SKS Technologies

# 2021 ANNUAL REPORT


SKS TECHNOLOGIES DELIVERS ADVANCED INTEGRATED TECHNOLOGY SOLUTIONS

# CORPORATE DIRECTORY

## Directors

Peter Jinks

Greg Jinks

Terence Grigg

## Secretary

Gary Beaton

Matthew Jinks

## Registered Office

700 Spencer Street
West Melbourne
Victoria 3003

**T:** (03) 9289 5000

**E:** investors@sks.com.au

**www.sks.com.au**

## Auditor

**DFK BKM Audit Services**

3/689 Burke Rd
Camberwell, Victoria 3124

**T:** (03) 9804 0411

## ABN

**24 004 554 929**

## Solicitors

**Nick Stretch Legal**

PO Box 13,
Brighton
VIC 3186

**www.nickstretchlegal.com**

## Share Registry

**Computershare Investor Services**

452 Johnston Street
Abbotsford, Victoria 3067

**Investor Enquiries:** 1300 850 505

**T:** (03) 9415 4000

"We have formally expanded into the managed AV and IT integrated solutions space to take advantage of our existing expertise and build a strong recurring revenue model to diversify income streams."

**Matthew Jinks, Chief Executive Officer**

**Data #3, Brisbane**

# CONTENTS

191 Salmon St, Melbourne

# A CULTURE OF PROJECT EXCELLENCE....

From boardrooms to stadiums, retail outlets to airport lounges, lecture halls and hospitals, SKS Technologies delivers advanced technology through digital transformation via creative design and installation of converged audio visual and information technology, electrical and communications networking solutions across Australia.


Sevicing customers in every state and territory from five capital city locations

## Key Business Metrics

**200+** Employees

**87%** Repeat Business

**$60M+** Annualised Run Rate

**$26M** Work on hand

## Industry Profile

- Hospitals
- Government
- Commercial
- Sports
- Airports
- Universities
- Hotels
- Correctional Facilities

# ... WITH A BLUE-CHIP CLIENT BASE SPANNING A DIVERSITY OF SECTORS.


| | | |
|---|---|---|
| SaaS and IT | LinkedIn | Dropbox |
| Sport and Recreation | Melbourne Olympic Parks | tennis |
| Government | Australian Government Australian Taxation Office | vicroads |
| Airports and Hotels | MELBOURNE AIRPORT | WESTIN HOTELS & RESORTS |
| Hospitals | Western Health | Flinders Fertility |
| Professional Services | myob | Pitcher Partners |

# PERFORMANCE REVIEW

## CONTINUING OPERATIONS

| $35.60M | $2.00M | $1.74M | $2.59M |
| --- | --- | --- | --- |
| Sales Revenue | EBIDTA | NPAT | Operating Cashflow |

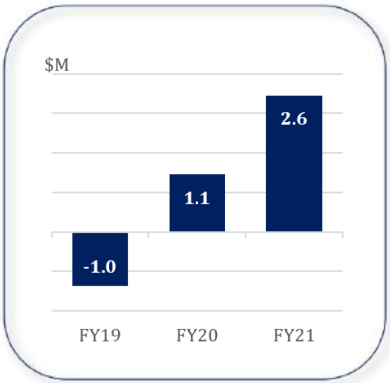
### Sales


34% uplift in Sales Revenue.

### Net Profit After Tax

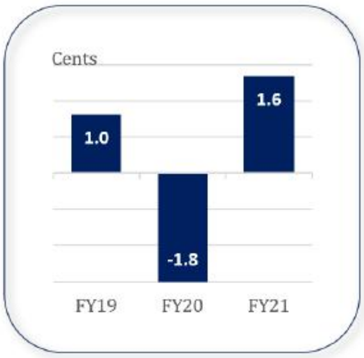

$2.95 million dollar turnaround in Net Profit After Tax.

### Cash Flows from Operations



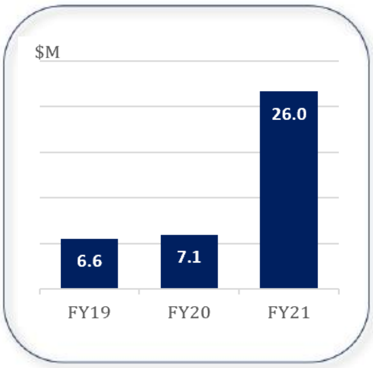

$1.50 million increase in Operating Cash Flow.

### Earnings per Share




Earnings per share turnaround by 3.4 cents.

### Work on Hand




266% increase in Work on Hand.

### Acquisitions

APEC Technologies in 2H21 – delivers greater capacity and scale for projects in similar market sectors

APEC Technologies successfully integrated 2H21.

MYOB, Melbourne

# EXECUTIVE CHAIRMAN ADDRESS

Dear Shareholder,

After a full year of operations in the new Covid-driven economy, I am pleased to report that our business has adapted well. While the pandemic continues to have a significant effect on the broader economy, not least due to its unpredictability, we have developed routine measures and responses to manage the ever-changing external environment and can adapt our operations quickly and efficiently to ensure that business continuity is maintained via a well-connected workforce.

Our turnaround after significant restructuring and divestments over FY20 is most apparent in our financial performance with a number of metrics returning to a strong surplus. After tax profit from continuing operations increased to $1.74 million compared with the FY20 loss of $1.21 million. This represents a $2.95 million turnaround. Similarly, EBITDA turned around from a loss of $0.38 million in FY20 compared with positive $2.00 million in FY21. Revenue was up by 34% to $35.60 million and our order book continues to hit new records, currently sitting at $26 million.

Several years ago, the Board revised the strategy, establishing a timeframe and set of measures to improve operating performance. The four cornerstones developed to meet the challenges of the next five years were a linear progression of Restructure and Consolidation, Core Business Growth, Technology Expansion, and Technology Growth. Essentially our strategy espouses sequences of growth and consolidation so that we grow at a rate that enables us to capture the full gain of that growth and deliver excellence to our customers. Two of these cornerstones have been achieved and much has been explained about the activities that underpinned it in past shareholder communications.

In 2021, we focussed on growing the business, both organically and by acquisition. In the second half, we acquired the assets and ongoing business of APEC Technologies to expand capability and capacity. Based in Victoria, APEC Technologies offers fibre networking, communications and electrical solutions to a blue-chip client base spread across Australia with a similar footprint to that of SKS Technologies in both the private and public sectors. Our rationale for this acquisition rests on the complementary nature of the two businesses and the expectation that the integrated business will generate annualised revenue of $60 million. Our work in hand position reached a record $26 million by the end of June 2021.

Effective February this year, the Board appointed Chief Operating Officer, Matthew Jinks to the position of Chief Executive Officer, Matthew brings a valuable combination of both practical and technical experience as well as strong financial acumen, strategic insight and people management skills that render him an effective leader. He was instrumental in the implementation of the wholesale business restructure that has set us up so well today to enable the growth that we are now pursuing. Since taking the reins, Matthew has presided over the two acquisitions and has a clear vision for the business. I remain as Chair and look forward to working with Matthew and the Board as we continue to grow SKS Technologies. In addition, we also announced the change of our name from Enevis to SKS Technologies in November 2020. It was a logical move given we had divested our less attractive business units for the purposes of investing all our resources into the most attractive business, SKS Technologies.

The future is always difficult to predict, but never more so than now, in an era where we add global pandemics to the raft of phenomena impacting economies. However, I can confidently say that SKS Technologies has a growth strategy mapped out and underway, and we will continue to evaluate everything we do against that strategy. More recently we were excited to announce the acquisition of Integrated Solutions Group Queensland. This acquisition executes on the next phase of our strategy. There may be times where circumstances require us to reassess the tactics that sit under that strategy, and to review our plans, but the priorities will

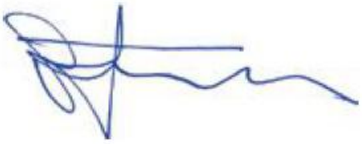
MMC, Adelaide

remain growth and operating efficiency, and a relentless focus on capturing the gains from our acquisitions.

This year, more than ever, I extend my thanks and appreciation on behalf of the Board to all of our staff. They have shown resilience and innovation in the way they have performed their roles and continued to act as a team, albeit often from disparate locations. They have adapted with great speed to the new post-Covid means of transacting business, and I believe the interruptions to our business over the last eighteen months have been managed in the most optimal way possible.

Our thanks must also be conveyed to our shareholders for their continued support in challenging times, and also to our customers and suppliers with whom we have strong relationships that have enabled us to determine together the most advantageous approaches to the challenges emerging from a marketplace affected by the pandemic.

With a business that is now on solid foundations, pursuing and achieving strong growth via acquisition as well as organically, I look forward to the current year and to building on the step that comes after the turnaround – growth. We certainly have some exciting opportunities in front of us and I believe we have the right team and expertise to deliver excellence in everything we do. I look forward to keeping you all updated.



**Peter Jinks**

EXECUTIVE CHAIRMAN

# CHIEF EXECUTIVE OFFICERS REPORT

It is with great pleasure that I write this operational review after being appointed to the role of Chief Executive Officer in February of this year. SKS Technologies is in an exciting time in its journey, and I look forward to leading the Company through the next phase of growth and beyond.

There has been a heightened level of speculation about the impact on global and local economies since the onset of the pandemic some 18 months ago, and an unprecedented ongoing level of uncertainty has prevailed that has forced businesses, large and small, to reflect on the optimum operational practices to preserve earnings levels. I am pleased to note that after two years of restructuring to bring our company back to core operations and capitalise on what we do best, SKS Technologies demonstrated its ability to withstand these tough times, with a positive performance as measured by a number of benchmarks.

Since the emergence of Covid-19 in March 2020, we have divested and acquired businesses to realise our strategy to focus on core operations and grow into complementary fields. We have grown our work on hand position to an unprecedented level and we have achieved a 34% growth in revenue, partly due to the APEC acquisition but to a greater extent organically. Despite border restrictions and lockdowns continuing to throw up challenges, often at short notice, we have continued to deliver projects and services to our clients with the support of our suppliers and employees. We are confident that our business can continue to manage the pandemic fallout and have adapted our operations to accommodate these changed trading conditions.

## Financial Performance

In May this year, we forecast a 25% increase in revenue, taking into account the revenue contribution from the APEC acquisition, and a $2.4 million turnaround in net profit after tax. I am pleased to report that, in fact, we outperformed those forecasts, achieving a 34% increase in revenue and a $2.95 million turnaround in profit after tax from continuing operations. Sales revenue was $35.60 million compared with $26.55 million in FY20, while EBITDA from continuing operations was $2.00 million compared with a loss of $0.38 million in FY20, a $2.38 million turnaround.

Cash flow from operations showed another significant turnaround of $1.55 million, from a loss of $0.12 million in FY20 to a surplus of $1.43 million in FY21.

The company also has a $3 million working capital facility that was undrawn at year end, no long-term borrowings and a record $26 million of work on hand.

The turnaround of so many financial metrics validates our strategy to restructure the business, selling non-performing assets and removing the need to carry inventory, and concentrate on growing the operations that are profitable. Our FY21 financial performance was also achieved with the ongoing backdrop of economic uncertainty and the disruption of snap lockdowns and border restrictions, demonstrating an underlying resilience that bodes well for our current growth aspirations.

## Operational Performance

2021 was a year of growth for SKS Technologies. We began the year with the finalisation of our wholesale restructuring program as we settled the sale of the commercial lighting business and then focused all of our resources on the organic and acquisitive growth of the remaining core operations. Given the divestment of non-performing, non-core businesses, it made sense to rebrand our organisation to align with the remaining core operations brand of SKS Technologies (ASX: SKS).

In March we announced the acquisition of the assets and ongoing business of APEC Technologies Group under a 100% scrip arrangement. APEC Technologies is a provider of fibre networking, communications and electrical solutions nationally to a blue-chip client base across the breadth of sectors. The rationale for the acquisition rests on growing capacity as well as capability and combining these businesses was an obvious expansion for our business given the similarities in client bases and service offerings. The acquisition strengthened our workforce capacity and capability in providing innovative technical solutions, including converged fibre networks for smart buildings, on a larger range of projects combined with the scale economies that come with a more efficient business structure. It also secured a platform to leverage and build long-term recurring revenue streams.


## The District Bar, Adelaide Casino

Integration and operation under the SKS Technologies brand was achieved before year-end with the entire business moving to new premises in Melbourne in June. The consolidation of three properties into one location brings operating efficiencies as well as greater employee connection and collaboration.

Our work on hand is probably the greatest measure of the hard work we have undertaken to turn the business around and being able to grow our remaining profitable operations. At 30 June last year, work on hand stood at $7.1 million. With the inclusion of APEC's $10 million contribution and continued organic growth in the existing business, it reached $26 million at 30 June this year, representing a 266% increase over the 12 months. We began this year with an order book that is almost four times larger than at the same time last year, which is a significant achievement. Some major projects commenced during the period include works associated with the Victorian Government's Youth Justice Centre, the Australian Federal Police's new Victorian headquarters in Melbourne, a large distribution centre for Australia Post, the refurbishment of the Adelaide Railway Station and Thiess's new head office in Brisbane.

Overall, the business has managed the challenges of Covid adeptly, maintaining customer relationships and forging ahead with its sales and marketing plans. The ongoing uncertainty, with snap lockdowns and border restrictions, has resulted in some reticence from customers in proceeding with large investment decisions and over the past year and a half we have seen some projects at best delayed and occasionally abandoned. However, given the ongoing nature of this this uncertain landscape, the business has adapted well. While many organisations reduced wages or delayed the reinstatement of their full workforces in response to the pandemic lockdowns, with the assistance of the Federal Government's temporary JobKeeper subsidies, all of our employees remained in full time employment. Consequently, our business did not face the shortages in skills and workforce capacity encountered by many businesses as they have sought to upscale each time lockdowns are lifted and restrictions are eased.

# CHIEF EXECUTIVE OFFICERS REPORT (CONT'D)

## People and Culture

Over the year, our employee numbers have doubled, with half of that increase flowing from the APEC acquisition and the remainder recruited to deliver a heightened project load that has resulted from our concentrated sales and marketing effort to achieve our organic growth targets. With a record quantum of work on hand, we have expanded our team from 100 employees to approximately 200 employees at year end. As such, we are conscious of the management changes that come with growth, carefully structuring our teams so that we deliver projects and services as efficiently as possible and with a workforce that is committed and connected. Equally, since the onset of Covid, we have instituted a raft of internal communication protocols to ensure that we have a technologically connected workforce where each individual understands his or her role and is committed to fulfilling it to maximum effect.

We have also been fortunate enough to have been able to grow our team with people we have worked on projects with previously. This past experience of each other means that the people we choose are culturally aligned with the SKS Technologies values, protocols and standards and helps to grow a homogeneous and effective workforce.

As a testament to our professionalism and the way in which we engage and manage people, our business was voted the 'Best Place to Work in AV' by international peak body for the audio-visual sector, PSNI Global Alliance. PSNI operates from 205 offices across 50 countries in 6 continents and each year conducts surveys relating to industry topics, one of those being employee satisfaction.

While this is a great achievement, we still have a firm focus on our social responsibility, particularly in terms of building a workplace that is diverse in gender and cultural origin. Our team continues to build awareness in the organisation of the importance of diversity, tolerance and inclusiveness.

Most importantly, I would like to recognise the dedication of our employees in getting up every morning and continuing to keep the wheels turning on our organisation. They have persevered in pursuing new work, whilst undertaking existing work as well as planning for a future that cannot be predicted with anything close to the level of expectation that we have enjoyed in the past. SKS Technologies is fortunate to have such a cohesive body of individual creativity to steer it through these unprecedented times.

## Sustainability

As a supplier to the construction sector, we are required as a minimum to comply with stringent health and safety standards across our operations. However, in our organisation, these requirements are the baseline. Over the years, we have built a comprehensive safety regime of processes and protocols and our safety performance has been excellent. We are currently in the process of digitising those processes and protocols via an app that eliminates paper resources and is easily available on phones and tablets. The process is a far more efficient means of sharing information and collecting acknowledgement signatures, and it also acts as a Covid control measure by preventing people from sharing physical documents. It will be rolled out first at our South Australian operations and then progressively to the remainder of the business.

SKS Technologies is also proactive in managing and recycling its waste with a raft of policies and practices designed to minimise its carbon footprint that include responsible means of recycling the substantial packaging that protects many of its products through special purpose recycling plants.

## Strategy

In this new phase of our business, our strategy is to drive higher margins under a recurring revenue model by leveraging the convergence of Audio Visual (AV) and Information Technology (IT) networks. Having restructured and grown the business, both organically and via acquisition, we are now in a strong position to acquire supplementary capabilities that complement our existing skills and customer offering. This broadening of skills extends to those which we are currently closely associated with on most of our projects.


Bringing those skills and expertise in-house is a logical and compelling extension of what we already offer our customers. The ability to offer an integrated AV and IT solution opens up many more opportunities and enables us to stay abreast of a market that is rapidly evolving. The future for our business lies in capitalising on supporting our customers effectively executing on their digital transformational strategies and we intend to build capability and capacity to service future demand and target larger opportunities across multiple industry sectors.

We take a very disciplined approach to identifying and assessing acquisition targets with rigorous evaluation criteria that includes, no or low debt, no inventory, adequate working capital, high margins, recurring revenue opportunities and a strong and clear growth trajectory.

## The Future

The acquisitions of APEC Technologies and more recently Integrated Solutions Group Queensland enhance the Company's capability to leverage a larger trend which has seen digital technologies become essential to the way companies and individuals are operating and communicating.

SKS Technologies has now built a strong foundation and is well positioned to continue its growth into the managed AV and IT integrated solutions space to take advantage of our existing expertise and build a strong recurring revenue model to diversify income streams.

With a continued focus on rigorous cost control and extracting maximum synergies from our acquisitions, SKS Technologies will continue to identify and analyse opportunistic acquisition targets that can be easily and efficiently integrated into its existing operations to build scale and market reach.

**Matthew Jinks**
CHIEF EXECUTIVE OFFICER

# LEADERSHIP TEAM BIOGRAPHIES

## Peter Jinks

### EXECUTIVE CHAIRMAN

PETER joined the SKS Technologies Group Limited board and management team in October 2012, and has specific responsibility for operations and administration, and he became Executive Chairman and Managing Director in March 2016.

Peter has more than 40 years' industry experience as a leader, manager, industry NECA council member, and executor of high level policy, resource, operational and strategic visions. Peter has vast experience in technical services, specifically in electrical, data, audiovisual consultation and management.

Peter co-founded the company KLM Group Limited with his brother Greg Jinks in 1981 and was Managing Director until August 2012. The brothers built KLM Group with an enviable reputation as one of Australia's foremost electrical and communications provider. KLM is acknowledged as a company with a technological edge which services the Construction, Defence, Government, Financial, Commercial and Infrastructure markets.

KLM was a small commercial electrical contracting business that in 20 years grew to achieve revenues of $36 million in 2003 when it listed on the ASX. By 2010 KLM had a turnover of $160 million and it was then acquired by ASX-listed Programmed.

## Greg Jinks

### EXECUTIVE DIRECTOR

GREG was appointed to the SKS Technologies Group Limited Board and Management team in October 2012. Greg has specific responsibility for SKS Technologies Group Limited strategic and business development.

Greg has more than 35 years' experience in the telecommunications sector particularly in electrical, data cabling networks, voice, laser, microwave wireless products and the supply of high tech audiovisual installations.

Co-founding KLM Group as a small commercial electrical contracting business with his brother Peter in 1981, the pair grew the business to have a turnover of $160 million in 2010 when it was acquired by ASX-listed Programmed. Greg played a pivotal role with his involvement in company's industry and government accreditations including vendor relationship management. KLM had 800+ employees and has become one of Australia's major communications and data network infrastructure contractors.

Greg is involved in current and emerging technologies which complements SKS Technologies Group Limiteds' growth strategy, focusing on core service offerings while integrating superior technological products.

## Terence Grigg

**NON-EXECUTIVE DIRECTOR**

TERENCE has 25 years' experience as an Executive Director of Ausfine Foods Pty Ltd, an importer and exporter of meat and dairy products.

He was previously a Director of Ansearch Limited, Richmond Football Club, Windermere Child and Family Services (not-for-profit), Position Partners Pty Ltd (Civil Construction & Infrastructure Services) and ESCA Australia Pty Ltd (Medical Research Stem Cells). Terence has extensive knowledge and experience in purchasing, sales and marketing, import and export logistics, accounting and financial management, foreign currency hedging and mitigation and banking facility negotiation.

## Gary Beaton

**CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

Gary is a CPA who has over 30 years of experience as a construction and project accountant and has previously worked for six years with the SKS Technologies Group management team as Chief Financial Officer of their former business KLM Group. Gary previously worked at Clough Engineering group and most recently, Gary completed an 18-month contract with Spotless Group to affect the consolidation of the construction component of a suite of Downer EDI businesses and subsidiary acquisitions. Gary joined the group as the new chief financial officer and was appointed as the company secretary on 13 December 2019.

## Matthew Jinks

**CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY**

Matthew, who holds a Master of Business Administration Finance Major, joined the SKS Technologies Group business in April of 2013 as the Chief Operating Officer with the responsibility of managing all aspects of the company's financial and operational activities. Prior to joining the senior management team of SKS Technologies Group, Matthew held the position of Executive General Manager Finance and one of the Directors of KLM Group, then owned by Programmed Maintenance Ltd, managing all aspects of the business financials. Matthew began his journey as an apprentice electrician for KLM Group. Over a 16-year period he progressed through the business gaining extensive experience in all aspects of management and business operations within the Electrical, Communications and Audio-Visual industry. Matthew was appointed as the company secretary on 15 November 2019 and Chief Executive Officer February 1 2021.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of SKS Technologies Group Limited (Previously known as Enevis Limited) and the entities it controlled (the Group), for the financial year ended 30 June 2021 and auditor's report thereon.

The names of each of the directors of the company in office during or since the end of the financial year together with their qualifications, experience and special responsibilities are shown below.

## Peter Jinks

### EXECUTIVE CHAIRMAN

Peter is Executive Chairman of the Company and has specific responsibility for operations and administration. Peter co-founded the KLM Group with Greg Jinks in 1981 and has been involved in the management of the business from its inception. He has over thirty plus years' experience in technical services, specifically in electrical, data and communication consultation and management. Peter was crucial to the positioning of the KLM Group as one of Australia's major communications and data network infrastructure contractors.

Peter was appointed as non-executive director and chairman in October 2012 and appointed as Managing Director on 8 March 2016. Following the appointment of Matthew Jinks as Chief Executive Officer on 01 February 2021, Peter Jinks stepped down from the role of Managing Director while remaining in the position of Executive Chairman. Peter Jinks has not been a director of any other listed companies during the past three years.

## Greg Jinks

### EXECUTIVE DIRECTOR

Greg is Executive Director of the Company and has specific responsibility for strategy and business development. Greg was a cofounder of the KLM Group with Peter Jinks and was a key driver of a business that became one of Australia's major communications and data network infrastructure contractors. Greg has more than twenty-five plus years' experience in the telecommunications sector particularly in the area of cabling and infrastructure, voice and laser and microwave wireless products.

Greg was appointed as director of the Company in October 2012. Greg Jinks has not been a director of any other listed companies during the past three years.

# Terence Grigg

### NON-EXECUTIVE DIRECTOR

Terence has 26 years' experience as an Executive Director of Ausfine Foods Pty Ltd, an importer and exporter of meat and dairy products.

Terence was previously a Director of Ansearch Limited, Richmond Football Club, Windermere Child and Family Services (not for profit), Position Partners Pty Ltd (Civil Construction & Infrastructure Services) and ESCA Australia Pty Ltd (Medical Research Stem Cells).

Terence was appointed as director of the Company on 31 January 2017. Terence Grigg is also the Chairman and Non-executive Director of The Love Group Global Ltd an ASX listed entity.

# Gary Beaton

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Gary is a CPA who has over 30 years of experience as a construction and project accountant and has previously worked for six years with the SKS Technologies Group management team as Chief Financial Officer of their former business KLM Group. Gary previously worked at Clough Engineering group and most recently, Gary completed an 18-month contract with Spotless Group to affect the consolidation of the construction component of a suite of Downer EDI businesses and subsidiary acquisitions. Gary joined the group as the new chief financial Officer and was appointed as the company secretary on 13 December 2019.

# Matthew Jinks

### CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY

Matthew, who holds a Master of Business Administration Finance Major , joined the SKS Technologies Group business in April of 2013 as the Chief Operating Officer with the responsibility of managing all aspects of the company's financial and operational activities. On 1 February 2021 Matthew was appointed as the Chief Executive Officer.

Prior to joining the senior management team of SKS Technologies Group, Matthew held the position of Executive General Manager Finance and one of the Directors of KLM Group, then owned by Programmed Maintenance Ltd, managing all aspects of the business financials. Matthew began his journey as an apprentice electrician for KLM Group. Over a 16-year period he progressed through the business gaining extensive experience in all aspects of management and business operations within the Electrical,

# REVIEW OF OPERATIONS

## OPERATING RESULTS

Full year sales slightly increased with group's current year trading revenue (including discontinued operations) of $36,299,131 by 0.3% on the $36,173,248 in the previous corresponding period. Full year sales for continuing operations grew with group trading revenues to $35,599,216 up 34% on the $26,551,125 in the previous corresponding period. The consolidated group made a profit after tax of $2,166,463 for the year ended 30 June 2021 compared to a loss of $4,989,287 in the previous corresponding period.

## OPERATIONAL OVERVIEW

The sales in SKS Technologies Pty Ltd (our audio visual and electrical division) continues to grow following the acquisition of the business of APEC Technologies Group (APEC) despite the interruption of Covid 19 with increasing brand recognition and service delivery capability. The operation in South Australia has continued to exceed expectations. The work in hand, pipeline of opportunities, as well as the size of opportunities, remains favourable across the regions in which the company operates.

On 7 August 2020 the Group completed the sale of the Commercial Lighting business.

On 31 March 2021 the Group completed the acquisition of APEC Technologies Group.

The Group has forgiven all the outstanding intercompany loans of discontinued operations amounting to $ 4,486,337. This intercompany loan forgiveness has created a gain of $4,486,337 under discontinued operations and a loss of $4,486,337 under continued operations. This gain and loss have been eliminated in the group consolidated financial statements in order to preserve the presentation of actual operational outcome between the continued and discontinued operations during the period ended 30 June 2021.

The Group will continue to focus the business on its core product and services offering of Audio Visual, IT, Electrical and Communications following the exit of the lighting business in August 2020.

## CAPITAL STRUCTURE

In November 2020 the Group executed an unmarketable share parcel buy back of $13,083 with 130,834 number of ordinary shares.

In May 2021 the Group issued $1.4 million ordinary shares (gross of costs) as consideration for the APEC Technologies Group (APEC) Acquisition.

## WORKING CAPITAL AND CASHFLOWS FROM OPERATIONS

The Group produced positive cash flow from operations for the year of $1,430,047 compared to ($122,970) in the corresponding period. The Group remains in an expansion phase with revenue growth of 34% (as outlined above) in continuing operations with further growth forecasted.

The group has a clear focus to achieve a positive cashflow outcome from operations in the year ahead.

## LEGAL MATTERS

The Group currently has no legal matters

## EMPLOYEES

The group now employs highly qualified 194 effective fulltime employees across five states and is well placed to take advantage of growth opportunities as they arise. The group has continued to invest in expanding its presence in South Australia, New South Wales and Queensland.

## PRINCIPAL ACTIVITIES

The principal business activity of SKS Technologies Group Limited is design, supply and installation of audio visual, electrical and communication IT products and services. The Group sold its commercial lighting business in August 2020 and acquired APEC Technologies Group business in March 2021.

## OUTLOOK

Following the exit of the lighting businesses the Group is now well placed to capitalise on the opportunities that exists with advancement of converged AV and IT networks and leveraging managed AV and IT integrated solutions. The strategic focus on expanding services and driving scale will generate future shareholder value while advancing the portfolio spread and increasing recurring revenue at higher margins within the audio visual, IT, electrical and communications sector on a national basis.

The expansion of the audio visual (AV) electrical and communication business has been slowed by Covid 19 in the first half however the Group has won and completed a number of projects in the year with a high level of repeat customers and has a mix of opportunities in the pipeline, both large and small. The group will look to take further advantage of its national presence during the following year and take advantage of acquisition opportunities that may arise in the current environment.

The Group commences the year ahead with record work in hand, with a greater than ever interest and need in audio visual and video conferencing services. There are a number of projects in the pipeline, and the group is well placed to take advantage of opportunities as they arise.

The Group has appointed DFK BKM Audit Services as new auditors following the resignation of Pitcher Partners.

The Group changed its business name from Enevis Limited to SKS Technologies Group Limited during this financial year.

The Group has moved its principal place of business in Victoria from 53 Stanley Street West Melbourne to 700 Spencer Street West Melbourne. This new premise is acquired under a lease agreement with an option to be purchased by key management personnel at the end of a 12-month period.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as addressed above, there were no other significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The group's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

## DIVIDENDS

No dividends have been paid, declared or recommended by the Group in respect of the year ended 30 June 2021 or the year ended 30 June 2020.

## OPTIONS

No options were issued during the year ended 30 June 2021.

## SHARES UNDER OPTIONS

There are no unissued ordinary shares of SKS Technologies Group Limited under option at the date of this report.

## EVENTS SUBSEQUENT TO BALANCE DATE

The group has entered into a binding share sale agreement on 20 August 2021 with Integrated Solution Group Queensland Pty Ltd (ISGQ) to buy the shares in the company. This is consistent with the group's technology strategy of expanding on the convergence of AV/IT services and growing recurring revenue at higher margins. The transaction will be financed by an increase in the group's finance facilities with cash flow finance to $5M with $2M structured to be long term debt.

The group has changed the name of its subsidiary Lumigrow Pty Ltd to SKS iNet Pty Ltd to segregate a part of its communications business.

Apart from the matters described above, the directors are not aware of any matters or circumstances which have occurred subsequent to the balance date, that may significantly affect the operations or the state of affair of the Consolidated entity in future financial periods..

## PROCEEDINGS ON BEHALF OF THE COMPANY

Other than as noted above, no proceedings have been brought on behalf of the company or its controlled entities.

# DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each director are as follows:

| Director | Eligible to attend | Attended |
|---|---|---|
| Peter Jinks | 13 | 13 |
| Greg Jinks | 13 | 13 |
| Terence Grigg | 13 | 13 |

## DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors' relevant interests in shares of SKS Technologies Group Limited or options over shares in the company (or a related body corporate) are detailed below.

| Directors' relevant interests in: | Ordinary shares of SKS Technologies Group Limited | Options over shares in SKS Technologies Group Limited |
|---|---|---|
| Peter Jinks | 17,176,025 | Nil |
| Greg Jinks | 17,176,025 | Nil |
| Terence Grigg | 257,250 | Nil |

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The constitution of the company provides that, to the extent permitted by the Corporations Act 2001 "every officer and employee of the company and its wholly-owned subsidiaries shall be indemnified out of the funds of the company (to the extent that the officer or employee is not otherwise indemnified) against all liabilities incurred as such an officer or employee, including all liabilities incurred as a result of appointment or nomination by the company or the subsidiary as a trustee or as an officer or employee of another corporation."

The directors of the company who held office during the past year, Peter Jinks, Greg Jinks and Terence Grigg have the benefit of the above indemnity. The indemnity also applies to executive officers of the company who are concerned, or take part, in the management of the company.

The company has not paid any insurance premiums in respect of any past or present directors or auditors, other than as required by law.

## AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report on page 59.

## NON-AUDIT SERVICES

Non-audit services are approved by resolution of the board of directors. Non-audit services were provided by the related practice of the auditors of entities in the consolidated group during the year, namely DFK Benjamin King Money, as detailed below. (Previous auditor was Pitcher Partners.) The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by SKS Technologies Group Limited and have been reviewed and approved by the board of Directors to ensure they do not impact on the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for SKS Technologies Group Limited or any of its related entities, acting as an advocate for SKS Technologies Group Limited or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of SKS Technologies Group Limited or any of its related entities.

| Amounts paid and payable to the related practice of the Auditors for non-audit services: | 2021 $ | 2020 $ |
|---|---|---|
| Taxation services | 36,500 | 40,000 |
| | **30,500** | **40,000** |

## STAFF

The Board appreciates the support it continues to have from the group's staff, and acknowledges, with thanks, the efforts they are all making to the growth of the group.

## ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

# REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of SKS Technologies Group Limited.

## REMUNERATION PHILOSOPHY

Remuneration levels are set by the group in accordance with industry standards to attract and retain suitable qualified and experienced Directors and senior executives. The group has not engaged a remuneration consultant.

The group distinguishes the structure of non-executive Director's remuneration from that of executive Directors and senior executives. The company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregated sum fixed by a general meeting of shareholders.

The Company has an executive service agreement with Mr Peter Jinks (Executive Chairman) and Mr Greg Jinks (Executive Director) whom are on three months' notice periods. The Company has employment agreements with each of its senior executives. The company has an agreement with Mr. Matthew Jinks who was appointed Chief Executive Officer 1 February 2021, with a base salary of $350,000 inclusive of superannuation which may be terminated by the comany with one year's notice. Incentives for Matthew Jinks will be put to shareholders for approval at a later date. There are no written agreements with the other non-executive directors.

The remuneration for executive Directors is currently not linked to the Group's financial performance or share price. None of the remuneration of the Directors listed below was considered at risk.

There are no retirement schemes in place for directors other than statutory contributions to superannuation.

## DETAILS OF KEY MANAGEMENT PERSONNEL

| Key Management Personnel | |
|---|---|
| **Peter Jinks** | Executive Chairman |
| **Greg Jinks** | Executive Director |
| **Terence Grigg** | Non-Executive Director |
| **Matthew Jinks** | Chief Executive Officer |

## DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

| | Short-term | Post-employment | Total |
|---|---|---|---|
| **2021** | **Salary and Fees $** | **Superannuation $** | **S** |
| **Peter Jinks** | 169,998 | - | 169,998 |
| **Greg Jinks** | 169,998 | - | 169,998 |
| **Terence Grigg** | 30,000 | - | 30,000 |
| **Matthew Jinks** | 300,471 | 23,825 | 324,296 |
| | **670,467** | **23,825** | **694,292** |

| | Short-term | Post-employment | Total |
|---|---|---|---|
| **2020** | **Salary and Fees $** | **Superannuation $** | **S** |
| **Peter Jinks** | 203,109 | 7,673 | 210,782 |
| **Greg Jinks** | 204,564 | 7,788 | 212,352 |
| **Terence Grigg** | 30,000 | - | 30,000 |
| **Thomas Krulis** (ceased as director on 23 March 2020) | 22,000 | - | 22,000 |
| | **459,673** | **15,461** | **475,134** |

## CONSEQUENCES OF GROUP'S PERFORMANCE ON SHAREHOLDER WEALTH

The following table summarises group performance and key performance indicators:

| | 2021 | 2020 | 2019 | 2018 | *restated 2017 |
|---|---|---|---|---|---|
| Sales revenue | **$36,299,131** | $36,173,248 | $41,186,567 | $27,150,403 | $20,239,474 |
| %$ increase in revenue | **(0.3%)** | (12%) | 52% | 34% | 31% |
| Profit/(loss) before tax | **$2,166,463** | ($4,989,287) | $19,167 | ($3,008,917) | ($1,806,402) |
| % increase in profit/(loss) before tax | **143%** | (26329%) | 101% | (67%) | (77%) |
| Change in share price (%) | **389%** | (77%) | 0% | (33%) | (25%) |
| Dividend paid to shareholders | **-** | - | - | - | - |
| Return of capital ($) | **$13,083** | - | - | - | - |
| Total remuneration of KMP | **$694,292** | $475,134 | $508,945 | $545,460 | $650,348 |
| Total performance based onremuneration | **-** | - | - | - | - |

## KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

### (A) NUMBER OF OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

No options have been held by key management personnel during the financial year 30 June 2021.

### (B) NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

| 2021 | Balance 1 July 2020 | Received as remuneration | Other Changes | Share Purchases | Balance 30 June 2021 | Balance held directly | Balance held indirectly |
|---|---|---|---|---|---|---|---|
| **Key Management Personnel** | | | | | | | |
| Peter Jinks | 17,176,025 | - | - | - | 17,176,025 | 1,948,751 | 15,227,274 |
| Greg Jinks | 17,176,025 | - | - | - | 17,176,025 | - | 17,176,025 |
| Terence Grigg | 257,250 | - | - | - | 257,250 | - | 257,250 |
| Matthew Jinks | 3,321,662 | - | - | - | 3,321,662 | - | 3,321,662 |
| | **37,930,962** | **-** | **-** | **-** | **37,930,962** | **1,948,751** | **35,982,211** |

## TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The following is a summary of transactions with directors and other related parties entered into throughout the financial year:

- Lawson Lodge Country Estate (Macedon), a conference centre owned by Greg Jinks invoiced the company for $9,544 (2020: $2,549). The transaction was on an arm's length basis on normal commercial terms and conditions.
- Greg Jinks invoiced the company for director fees of $169,998 (2020: $144,400) via his entity Jinks Consulting Group.
- Peter Jinks invoiced the company for director fees of $169,998 (2020: $144,400) via his entity Bundarah Pty Ltd.
- Terence Grigg invoiced the company for director fees of $30,000 (2020: $30,000)
- The following amounts are owed to directors as at 30 June 2021:

- Peter Jinks - $13,750 (2020: $14,514)
- Greg Jinks - $13,750 (2020: $26,851)
- Terence Grigg - $2,500 (2020: $2,500)

Key management personnel did not receive any share based compensation during the year.

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of SKS Technologies Group Limited is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

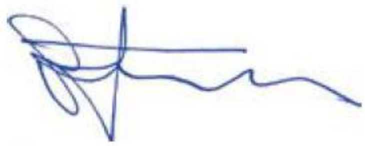
Accordingly, a copy of the Company's CGS is available on the SKS Technologies website at

**www.sks.com.au/corporate-governance/**

## VOTING AND COMMENTS MADE AT THE COMPANY'S 2020 ANNUAL GENERAL MEETING (AGM)

The company received 81% of 'for' votes in relation to its remuneration report for the year ended 30 June 2020. The resolution to adopt the Remuneration Report of the Company and its controlled entities for the year ended 30 June 2020 was carried as an ordinary resolution. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Signed on 27 August 2021 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.



**Peter Jinks**

EXECUTIVE CHAIRMAN

27 August 2021

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue and other income** | | | |
| Sales revenue | 4 | 35,599,216 | 26,551,125 |
| Other income | 5 | 1,469,302 | 838,727 |
| Total Revenue and other income | | **37,068,518** | **27,389,852** |
| **EXPENSES** | | | |
| Raw material, consumables and logistics | | (22,245,050) | (16,770,615) |
| Employee benefit expenses | 6 | (11,355,249) | (9,830,845) |
| Occupancy expenses | | (122,484) | (45,501) |
| Administration expenses | | (1,350,653) | (1,126,722) |
| Depreciation and amortisation | 6 | (549,212) | (483,703) |
| Finance charges | 6 | (242,710) | (347,078) |
| Total Expenses | | **(35,865,358)** | **(28,604,464)** |
| **Profit / (loss) before income tax** | | **1,203,160** | **(1,214,612)** |
| Income tax benefit | 7(a) | 540,000 | - |
| Profit / (loss) after income tax from continuing operations | | **1,743,160** | **(1,214,612)** |
| Profit / (loss) after income tax from discontinued operations | 9 | 423,303 | (3,774,675) |
| Profit / (loss) for the year | | **2,166,463** | **(4,989,287)** |
| Other Comprehensive Income | | - | - |
| **Total Comprehensive profit / (loss) for the year** | | **2,166,463** | **(4,989,287)** |
| Profit / (loss) attributable to members of the Parent Entity | | **2,166,463** | **(4,989,287)** |
| **Earnings / (loss) per share from continuing operations attributable to equity holders of the parent entity: (cents per share)** | | | |
| Basic | 26 | 1.61 | (1.80) |
| Diluted | 26 | 1.61 | (1.80) |
| **Earnings / (loss) per share from discontinued operations attributable to equity holders of the parent entity:** (cents per share) | | | |
| Basic | 26 | 0.39 | (5.60) |
| Diluted | 26 | 0.39 | (5.60) |
| **Earnings / (loss) per share attributable to equity holders of the parent entity** (cents per share) | | | |
| Basic | 26 | 2.01 | (7.40) |
| Diluted | 26 | 2.01 | (7.40) |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2021

| | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 10 | 109,194 | 229,005 |
| Trade and other receivables | 11 | 11,477,070 | 6,235,181 |
| Inventories | 12 | 46,490 | 170,528 |
| Assets held for sale | | - | 990,670 |
| Other current assets | 13 | 123,659 | 115,066 |
| Total Current Assets | | **11,756,413** | **7,740,450** |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 14 | 1,381,380 | 649,753 |
| Right of use assets | 15(a) | 928,647 | 433,688 |
| Intangible assets | 16 | 1,898,131 | 33,379 |
| Other non-current assets | 13 | 140,014 | 131,654 |
| Deferred tax asset | 7(b) | 540,000 | - |
| Total Non-Current Assets | | **4,888,172** | **1,248,474** |
| Total Assets | | **16,644,585** | **8,988,924** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 11,230,943 | 5,890,922 |
| Borrowings | 18(a) | - | 1,401,589 |
| R&D liability payable | 19(a) | 500,820 | 860,520 |
| Provisions | 20(a) | 858,996 | 588,270 |
| Lease liabilities | 15(b) | 448,532 | 438,785 |
| Liabilities held for sale | | - | 51,351 |
| Total Current Liabilities | | **13,039,291** | **9,231,437** |
| **NON-CURRENT LIABILITIES** | | | |
| R&D liability payable | 19(b) | 821,480 | 1,001,640 |
| Provisions | 20(b) | 24,711 | 47,712 |
| Lease liabilities | 15(c) | 939,579 | 482,471 |
| Total Non-Current Liabilities | | 1,785,770 | 1,531,823 |
| Total Liabilities | | 14,825,061 | 10,763,260 |
| Net Assets / (Net Asset Deficiency) | | 1,819,524 | (1,774,336) |
| **EQUITY** | | | |
| Contributed equity | 21 | 22,085,702 | 20,658,305 |
| Accumulated losses | 22 | (20,266,178) | (22,432,641) |
| Total Equity | | **1,819,524** | **(1,774,336)** |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 34,694,875 | 44,338,769 |
| Receipts from government incentives | | 1,528,400 | 697,596 |
| Payments to suppliers and employees | | (34,540,357) | (44,686,391) |
| Interest received | | 666 | 4,526 |
| Interest paid | | (253,537) | (477,470) |
| Net cash provided by / (used in) operating activities | **23(a)** | **1,430,047** | **(122,970)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for plant and equipment | | (314,557) | (14,877) |
| Proceeds from disposal of plant and equipment | | 24,543 | 19,682 |
| Payment for intangibles | | (24,812) | - |
| (Payments to) / Proceeds from bank guarantees | | (46,888) | 28,345 |
| Payment for acquiring business - APEC | | (66,256) | - |
| Proceeds from sale of discontinued operations | | 1,187,593 | 2,090,929 |
| Net cash provided by investing activities | | **759,623** | **2,124,079** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Payments to) / Proceeds from issue of shares | | (8,879) | 500,257 |
| Payment to buy back shares | | (13,083) | - |
| Payment of lease liabilities | | (425,566) | (500,932) |
| Proceeds from borrowings | | 31,856,802 | 40,984,581 |
| Repayments from borrowings | | (33,258,391) | (43,185,435) |
| Repayment of R&D Liability | | (460,364) | (250,453) |
| Net cash used in financing activities | | (2,309,481) | (2,451,982) |
| Net decrease in cash and cash equivalents | | (119,811) | (450,873) |
| Cash and cash equivalents at the beginning of the financial year | | 229,005 | 679,878 |
| Cash and cash equivalents at the end of the financial year | **23(b)** | 109,194 | 229,005 |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2021

| | Contributed Equity $ | Accumulated Losses $ | Total $ |
|---|---|---|---|
| As at 1 July 2019 | 19,198,931 | (17,443,354) | 1,755,577 |
| Right Issue of shares | 1,498,752 | - | 1,498,752 |
| Cost of issue of shares | (39,378) | - | (39,378) |
| Loss for the year | - | (4,989,287) | (4,989,287) |
| As at 30 June 2020 | **20,658,305** | **(22,432,641)** | **(1,774,336)** |
| | | | |
| As at 1 July 2020 | 20,658,305 | (22,432,641) | (1,774,336) |
| Issue of shares | 1,449,359 | - | 1,449,359 |
| Unmarketable parcel share buy-back | (13,083) | - | (13,083) |
| Cost of issue of shares | (8,879) | - | (8,879) |
| Profit for the year | - | 2,166,463 | 2,166,463 |
| As at 30 June 2021 | **22,085,702** | **(20,266,178)** | **1,819,524** |

The above statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (A) BASIS OF PREPARATION

This financial report is a general-purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers SKS Technologies Group Limited and controlled entities as a group. SKS Technologies Group Limited is a company limited by shares, incorporated and domiciled in Australia. The address of SKS Technologies Group Limited's registered office and principal place of business is 700 Spencer Street, West Melbourne. SKS Technologies Group Limited is a for-profit entity for the purpose of preparing the financial report.

The financial report of SKS Technologies Group Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 27 August 2021.

#### Compliance with IFRS

The consolidated financial statements of SKS Technologies Group Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

### (B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter group balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the group and are de recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition by acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and the statement of financial position respectively.

## (C) BUSINESS COMBINATIONS

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is measured at its acquisition date fair value.

Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the amount of any non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

## (D) INTANGIBLE ASSETS

### Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### Separately acquired Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, separately acquired intangible assets are recognised at cost and amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, separately acquired intangible assets are measured at cost, less accumulated amortisation (where applicable) and any accumulated impairment losses.

### Intangible Assets Acquired in a Business Combination

Intangibles acquired in a business combination are initially recognised at fair value (which, for accounting purposes, is treated as the cost of the intangible asset), and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost, less accumulated amortisation and any accumulated impairment losses.

### IT software development costs

Costs incurred in developing IT software are initially recognised as an asset and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

## (E) GOING CONCERN

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

The group incurred a profit of $2,166,463 during the year ended 30 June 2021 (year ended 30 June 2020 loss of $4,989,287), and as at that date, the group's net asset position was $1,819,524 (30 June 2020: net asset deficiency $1,774,336). The working capital position as at 30 June 2021 has a deficiency of current assets over current liabilities of $1,282,878 (30 June 2020: $1,490,987).

The group produced positive cash flows from operating activities for the year ended 30 June 2021 of $1,430,047 (30 June 2020: negative cashflow of $122,970). The ability of the group to continue as a going concern is reliant on generating profits, improving cash flows from operating activities, managing debt levels, and the management of cash flows within the group's funding facilities.

Notwithstanding the above, the directors believe the going concern basis is appropriate due to the following factors:

- The group has prepared forward budget and cash flow projections which are based on increasing revenues from the expanding audio-visual products and solutions, electrical and communication services which support improving cashflows from operating activities.
- The group has also assessed alternative cash flow projections based on its ability to manage and reduce costs in the event that was required, and these alternatives show that it is feasible for the group to enact reductions in sufficient time if required.
- The group has signed a binding share sale agreement with Integrated Solutions Group Queensland Pty Ltd which is forecasted to produce both positive profits and cashflows. As part of the sale agreement the business will have positive working capital of approximately $500,000. The cash component of the purchase will be financed by long term debt from our current financiers.
- The group anticipates entering into a finance for leasehold improvements to its new place of business 700 Spencer Street west Melbourne, which will improve working capital approximately by $400,000.
- The group continues to comply with the agreement with the Australian Taxation Office for an orderly repayment of the R&D tax payable which enables the group to manage repayment of this debt. Broadly, this comprises repayment by instalments over a three (3) year timeframe ending August 2023.
- The group has the ongoing support of its Debtor Financiers and at the date of this report is operating comfortably within the limits of the facility.

Based on the above the directors believe that the group will continue as a going concern over the next 12 months and consequently will realise assets and settle liabilities and commitments in the ordinary course of business and at the amounts stated in the financial report.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amounts of the assets shown in the consolidated statement of financial position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the consolidated statement of financial position.

## (F) FINANCIAL INSTRUMENTS

### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

### Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

a. the group's business model for managing the financial assets; and
b. the contractual cash flow characteristics of the financial asset.

### Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

### Trade and other receivables

Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

### Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

a. debt instruments measured at amortised cost;

b. debt instruments classified at fair value through other comprehensive income; and

c. receivables from contracts with customers and contract assets.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The group assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The group considers a financial asset to have a low credit risk when the counterparty is assessed by the group to have a strong financial position and no history of past due amounts from previous transactions with the group.

The group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 90 days past due.

The group determines expected credit losses based on individual debtor level expectations relative to credit terms, adjusted for factors that are specific to the debtor as well as relevant current and future expected economic conditions. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset's original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

a. significant financial difficulty of the issuer or the borrower;

b. breach of contract;

c. the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or

d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e. reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

### (G) PLANT AND EQUIPMENT

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is calculated on a straight-line basis or diminishing value over the estimated useful life of the asset as follows:

**Plant and equipment:** over 3 to 10 years

**Motor Vehicles:** over 3 to 6 years

**Computer Software:** over 3 years

**Leasehold Improvements:** over 6 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

### (H) BORROWING COSTS

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

### (I) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs are accounted for as follows:

**Raw materials:** average purchase cost. The cost of purchase comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of raw materials.

**Finished goods and work-in-progress:** average cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

### (J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### (K) EMPLOYEE BENEFITS

#### (i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

#### (ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

#### (iii) Termination benefits

The group recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the group can no longer withdraw the offer for termination benefits; and (b) when the group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

#### (iv) Retirement benefit obligations

Defined contribution superannuation plan

The group makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

#### (v) Bonus plan

The group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

### (L) PROVISIONS

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

### (M) LEASES

#### Accounting policy applied to the information presented under AASB 16 Leases:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

#### Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

#### Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

### (N) REVENUE

Revenue from the sale of goods is recognised when the customer receives the goods, ownership of the goods have passed and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Ownership is considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the provision of services is recognised as performance obligations are satisfied over time, via transfer of services to customers, which is measured based on stage of completion.

Certain customers may be invoiced in advance of provision of services and this amount is recognised as a liability until the group provides, and the customer consumes, the benefits of the services.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of Goods and Services Tax (GST).

### (O) INCOME TAX

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### Tax consolidation

SKS Technologies Group Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 30 November 2009. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only.

This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

### (P) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

#### Functional and presentation currency

The financial statements are presented in Australian dollars which is the group's functional and presentation currency.

#### Transactions and Balances

Transactions undertaken in foreign currencies are recognised in the group's functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

All exchange gains or losses are recognised in profit or loss for the period in which they arise.

### (Q) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (R) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income, to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

### (S) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if it is highly probable their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Except in some limited circumstances, such as in the case of deferred tax balances and items measured at fair value on a recurring basis, non-current assets and assets and liabilities comprising disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

An impairment loss is recognised when the carrying amount of a non-current asset or disposal group held for sale exceeds its fair value less costs to sell and is recognised immediately in profit or loss. Any impairment loss on a disposal group is allocated first to any goodwill attributable to the disposal group, and then to the remaining assets and liabilities on a pro rata basis, except for inventories, deferred tax assets and assets otherwise measured at fair value on a recurring basis. Gains are recognised in respect of any subsequent increases in fair value less costs to sell of non-current assets or disposal groups held for sale, but only to the extent of any cumulative impairment losses previously recognised.

### (T) DISCONTINUED OPERATIONS

A discontinued operation is a component of the group that has been disposed of in the current, or prior, reporting period or is classified as held for sale at the reporting date, and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are disclosed separately in the statement of profit or loss and other comprehensive income.

### (U) COMPARATIVE INFORMATION

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### (V) ROUNDING OF AMOUNTS

The group have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

### (W) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AT 30 JUNE 2021

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements.

### (X) NEW AND REVISED ACCOUNTING STANDARDS EFFECTIVE AT 30 JUNE 2021

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2020.

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 6.

### Income Tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Where management considers tax losses are probable of being recovered from future taxable profits, they are recognised as deferred tax assets.

# NOTE 3: FINANCIAL RISK MANAGEMENT

**(a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

**(b) Financial risk management objectives and policies**

The Group's principal financial instruments comprise bank loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the policy of the consolidated entity to regularly review foreign currency exposures. The degree to which the foreign exchange risk is managed will vary depending on circumstances that prevail at the time the risk is known or anticipated. There are no foreign currency contracts outstanding at the reporting date (2020: Nil).

The group hold no financial assets or liabilities at fair value.

### Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The group monitors its exposure to interest rate risk as part of its capital and cash management. Refer Note 21 (d) for more details.

### Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligation as they fall due. The entity's approach in managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining

# NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Financial Risk Management

Financial Liability and Financial Asset Maturity Analysis

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
| **Consolidated Group** | | | | | | | | |
| **Financial liabilities due for payment** | | | | | | | | |
| Trade and other payables | (11,230,943) | (5,890,922) | - | - | - | - | (11,230,943) | (5,890,922) |
| Borrowings | - | (1,401,589) | - | - | - | - | - | (1,401,589) |
| Lease liabilities | (448,532) | (438,785) | (939,579) | (482,471) | - | - | (1,388,111) | (921,256) |
| R&D Liability | (500,820) | (860,520) | (821,480) | (1,001,640) | - | - | (1,322,300) | (1,862,160) |
| **Financial assets — cash flows realisable** | | | | | | | | |
| Cash and cash equivalents | 109,194 | 229,005 | - | - | - | - | 109,194 | 229,005 |
| Trade and other receivables | 11,477,070 | 6,235,181 | - | - | - | - | 11,477,070 | 6,235,181 |
| Assets held for sale | - | 990,670 | - | - | - | - | - | 990,670 |
| Other assets | 38,876 | - | 140,014 | 131,654 | - | - | 178,890 | 131,654 |
| Total anticipated inflows | **11,625,140** | **7,454,856** | **140,014** | **131,654** | **-** | **-** | **11,765,154** | **7,586,510** |

## NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2021:

| | | | Fixed Interest Rate Maturity | | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate % | Variable interest rate $ | Less than 1 year $ | 2 to 5 years $ | Non-interest bearing $ | Total $ |
| **Year ended 30 June 2021** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 109,194 | 109,194 |
| Current receivables | - | - | - | - | 11,477,070 | 11,477,070 |
| Other assets | 0.37 | 178,890 | - | - | - | 178,890 |
| | | **178,890** | **-** | **-** | **11,586,264** | **11,765,154** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 11,230,943 | 11,230,943 |
| Borrowings | 8.85 | - | - | - | - | - |
| Lease Liability | 4.16 | - | 448,532 | 939,579 | - | 1,388,111 |
| R&D Liability Payable | 7.01 | - | 500,820 | 821,480 | - | 1,322,300 |
| | | **-** | **949,352** | **1,761,059** | **11,230,943** | **13,941,354** |
| **Year ended 30 June 2020** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 0.01 | 229,005 | - | - | - | 229,005 |
| Current receivables | - | - | - | - | 6,235,181 | 6,235,181 |
| Assets held for sale | - | - | | | 990,670 | 990,670 |
| Other assets | 0.9 | 131,654 | - | - | - | 131,654 |
| | | **360,659** | **-** | **-** | **7,225,851** | **7,586,510** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 5,890,922 | 5,890,922 |
| Borrowings | 8.85 | 1,401,589 | - | - | - | 1,401,589 |
| Lease Liabilities | 6.00 | - | 438,785 | 482,471 | - | 921,256 |
| R&D liability Payable | 3.89 | - | 860,520 | 1,001,640 | - | 1,862,160 |
| | | **1,401,589** | **1,299,305** | **1,484,111** | **5,890,922** | **10,075,927** |

## NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

## NOTE 4: REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 2021 $ | 2020 $ |
|---|---|---|
| Revenue from services | 35,599,216 | 26,551,125 |
| Total sales revenue from continuing operations | **35,599,216** | **26,551,125** |

Unearned revenue as recorded in Note 17, is recorded as a current liability and the underlying performance obligations are expected to be completed within 12 months

## NOTE 5: OTHER INCOME

| | 2021 $ | 2020 $ |
|---|---|---|
| Interest revenue | 839 | 1,395 |
| Other income * | 1,468,463 | 837,332 |
| Total other income from continuing operations | **1,468,302** | **838,727** |

* The Other income for the year ended 30 June 2021 includes $218,038 insurance proceeds and $1,125,000 government incentives such as job keeper.

## NOTE 6: PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

| | 2021 $ | 2020 $ |
|---|---|---|
| **Depreciation and amortisation of non-current assets:** | | |
| Property, Plant and equipment | 338,147 | 292,837 |
| Motor Vehicles | 179,868 | 169,017 |
| Computer software | 27,720 | 21,849 |
| Leasehold Improvements | 3,477 | - |
| | **549,212** | **483,703** |
| **Finance Costs:** | | |
| Interest – debtor finance and other | 177,568 | 265,064 |
| Interest -lease liability | 65,142 | 82,014 |
| | **242,710** | **347,078** |
| **Employee Benefit Expenses:** | | |
| Wages | 8,937,220 | 7,647,267 |
| Superannuation | 799,065 | 719,190 |
| Other employee benefits | 1,618,964 | 1,464,388 |
| | **11,355,249** | **9,830,845** |

## NOTE 7: INCOME TAX

### (a) Prima facie tax benefit/expense on profit/(loss) before income tax is reconciled to the income tax expense as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| Profit / (loss) before income tax | 1,626,463 | (4,989,287) |
| Prima facie income tax payable / (benefit) on profit/(loss) before | | |
| Income tax at 26% (2020:27.5%) | 422,881 | (1,372,054) |
| Add/(less): Permanent differences | 4,598 | 9,874 |
| Add/(less): Tax losses not recognised as Deferred Tax Asset | - | 963,812 |
| Add/(less): Tax losses utilised | (125,396) | - |
| Add/(less): Temporary differences | (302,083) | 398,368 |
| Add/(less): Tax losses recognised as Deferred Tax Asset (c) | (540,000) | - |
| Income tax benefit | **(540,000)** | - |

### (b) Deferred Tax

Deferred tax relates to the following:

| | 2021 $ | 2020 $ |
|---|---|---|
| Deferred tax assets | | |
| The balance comprises: | | |
| Tax losses recognised (c) | 540,000 | - |
| | **(540,000)** | - |

### (c) Deferred Tax Assets Recognised

SKS Technologies Group Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated group from 30 November 2009. The group has $13,037,088 tax losses carried forward from previous years. The deferred tax asset as at 30 June 2021 is recognised based on the future probable taxable profits of the group. Accordingly, $540,000 deferred tax asset is recognised at the tax rate of 30% based on forecasted profit for year 2022.

### (d) Tax Losses Available

Tax losses available but not recognised as a deferred tax asset total $11,237,088.

## NOTE 8: ACQUISITION OF BUSINESS ASSETS

On 31 March 2021, the group completed the acquisition of the APEC Technologies Group business assets under the Assets Sale Agreement (ASA) between APEC Technologies Group and SKS Technologies Group Limited.

Details of the assets and liabilities acquired, and consideration paid as follows:

| | $ |
|---|---|
| Plant and equipment | 153,015 |
| Motor Vehicles | 13,618 |
| Unearned revenue-net | (580,686) |
| Employee entitlements | (4,248) |
| Goodwill | 1,867,660 |
| Total Consideration | **1,449,359** |

**Details of the purchase consideration**
In accordance with terms of the ASA, the company issued 8,197,732 new shares in the Company to the seller on 5 May 2021 at $0.18 per share equating to $1,449,359.

**Contribution since aquisition**
Since acquisition date the APEC Technologies Group business assets have contributed revenue of $5,460,185.

**Transaction costs**
The Group incurred legal and IT costs associated with the ASA totalling $66,256 which have been expensed in the Statement of Profit or Loss and Other Comprehensive Income.

## NOTE 9: DISCONTINUED OPERATIONS

(a) On 7 August 2020, the group sold off its Commercial lighting business and associated business assets. The results of the discontinued operations for the current and comparative period are presented below:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **(i) Financial performance information** | | |
| Sales revenue | 699,914 | 4,738,217 |
| Expenses | (511,914) | (8,251,901) |
| Other income | 131,668 | 113,202 |
| Profit / (loss) before income tax | **319,668** | **(3,400,482)** |
| Income tax expense | - | - |
| Profit / (loss) after income tax from discontinued operations | **319,668** | **(3,400,482)** |
| Profit on disposal of the discontinued operations before income tax | 103,635 | - |
| Income tax expense | - | - |
| Profit on disposal of the discontinued operations after income tax | **103,635** | **-** |
| Net Profit / (loss) from discontinued operation | **423,303** | **(3,400,482)** |
| | | |
| **(ii) Cash flow information** | | |
| Net cash used in operating activities | (1,164,217) | (959,833) |
| Net cash from / (used in) investing activities | 710,202 | (3,919) |
| Net cash used in financing activities | (179,038) | (581,414) |
| Net cash flow | **(633,053)** | **(1,545,166)** |

## NOTE 9: DISCONTINUED OPERATIONS (CONTINUED)

| | 2021 $ |
|---|---|
| **Details of discontinued operation disposed** | |
| Consideration received | 710,201 |
| Less: Net assets disposed of | (606,566) |
| Profit on disposal of discontinued operation before tax | 103,635 |
| Income tax expense | - |
| Profit on disposal of discontinued operation after tax | **103,635** |

(b) On 31 January 2020, the group sold off its Street column lighting business and associated business assets under an Asset Sales Agreement (The details are in note 9(a) of the annual report published for year ended 30 June 2020) and agreed a payment plan with the purchaser to receive the sales proceeds. Accordingly, the group has received $477,392 during the period ended 30 June 2021 and the balance $139,174 receivable as at 30 June 2021 is recorded under Current receivables (Note 11).

| | 2021 $ | 2020 $ |
|---|---|---|
| **(i) Financial performance information** | | |
| Sales revenue | - | 4,883,906 |
| Expenses | - | (5,283,103) |
| Other income | - | 18,537 |
| Loss before income tax | - | **(380,660)** |
| Income tax expense | - | - |
| Loss after income tax from discontinued operations | - | **(380,660)** |
| Profit on disposal of the discontinued operations before income tax | - | 6,467 |
| Income tax expense | - | - |
| Profit on disposal of the discontinued operations after income tax | - | **6,467** |
| Net Loss from discontinued operation | - | **(374,193)** |
| **(ii) Cash flow information** | | |
| Net cash used in operating activities | - | (252,324) |
| Net cash from investing activities | 477,392 | 2,090,929 |
| Net cash used in financing activities | - | (204,978) |
| Net cash flow | **477,392** | **1,663,807** |

(c) Consequent to these disposals of businesses, the Group has forgiven all the outstanding intercompany loans of discontinued operations amounting to $ 4,486,337 during the reporting period ended 30 June 2021. This intercompany loan forgiveness has created a gain of $4,486,337 under discontinued operations and a loss of $4,486,337 under continued operations. This gain and loss has been eliminated in the group consolidated financial statements in order to preserve the presentation of actual operational outcome between the continued and discontinued operations during the period ended 30 June 2021.

## NOTE 10: CASH AND CASH EQUIVALENTS

| | 2021 $ | 2020 $ |
|---|---|---|
| Cash at Bank | 109,194 | 229,005 |
| | **109,194** | **229,005** |

## NOTE 11: CURRENT TRADE AND OTHER RECEIVABLES

| | 2021 $ | 2020 $ |
|---|---|---|
| Trade debtors | 9,061,097 | 4,365,393 |
| Retention debtors | 779,799 | 581,800 |
| Allowance for credit losses | (14,104) | (22,084) |
| Contract assets | 1,443,049 | 459,237 |
| Proceeds receivable from purchaser of Street Column business | 139,174 | 574,248 |
| Other receivables | 68,055 | 276,587 |
| | **11,477,070** | **6,235,181** |
| **Movements in the allowance for credit losses were:** | | |
| Opening balance at 1 July | (22,084) | (40,300) |
| Reversal/ (Charge) for the year | 2,195 | (201,576) |
| Amounts written off | 5,785 | 219,792 |
| Closing balance at 30 June | **(14,104)** | **(22,084)** |

| Trade receivables ageing analysis at 30 June is | Gross 2021 $ | Expected credit loss 2021 $ | Gross 2020 $ | Expected credit loss 2020 $ |
|---|---|---|---|---|
| Not past due | 6,268,684 | - | 2,509,384 | - |
| Past due 0 - 30 days | 2,577,903 | - | 1,646,246 | - |
| Past due 31-60 days | 209,639 | (9,233) | 112,386 | - |
| Past due more than 60 days | 4,871 | (4,871) | 97,377 | (22,084) |
| | **9,061,097** | **(14,104)** | **4,365,393** | **(22,084)** |

## NOTE 12: INVENTORIES

| | 2021 $ | 2020 $ |
|---|---|---|
| Project materials at the warehouse | 46,490 | 170,528 |
| At lower of cost and net realisable value | **46,490** | **170,528** |

## NOTE 13: OTHER CURRENT ASSETS

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current** | | |
| Prepayments and other assets | **123,659** | **115,066** |
| **Non Current** | | |
| Bank Guarantees | **140,014** | **131,654** |

## NOTE 14: PROPERTY, PLANT & EQUIPMENT

| | 2021 $ | 2020 $ |
|---|---|---|
| **Plant and equipment** | | |
| At cost | 235,592 | 94,400 |
| Accumulated depreciation | (67,683) | (40,305) |
| | **167,909** | **54,095** |
| **Office furniture and equipment** | | |
| At cost | 459,088 | 334,459 |
| Accumulated depreciation | (325,498) | (304,240) |
| | **133,590** | **30,219** |
| **Motor Vehicles** | | |
| At cost | 1,008,859 | 950,505 |
| Accumulated depreciation | (511,374) | (385,066) |
| | **497,485** | **565,439** |
| **Leasehold Improvements** | | |
| At cost | 585,873 | - |
| Accumulated depreciation | (3,477) | - |
| | **582,306** | **-** |
| Total Property, plant and equipment | **1,381,380** | **649,753** |

### (a) Movement in carrying amounts of property, plant and equipment

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

| | Plant & Equipment $ | Office Furniture and Equipment $ | Motor Vehicles $ | Leasehold Improvements $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2021** | | | | | |
| Balance at beginning of year | 43,167 | 41,147 | 565,439 | - | 649,753 |
| Additions | 9,028 | 103,779 | 123,566 | 585,872 | 822,244 |
| Assets acquired on acquisition of APEC | 132,165 | 20,850 | 13,618 | - | 166,633 |
| Disposals | - | - | (23,562) | - | (23,562) |
| Depreciation expense | (27,378) | (21,258) | (181,576) | (3,477) | (233,689) |
| Balance at end of year | **156,982** | **144,518** | **497,485** | **582,395** | **1,381,380** |
| **Year ended 30 June 2020** | | | | | |
| Balance at beginning of year | 222,297 | 92,736 | 199,522 | 7,893 | 522,448 |
| Additions | 5,934 | 8,943 | 75,400 | - | 90,277 |
| Leased assets recognised | - | - | 490,533 | - | 490,533 |
| Assets disposed on sale of street column business | (98,532) | (19,571) | (5,319) | - | (123,422) |
| Transfer to assets held for sale | - | (2,003) | - | - | (2,003) |
| Disposals/Write Offs | (40,468) | (12,373) | (14,470) | (6,042) | (73,353) |
| Depreciation expense | (46,064) | (26,585) | (180,277) | (1,851) | (254,727) |
| Balance at end of year | **43,167** | **41,147** | **565,439** | **-** | **649,753** |

## NOTE 14: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

(b) The Motor vehicles carrying value includes leased motor vehicles of $ 362,072 as at 30 June 2021.

## NOTE 15: LEASES

At the commencement date of a lease (other than leases of low value assets), the group recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

| Right of use asset | 2021 $ | 2020 $ |
|---|---|---|
| **(a) Carrying amount of lease assets, by class of underlying asset:** | | |
| **Building under lease arrangements** | | |
| At Cost | 1,213,947 | 713,694 |
| Accumulated depreciation | (285,300) | (280,006) |
| | **928,647** | **433,688** |

| Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year: | 2021 $ | 2020 $ |
|---|---|---|
| **Building under lease arrangements** | | |
| Balance at beginning of year | 433,688 | 708,682 |
| Additions | 815,492 | 219,370 |
| Depreciation | (296,719) | (422,407) |
| Terminated | (23,814) | (71,957) |
| Balance at end of year | **928,647** | **433,688** |

| | 2021 $ | 2020 $ |
|---|---|---|
| **Lease Liabilities** | | |
| (b) Current lease liabilities | 448,532 | 438,785 |
| (c) Non-current lease liabilities | 939,579 | 482,471 |
| Total carrying amount of lease liabilities | **1,388,111** | **921,256** |

| Lease expenses and cashflows | 2021 $ | 2020 $ |
|---|---|---|
| Interest expense on lease liabilities | 65,658 | 82,014 |
| Depreciation expense on lease assets | 433,808 | 567,642 |
| Total cash outflow in relation to leases | 491,223 | 500,932 |

# NOTE 16: INTANGIBLE ASSETS

| | 2021 $ | 2020 $ |
|---|---|---|
| Goodwill at cost (a) | 1,867,660 | - |
| Computer software (b) | 30,471 | 33,379 |
| | **1,898,131** | **33,379** |

### (a) Reconciliation of carrying amount at the beginning and end of the period

| **Goodwill** | | |
|---|---|---|
| Carrying value as at 1 July | - | 814,618 |
| Goodwill on disposal of Street column business | - | (279,789) |
| Goodwill on acquisition of APEC (Refer note 8) | 1,867,660 | - |
| Goodwill impaired | - | (534,829) |
| Carrying value as at 30 June | **1,867,660** | **-** |

### (b) Reconciliation of carrying amount at the beginning and end of the period

| **Computer software** | | |
|---|---|---|
| Carrying value as at 1 July | 33,379 | 98,611 |
| Software costs capitalised | 24,812 | 9,716 |
| Amortisation | (27,720) | (48,106) |
| Impairment | - | (26,842) |
| Carrying value as at 30 June | **30,471** | **33,379** |

### Recoverable amount testing for goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units as below:

| Description of the cash-generating unit (CGU) | Carrying amount of Goodwill $ | Recoverable amount of CGU $ | Method of Estimation |
|---|---|---|---|
| Communication & Electrical | 1,867,660 | 2,491,078 | Value in use |

### Cash-generating unit where recoverable amount has been determined using value in use

| GCU | Key assumptions on which cash flow forecasts are based | Description of management's approach to determining value assigned to key assumptions | Period over which cashflows have been projected | Growth rate used for cashflow projections % | Discount rate % |
|---|---|---|---|---|---|
| Communication & Electrical | Future demand for services<br>Growth rate | Based on historical growth patterns and current demand for services in the current climate | 5 years | 2.5 | 20 |

## NOTE 16: INTANGIBLE ASSETS (CONTINUED)

**Sensitivity of assumptions**

If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management estimates, then the Group would not have recognised an impairment loss.
Management do not believe there would be a reasonable possible change in any of the key assumptions that would have caused the carrying amount of the assets of the communication & electrical cash-generating unit, including goodwill to exceed its recoverable amount.

**Impairment assumptions**

Goodwill is allocated to communication & electrical which is the cash generating unit (CGU) for the purpose of impairment testing. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets.

## NOTE 17: CURRENT TRADE AND OTHER PAYABLES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Trade payables (a) | 7,925,666 | 3,535,597 |
| Accrued expenses | 201,745 | 612,468 |
| Other payables | 482,822 | 502,823 |
| Unearned revenue | 2,620,710 | 1,240,034 |
| | **11,230,943** | **5,890,922** |

(a) Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms

## NOTE 18: BORROWINGS

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **(a) Current** | | |
| **Secured:** | | |
| Bank and other loans (i) | - | 1,401,589 |
| | **-** | **1,401,589** |

(i) Secured bank and other loans are secured by a fixed and floating charge over SKS Technologies Group Limited, SKS Technologies Pty Ltd, Dueltek Pty Ltd and SKS Lighting Pty Ltd.

## NOTE 19: R&D LIABILITY PAYABLE

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **R&D Liability Payable** | **1,322,300** | 1,862,160 |
| (a) Current | 500,820 | 860,520 |
| (b) Non-Current | 821,480 | 1,001,640 |
| | **1,322,300** | **1,862,160** |

Following realisation that the projects forming the basis of the Research & Development (R&D) expenditure claims for the 2015 and 2016 financial years was not eligible in the first instance for R&D registration, SKS technologies Group Limited made a voluntary disclosure to the Australian Taxation Office to amend its historic claims in full, requiring it to repay the cash refunds received totalling $2,332,681 and associated interest charges. Broadly, this comprises repayment by instalments over a three (3) year timeframe ending August 2023.

## NOTE 20: PROVISION – EMPLOYEE BENEFITS

| | 2021 $ | 2020 $ |
|---|---|---|
| Balance at 1 July | 635,982 | 840,034 |
| Provision for the year | 708,747 | 729,514 |
| Acquired on purchase of APEC | 4,248 | - |
| Provision for redundancy | - | 18,151 |
| Transfer to liabilities held for sale | - | (51,351) |
| Released with the sale of Commercial Lighting business | (41,411) | - |
| Amounts used | (423,859) | (900,366) |
| Balance as at 30 June | **883,707** | **635,982** |
| | | |
| **(a) Employee benefits – Current** | 858,996 | 588,270 |
| **(b) Employee benefits – Non-Current** | 24,711 | 47,712 |
| | **883,707** | **635,982** |

## NOTE 21: SHARE CAPITAL

| | 2021 $ | 2020 $ |
|---|---|---|
| **(a) Issued and paid up capital** | | |
| Ordinary shares fully paid | 22,085,702 | 20,658,305 |

### (b) Movements in shares on issue

| | Parent Equity 2021 | | Parent Equity 2020 | |
|---|---|---|---|---|
| | No of Shares | $ | No of Shares | $ |
| Balance as at 1 July | 99,916,704 | 20,658,305 | 66,611,100 | 19,198,931 |
| Issue of shares to vendor of APEC | 8,197,732 | 1,449,359 | - | - |
| Unmarketable parcel-share buy back | (130,834) | (13,083) | - | - |
| Right issue of shares | - | - | 33,305,604 | 1,498,752 |
| Cost of issue of shares | - | (8,879) | - | (39,378) |
| Balance as at 30 June | **107,983,602** | **22,085,702** | **99,916,704** | **20,658,305** |

### (c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

### (d) Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

### (e) Options

The Company has nil options outstanding as at 30 June 2021.

## NOTE 22: ACCUMULATED LOSSES

| | 2021 $ | 2020 $ |
|---|---|---|
| Balance at beginning of year | (22,432,641) | (17,443,354) |
| Net Profit / (loss) | 2,166,463 | (4,989,287) |
| Balance at end of year | **(20,266,178)** | **(22,432,641)** |

## NOTE 23: STATEMENT OF CASH FLOWS

| | 2021 $ | 2020 $ |
|---|---|---|
| **(a) Reconciliation of cash flow from operations with profit / (loss) after income tax.** | | |
| Net profit / (loss) after income tax | 2,166,463 | (4,989,287) |
| (Profit) / Loss on sale of assets | (983) | 73,328 |
| Depreciation & amortisation expense | 558,195 | 850,620 |
| Profit from disposal of discontinued operations | (103,635) | (6,467) |
| Impairment expense | - | 790,237 |
| Acquisition related transaction cost | 66,256 | - |
| Other non-cash adjustments | 1,413 | - |
| **Change in net assets and liabilities** | | |
| (Increase)/decrease in assets: | | |
| Current receivables | (5,651,628) | 3,068,188 |
| Current inventories | 520,849 | 2,150,540 |
| Other current assets | (140,642) | 133,146 |
| Deferred tax assets | (540,000) | - |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 4,320,221 | (2,203,852) |
| Provisions | 233,538 | 10,577 |
| Net cash provided by / (used in) operating activities | **1,430,047** | **(122,970)** |

### (b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash at bank | 109,194 | 229,005 |
| | **109,194** | **229,005** |

### (c) Financing Facilities:

Maximum available subject to (d) below

| | | |
|---|---|---|
| Cash at bank | 3,000,000 | 3,000,000 |
| | **3,000,000** | **3,000,000** |

### (d) Facilities in use at the end of the financial year

| | | |
|---|---|---|
| Bank and other loans (i) | - | 1,401,589 |
| | **-** | **1,401,589** |

(i) At the date of this report, the financier continues to provide debtor finance facilities. Debtor finance are secured against the trade receivables.

## NOTE 24: OPERATING SEGMENT

The Group operates predominantly in Australia, in audio-visual, communincation, IT and electrical markets which is regarded as a single segment, hence there is no information on operating segments provided in this report.

## NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or assets noted for the reporting period ended 30 June 2021 (2020: $nil).

## NOTE 26: EARNING / (LOSS) PER SHARE

Reconciliation of earnings used in calculating earnings per share:

Reconciliation of earnings used in calculating earnings per share:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Profit / (loss) from continuing operations | 1,743,160 | (1,214,612) |
| Profit / (loss) from discontinued operations | 423,303 | (3,774,675) |
| Profit / (loss) used in the calculation of basic profit / (loss) per share | **2,166,463** | **(4,989,287)** |

| | No of Shares | |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 107,983,602 | 67,430,090 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 107,983,602 | 67,430,090 |

## NOTE 27: DIRECTOR'S AND EXECUTIVE'S COMPENSATION

### (a) Details of Directors and Executives

| Directors | |
|---|---|
| **Peter Jinks** | Executive Chairman |
| **Greg Jinks** | Executive Director |
| **Terence Grigg** | Non-Executive Director |
| **Matthew Jinks** | Chief Executive Director |

### (b) Remuneration by Category: Directors and Executives

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Short-term employee benefits | 670,467 | 459,673 |
| Long-term employee benefits | - | - |
| Post-employment Employee benefits | 23,825 | 15,461 |
| Total | **694,292** | **475,134** |

## NOTE 28: RELATED PARTY DISCLOSURES

### (a) The consolidated financial statements include the financial statements of SKS Technologies Group Limited and its controlled entities listed below:

| | | Percentage Owned | |
|---|---|---|---|
| Name of Company | Country of Incorporation | 2021 | 2020 |
| **Parent Entity** | | | |
| SKS Technologies Group Limited | Australia | | |
| **Controlled Entities** | | | |
| SKS Technologies Pty Ltd | Australia | 100% | 100% |
| SKS Technologies Construction Pty Ltd | Australia | 100% | 100% |
| SKS Lighting Pty Ltd | Australia | 100% | 100% |
| Dueltek Pty Ltd | Australia | 100% | 100% |
| Enegrow Pty Ltd | Australia | 100% | 100% |
| Lumigrow Pty Ltd * | Australia | 100% | 100% |

* Lumigrow Pty Ltd changed its name to SKS iNet Pty Ltd after the reporting period.

## NOTE 28: RELATED PARTY DISCLOSURES (CONTINUED)

**(b) The following are the total amount of transactions that were entered into with related parties for the relevant financial year:**

- Lawson Lodge Country Estate (Macedon), a conference centre owned by Greg Jinks invoiced the company for $9,544 (2020: $2,549). The transaction was on an arm's length basis on normal commercial terms and conditions.
- Greg Jinks invoiced the company for director fees of $169,998 (2020: $144,400) via his entity Jinks Consulting Group.
- Peter Jinks invoiced the company for director fees of $169,998 (2020: $144,400) via his entity Bundarah Pty Ltd.
- Terence Grigg invoiced the company for director fees of $30,000 (2020: $30,000)

**(c) The following amounts are owed to directors as at 30 June 2021:**

- Peter Jinks - $13,750 (2020: $14,514)
- Greg Jinks - $13,750 (2020: $26,851)
- Terence Grigg - $2,500 (2020: $2,500)

## NOTE 29: REMUNERATION OF AUDITORS

Amounts received or due and receivable by auditors for:

| | 2021 $ | 2020 $ |
|---|---|---|
| **DFK BKM Audit Services** | | |
| Audit or review of the financial report of the entity | 73,000 | - |
| Taxation services provided by related practice of auditor | 36,500 | - |
| | **109,500** | **-** |

| | 2021 $ | 2020 $ |
|---|---|---|
| **Pitcher Partners** | | |
| Audit or review of the financial report of the entity | | 136,075 |
| Taxation services provided by related practice of auditor | | 40,000 |
| | | **176,075** |

## NOTE 30: PARENT ENTITY DISCLOSURE

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Australian Accounting Standards

| | 2021 $ | 2020 $ |
|---|---|---|
| **(a) Summarized Statement of Financial Position** | | |
| Current assets | 761,454 | 585,780 |
| Non-current assets | 2,598,110 | 55,856 |
| Total assets | **3,359,564** | **641,636** |
| Current liabilities | 217,740 | 549,066 |
| Non-current liabilities | 1,322,300 | 1,866,906 |
| Total liabilities | **1,540,040** | **2,415,972** |
| Net assets/(liabilities) | **1,819,524** | **(1,774,336)** |

## NOTE 30: PARENT ENTITY DISCLOSURE (CONTINUED)

| Shareholders' equity | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **i) Issued capital** | 22,085,702 | 20,658,305 |
| **ii) Accumulated losses** | (20,266,178) | (22,432,641) |
| Total equity | **1,819,524** | **(1,774,336)** |

### (b) Summarized Statement of Comprehensive Income

| | | |
|---|---|---|
| Net profit / (loss) | 2,166,463 | (4,989,287) |
| Total comprehensive income | 2,166,463 | (4,989,287) |

### (c) Parent Entity Guarantees

| | | |
|---|---|---|
| Guarantees provided by parent entity in relation to the debts of the subsidiaries | 1,295,608 | 2,322,846 |

## NOTE 31: SUBSEQUENT EVENTS

The company has entered into a binding share sale agreement on 20 August 2021 with Integrated Solution Group Queensland Pty Ltd (ISGQ) to buy the shares in the company. This is consistent with the company's technology strategy of expanding on the convergence of AV/IT services and growing recurring revenue at higher margins. The transaction will be financed by an increase in the company's finance facilities with cash flow finance to $5M with $2M structured to be long term debt.

The group has changed the name of its subsidiary Lumigrow Pty Ltd to SKS iNet Pty Ltd to segregate a part of its communications business.

Other than the above, there were no matters or circumstances specific to SKS Technologies Group Limited that have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- the Group's operation in future financial years or
- the results of those operations in future financial years or
- the Group's state of affairs in future financial years.

# DIRECTORS' DECLARATION

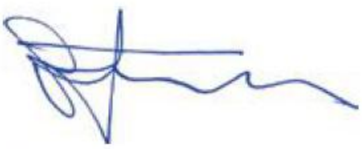
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The directors declare that

1. In the director's opinion the financial statements and notes thereto, as set out on pages 28 to 57 are in accordance with the Corporations Act 2001, including:
   **(a)** complying with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
   **(b)** as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
   **(c)** giving a true and fair view of the financial position of the consolidated entity as at 30 June 2021 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that SKS Technologies Group Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2021.

This declaration is made in accordance with a resolution of the directors.



**Peter Jinks**
EXECUTIVE CHAIRMAN

27 August 2021

dfk bkm audit services
LEADING AUDITORS AND ADVISERS

CELEBRATING SIXTY YEARS 1960 - 2020

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF SKS TECHNOLOGIES GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

DFK BKM Audit Services

**DFK BKM Audit Services**

**Kevin P Adams**
Director

Camberwell
27 August 2021


**dfkbkm.com.au**
ACN 116 958 948
ABN 77 116 958 948
+61 3 9804 0411
L3/689 Burke Road, Camberwell VIC 3124
PO Box 1163, Camberwell VIC 3124

**Directors**
Cheree F Woolcock
Tim M Kelleher
Kevin P Adams

bkm audit services
LEADING AUDITORS AND ADVISERS

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKS TECHNOLOGIES GROUP LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of SKS Technologies Group Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### Key Audit Matters

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

dfkbkm.com.au
ACN 116 958 948
ABN 77 116 958 948
+61 3 9804 0411

Directors
Cheree F Woolcock
Tim M Kelleher

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| Revenue Recognition<br><br>Refer to Note 1(n) and Note 4 | |
| The Group's revenue is primarily derived from the sale of products and provision of services in relation to audio-visual and lighting projects.<br><br>Certain revenue is recognised based on the stage of completion of individual contracts, which is calculated based on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract. The accurate recognition of this revenue is dependent on management estimates of the stage of completion of the contract.<br><br>We consider revenue is a key audit matter because of its significance to profit/(loss), the high volume of revenue transactions associated with revenue and for certain contracts, and the judgement that is required by management in recognising revenue. | Our procedures included, among others:<br>• Obtaining an understanding of the processes and controls relevant to revenue recognition.<br>• For a sample of revenue transactions from provision of services and sale of products, testing to supporting documentation including sales invoices, and assessing whether revenue has been recognised in the correct period.<br>• For a sample of revenue transactions for which revenue is recognised on a proportion of total costs incurred basis, testing to supporting documentation including supplier's tax invoices, and testing that the calculations of costs incurred and costs to complete were appropriate and adequately supported.<br>• Assessing the adequacy of disclosure in the financial statements. |
| Recognition of Deferred Tax Asset<br><br>Refer to Note 1(o) and Note 7 | |
| The Group has $13,037,088 tax losses carried forward from previous years. As at 30 June 2021, the Group recognised a deferred tax asset of $540,000 based on the future probable taxable profits of the Group.<br><br>The deferred tax asset is calculated based at the expected tax rate of 30% on the forecasted profit for year 2022.<br><br>We consider deferred tax assets is a key audit matter because of its significance to profit or loss and the judgement that is required by management in recognising the deferred tax asset. | Our procedures included, among others:<br>• Confirming the amount of tax loss carried forward from previous years.<br>• Reviewing management's assessment of the probability of future taxable profits of the Group available to allow the deferred tax asset to be recovered.<br>• Assessing the Group's assumptions and estimates used to determine the forecasted profits for year 2022.<br>• Assessing the appropriateness of the expected tax rate used to calculate the deferred tax asset based on forecasted revenue for year 2022.<br>• Assessing the adequacy of disclosure in the financial statements. |

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| Impairment of Goodwill<br><br>Refer to Note 16 | |
| As at 30 June 2021 the Group's statement of financial position includes goodwill amounting to $1,867,660, contained within one cash generating unit (CGU).<br><br>The assessment of impairment of the Group's goodwill balances incorporated significant judgement in respect of factors such as cash flow projections, estimated growth rate and discount rate.<br><br>A key audit matter for us was whether the Group's value in use model for impairment included appropriate consideration of these factors on their significant estimates and judgements. | Our procedures included, among others:<br>• Assessing management's determination of the CGU based on our understanding of the nature of the Group's business.<br>• Evaluating management's process regarding valuation of the Group's goodwill to determine any goodwill impairment.<br>• Using the work of an auditor's expert to assist with the review of management's assessment of impairment of the goodwill.<br>• Assessing the Group's assumptions and estimates used to determine the recoverable value of its goodwill, including those relating to cash flow forecasts, growth rate, capital expenditure and discount rate.<br>• Checking the mathematical accuracy of the cash flow models and agreeing relevant data to the latest forecasts.<br>• Performing sensitivity analysis on the key assumptions relating to the discount rate and the cash flow forecasts.<br>• Reviewing the recoverable amount of the CGU compared to the carrying value of the goodwill.<br>• Assessing the adequacy of disclosure in the financial statements. |

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the SKS Technologies 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

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

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

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

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

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

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

## Report on the Remuneration Report

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of SKS Technologies Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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

DFK BKM Audit Services

**DFK BKM Audit Services**

K Adams

**Kevin P Adams**
Director

Camberwell
27 August 2021

# SHAREHOLDER ANALYSIS AND OTHER STOCK EXCHANGE REQUIREMENTS

## STATEMENT OF SECURITY HOLDERS AS AT 24 AUGUST 2021

### (a) Distribution of Shareholders by Sizes of Holdings

| | |
|---|---|
| 1 - 1,000 | 77 |
| 1,001 - 5,000 | 49 |
| 5,001 - 10,000 | 44 |
| 10,001 - 100,000 | 136 |
| 100,001 and over | 102 |
| Total | 408 |

| | |
|---|---|
| Holding less than a marketable parcel | 100 |
| Voting Rights - Each ordinary share carries one vote | |

### (b) Twenty Largest Shareholders

| Shareholder | Number | Percentage |
|---|---|---|
| MR GREGORY DARRELL JINKS + MRS DOROTHY JINKS <GD SUPER FUND A/C> | 17,176,025 | 15.91 |
| BUNDARAH PTY LTD | 8,147,274 | 7.54 |
| VOLANTOR SUPERANNUATION FUND PTY LTD <VOLANTOR SUPER FUND A/C> | 7,080,000 | 6.56 |
| SCHOLZ INDUSTRIES PTY LTD | 6,437,547 | 5.96 |
| MANISA NOMINEES PTY LIMITED <LASKY SUPER FUND A/C> | 6,215,000 | 5.76 |
| FAREVIEW PTY LTD <THE A&M FAMILY A/C> | 3,750,000 | 3.47 |
| MR EDWARD PETER GOODWIN + MRS LOUISE JANE GOODWIN <GOODWIN SUPER FUND A/C> | 3,750,000 | 3.47 |
| ALLEN AND POWER ELECTRICAL COMMUNICATIONS PTY LTD | 2,754,438 | 2.55 |
| JASON ALLEN PTY LTD | 2,754,438 | 2.55 |
| BICKHAM COURT SUPERANNUATION PTY LTD <BICKHAM COURT SUPER FUND AC> | 2,012,499 | 1.86 |
| BOND STREET CUSTODIANS LIMITED <BKOHN - V04155 A/C> | 1,972,842 | 1.83 |
| MR PETER RAYMOND JINKS + MRS VELDA JINKS | 1,948,751 | 1.80 |
| PRIMA GROWTH FUND | 1,833,823 | 1.70 |
| ALLEN & POWER TECHNOLOGIES PTY LTD | 1,639,546 | 1.52 |
| BENTMONT PTY LTD | 1,545,000 | 1.43 |
| KINSHIP NOMINEES PTY LTD <MALEK SUPER FUND A/C> | 1,530,000 | 1.42 |
| JIREB PTY LTD <M & A SUPER FUND A/C> | 1,426,550 | 1.32 |
| MISS KRISTIE JINKS + MR MATTHEW JINKS + MISS LISA JINKS <PV SUPER FUND A/C> | 1,086,000 | 1.01 |
| RIDDELL CONSTRUCTIONS PTY LTD | 1,049,310 | 0.97 |
| CARTMAN & CO PTY LTD | 1,000,000 | 0.93 |
| **Total for top 20** | **75,109,043** | **69.56** |
| **Total Other Investor** | **32,874,559** | **30.44** |
| **Grand Total** | **107,983,602** | **100.00** |

## (c) Substantial shareholders as per substantial shareholder advices held at 24 August 2021

| Name | Number of Ordinary Shares to which Person Entitled |
|---|---|
| Mr Greg Jinks | 17,176,025 |
| Mr Peter Jinks | 17,176,025 |
| Mr Erik Sholz | 7,075,047 |
| Manisa Nominees Pty Ltd | 6,215,000 |
| Total | 47,642,097 |

## (d) Securities subject to voluntary escrow

50% of the shareholding of Allen and Power Electrical Communications Pty Ltd, Jason Allen Pty Ltd and Allen & Power Technologies Pty Ltd are subject to an escrow arrangement until 5th May 2022 with the remaining 50% until May 2023.

## (e) Unquoted equity securities Nil

WWW.SKS.COM.AU