-based payments	–	403	–	403
Dividends paid	–	–	(4,959)	(4,959)
Balance at 25 December 2022	74,370	(23,354)	20,571	71,587

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

# Condensed Consolidated Statement of Cash Flows

For the period ended 25 December 2022

	Note	Consolidated	
		25 December 2022 \$'000	26 December 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		278,368	193,240
Payments to suppliers and employees (inclusive of GST)		(234,185)	(167,896)
		44,183	25,344
Interest received		27	1
Interest and other finance costs paid		(5,763)	(3,827)
Tax paid		(9,252)	(1,121)
Initial public offer costs		–	(4,435)
Net cash from operating activities		29,195	15,962
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	11	(17,300)	–
Payments for property, plant and equipment and intangible assets		(3,015)	(1,323)
Payments to acquire land for resale		–	(6,776)
Proceeds from disposal of property, plant and equipment		1,130	1,298
Net cash used in investing activities		(19,185)	(6,801)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity		–	70,000
Initial public offer costs		–	(739)
Payments for share buy-back		–	(60,000)
Dividends paid	8	(4,959)	(10,000)
Proceeds from borrowings		18,000	7,000
Repayment of borrowings		–	(8,000)
Repayment of lease liabilities		(20,892)	(15,568)
Net cash used in financing activities		(7,851)	(17,307)
Net increase/(decrease) in cash and cash equivalents		2,159	(8,146)
Cash and cash equivalents at the beginning of the financial period		31,964	25,264
Cash and cash equivalents at the end of the financial period		34,123	17,118

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



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# Notes to the Condensed Consolidated Financial Statements

25 December 2022

## 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 26 weeks ended 25 December 2022. 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 and principal place of business

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 23 February 2023.

## Note 2. Significant accounting policies

### Statement of compliance

These general purpose financial statements for the interim 26-week reporting period ended 25 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the 52-week period ended 26 June 2022.

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

### New or amended Accounting Standards and Interpretations 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

### 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 and management's next 12 months cashflow forecast.

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

### Working Capital position

As at period end the group has reported a deficiency in net current assets of \$11.1 million (\$4.4 million deficiency – 26 June 2022). This deficiency principally arises from the requirement to recognise a current liability for the expected operating lease payments for the next 12 months and the related Right of Use assets for these leases are presented as a non-current asset. These lease payments have been included in management's cashflow forecast and will be paid over the next twelve months in the ordinary course of business.

## Notes to the Condensed Consolidated Financial Statements continued

### Note 3. 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% to the consolidated entity's revenue.

#### Operating segment information

	Port Logistics \$'000	Contract Logistics \$'000	Corporate# \$'000	Total \$'000
<b>Consolidated – 25 December 2022</b>				
<b>Revenue</b>				
Sales to external customers	149,962	103,673	–	253,635
<b>Total Revenue</b>	149,962	103,673	–	253,635
Other income	534	243	–	777
Segment operating expenses	(129,502)	(80,739)	(1,061)	(211,302)
<b>EBITDA</b>	20,994	23,177	(1,061)	43,110
Depreciation and amortisation	(7,817)	(16,719)	–	(24,536)
<b>EBIT</b>	13,177	6,458	(1,061)	18,574
Finance costs	(1,606)	(3,913)	–	(5,519)
<b>Profit/(loss) before income tax expense</b>	11,571	2,545	(1,061)	13,055

# Corporate expenses include costs related to the acquisition of the Fremantle Freight and Storage group.

## Notes to the Condensed Consolidated Financial Statements continued

Consolidated – 26 December 2021	Port Logistics \$'000	Contract Logistics \$'000	Corporate <sup>^</sup> \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	114,002	68,369	–	182,371
<b>Total Revenue</b>	114,002	68,369	–	182,371
Other income	680	121	–	801
Segment operating expenses	(100,239)	(49,363)	(5,171)	(154,773)
<b>EBITDA</b>	14,443	19,127	(5,171)	28,399
Depreciation and amortisation	(6,196)	(12,762)	–	(18,958)
<b>EBIT</b>	8,247	6,365	(5,171)	9,441
Finance costs	(904)	(2,923)	–	(3,827)
<b>Profit/(loss) before income tax expense</b>	7,343	3,442	(5,171)	5,614

<sup>^</sup> Corporate expenses are related to the IPO and acquisition of 101Warehousing Pty Ltd.

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 EBITDA and EBIT represents the profit/(loss) earned by each segment including the allocation of the share of corporate overhead costs and 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 4. Revenue

Revenue from contracts with customers is categorised into the reportable segments disclosed below. Revenue is recognised when the performance obligations are delivered at a point in time except for port logistics (wharf cartage) and storage services which are recognised over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date. Revenue for services that are provided over time (port logistics and storage services) and have not been invoiced to the customer at the end of each reporting period can be reliably measured and accrued as revenue in the period the services are provided.

### Disaggregation of revenue

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

	Consolidated	
	25 December 2022 \$'000	26 December 2021 \$'000
Port logistics	149,962	114,002
Distribution	22,654	14,475
Storage	32,502	21,688
Handling	48,517	32,206
Revenue	253,635	182,371

## Notes to the Condensed Consolidated Financial Statements continued

	Consolidated	
	25 December 2022 \$'000	26 December 2021 \$'000
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	71,171	46,681
Services transferred over time	182,464	135,690
	253,635	182,371

### Note 5. Cash and cash equivalents

	Consolidated	
	25 December 2022 \$'000	26 June 2022 \$'000
Cash at bank and in hand	34,123	31,964

### Note 6. Borrowings

	Consolidated	
	25 December 2022 \$'000	26 June 2022 \$'000
External borrowings – current	6,319	106
External borrowings – non-current	21,381	9,594
	27,700	9,700

External borrowings outstanding at 25 December 2022 of \$27.7 million consists of three corporate loan facilities of \$1.7 million, \$8.0 million and \$18.0 million.

At period end undrawn corporate debt facilities were \$4.0 million (26 June 2022: \$nil).

Fixed and floating charges are provided by the Group in respect to the financing facility.

As at 25 December 2022, \$6.3 million of the external borrowings have been classified as current due to the scheduled amortising repayments due in the next 12 months. The remaining borrowings of \$21.4 million have been classified as non-current at reporting date.

Repayments made in the current financial period (in respect of the financing facilities in place at 26 June 2022) were \$nil.

On 23 August 2022, the Group extended its debt facilities by adding a \$22.0 million corporate loan (consisting of two facilities of \$18.0 million and \$4.0 million), which is subject to quarterly amortising repayments. Corporate loan facility termination dates were extended to 30 September 2025.

The Group's asset financing and bank guarantee facilities are subject to an annual review and have a termination date of 30 September 2023. These facilities are expected to be renewed before 25 June 2023.

The financial undertakings in respect of the Group's debt facilities remain unchanged.



## Notes to the Condensed Consolidated Financial Statements continued

### Total secured liabilities

The total secured liabilities are as follows:

The loans bear interest at variable market rates.

The loans carry an annual line fee and interest rate between 2.90% and 3.30% above 90-day BBSY bid rate.

The weighted average interest rate on corporate loans in the period was 5.38% (26 June 2022: 4.16%).

The finance facility includes a bank guarantee facility of \$18.0 million (26 June 2022: \$14.5 million) which is used to provide security for certain leased premises. At 25 December 2022, \$16.0 million of the facility has been utilised (26 June 2022: \$13.6 million). The utilised portion of the facility attracts a bank guarantee margin at 2.3% per annum, whilst the unutilised amount is charged at 50% of the bank guarantee margin.

The asset finance facility limit is \$4.0 million, of which \$1.1 million was drawn at 25 December 2022 (26 June 2022: \$0.7 million).

### Note 7. Issued capital

	Consolidated			
	25 December 2022 Shares	26 June 2022 Shares	25 December 2022 \$'000	26 June 2022 \$'000
Ordinary shares – fully paid	79,000,557	78,720,510	74,370	73,762

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	27 June 2022	78,720,510		73,762
Options exercised*	11 July 2022	90,000	\$2.00	180
Shares issued under employee share plan	13 December 2022	190,047	\$2.25	428
Balance	25 December 2022	79,000,557		74,370

\* Issue price of Options exercised in the period is calculated as the weighted average fair value of each class of Option.

### 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.

### Treasury shares

The Group maintains the Silk Logistics Holdings Limited Employee Share Trust ('EST') to facilitate the distribution of Silk Logistics Holdings Limited shares under the Group's Long Term Incentive Plan ('LTIP') and tax-exempt Employee Share Plan ('ESP'). The EST is controlled by Silk Logistics Holdings Limited and forms part of the Group.

During the period 190,047 shares were issued to employees under the ESP. The shares were issued from the Company's placement capacity. There were no Treasury shares held by the EST at period end.

### Note 8. Dividends

On 25 August 2022, the Board of Directors declared a fully franked dividend of 6.3 cents per ordinary share. The total dividend cash payment of \$4.96 million was paid on 30 September 2022.

On 23 February 2023, the Board of Directors declared a fully franked FY23 interim dividend of 5.27 cents per ordinary share with the record date 3 March 2023 to be paid on 31 March 2023.

## Notes to the Condensed Consolidated Financial Statements continued

### Note 9. Share-based payments

#### Long Term Incentive Plan

Under the FY23 LTIP the Board granted up to 1,874,075 Ordinary Options to select Senior Executives and key employees of the Group. The Options were granted on 19 December 2022. The terms specific to Ordinary Options granted under the LTIP are set out below.

- **Expiry date:** 5pm (Melbourne time) on 28 June 2027.
- **Equity settled:** Other than the Ordinary Options granted to Executive Directors (which can be either cash or equity settled), the Ordinary Options can only be equity settled.
- **Exercise price:** The 1,874,075 Ordinary Options granted are exercisable at \$2.1028 per Option.
- **Vesting:** The number of Ordinary Options granted represents 150% of the Participant's entitlement. The actual number of Ordinary Options that will vest will depend on satisfaction of the Vesting Conditions (summarised below):
  - **Rating:** Satisfactory individual performance plan rating;
  - **Service:** The participant remains employed or engaged by a Group company for 3 years from the date of grant; and
  - **Performance:** Earnings per share ('EPS') growth (based on 3 years compounding annual growth rate ('CAGR')) achieved between 27 June 2022 and 29 June 2025.
- **Exercise:** No exercise conditions. Unless cash settled, each Option is exercisable into one Share.
- **Disposal restrictions:** The Options are not generally transferrable without consent of the Board.

During the period no Options vested, and there were no forfeitures or expired Options in the period.

At reporting date 3,583,488 Ordinary Options are outstanding with a remaining average life of 3.8 years and average fair value per Ordinary Option is \$0.8117.

### Note 10. Contingent liabilities and commitments

As at the date of this report, the Group has bank guarantees to the value of \$16.0 million in place which have been issued by its financier to landlords of properties that the Group leases for the purpose of conducting its business. Refer note 6.

### Note 11. Business combinations

#### a) Summary of acquisition

On 31 August 2022 (the 'Acquisition Date'), the Group acquired Fremantle Freight & Storage group through the acquisition of 100% of the issued and outstanding equity interests of Brightflow Enterprises Pty Ltd (the 'Acquired Businesses'). Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair value \$'000
<b>Purchase consideration:</b>	
Cash consideration on completion	18,427
Completion adjustment <sup>^</sup>	920
Contingent consideration <sup>#</sup>	7,800
<b>Total fair value of consideration</b>	<b>27,147</b>

<sup>^</sup> Recognised as accrued liabilities at balance date.

<sup>#</sup> Recognised as other financial liabilities at balance date.

## Notes to the Condensed Consolidated Financial Statements continued

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash	1,127
Accounts receivable	5,408
Prepayment and deposit	1,320
Other receivables	441
Inventory	171
Right of use assets	7,025
Fixed assets	7,878
Unsecured financial assets	20
Tax liabilities	(948)
Accounts payable	(3,104)
Accrued expenses	(621)
Secured financial liabilities	(5,671)
Lease liabilities	(7,025)
Provisions	(500)
<b>Net identifiable assets and liabilities</b>	<b>5,521</b>
Goodwill recognised	21,626
	<b>27,147</b>

### i) Acquired receivables

The fair value of acquired trade receivables is \$5,408,242. The gross contractual amount for trade receivables due is \$5,474,046, with a loss allowance of \$65,804 recognised on acquisition.

### ii) Revenue and profit contribution

The Acquired Business contributed revenues of \$10.7 million and a net profit of \$0.8 million to the group for the period from 1 September 2022 to 25 December 2022.

If the acquisition had occurred on 27 June 2022, consolidated pro-forma revenue and profit for the period ended 25 December 2022 would have been \$16.5 million and \$1.1 million respectively. These amounts have been calculated using the Acquired Business' results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 27 June 2022, together with the consequential tax effects.

There was an accounting policy difference between the Group and the Acquired Business in relation to the accounting for the provision of long service leave. When the Group has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, these obligations are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Historically, the Acquired Business has not accounted for this provision. On acquisition of the Acquired Business, the Group estimated the provision for long service leave using the Group's accounting policy and this resulted in the recognition of employee benefits provision.

There was an accounting policy difference between the Group and the Acquired Business prior to the Acquisition Date in relation to the accounting for AASB 15 *Revenue from Contracts*, however, the impact has been estimated as immaterial.

There were no other differences in accounting policies between the Group and the Acquired Business prior to the Acquisition Date. Following the acquisition, the Group accounting policies have been applied consistently to the consolidated balances and results of the Acquired Business.

## Notes to the Condensed Consolidated Financial Statements continued

### iii) Goodwill reconciliation

	\$'000
Opening goodwill balance at 27 June 2022	40,264
Additional goodwill recognised during the year	21,626
Net book value of goodwill at 25 December 2022	61,890

### b) Purchase consideration – cash outflow

	Cashflow \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration paid	(18,427)
Balances acquired:	
– Cash	1,127
Net outflow of cash – investing activities	(17,300)

### Acquisition-related costs

Acquisition-related costs of \$1,074,246 are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows.

## Note 12. Events after the reporting period

No matter or circumstance has arisen since 25 December 2022 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 years.

## Note 13. Earnings per share

	Consolidated	
	25 December 2022 \$'000	26 December 2021 \$'000
Profit after income tax attributable to the owners of Silk Logistics Holdings Limited	8,828	3,481
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	78,817,672	75,583,459
Adjustments for calculation of diluted earnings per share:		
Share Options	188,429	683,903
Weighted average number of ordinary shares used in calculating diluted earnings per share	79,006,101	76,267,362
	Cents	Cents
Basic earnings per share	11.20	4.61
Diluted earnings per share	11.17	4.56



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# Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 25 December 2022 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.

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

On behalf of the directors,



**Terry Sinclair**  
Chair

23 February 2023

# Independent Auditor's Review



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

### *Conclusion*

We have reviewed the half-year financial report of Silk Logistics Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 25 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 25 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report.

### *Directors' Responsibility for the Half-Year Financial Report*

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

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## Independent Auditor's Review continued

### **Deloitte.**

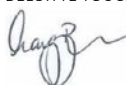
#### *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 25 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Craig Bryan  
Partner  
Chartered Accountants  
Melbourne, 23 February 2023



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