

## Strong Demand Validates Strategic Direction and Continued Investment

**SKS Technologies Group Limited (ASX: SKS)** announces another solid quarter of cash receipts from customers, increasing over the previous corresponding period by 35.8% from \$16.22 million in 2Q22 to \$22.02 million in the December quarter. The lower level of cash receipts compared with 1Q23 is the result of slower cash collections which will be recovered early in the current quarter.

Chief Executive Officer, Matthew Jinks, said, “While the second quarter is traditionally strong for receipts from customers and the third quarter is usually slower, we expect the current quarter to be stronger than usual as we collect a higher than usual level of receipts.”

Revenue increased by 13.7% to \$23.27 million in the second quarter and trade debtors increased by 41.4% to \$17.28 million over the same period. The increases will translate into higher cash receipts in 3Q23.

A significant contributor to the slower collections during the quarter was the change in banking arrangements, as announced to the market in September last year, which took effect during 2Q23. These initial difficulties with collections have now been resolved and any delayed receipts will be captured early in the current quarter.

Cash operating expenses were marginally lower than for the previous quarter at \$24.41 million compared with \$24.47 million. These costs include a 16.8% increase in staff costs to \$8.43 million, primarily driven by the bringing forward of a week of staff salaries in advance of the Christmas period.

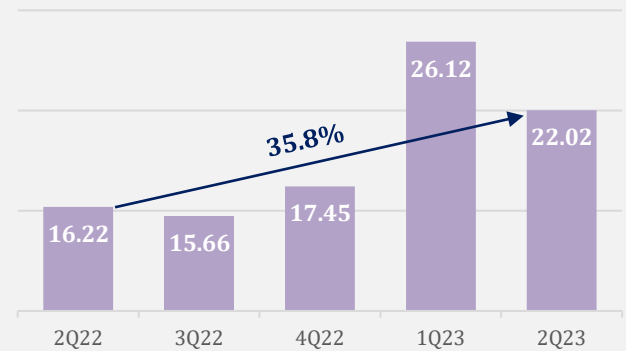
As a result of the decreased receipts, operating cash flows for the quarter totalled -\$2.19 million, \$2.1 million lower than the previous quarter. This decrease was funded by net financing inflows of \$2.29 million from the new bank overdraft. The period also included payment of the maiden dividend announced in August last year, totalling \$0.27 million.

Cash at bank at the end of the quarter totalled \$0.20 million, which was marginally lower than the \$0.21 million at the start of the period.

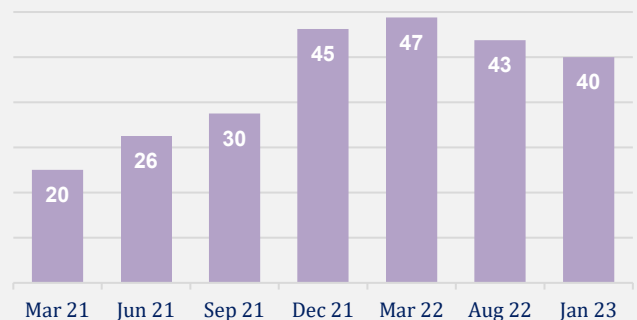
Work on hand remains relatively stable and the increase over the past 10 months largely reflects the substantial investment in new people and geographic locations to fulfill work at a faster rate.

Operating cash flows are expected to be positive in 3Q23 as the effect of increased revenue in 2Q23 is felt.

**Cash Receipts from Customers (\$M)**



**Work on Hand (\$M)**



In addition, the cheaper bank debt will lessen finance charges, while further cash is expected to be returned to the business as the cash retentions are replaced by the new bank guarantee facility. Working capital remains adequate for both current work on hand and the strong pipeline of opportunities identified by the business.

Mr Jinks also said, “The board remains confident that the \$90 million revenue run rate achieved at the end of FY22 and the guidance that was provided at the FY22 announcement is achievable as an annual forecast for FY23. Our cost base will continue to support a growth trajectory that has been outlined to investors over a number of years and has materialised as planned. We have maintained the position that while we are in the midst of the current expansion phase, we will manage our growth judiciously and efficiently, as we capitalise on strong demand across the breadth of industry sectors.

“Growth does not come without a cost and we have continued to invest over the past few years to capitalise on the opportunities, particularly post-Covid, that have been driven by the significantly enhanced recognition of a suite of products that are critical to any business under any trading circumstances.”

~ ENDS ~

Approved for release by the Board of SKS Technologies Group.

Payments to related parties of the entity and their associates:

Aggregate amount of payments to related parties and their associates included in item 1	\$357,000
Directors’ fees and expenses reimbursed paid to directors	\$184,000
Salaries and wages and expenses reimbursed paid to employees who are related to directors	\$173,000
Aggregate amount of payments to related parties and their associates included in item 2	-

<b>Further Information</b>	Matthew Jinks Chief Executive Officer (03) 9289 5000
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**About SKS Technologies Group Limited (ASX: SKS)**

SKS Technologies delivers advanced technology through digital transformation via creative design and installation of converged AV/IT, electrical and communication networking solutions nationally.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

SKS TECHNOLOGIES GROUP LIMITED

**ABN**

24 004 554 929

**Quarter ended ("current quarter")**

31 DECEMBER 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (06 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	22,021	48,141
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(14,586)	(30,769)
(c) advertising and marketing	(92)	(159)
(d) leased assets	(201)	(433)
(e) staff costs	(8,426)	(15,640)
(f) administration and corporate costs	(853)	(1,416)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(250)	(458)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	201	554
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,186)</b>	<b>(180)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(202)	(398)
(j) investments	-	-
(k) intellectual property	-	-
(l) other non-current assets	-	(19)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (06 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	36	36
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	59	73
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(107)</b>	<b>(308)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1)
3.5	Proceeds from borrowings	18,285	42,260
3.6	Repayment of borrowings	(15,609)	(41,110)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(273)	(273)
3.9	Other (R&D Tax Repayment to ATO)	(114)	(226)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,289</b>	<b>650</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	206	40
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,186)	(180)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(107)	(308)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (06 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,289	650
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>202</b>	<b>202</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	202	40
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>202</b>	<b>40</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	357
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other- Overdraft Facility	5,000	3,815
7.4 <b>Total financing facilities</b>	5,000	3,815
7.5 <b>Unused financing facilities available at quarter end</b>		1,185
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>Commonwealth Bank of Australia has provided the overdraft facility which is subject to variable interest rate (currently 5.97%) and secured by a charge over the company.</p>	

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,186)
8.2 Cash and cash equivalents at quarter end (item 4.6)	202
8.3 Unused finance facilities available at quarter end (item 7.5)	1,185
8.4 Total available funding (item 8.2 + item 8.3)	1,387
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.63
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	<p>Answer: No. The business expects the net operating cash flows to improve.</p>
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	<p>Answer: No.</p>

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The business expects to generate cash from operations for the March Quarter following the increase in Receivables in the December Quarter coupled with the conversion of cash retentions to bank guarantee's.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....31/01/2023.....

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.