

APPENDIX 4D**SILK**

LASER CLINICS

HALF-YEAR REPORT

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET**Results for announcement to the market**

Reporting measurement			FIRST HALF FY 2022 \$'000	FIRST HALF FY 2021 \$'000
Revenue from ordinary activities				
– Trading Sales and Franchise Fees	up	32.3%	40,470	30,582
Net profit from ordinary activities after tax attributable to the owners of SILK Laser Australia Limited	down	-12.9%	4,093	4,700
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	12.4%	10,643	9,468

Brief explanation of basis of results

SILK's results for the six months ended 31 December 2021 (H1 FY22) saw the Company generate a statutory profit after income tax of \$4.1 million (H1 FY21: \$4.8 million).

EBITDA based on statutory accounting was \$10.6 million, up 12.4% on the prior period.

On 1 September 2021, SILK completed the strategic acquisition of the Australian Skin Clinics group of companies (ASC), including its New Zealand subsidiary The Cosmetic Clinic (TCC). The H1 FY22 results included 4 months of performance from ASC.

The growth in total reported revenue to \$40.5 million (from H1 FY21's \$30.6 million) reflected increased trading sales from clinic operations and distribution sales to the clinic network of which \$4.6 million was from the newly acquired ASC/TCC. Total reported revenues included \$6.1 million of franchise fees received.

During the first two months of ownership of the ASC/TCC business (i.e. September to October 2021), most of its clinic network was not trading due to Government mandated closures as a result of COVID-19. Additionally, the SILK clinic network was impacted by short rolling COVID lockdowns during the period. Despite this, revenues continued to grow, reflecting the robust nature of SILK's business and appeal of its services to customers.

Net profit after tax of \$4.1 million includes a \$0.4 million contribution from ASC/TCC for the period it was under SILK's ownership. In addition, \$1.3 million of one-off transaction expenses relating to the acquisition of ASC/TCC were included in the net profit result.

A more detailed explanation of the Company's reported and normalised results are contained in the Review of Operations in the Directors' Report accompanying the company's financial statements.

COVID-19 impacts and risk mitigation measures

As a provider of non-surgical aesthetic services, SILK has been, and continues to be, very mindful of protecting its staff and customers through the course of the COVID-19 pandemic. SILK has introduced strict protocols to ensure that it protects its clients and staff from the risk of transmitting COVID-19, particularly at clinics.

The Group managed the financial impact of several rolling lockdowns during the year, including extended lockdowns at its clinics in NSW and the ACT. ASC and TCC were impacted by extended lockdowns in NSW, Victoria and New Zealand.

APPENDIX 4D continued

HALF-YEAR REPORT

2. ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**Australian Skin Clinics and The Cosmetic Clinic**

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

ASC comprises a network of 55 clinics at completion of the acquisition, including 48 traditional franchises (14 in New Zealand), 4 joint venture franchises and 3 corporate clinics, and operates a very similar business model to SILK.

Subsequent to the completion, an additional traditional franchise clinic was opened in New Zealand.

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

ASC brings a complementary clinic network with limited crossover of locations, primarily based in the Eastern Australian States and New Zealand, to complement SILK’s very strong market presence in Western Australia, South Australia, Northern Territory and Tasmania.

Summary of the purchase consideration:

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

List of the entities acquired as part of the transaction:

Information about the Companies	Information about the Subsidiaries
Beauty Services Holdings Pty Ltd	ASC Hold Co Pty Ltd
LMD2 Pty Ltd	Beauty Services Pty Ltd
	Forward Scout Enterprises Pty Ltd
	Australian Skin Clinics Marketing Fund Pty Ltd
	Venture In Altona Gate Pty Ltd
	Venture In Ferry Road Pty Ltd
	Venture In Epping Pty Ltd
	Venture In Broadmeadows Pty Ltd
	Clinic Leasing Pty Ltd
	Beauty Services (New South Wales) Pty Ltd
	The Advanced Skills Academy Pty Ltd
	ASC IP Holdings Pty Ltd
	ASC Leasing Pty Ltd
	ASC Master Franchise Pty Ltd
	The Cosmetic Clinic Limited

In addition to the entities acquired as part of the ASC acquisition the following entities have been incorporated during half-year ended 31 December 2021:

Entity	Ownership Interest %	Date of incorporation
SLC Morley Pty Ltd	100%	01/07/2021
SLC Warwick Pty Ltd	100%	01/07/2021
SLC Toowoomba Pty Ltd	50%	01/07/2021
SLC Mandurah Pty Ltd	100%	01/12/2021

The following changes in ownership structure occurred during the half-year ended 31 December 2021:

Clinic name	Previous ownership %	Current ownership %	Effective date
SLC Midland Gate Pty Ltd	100%	75%	01/07/2021
SLC Strathpine Pty Ltd	100%	75%	01/07/2021
SLC Charlestown	70%	40%	01/09/2021
SLC Mackay Pty Ltd	75%	90%	01/11/2021
SLC Karrinyup Pty Ltd	100%	50%	01/12/2021
SLC Ellenbrook Pty Ltd	100%	75%	01/12/2021

3. DIVIDENDS

There were no dividends paid, recommended or declared during the half-year financial period.

4. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	22.66	72.81

APPENDIX 4D continued

HALF-YEAR REPORT

5. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

	Reporting entity's percentage holding 31 December 2021 %	Reporting entity's percentage holding 31 December 2020 %	Contribution to profit/(loss) (where material) 31 December 2021 \$'000	Contribution to profit/(loss) (where material) 31 December 2020 \$'000
SLC Marion Pty Ltd	50%	50%	87	78
SLC Casuarina Pty Ltd	50%	50%	103	136
SLC Maroochydore Pty Ltd	50%	50%	–	–
SLC Tea Tree Plaza	50%	50%	48	64
SLC Fairfield Pty Ltd	50%	50%	71	118
SLC Palmerston Pty Ltd	50%	50%	28	–
SLC Townsville Pty Ltd	50%	50%	–	–
SLC West Lakes Pty Ltd	50%	50%	65	28
SLC Bunbury Pty Ltd	50%	50%	–	–
SLC Wagga Pty Ltd	50%	50%	89	51
SLC Ipswich Pty Ltd	50%	50%	–	–
SLC Cockburn Pty Ltd	50%	50%	–	–
SLC Karrinyup Pty Ltd	50%	100%	–	–
SLC Charlestown Pty Ltd	40%	–	–	–
SLC Toowoomba Pty Ltd	50%	–	(95)	–

6. INDEPENDENT AUDIT REVIEW

The financial statements were subject to an independent audit review by Grant Thornton Audit Pty Ltd. The independent audit review report is attached as part of the Interim Report.

7. FURTHER INFORMATION

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year Financial Report as well as the half-year Directors' Report. The information above should be read in conjunction with the accompanying Interim Financial Report of the Group for the half-year ended 31 December 2021 and ASX market releases made during the period.

8. SIGNED

Boris Bosnich

Chair and Non-Executive Director

28 February 2022

Adelaide



SILK

LASER CLINICS

**Building a solid
foundation for growth**

INTERIM REPORT

2022



CONTENTS

Directors' report	2
Auditor's independence declaration	6
Consolidated Financial statements	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	26
Independent auditor's review report	27



SILK Laser's mission is to provide skin and body treatments and services to help our clients feel good about themselves. We achieve the highest quality results for our clients by using the most advanced medical devices at affordable prices. We foster self confidence in every client, so they can be the best version of themselves; we do this with our gold standard service, ongoing staff training and commitment to client satisfaction.

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'SILK') consisting of SILK Laser Australia Limited (referred to hereafter as the 'Company' or 'Parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

The Directors have been in office for the period from 1 July 2021 unless otherwise indicated.

Name	Role	Status
Martin Perelman	Managing Director & CEO	Not Independent
Boris Bosnich	Chair & Non-Executive Director	Independent
Sinead Ryan	Non-Executive Director	Independent
Bradley Lynch	Non-Executive Director	Not Independent
Andrew Cosh	Non-Executive Director	Independent

COMPANY SECRETARY

Richard Willson held the position of Company Secretary during the whole of the half-year and up to the date of this report.

PRINCIPAL ACTIVITIES

During the financial half-year, the principal continuing activities of the Group consisted of:

- Franchisor of clinics providing premium non-surgical aesthetics services, including laser hair removal, cosmetic injections, skin treatments, body contouring treatments and the retail sale of skincare products;
- Operator of corporate and majority owned clinics providing premium non-surgical aesthetics services, including laser hair removal, non-invasive cosmetic injections, skin treatments, body contouring and the retail sale of skincare products; and
- Distribution and sale of proprietary skincare products.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Acquisition of Australian Skin Clinics in Australia and The Cosmetic Clinic in New Zealand

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

ASC comprises a network of 55 clinics at completion, including 48 traditional franchises (14 in New Zealand), 4 joint venture franchises and 3 corporate clinics, and operates a very similar business model to SILK. Subsequent to the completion, another traditional franchise was opened in New Zealand. The clinics in New Zealand trade under the brand name of The Cosmetic Clinic ("TCC").

Adding the 56 clinics to SILK's existing network of 63 clinics (as at the date of this report), brings SILK closer to achieving the Company's network plan of 150 clinics in the medium term.

ASC brings a complementary clinic network with limited crossover of locations, primarily based in the Eastern Australian States and New Zealand, to complement SILK's very strong market presence in Western Australia, South Australia, Northern Territory and Tasmania.

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

The cash element of the transaction has been funded from three sources:

- A placement was successfully completed on 21 June 2021 to sophisticated and institutional investors raising \$20 million from the issue of 4.7 million new shares;
- Debt of \$22.5 million was drawn from a newly established \$30.0 million acquisition of debt facility; and
- The balance was drawn from SILK's existing cash resources.

Summary of the purchase consideration actually paid is as follows:

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

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investment Commission, relating to "rounding off". Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS SUMMARY

SILK's H1 FY22 statutory net profit after income tax (NPAT) totalled \$4.1 million (H1 FY21: \$4.7 million).

EBITDA based on statutory accounting was \$10.6 million, an increase of 12.4% on the prior period. SILK's preferred measure of profitability, Pro forma EBITDA, grew 20% to \$12.7 million. The calculation of Pro forma EBITDA and Pro forma NPAT are set out in the paragraph below headed "Non-IFRS measures".

The above changes in profitability were primarily due to:

- Growth in half-year Trading Sales, comprising Clinic Sales and Distribution and Other Sales, by 24% to \$34.4 million (H1 FY21: \$27.7 million).
- Growth in half-year Franchise Revenues of 108% to \$6.1 million (H1 FY21: \$2.9 million). The above two metrics when added together are referred to as Reported Revenue in the Summary of Profit and Loss table that follows, and totals \$40.5 million, up almost \$10 million compared with the comparable period.
- The above revenue metrics were driven by growth in Network Cash Sales of 70%, increasing to \$76.4 million (H1 FY21: \$44.9 million).
- Like for like Network Cash Sales grew by 7% for SILK and ASC clinics combined that were open for the duration of the prior half year to 31 December 2021, after adjusting for days closed due to government mandated lockdowns.
- Key growth categories continued to be Cosmetic injections and Body contouring services.
- Sales growth was also supported by the acquisition of ASC, including the TCC franchise network in New Zealand. ASC's acquisition has added 56 clinics to SILK's existing network of 63 clinics (as at the date of this report).
- One-off business combination expenses of \$1.9 million were incurred in relation to the acquisition of the ASC Group.
- Net profit was reduced by an increase in depreciation and amortisation charge of \$1.3 million, up 48% on the prior period, including an increase in amortisation charges of \$0.6 million for Right-of-use assets (property leases) and \$0.4 million for intangible assets.

DIRECTORS' REPORT continued**NON-IFRS MEASURES**

The Directors' report contained references to Pro forma Earnings before interest, tax, depreciation and amortisation (Pro forma EBITDA) and Pro forma net profit after income tax (Pro forma NPAT) after the normalisation adjustments explained below.

The five normalisation adjustments were:

- To remove the effect on financial performance of the JobKeeper payments and other government stimulus measures, which relates to FY21 only as no such relief has been received in FY22 to date;
- To remove the one-off costs relating to the IPO and listing of the Company on ASX, which occurred on 15 December 2020;
- To remove the cost of the share issue made to the Chair and two senior executives upon the listing of the Company;
- To remove the business combination expenses relating to the acquisition of the ASC Group; and
- To remove from net profit after tax the amortisation charge relating to the acquired intangible assets, net of tax.

The calculation of these non IFRS measures is summarised below:

	H1 FY22 \$'000	H1 FY21 \$'000
Profit before income tax expense	6,156	6,588
Less: Net Finance Income – Loans and Cash	(125)	(191)
Add: Net Finance costs – AASB 16 Leases	526	318
Add: Depreciation and amortisation expenses	4,086	2,753
EBITDA per statutory accounts	10,643	9,468
Less: Job keeper and other government stimulus measures	–	(1,956)
Add: IPO related expenses including listing bonus share award	159	3,054
Add: Business combination expenses	1,875	–
Pro forma EBITDA	12,677	10,566
NPAT per statutory accounts	4,070	4,812
Less: Job keeper and other government stimulus measure – net of tax	–	(1,369)
Add: IPO related expenses including listing bonus share award – net of tax	111	2,138
Add: Business combination expenses – net of tax	1,313	–
Add: Amortisation of acquired intangible assets – net of tax	228	–
Pro forma NPAT	5,722	5,581

CASH FLOW AND NET CASH

In H1 FY22, the Group generated cash from operating activities of \$9.8 million (H1 FY21: \$15.3 million). The Group had higher tax and interest payments compared to last year and did not receive government grants.

After adding back tax and interest, operating cash flow was \$12.3 million, 97% of Pro forma EBITDA, with last year's comparable metric was (H1 FY21: 158%), reflecting the cash generating nature of the business.

Free cash flow comprising cash flow from operating activities minus cash flows from investing activities, excluding monies paid for Acquisition of subsidiaries and related Business combination expenses totalled \$9.3 million (H1 FY2021: \$11.5 million). Funds of \$47.8 million were expended on the ASC acquisition including transaction costs.

The total of the Group's cash and cash equivalent remains strong at 31 December 2021, totalling \$23.9 million. The overall net cash position after deducting the borrowings under the bank term loan facility of \$22.4 million was \$1.5 million.

After deducting lease liabilities reported under AASB16 of \$24.2 million the net debt balance was \$22.7 million.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any significant events after reporting date as at the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

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

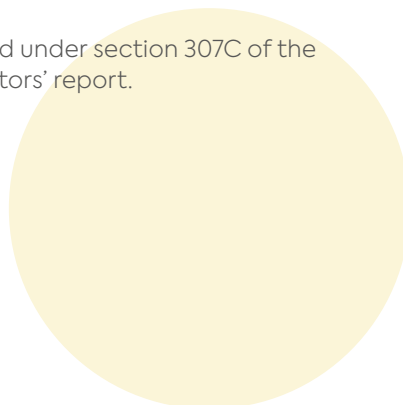
SIGNED

Signed in accordance with a resolution of Directors.

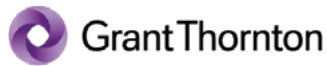


Boris Bosnich
Chair and Non-Executive Director

28 February 2022
Adelaide



AUDITOR'S INDEPENDENCE DECLARATION



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Auditor's Independence Declaration

To the Directors of SILK Laser Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of SILK Laser Australia Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2022

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CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

CONTENTS

Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	26
Independent auditor's review report	27

GENERAL INFORMATION

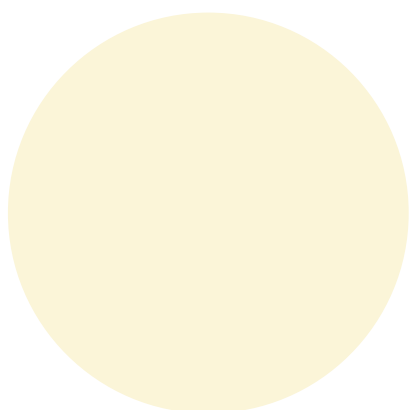
The financial statements cover SILK Laser Australia Limited as a Group consisting of SILK Laser Australia Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is SILK Laser Australia Limited's functional and presentation currency.

SILK Laser Australia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

1/137 The Parade, Norwood, SA 5067

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2022.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Revenue			
Trading sales	4	34,368	27,651
Cost of sales		(9,697)	(7,842)
Gross profit		24,671	19,809
Franchise revenue	4	6,102	2,931
Other Income		1,650	2,618
Share of Profits of Associates		239	474
Employee benefits expense	5	(13,866)	(9,799)
Occupancy costs		(518)	(197)
Marketing expenses		(2,273)	(1,351)
Other expenses		(3,035)	(1,765)
IPO related expenses		(159)	(3,054)
Business combination expenses		(1,875)	–
Depreciation and amortisation expenses	5	(4,086)	(2,753)
Finance costs	5	(694)	(325)
Profit before income tax expense		6,156	6,588
Income tax expense		(2,086)	(1,776)
Profit after income tax expense for the half-year		4,070	4,812
Other comprehensive income for the half-year, net of tax		–	–
Total comprehensive income for the half-year		4,070	4,812
Profit for the half-year is attributable to:			
Non-controlling interest		(23)	112
Owners of SILK Laser Australia Limited		4,093	4,700
		4,070	4,812
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(23)	112
Owners of SILK Laser Australia Limited		4,093	4,700
		4,070	4,812
		Cents	Cents
Basic earnings per share	14	7.85	11.49
Diluted earnings per share	14	7.82	11.19

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$'000	30 June 2021 \$'000
Assets			
Current assets			
Cash and Cash Equivalents		23,925	44,673
Trade and Other Receivables	6	12,365	4,813
Inventories		5,075	2,979
Other Assets		865	289
Total Current Assets		42,230	52,754
Non-current assets			
Trade and Other Receivables	6	9,909	1,869
Investments in Associates	7	1,389	881
Property, Plant and Equipment	8	17,430	18,794
Right-of-use Assets	9	11,373	11,382
Intangible Assets	10	87,405	27,918
Deferred Tax		8,429	8,507
Other Assets		612	1,463
Total Non-Current Assets		136,547	70,814
Total assets		178,777	123,568
Liabilities			
Current liabilities			
Trade and Other Payables		13,645	9,667
Contract Liabilities		10,771	9,311
Lease Liabilities	11	7,824	4,816
Income Tax Payable		5,286	3,329
Provisions		1,710	1,129
Total Current Liabilities		39,236	28,252
Non-current liabilities			
Contract Liabilities		–	150
Lease Liabilities	11	16,363	11,583
Deferred tax liabilities		10,933	5,274
Provisions		3,274	654
Borrowings	12	22,368	–
Total non-current liabilities		52,938	17,661
Total Liabilities		92,174	45,913
Net Assets		86,603	77,655
Equity			
Share Capital	13	78,726	73,746
Share-Based Payments Reserve		323	425
Retained profits		7,741	3,550
Equity attributable to the owners of SILK Laser Australia Limited		86,790	77,721
Non-controlling interest		(187)	(66)
Total equity		86,603	77,655

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Share Capital Ordinary shares \$'000	Share-Based Payment Reserve \$'000	(Accum- ulated losses)/ Retained Earnings \$'000	Non- controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2020	36,568	533	31	(200)	36,932
Profit after income tax expense for the half-year	–	–	4,700	112	4,812
Other comprehensive income for the half-year, net of tax	–	–	–	–	–
Total comprehensive income for the half-year	–	–	4,700	112	4,812
New share capital raised – Pre-IPO	200	–	–	–	200
Pre-IPO Capital return	(5,400)	–	–	–	(5,400)
Return to option holders	–	592	–	–	592
Transfer for options vested	1,336	(1,336)	–	–	–
Share-based payments expense options	–	211	–	–	211
Share-based payments expense listing award	–	126	–	–	126
Proceeds from call on shares	3,960	–	–	–	3,960
New share capital raised – IPO	20,000	–	–	–	20,000
Share transaction costs – IPO	(3,125)	–	–	–	(3,125)
Tax effect of IPO costs	937	–	–	–	937
Dividends paid	–	–	(1,500)	–	(1,500)
Balance at 31 December 2020	54,476	126	3,231	(88)	57,745

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

	Share Capital Ordinary shares \$'000	Share-Based Payment Reserve \$'000	(Accum- ulated losses)/ Retained Earnings \$'000	Non- controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2021	73,746	425	3,550	(66)	77,655
Profit/(loss) after income tax expense for the half-year	–	–	4,093	(23)	4,070
Other comprehensive income for the half-year, net of tax	–	–	–	–	–
Total comprehensive income for the half-year	–	–	4,093	(23)	4,070
Repayment of employee share loan	228	–	–	–	228
Listing rights vested and exercised	350	(350)	–	–	–
Share-based payments – Performance rights	–	89	–	–	89
Share-based payments – Listing award	–	159	–	–	159
Shares issued on ASC acquisition (Note 3)	4,560	–	–	–	4,560
Tax effect – IPO Costs	(94)	–	–	–	(94)
Tax effect – Share placement costs	(22)	–	–	–	(22)
Changes in the proportion held by non-controlling interests	(42)	–	98	(98)	(42)
Balance at 31 December 2021	78,726	323	7,741	(187)	86,603

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		44,060	33,064
Receipts from Government Grants		–	2,333
Payments to suppliers and employees (inclusive of GST)		(31,808)	(18,727)
Interest received		293	198
Income tax paid		(2,042)	(1,284)
Interest paid (AASB 16)	5	(526)	(7)
Interest paid	5	(168)	(318)
Net cash from operating activities		9,809	15,259
Cash flows from investing activities			
Payments for property, plant and equipment		(1,524)	(4,120)
Payments for intangibles		(154)	(6)
Receipt of guarantee deposits refunded		1,463	–
Loan advances to associates		(737)	–
Acquisition of ASC, net of cash acquired	3	(45,340)	–
Property, plant and equipment acquired as part of Business Combination		–	(747)
Business combination expenses		(1,875)	–
Payment for Other Business Combination	3	(1,230)	(169)
Proceeds from disposal of property, plant and equipment		144	1,330
Proceeds from sale of subsidiaries		345	–
Net cash used in investing activities		(48,908)	(3,712)
Cash flows from financing activities			
Proceeds from call on shares		228	3,960
Proceeds from issue of shares – IPO related		–	20,000
Pre-IPO capital return		–	(5,400)
Pre-IPO dividend		–	(1,500)
Proceeds from issue of shares – Share placement		–	200
Share issue transaction costs – Share placement		–	(3,125)
IPO Related expenses		(159)	(3,054)
Proceeds/(Payments) from/(to) loans with related parties		–	593
Repayment of principal portion of lease liabilities	11	(3,517)	(1,133)
Repayment of Asset Finance	11	(569)	(140)
Proceeds from borrowings		22,368	–
Net cash from financing activities		18,351	10,401
Net increase/(decrease) in cash and cash equivalents		(20,748)	21,948
Cash and cash equivalents at the beginning of the financial half-year		44,673	4,605
Cash and cash equivalents at the end of the financial half-year		23,925	26,553

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 audited Consolidated financial statements for the year 30 June 2021, and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the half-year financial statements are consistent with those of the audited financial statements for the year ended 30 June 2021. There were no new or amended Accounting Standards that have a significant impact of financial performance.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

NOTE 2. OPERATING SEGMENTS**Identification of reportable operating segments**

Following the acquisition of ASC, the Group operates two operating segments, SILK Laser Clinics and ASC. Both of these businesses are involved in the provision of non-surgical aesthetic services and sale of owned brand skincare products through their corporate, majority owned and franchised clinics, and fee income from franchised clinics, in Australia and New Zealand. The chief operating decision maker for the Group is the Chief Executive Officer.

It is intended that by 30 June 2022 both businesses will be fully integrated and there will only be one operating segment in Australia and New Zealand.

A summary of the key financial measures for the period ending 31 December 2022 is set out below.

	SILK H1 FY22 \$'000	ASC 4 Months \$'000	Total \$'000
Reported Revenue	35,885	4,585	40,470
Statutory EBITDA	9,358	1,285	10,643
Pro forma EBITDA	11,392	1,285	12,677
Net Profit After Tax	3,667	403	4,070
Total Assets	124,358	54,419	178,777
Total Liabilities	63,750	28,424	92,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 2. OPERATING SEGMENTS continued

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

A reconciliation of Reported Revenue, Statutory EBITDA and Pro forma EBITDA are provided as follows:

	SILK \$'000	ASC \$'000	Total \$'000
Reported Revenue			
- Trading sales	32,793	1,575	34,368
- Franchise revenue	3,092	3,010	6,102
Total Reported Revenue	35,885	4,585	40,470
Net Profit After Tax	3,667	403	4,070
Add: Depreciation and amortisation expenses	3,397	689	4,086
Less: Net Finance Income – Loans and Cash	37	(162)	(125)
Add: Net Finance costs – AASB 16 Leases	344	182	526
Add: Income tax	1,913	173	2,086
Statutory EBITDA	9,358	1,285	10,643
Statutory EBITDA	9,358	1,285	10,643
Add: IPO related expenses including listing bonus share award	159	–	159
Add: Business combination expenses	1,875	–	1,875
Pro forma EBITDA	11,392	1,285	12,677

NOTE 3. BUSINESS COMBINATIONS**Australian Skin Clinics and The Cosmetic Clinic****(a) Acquisition of Controlled Entities**

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

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

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

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

The value of the shares set out in the table below is based on the published price at the date of issue.

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

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

The assets and liabilities recognised by SILK are as follows (provisional and subject to adjustment in the final accounts):

	Fair Value \$'000
Assets	
Current assets	
Cash	545
Bank guarantee deposits	612
Trade and other receivables	916
Inventories	1,058
AASB 16 Sub-Lease receivables	3,134
Current assets sub total	6,265
Non-Current Assets	
Tangible fixed assets:	
Leasehold improvements	162
Plant and equipment	986
Investments in Joint Venture partnerships	331
AASB 16 Right-of Use-Assets	2,069
AASB 16 Sub-Lease receivables	8,239
Intangibles:	
Brand name and trademarks	580
Franchisee network (Australia & New Zealand)	19,238
Other Intellectual Property and Website	103
Non-current assets sub total	31,708
Total Assets	37,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 3. BUSINESS COMBINATIONS continued

	Fair Value \$'000
Liabilities	
Trade and other payables	961
Income tax GST & other taxes	1,616
Employee entitlements	344
Provisions	4,074
Deferred tax liability	5,815
Contract Liabilities	981
AASB 16 Lease Liabilities	2,069
AASB 16 Lease Liabilities – Sub-Leasing	11,373
Total liabilities	27,223
Net identifiable assets provisionally acquired	10,740
Goodwill	39,704
Net assets provisionally acquired	50,444

The goodwill is provisional in this half-year report and may be subject to adjustment. Goodwill is attributable to the workforce and the profitability of the acquired business. Certain components of goodwill, such as the franchise system may be deductible for tax purposes.

The acquired business of ASC contributed Reported Revenues of \$4,585 thousand and net profit of \$403 thousand for the period 1 September to 31 December 2021.

If the acquisition had occurred on the 1 July 2021 the consolidated revenue and profit for the half-year ended 31 December 2021 would have \$7,708 thousand and \$75 thousand. The amounts have been calculated after adjusting for:

- Differences in the accounting policies of the SILK group and ASC; and
- Additional depreciation and amortisation of that would have been charged assuming the fair value of leasehold improvements, plant and equipment and intangible assets had applied from 1 July 2021.

(b) Purchase consideration – cash flow

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	41,454
Escrow payment	1,800
Debt repaid to vendor	2,631
	45,885
Less: Balances acquired	
Cash	(545)
Net outflow of cash – investing activities	45,340

(c) Acquisition related costs

Acquisition related costs including due diligence and other associated costs of \$1,875 thousand that were not directly related to the issue of shares are included in business combination expenses in the statement of profit and loss and in investing cash flows in the statement of cash flows.

Acquisition of subsidiary – ASC Mandurah Pty Ltd

On 1 December 2021 the Group acquired ASC Mandurah for a total consideration of \$1,108,783. ASC Mandurah operates an Australian Skin Clinic at Mandurah, WA. The amount was recognised as a liability by SILK on acquisition of Australian Skin Clinics.

	\$'000
Assets acquired at the date of acquisition	
Inventory	38
Property, plant and equipment	90
	128
Liabilities assumed at the date of acquisition	
Contract liabilities	56
Employee provisions	30
	86
Net Assets	42
Reduction in Provisions	1,067
Total Consideration satisfied by cash	1,109

Increase of interest in SLC Mackay Pty Ltd to 90%

On 1 November 2021 SILK Laser Australia Limited acquired 15 shares in SLC Mackay Pty Ltd which increased its shareholding from 75% to 90% of the total share capital. The purchase price for the 15 shares was \$120,925.

NOTE 4. REVENUE

	31 December 2021 \$'000	31 December 2020 \$'000
Timing of revenue recognition		
Clinic Sales – recognised at a point in time	26,271	23,677
Distribution & other sales – recognised at a point in time	8,097	3,974
Franchise revenue – recognised at a point in time	6,025	2,870
Initial franchise revenue – recognised over time	77	61
Reported revenue	40,470	30,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 5. EXPENSES**Cost of Sales**

Cost of sales mainly comprises the cost of cosmetic injectable supplies, consumable costs associated with the non-surgical aesthetic services and the cost of skincare products, which are primarily SILK owned branded products manufactured by third parties.

	31 December 2021 \$'000	31 December 2020 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment		
Depreciation on Property, plant and equipment	1,906	1,567
Amortisation of Intangibles	378	23
Depreciation on Right-of-use assets	1,789	1,163
Bank Establishment Fee	13	–
Total depreciation, amortisation and impairment	4,086	2,753
Employee benefits Expense:		
Wages and salaries	12,118	6,914
Defined contribution plan	1,038	674
JobKeeper	–	1,658
Payroll tax	620	342
Share-based payment expense	90	211
	13,866	9,799
Finance costs		
Interest expenses – AASB 16 Leases	526	318
Interest expenses – Other	168	7
Finance costs expensed	694	325

NOTE 6. TRADE AND OTHER RECEIVABLES

	31 December 2021 \$'000	30 June 2021 \$'000
Current assets		
Trade receivables	6,707	2,788
Less: Allowance for expected credit losses	(139)	(20)
Sub-Lease Receivables	3,956	881
Shareholder Loans Receivable – Associates	1,841	1,164
	12,365	4,813
Non-current assets		
Sub-Lease Receivables	6,927	1,361
Shareholder Loans Receivable – Associates	2,982	508
	9,909	1,869

NOTE 7. INVESTMENTS IN ASSOCIATES

SILK Laser Australia Limited accounts for the following entities as Associates via the equity accounting method in accordance with AASB 128 Investments in Associates.

Entity	December 2021 Group % Interest	Carrying Amount	December 2020 Group % Interest	Carrying Amount
SLC Marion Pty Ltd	50%	200,434	50%	77,597
SLC Casuarina Pty Ltd	50%	229,305	50%	227,529
SLC Maroochydore Pty Ltd	50%	1	50%	1
SLC Tea Tree Plaza Pty Ltd	50%	125,724	50%	63,967
SLC Fairfield Pty Ltd	50%	206,484	50%	150,986
SLC Palmerston Pty Ltd	50%	79,854	50%	37,500
SLC Townsville Pty Ltd	50%	50	50%	50
SLC West Lakes Pty Ltd	50%	104,864	50%	27,913
SLC Bunbury Pty Ltd	50%	50	50%	50
SLC Wagga Pty Ltd	50%	173,661	50%	51,258
SLC Ipswich Pty Ltd	50%	50	50%	50
SLC Toowoomba Pty Ltd	50%	50	–	–
SLC Cockburn Pty Ltd	50%	100	50%	100
SLC Karrinyup Pty Ltd	50%	50	–	–
SLC Charlestown Pty Ltd	40%	40	–	–
Total		1,120,717		637,001

The following entities are partnerships in which SILK has a 50% ownership and shares equal amounts of the profits or losses incurred by the relevant entity. These Partnerships were acquired as part of the ASC acquisition effective 1 September 2021.

Partnerships between:	December 2021 Group % Interest	Carrying Amount
SJM & PPM Pty Ltd and Venture in Altona Gate Pty Ltd	50%	(41,409)
Andreeva Enterprises PL & Venture in Broadmeadows Pty Ltd	50%	119,843
SJM & PPM Pty Ltd and Venture in Ferry Road Pty Ltd	50%	82,761
GCB Global Pty Ltd & Venture in Epping Pty Ltd	50%	107,018
Total		268,213

	Total Carrying Amount
Total of investments in Associates and Partnerships	1,388,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021 \$'000	30 June 2021 \$'000
Non-current assets		
Leasehold improvements – at cost	9,794	10,048
Less: Accumulated depreciation	(3,644)	(3,049)
	6,150	6,999
Furniture and plant – at cost	16,614	16,592
Less: Accumulated depreciation	(5,334)	(4,797)
	11,280	11,795
	17,430	18,794

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial half-year:

	Leasehold Improvement \$'000	Furniture, Plant & Equipment \$'000	Total \$'000
Balance at 1 July 2021	6,999	11,795	18,794
Additions	796	545	1,341
Additions through business combinations	162	946	1,108
Clinics ownership sold to outside the group	-	(44)	(44)
Disposals	(840)	(1,023)	(1,863)
Depreciation expense	(967)	(939)	(1,906)
Balance at 31 December 2021	6,150	11,280	17,430

NOTE 9. RIGHT-OF-USE ASSETS

	31 December 2021 \$'000	30 June 2021 \$'000
Non-current assets		
Right-of-use asset	17,018	16,064
Less: Accumulated amortisation	(5,645)	(4,682)
	11,373	11,382

	31 December 2021 \$'000	30 June 2021 \$'000
Half-year movements in right-of-use asset		
Net carrying amount at 1 July 2021	11,382	9,030
Lease Surrender	(27)	(232)
Re-measurement of Lease Liability	(35)	(20)
Lease modification	–	62
Clinics ownership sold to outside the group	(1,254)	–
Commencement – Right-of-use assets	1,027	5,128
Additions through business combination	2,069	–
Depreciation	(1,789)	(2,586)
Net carrying amount at 31 December 2021	11,373	11,382

The Group has lease contracts for the rental of clinic outlets and head office premises and for franchised clinic outlets, which are subject to a licence or sub lease to franchise owners.

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

As at 31 December the Sub-lease Receivables totalled \$10,883 thousand.

NOTE 10. INTANGIBLE ASSETS

	31 December 2021 \$'000	30 June 2021 \$'000
Non-current assets		
Goodwill	67,473	27,684
Franchise system development – at cost	76	76
Less: Accumulated amortisation	(21)	(19)
	55	57
Brand Name – at cost	580	–
Patents, Trademarks and Intellectual Property – at cost	137	73
Less: Accumulated amortisation	(10)	(8)
	127	65
Franchise Network (Australia & New Zealand)	19,238	–
Less: Accumulated amortisation – Franchise Network	(326)	–
	18,912	–
Website and software – at cost	519	325
Less: Accumulated amortisation	(261)	(213)
	258	112
	87,405	27,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 10. INTANGIBLE ASSETS continued**Movements in Intangibles**

Movement in the carrying amounts for each class of Intangible Asset between the beginning and the end of the current financial half year:

	SILK Franchise System Develop- ment \$'000	SILK Goodwill \$'000	ASC Franchise Network \$'000	ASC Brand Name \$'000	ASC Goodwill \$'000	Combined Intellectual Property \$'000	Combined Website and Software \$'000	Total \$'000
Balance at 1 July 2021	57	27,684	–	–	–	65	112	27,918
Additions	–	–	–	–	–	11	144	155
Additions through business combinations	–	85	–	–	–	–	–	85
ASC Acquisition (Note 3)	–	–	19,238	580	39,704	53	50	59,625
Amortisation expense	(2)	–	(326)	–	–	(2)	(48)	(378)
Balance at 31 December 2021	55	27,769	18,912	580	39,704	127	258	87,405

NOTE 11. LEASE LIABILITIES

	31 December 2021 \$'000	30 June 2021 \$'000
Current liabilities		
Lease liability on Right-of-use Assets	7,824	4,247
Lease liability on Asset Finance	–	569
Total current lease liabilities	7,824	4,816
Non-current liabilities		
Lease liability on Right-of-use Assets	16,363	11,583
Total non-current lease liabilities	16,363	11,583
Total lease liabilities	24,187	16,399

	31 December 2021 \$'000	30 June 2021 \$'000
Movements in lease liabilities		
Balance at 1 July 2021	16,399	14,783
Commencement of lease	12,768	4,882
Increase in lease term	–	1,057
Re-measurement	(27)	(816)
Transfer of lease	–	(777)
Principle re-payments Lease Liabilities	(3,517)	(3,631)
Interest on Right-of-Use	536	671
Surrender of lease	(35)	(114)
Lease Incentives recognised	90	732
Principle re-payments Asset Finance	(569)	(426)
Interest on Asset finance	–	38
Clinics ownership sold to outside the group	(1,458)	–
Balance at 31 December 2021	24,187	16,399

NOTE 12. BORROWINGS

	31 December 2021 \$'000	30 June 2021 \$'000
Non-current liabilities		
Bank loans	22,500	–
Less: transaction costs net of amortisation	(132)	–
Total Borrowings	22,368	–

The Group holds a four-year term debt facility agreement of \$30 million with Westpac Bank, with repayments of up to \$2.5 million per year (depending on the level of net debt), commencing on a quarterly basis from January 2022. The facility has covenants relating to net leverage based on the ratio of EBITDA to net debt and the ratio EBITDA to interest and rent expenses. The covenants are in line with usual debt market standards.

Additionally, the agreement includes additional facilities relating working capital finance and the provision of bank guarantees to landlords, which will provide further liquidity to the Group. The total facilities including the debt facility above are \$36 million.

Interest is currently payable on the debt facility at the rate of 1.9%. The facilities also carry a line fee for undrawn and available facilities

As at 31 December 2021, there was \$22.5 million withdrawn under the facility, which was used to fund the acquisition of ASC, leaving \$7.5 million in potential available capacity for permitted purposes under the loan.

Transaction costs associated with entering into the bank facility were \$144 thousand and will be amortised over the initial term of the facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 DECEMBER 2021

NOTE 13. SHARE CAPITAL

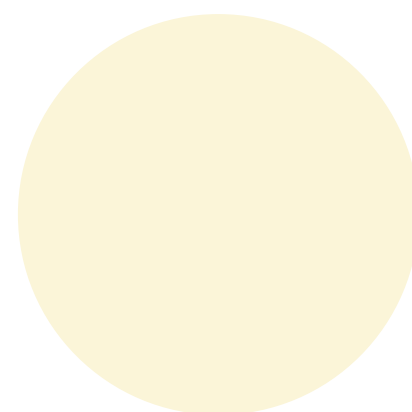
	HY1 FY22 31 December 2021 Share Capital Number	Year Ended 30 June 2021 Share Capital Number	HY1 FY22 31 December 2021 \$'000	Year Ended 30 June 2021 \$'000
Opening balance	51,766,609	36,567,139	73,746	36,568
Share issue as part of ASC acquisition	1,142,318	–	4,560	–
Partially paid shares	–	3,549,366	–	–
Shares issued prior to IPO	–	78,431	–	206
Pre-IPO capital return	–	–	–	(5,400)
A class shares converted to ordinary	–	1,123,409	–	1,336
Proceeds from call on shares	–	–	–	3,960
Issue of shares – IPO	–	5,797,101	–	20,000
Net costs (After Tax Effect) – IPO Costs	–	–	(94)	(2,375)
Issue of Shares – Share Placement	–	4,651,163	–	20,000
Net costs (After Tax Effect) – Share Placement	–	–	(22)	(549)
Listing rights vested and exercised	101,449	–	350	–
Changes in the proportion held by non-controlling interests	–	–	(42)	–
Repayment of employee share loan	–	–	228	–
Closing balance	53,010,376	51,766,609	78,726	73,746
	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares – fully paid	53,010,376	51,766,609	78,726	73,746

NOTE 14. EARNINGS PER SHARE

	31 December 2021 \$'000	31 December 2020 \$'000
Profit after income tax	4,070	4,812
Non-controlling interest	23	(112)
Profit after income tax attributable to the owners of SILK Laser Australia Limited	4,093	4,700

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	52,160,009	40,919,664
Adjustments for calculation of diluted earnings per share:		
New performance rights	76,013	11,674
Listing award	101,449	1,059,702
Weighted average number of ordinary shares used in calculating diluted earnings per share	52,337,471	41,991,040

	Cents	Cents
Basic earnings per share	7.85	11.49
Diluted earnings per share	7.82	11.19



DIRECTORS' DECLARATION

31 DECEMBER 2021

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 Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

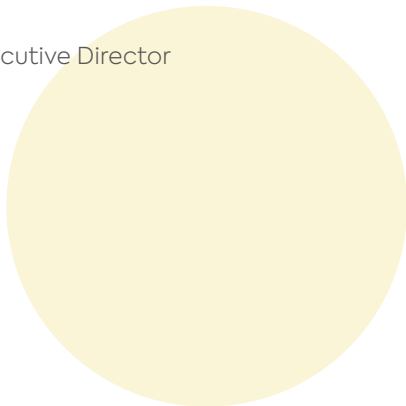
On behalf of the Directors



Boris Bosnich

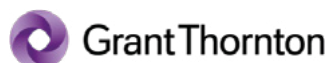
Chair and Non-Executive Director

28 February 2022
Adelaide



INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SILK LASER AUSTRALIA LIMITED



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
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Adelaide SA 5001

T +61 8 8372 6666

Independent Auditor's Review Report

To the Members of SILK Laser Australia Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of SILK Laser Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, 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 accompanying half-year financial report of SILK Laser Australia Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the SILK Laser Australia Limited's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) 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 Financial Report section of our report. We are independent of the Company 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.

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 REPORT continued



Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 SILK Laser Australia Limited's financial position as at 31 December 2021 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.

A large, stylized blue cursive signature of "Grant Thornton" written in ink.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue cursive signature of "J.L. Humphrey" written in ink, positioned over the printed name.

J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2022

