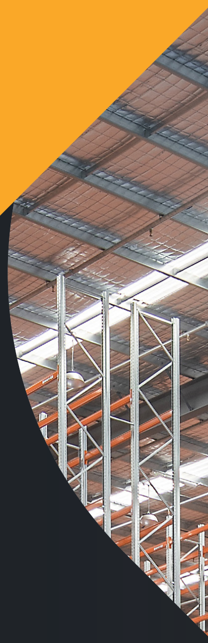
SILK LOGISTICS HOLDINGS

Silk Logistics Holdings Limited

HALF YEAR REPORT

period ended 29 December 2024

ABN 45 165 867 372



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Corporate Directory

DIRECTORS

Mr Terry Sinclair

Mr Brendan Boyd

Mr John Sood

Mr Stephen Moulton

Ms Louise Thurgood

Ms Cheryl Hayman

COMPANY SECRETARY

Ms Melanie Leydin

REGISTERED OFFICE AND PRINCIPAL PLACE

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 half-year ('the period') ended 29 December 2024.

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
- Ms Cheryl Hayman

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 29 December 2024 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 are set out within this directors' report in the matters subsequent to the end of the financial period section.

DIVIDENDS

No interim dividend has been declared in respect of the half year ended 29 December 2024.

On 26 August 2024 the directors declared a fully franked final dividend for the 53-week period ended 30 June 2024 of 1.42 cents per ordinary share with a record date of 2 September 2024 and were paid on 8 October 2024.

REVIEW OF OPERATIONS

The Group recorded 1H FY25 revenue of $287,873,000 (December 2023: $276,506,000) and underlying net profit after tax of $2,388,000 (December 2023: $7,644,000). Statutory net loss after tax was $2,146,000 (December 2023: profit of $6,176,000)

The reconciliation of current period statutory and underlying profit measures is provided below. Significant items excluded from underlying earnings are related to depreciation, amortisation and interest associated with the uplift of fair values of assets and liabilities recognised on acquisition, and deferred consideration adjustments in relation to the Secon acquisition, as well as corporate restructuring costs.

($'000) *	EBITDA	D&A	EBIT	Finance Costs	PBT	Tax	NPAT
Statutory earnings	**44,071**	**33,076**	**10,995**	**12,718**	**(1,723)**	**423**	**(2,146)**
Add back/ (deduct)							
Restructure costs[1]	1.310	-	1.310	-	1.310	393	917
Depreciation, amortisation & interest on fair value of acquired assets and liabilities[2]	-	(811)	811	(542)	1,353	243	1,110
Deferred consideration adjustment[3]	2,507		2,507		2,507		2,507
Underlying earnings	**47,888**	**32,265**	**15,623**	**12,176**	**3,447**	**1,059**	**2,388**

Revenue growth in the current period has been underpinned by annualised sales wins of $31.0 million across the three service lines. Our business model continues to show resilience, with the ability to grow against market and global conditions, highlighting our experience and proficiency in delivering on customer requirements. Silk witnessed continued support from our long-term, blue-chip customer base with the majority of 1HFY25 revenue derived from existing customers.

Our sales pipeline continues to present strong development opportunities. Silk's ability to retain and secure new customers is supported by our national network of operations, which more recently has been reinforced through the acquisition of Secon Freight Logistics Pty Ltd ('Secon'). The addition of Secon broadened out Silk's national integrated Port-to-door capabilities with the complimentary addition of a bulk container logistics offering and bonded warehousing services. Over the half we continued to invest in the Secon offering and pleasingly this segment of the business continues to yield results delivering $3.9 million in new contracted business wins.

The industry-wide inventory transition from 'just-in-case' to 'just-in-time' stock holding levels stabilised during the December half and subsequently the Group has observed improving warehouse utilisation levels and steady volumes through the Port Logistics business.

Our Port Logistics segment had strong export volumes through our agriculture customers which have cushioned the impact of lower import volumes. Port volumes in the half were 1.3% lower than the prior corresponding period (pcp) at 160,014 total billed containers.

In our contract logistics segment, average warehouse occupancy levels decreased to 71.7% due to K2's inclusion for the full half year reporting period. Excluding K2, warehouse occupancy increased to 79.9% which is a pleasing improvement on the prior corresponding period, heading toward our targeted 85%. Occupancy levels including K2 at the end of December were 77.2%.

We successfully mitigated lower than ideal warehouse occupancy levels through labour productivity and operating efficiencies, which have significantly improved warehouse handling margins. These measures include re-laying warehouse inventory pick paths, utilizing dashboards for optimal labour planning, ensuring a balanced mix of permanent and casual labour, and de-hiring under-utilized material handling equipment.

Operationally the Group continued to focus on driving efficiencies, and the variable cost model has allowed the Company to be agile and respond positively to adjust the variable cost base in line with volumes to protect profit margins. A diversified revenue model from both a customer base and resilient industry segment perspective underpinned our revenue risk management program. Our ability to leverage a variable cost model with the flexibility to add casual equipment, subcontractors and agency labour when needed has allowed us to maintain solid margins in 1HFY25.

During the half the Company announced it entered a Scheme Implementation Deed ("SID") with DP World Australia Limited ('DP World Australia') for the acquisition of 100% of the issued share capital of Silk Logistics Holdings Limited by way of a scheme of arrangement.

Under the terms of the SID, shareholders of the Company will receive cash consideration of $2.14 per Silk share, less any dividends declared or paid prior to implementation of the SID.

The Company has made an announcement regarding the revised indicative timeline contained in the Scheme Booklet, which anticipates the adjournment of the Scheme Meeting, which will now take place at a later date.

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[1] Costs associated with corporate restructure activities

[2] Depreciation and amortisation on the fair value uplifts recognised from the provisional purchase price accounting on acquisition of Secon Freight Logistics so as to reflect the underlying contribution of the business before any provisional fair value uplifts. Interest expense relates to the unwind of the present value of the contingent consideration payable on acquisition of Secon Freight Logistics.

[3] Increase in Secon deferred earn-out payment (payable in cash) determined with reference to 5.0x normalised annual EBITDA achieved by Secon during each year in FY24 and FY25.

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. 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 as such risks could inhibit the Group's ability to service its customers 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 multi-factor 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. 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 8.4 years, which reflects the business partnering services the Group provides.

Global Events and Economic and Market Conditions Risk

the Group's revenue and earnings are influenced by a range of factors including global and domestic economic, political and health (ie pandemics) conditions which directly and indirectly affect the demand for Silk's customers' products and therefore Silk's activity levels, as well as the intensity of competition in Silk's core markets. Silk seeks to secure contract term commitments when it undertakes material capital investment for new contracts. These factors assist the Group in mitigating the impact of any material slowdown in economic activity or increased competitive conditions.

ESG (Sustainability) Risk

this is the risk that the Group isn't sufficiently proactive in setting strategy, planning for, resourcing and delivering upon existing and emerging ESG reporting standards and investor requirements or that we fail to meet targeted improvements (particularly environmental, such as decarbonisation) leading to significant reputational damage and potential negative financial outcomes. Silk's long-term success will be driven by our ability to adapt to an ever-evolving world while ensuring we deliver on our commitments to our customers, employees, community and shareholders. The Group has developed an ESG roadmap for the next five years across assets, facilities, service offer, systems, and diversity. As the business grows, our deliverables and progress will remain aligned with the United Nations Sustainability Development Goals ('SDGs').

DIVIDENDS

No interim dividend has been declared in respect of the half year ended 31 December 2024.

On 26 August 2024, the Board of Directors declared a fully franked final dividend for the 53-week period ended 30 June 2024 of 1.42 cents per ordinary share. The total dividend cash payment of $1.2 million was paid on 8 October 2024.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 11 November 2024, the Company announced that it entered into a Scheme Implementation Deed ("SID") with DP World Australia Limited ('DP World Australia') for the acquisition of 100% of the issued share capital of Silk Logistics Holdings Limited by way of a scheme of arrangement.

Under the terms of the SID, shareholders of the Company will receive cash consideration of $2.14 per Silk share, less any dividends declared or paid prior to implementation of the SID.

The implementation of the Scheme is subject to various customary conditions, including:

- the Independent Expert issuing an Independent Expert's Report which concludes that the SID is in the best interests of Silk shareholders (and not changing or withdrawing that conclusion);
- approval of the Australian Competition and Consumer Commission ('ACCC') and Foreign Investment Review Board ('FIRB'), and receipt of customary consents and waivers from ASIC and ASX;
- approval of Silk shareholders at the Scheme Meeting and approval from the Court;
- no Target Material Adverse Change, Target Regulated Event or Target Prescribed Occurrence occurring; and
- no injunction of other action preventing the Scheme being implemented.

The SID is not subject to any financing condition.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

During the half the Company announced it entered a Scheme Implementation Deed ("SID") with DP World Australia Limited ('DP World Australia') for the acquisition of 100% of the issued share capital of Silk Logistics Holdings Limited by way of a scheme of arrangement.

Under the terms of the SID, shareholders of the Company will receive cash consideration of $2.14 per Silk share, less any dividends declared or paid prior to implementation of the SID.

The Company has made an announcement regarding the revised indicative timeline contained in the Scheme Booklet, which anticipates the adjournment of the Scheme Meeting, which will now take place at a later date.

No other matter or circumstance has arisen since 29 December 2024 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

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, asset-right business model. The consolidated entity's focus on superior customer service delivery is built around strong relationships and supported by technology-enabled solutions. These remain key areas in future periods to drive growth and deliver enhanced shareholder value.

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 the directors' declaration.

On behalf of the directors

Terry Sinclair
26 February 2025

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower,
Level 46, 50 Bridge Street
Sydney, NSW 2000
Australia

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

26 February 2025

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

Dear Board Members

Auditor's Independence Declaration to 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 29 December 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
26 February 2025

Consolidated statement of profit or loss and other comprehensive income

FOR THE PERIOD ENDED 29 DECEMBER 2024

	Note	Consolidated	
		29 December 2024	**31 December 2023**
		$'000	**$'000**
Revenue	4	287,873	276,506
Other income		1,556	680
Expenses			
Other transport & warehousing expenses		(67,917)	(52,424)
Fleet and material handling equipment expenses		(21,384)	(22,277)
Employee benefits expense		(66,843)	(59,646)
Depreciation and amortisation expense		(33,076)	(30,135)
Finance costs		(12,718)	(8,557)
Subcontractors and labour agency expenses		(65,902)	(79,438)
Occupancy expense		(9,993)	(7,496)
Administration expense		(10,812)	(9,129)
Change in measurement of Secon deferred consideration		(2,507)	-
(Loss)/profit before income tax expense		(1,723)	8,084
Income tax expense		(423)	(1,908)
(Loss)/profit after income tax expense for the period attributable to the owners of Silk Logistics Holdings Limited		(2,146)	6,176
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/income for the period attributable to the owners of Silk Logistics Holdings Limited		(2,146)	6,176
		Cents	**Cents**
Basic (loss)/earnings per share	13	(2.63)	7.67
Diluted (loss)/earnings per share	13	(2.63)	7.67

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

FOR THE PERIOD ENDED 29 DECEMBER 2024

	Note	Consolidated 29 December 2024 $'000	30 June 2024 $'000
Assets			
Current assets			
Cash and cash equivalents	5	22,324	27,164
Trade and other receivables		72,365	70,242
Current tax assets		3,328	2,350
Other current assets	6	11,097	6,225
Total current assets		109,114	105,981
Non-current assets			
Property, plant and equipment		42,330	41,481
Right-of-use assets		301,443	301,465
Intangibles		95,275	95,677
Deferred tax		10,596	9,266
Total non-current assets		449,644	447,889
Total Assets		558,758	553,870
Liabilities			
Current liabilities			
Trade and other payables		52,455	47,336
Borrowings	7	12,352	12,352
Lease liabilities		52,054	49,269
Provisions		17,331	16,381
Other financial liabilities		18,635	6,328
Total current liabilities		152,827	131,666
Non-current liabilities			
Borrowings	7	34,700	38,450
Lease liabilities		282,332	282,087
Provisions		9,527	9,983
Other financial liabilities		-	9,293
Total non-current liabilities		326,559	339,813
Total liabilities		479,386	471,479
Net assets		79,372	82,391
Equity			
Issued capital	8	79,453	79,453
Reserves		(23,433)	(23,718)
Retained profits		23,352	26,656
Total equity		79,372	82,391

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 29 DECEMBER 2024

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2023	74,370	(22,948)	23,985	75,407
Profit after income tax expense for the period	-	-	6,176	6,176
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	6,176	6,176
Transactions with owners in their capacity as owners:				
Issue of Shares	5,000	-	-	5,000
Dividends paid	-	-	(2,447)	(2,447)
Share based payments	-	(258)	-	(258)
Balance at 31 December 2023	79,370	(23,206)	27,714	83,878

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2024	79,453	(23,718)	26,656	82,391
Loss after income tax expense for the period	-	-	(2,146)	(2,146)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(2,146)	(2,146)
Transactions with owners in their capacity as owners:	-			
Dividends paid	-	-	(1,158)	(1,158)
Share based payments	-	285	-	285
Balance at 29 December 2024	79,453	(23,433)	23,352	79,372

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 29 DECEMBER 2024

	Note	Consolidated 29 December 2024 $'000	Consolidated 31 December 2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		314,280	306,289
Payments to suppliers and employees (inclusive of GST)		(269,074)	(260,620)
		45,206	45,669
Interest received		-	22
Interest and other finance costs paid		(12,211)	(8,557)
Tax paid		(2,731)	(4,052)
Net cash from operating activities		30,264	33,082
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(29,251)
Payments for property, plant and equipment and intangible assets		(6,216)	(5,694)
Deferred consideration paid		-	(6,500)
Proceeds from disposal of property, plant and equipment		1,161	471
Net cash used in investing activities		(5,055)	(40,974)
Cash flows from financing activities			
Proceeds from borrowings		-	38,227
Dividends paid	9	(1,158)	(2,447)
Repayment of borrowings		(3,750)	(12,198)
Repayment of lease liabilities		(25,141)	(23,982)
Net cash used in financing activities		(30,049)	(400)
Net decrease in cash and cash equivalents		(4,840)	(8,292)
Cash and cash equivalents at the beginning of the financial period		27,164	30,479
Cash and cash equivalents at the end of the financial period		22,324	22,187

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

Notes to the consolidated financial statements

29 DECEMBER 2024

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 ('the Group' or 'the consolidated entity') at the end of, or during, the half-year ended 29 December 2024 ('the period'). 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 26 February 2025.

Note 2. Material accounting policy information

STATEMENT OF COMPLIANCE

These general purpose financial statements for the half-year ended 29 December 2024 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 53 weeks ended 30 June 2024.

The 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.

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.

As at reporting date, the consolidated entity has reported a deficiency in current assets compared to current liabilities of $43,713,000 (June 2024: $25,685,000). This position exists due to the extent of leasing arrangements which have been accounted for at reporting date, which require leasing obligations due in the coming 12 months to be reported as current liabilities, whereas the corresponding right-of-use assets have been classified as a non-current asset. The economic benefits and cash flows relating to these lease obligations will be earned and derived over the coming 12 months and will be recorded at that time. The cashflows relating to these leasing arrangements have been included in the Board approved cashflow forecast.

The Group is required under its external debt facilities to achieve a number of financial performance covenants. The Group is forecast to remain covenant compliant based on the Board approved cashflow forecast. The continued covenant compliance is dependent on the Group continuing to trade in line with its forecast. The directors remain focused on the Group's liquidity, and expect to manage business operations in the forecast period whilst maintaining adequate liquidity through continuing to carefully manage cash used in operations.

Note 3. Operating segments

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The consolidated entity is organised into two operating segments: Port Logistics (transport and handling 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 assesses the appropriateness of identified reportable operating segments each reporting period. Based on the nature of business operations, the management of performance and resource allocation, and the identification of CGUs, the CODM may reorganise the reportable operating segments where it is considered appropriate.

The CODM reviews reported and underlying EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT 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 is 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.

OPERATING SEGMENT INFORMATION

Consolidated - 29 December 2024	**Port Logistics $'000**	**Contract Logistics $'000**	**Corporate $'000**	**Total $'000**
Sales to external customers	190,242	97,631	-	287,873
Other income	571	985	-	1,556
Segment operating expenses	(164,448)	(77,093)	(3,817)	(245,358)
EBITDA	26,365	21,523	(3,817)	44,071
Depreciation & amortisation	(12,658)	(20,332)	(86)	(33,076)
EBIT	13,707	1,191	(3,903)	10,995
Net finance cost	(6,435)	(6,270)	(13)	(12,718)
Profit/(loss) before income tax	7,272	(5,079)	(3,916)	(1,723)

Note 3. Operating segments (continued)

Consolidated - 31 December 2023	Port Logistics $'000	Contract Logistics $'000	Corporate $'000	Total $'000
Sales to external customers	175,119	101,387	-	276,506
Other income	590	90	-	680
Segment operating expenses	(152,493)	(77,000)	(917)	(230,410)
EBITDA	23,216	24,477	(917)	46,776
Depreciation & amortisation expense	(11,419)	(18,716)	-	(30,135)
EBIT	11,797	5,761	(917)	16,641
Net finance cost	(3,668)	(4,889)	-	(8,557)
Profit/(loss) before income tax	8,129	872	(917)	8,084

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 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 point in time except for 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.

DISAGGREGATION OF REVENUE

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

	Consolidated	
	29 December 2024 $'000	31 December 2023 $'000
Port logistics	190,242	175,119
Distribution	13,603	17,700
Storage	30,323	30,126
Handling	53,705	53,561
Revenue	287,873	276,506

	Consolidated	
	29 December 2024 $'000	31 December 2023 $'000
Timing of revenue recognition		
Goods transferred at a point in time	67,308	71,261
Services transferred over time	220,565	205,245
	287,873	276,506

Note 5. Cash and cash equivalents

	Consolidated	
	29 December 2024	30 June 2024
	$'000	$'000
Current assets		
Cash at bank and in hand	22,324	27,164

Note 6. Other current assets

	Consolidated	
	29 December 2024	30 June 2024
	$'000	$'000
Current assets		
Prepayment	6,866	3,086
Accrued Income	3,828	2,825
Inventory	403	314
	11,097	6,225

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 includes unbilled warehousing storage costs at period end.

Note 7. Borrowings

	Consolidated	
	29 December 2024	30 June 2024
	$'000	$'000
Current liabilities		
External borrowings – secured	12,352	12,352
Non-current liabilities		
External borrowings - secured	**34,700**	**38,450**
	47,052	50,802

TOTAL SECURED LIABILITIES

The total secured liabilities are as follows:

The cash advance facilities bear interest at variable market rates.

The facilities carry an annual line fee and interest rate (margin) between 3.25% and 4.25% above 90-day BBSY bid rate. The undrawn cash advance facility bears a commitment fee equivalent to 50% of the bank margin. The weighted average interest rate on cash advance facilities in the period was 8.06% (30 June 2024: 7.74%).

The bilateral agreement also includes a bank guarantee facility of $25.0 million (30 June 2024: $25.0 million) which is used to provide security for certain leased premises and a revolving leasing facility.

As at 29 December 2024, $19.5 million of the bank guarantee facility has been utilised (30 June 2024: $19.8 million). The utilised portion of the facility attracts a bank guarantee margin at 2.30% per annum and an issuance fee of 1.15%.

The revolving lease facility limit is $18.0 million, of which $7.8 million was drawn at 29 December 2024 (30 June 2024: $3.2 million).

Current borrowings include $2.4 million drawn on an interest-bearing progressive payment facility with a financier for the supply of specialised material handling equipment ('MHE'). On delivery of the MHE the progressive payment facility (inclusive of capitalised interest) is expected to convert to a lease facility. Total facility limit is $10.693 million.

The Group's asset financing and bank guarantee facilities are subject to an annual review and have a termination date of 30 April 2025.

Note 8. Issued capital

	Consolidated			
	29 December 2024	30 June 2024	29 December 2024	30 June 2024
	Shares	Shares	$'000	$'000
	81,547,598	81,547,598	79,453	79,453

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.

SHARE BUY-BACK

There is no current on-market share buy-back.

Note 9. Dividends

On 26 August 2024 the directors declared a fully franked final dividend for the 53-week period ended 30 June 2024 of 1.42 cents per ordinary share with a record date of 2 September 2024 and were paid on 8 October 2024.

No interim dividend has been declared in respect of the half year ended 31 December 2024.

Note 10. Contingent liabilities

As at the date of this report, the Group has provided security for bank guarantees to the value of $19.5 million (30 June 2024: $19.8 million) which have been issued by its financier to landlords of properties that the Group leases for the purpose of conducting its business. Refer to note 7.

Note 11. Commitments

There are no material capital commitments at reporting date.

Note 12. Events after the reporting period

During the half the Company announced it entered a Scheme Implementation Deed ("SID") with DP World Australia Limited ('DP World Australia') for the acquisition of 100% of the issued share capital of Silk Logistics Holdings Limited by way of a scheme of arrangement.

Under the terms of the SID, shareholders of the Company will receive cash consideration of $2.14 per Silk share, less any dividends declared or paid prior to implementation of the SID.

The Company has made an announcement regarding the revised indicative timeline contained in the Scheme Booklet, which anticipates the adjournment of the Scheme Meeting, which will now take place at a later date.

No other matter or circumstance has arisen since 29 December 2024 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	
	29 December 2024	31 December 2023
	$'000	$'000
(Loss)/profit after income tax attributable to the owners of Silk Logistics Holdings Limited	(2,146)	6,176
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	81,547,598	80,483,597
Weighted average number of ordinary shares used in calculating diluted earnings per share	81,547,598	80,565,990
	Cents	**Cents**
Basic (loss)/earnings per share	(2.63)	7.67
Diluted (loss)/earnings per share	(2.63)	7.67

Directors' declaration
29 December 2024

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 29 December 2024 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
26 February 2025

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower,
Level 46, 50 Bridge Street
Sydney, NSW 2000
Australia

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

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 29 December 2024, and the condensed consolidated income statement, the condensed consolidated statement of 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 to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 10 to 20.

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

- Giving a true and fair view of the Group's financial position as at 29 December 2024 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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' Responsibilities for the Half-year Financial Report

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

Auditor's 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 29 December 2024 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

Joshua Tanchel
Partner
Chartered Accountants
26 February 2025

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