SKS Technologies

2023 ANNUAL REPORT

Corporate DIRECTORY

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Vision

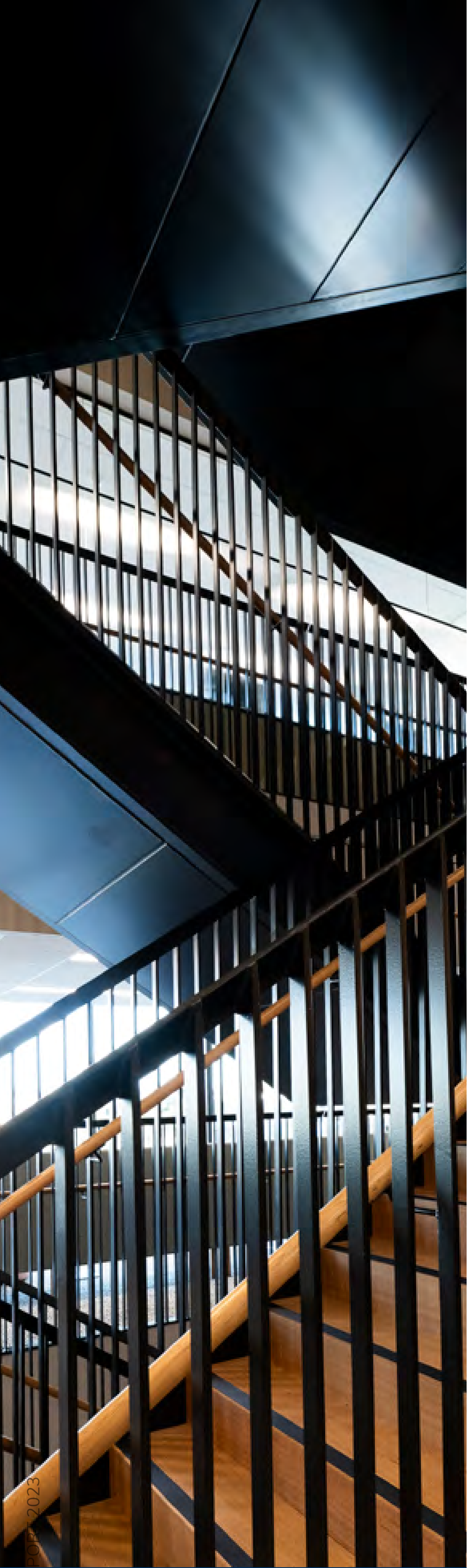
To drive future technology landscapes through innovation, feasibility and efficiency that continuously captures potential and builds new ways of thinking

Mission

To execute creative, client-centric technology solutions for unique and complex needs, safely and professionally

Values

SKS Technologies is committed to having an undisputed forward-looking client focus, delivering quality services with integrity and working together as a team



SKS Technologies recently completed the Audio-Visual installation at the Royal Melbourne Hospital in Elizabeth St.

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OVERVIEW

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SHAREHOLDER INFORMATION

who we are

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

Servicing a blue-chip clientele of business-to-business customers, SKS Technologies Group can offer integrated technology packages to customers in any market sector in Australia that help increase productivity, reduce business continuity risk, and enable clear insight into the use and management of critical business inputs and resources. The business also offers ongoing customer support services.

Services include audiovisual, communications, electrical, maintenance/essential services, energy management and smart building solutions.

OUR SECTORS

Projects are delivered to customers across the entire economy, including, but not limited to:

– Hospitals and aged care facilities
– Manufacturing and distribution facilities
– Commercial buildings
– Correctional facilities
– Hotels
– Defence buildings
– Airports
– Data centres
– Retail centres
– Smart buildings
– Sporting complexes
– Universities
– Government/defence
– Mining and resources
– Utilities
– Banks and financial institutions
– Public sector buildings

what we do

Fully integrated technology systems that underpin successful organisational operation

Audiovisual

- Display and projector systems
- Interactive whiteboards
- Specialist controlled lighting
- Public access systems
- Video and audio conferencing
- Touch panel control
- Video walls

Communications

- Voice and data structured cabling
- Optical fibre and copper
- Patch panel management
- Active equipment
- Cable networking auditing
- WAP Installation

Electrical

- General lighting and power
- High voltage systems
- Earthing systems
- Uninterruptible power systems
- Power quality analysis
- Power factor correction

Maintenance/Essential Services

- Desktop power and data works
- Light level audits
- Exit and emergency light tests
- Lamp replacements
- Test and tag electrical equipment
- Switchboard testing

Energy Management

- Energy audits
- Energy savings timers and sensors
- Energy monitoring
- Power analysis and data logging
- Lighting efficiency analysis

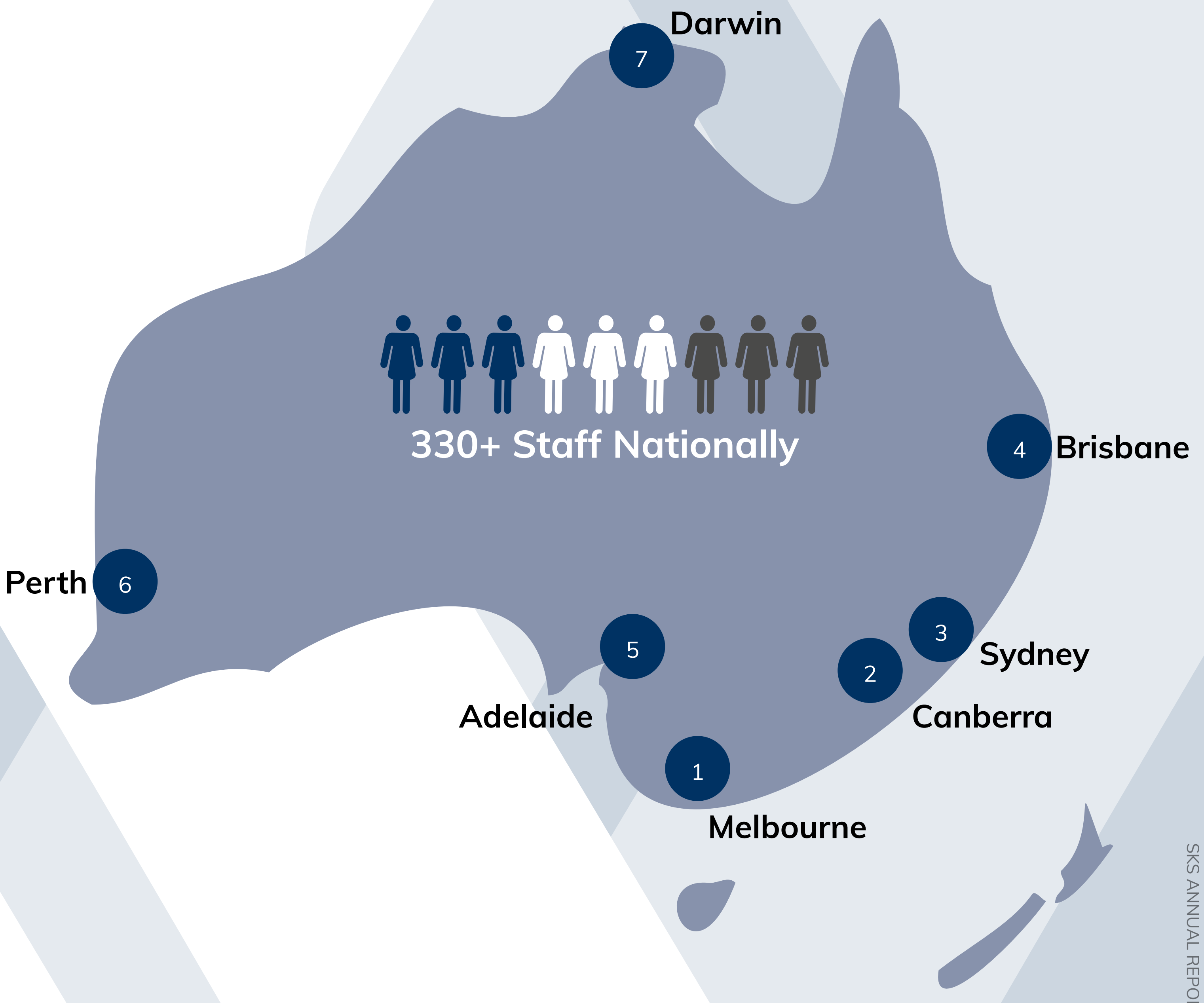
Smart Building Services

- Converged Networks
- Digital Twins
- Active monitoring of essential services to facilitate timely fault detection

where we operate

Australia

SKS Technologies Group is headquartered in West Melbourne with branch offices in the capital cities of all states and territories in Australia, except Tasmania, which is serviced from Victoria. The company is the only ASX listed business of its kind to offer technologies and services nationwide. SKS Indigenous Technologies operates from all locations and in its first year, the business undertook projects in multiple states and territories across Australia.



End-user Customers

fiveight
ABN Group
CBH Group
Coogee
Victoria State Government – Premier and Cabinet
compnow – IT built for you
Australia Post
Hanroy – Hancock Prospecting
Fujitsu
Keyton
mainroads Western Australia
zoom
MinterEllison.
OPTUS
Park Assist
MarshMcLennan
PEXA
p&n bank
The Royal Melbourne Hospital
Roy Hill
Scentre Group
Carlton & United Breweries
State Library Victoria
The University of Notre Dame Australia
ventia
Scotch College
Australian Red Cross
Water Corporation
Westin Hotels & Resorts
Westpac
Telethon Kids Institute – Discover. Prevent. Cure
Red Bull
myob
JLL
Pitcher Partners
Data#3
LinkedIn
yorktel
Disney
Rail Projects Victoria
slack

ESG Commitment

To preserve and improve the physical, social, environmental, cultural and economic health and wellbeing of its neighbourhoods, while ensuring quality of life for current and future generations.

Diversity

SKS Technologies seeks to create a tolerant and cohesive workforce that is unbiased, fair and empathetic in its approach to fellow workers. Age and ethnicity diversity are both evident throughout the business, while gender diversity is a focus, given the nature of the business's operations.
Female participation in the workforce currently sits at 7% and the business now employs seven female apprentices, one of them being Indigenous.
The new Indigenous business will also bolster cultural diversity with the hiring of Aboriginal employees and open up opportunities for them in training and experience as they learn on the job.

Health & Safety

2023 safety performance of ...

0 LTIs

... despite significant workforce growth and over 510,000 hours worked

Safety is a core tenet of the SKS Technologies culture. It is built into the values and extends to psychological safety as well as physical safety. The concepts and practicalities of safe work methods are integrated into all work, from small orders to larger projects.

Sustainability

We are conscious of our impact on the environment in everything we do, making buying and operating decisions according to best environmental practice. Waste is recycled, water and energy are used efficiently and procured based on sustainable practice, and materials and supplies are re-used where possible, as are refillable and recycled options. Single-use plastics are avoided, as are items using virgin materials. Where possible SKS Technologies procures from organisations with demonstrated commitment to human rights and social improvement, particularly where there is evidence of social enterprise, fair trade certification, positive and inclusive employment practices, direct community involvement or other positive impacts on society.

SKS INDIGENOUS TECHNOLOGIES UPDATE

Mission

To support and nurture economic independence and the feelings of self-confidence and self-worth that come with the ability to participate in society across Australia.

A Successful FY23

On track for profitability in...

FY24

which is its second year of operations

Completed onboarding processes with...

10

government and corporate panels as approved suppliers

Achieved order intake of...

$10 million

all to be delivered in FY24 for government, defence and corporate

Achieved initial Indigenous employment target of...

3%

to match national target. New target is 4%-5% depending on growth rate

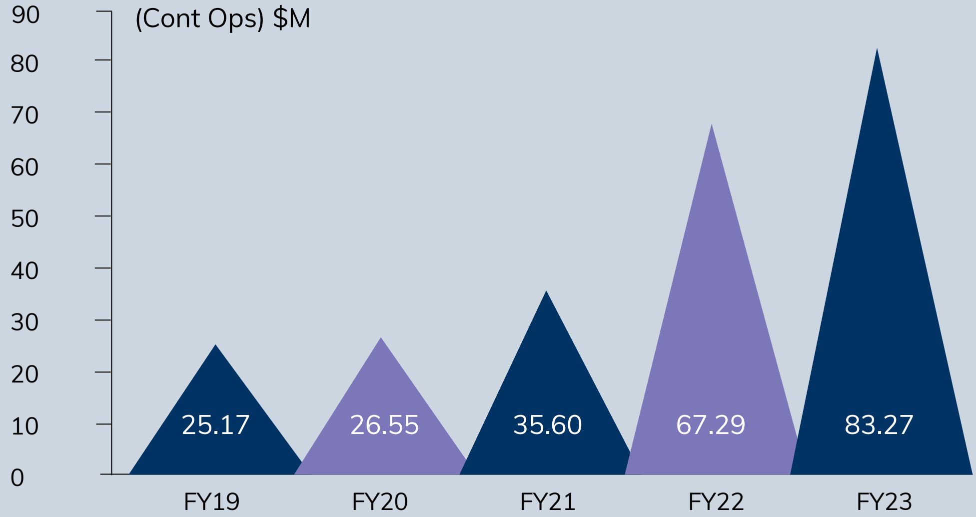
Supply Nation Certified

Achieved Supply Nation certification:
– Enables inclusion on Indigenous business database
– Confirms that a business is Indigenous owned

SKS Indigenous Technologies provides opportunities for Indigenous Australians to gain an education and develop skills and qualifications through employment and commercial activity.

FY23 performance snapshot

Sales revenue - continuing ops ($m)



73%

Level of repeat business despite substantial increase in new customers

$8M

Secured CBA bank facility comprising $5M overdraft and $3M bank guarantees

23.7%

Quantum increase in sales revenue

FY23 $83.27M
FY22 $67.29M

(73.7%)

Net profit before tax

FY23 $0.53M
FY22 $2.00M

$3.82M

Cash flows from operations turnaround

FY23 $2.92M
FY22 ($0.90M)

19.7%

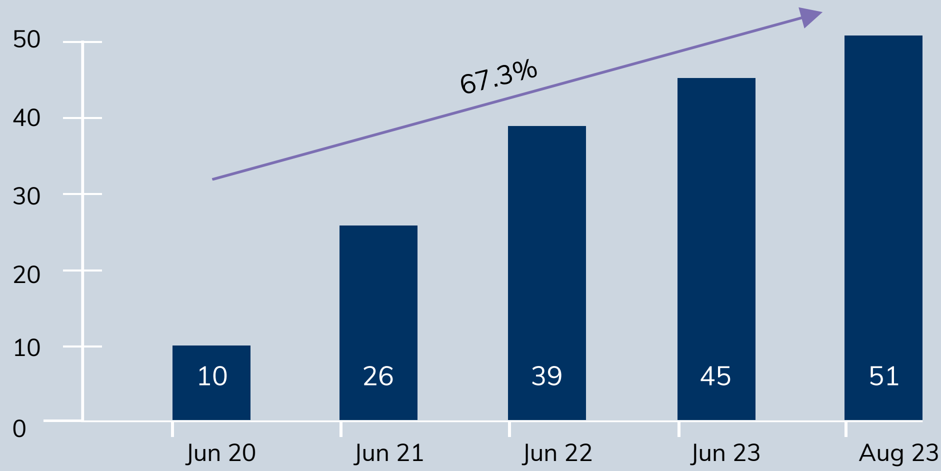
Net tangible assets per share

FY23 1.76 cents
FY22 1.47 cents

Well-established offices in NT, WA & QLD delivering increased revenue and work on hand

Investment in growth

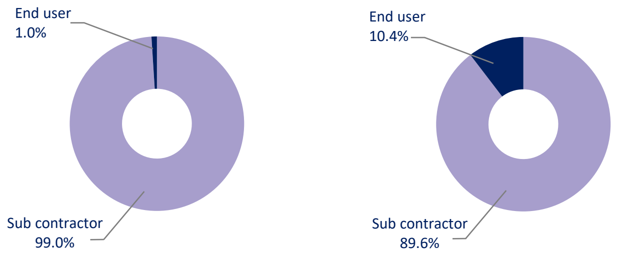
Work on hand ($m)



Increase in work on hand by customer type (%)

12 months ago (%)

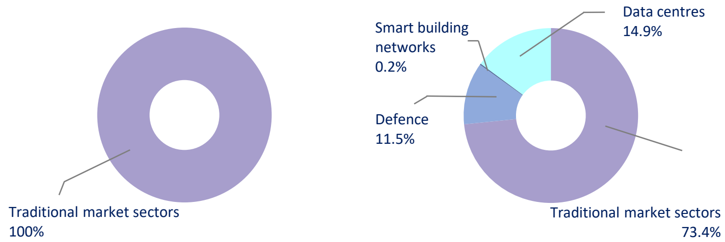
August 2023 (%)



Increase in work on hand in targeted market sectors (%)

12 months ago (%)

End FY23 (%)



Investment of

$3 million

over 2H22, 1H23 & 2H23 to support planned organic growth and new strategic objectives.

Initiatives included:

- Recruitment of specialist teams to drive business development in new sectors of data centres, converged networks in smart buildings and defence
- New facilities in states and territories to complete the national footprint and support new work in this areas
- New and enhanced processes and systems to support onboarding requirements with end user customers, as well as security clearances, certifications and accreditations to perform work in new markets

CHAIR's LETTER

The 2023 financial year was an important chapter in the execution of our carefully calculated organic growth strategy, with investment in capability and capacity resulting in a marked acceleration in work on hand and revenue over the past couple of years.

Peter Jinks, Executive Chair

Dear Shareholders

In reporting our FY23 financial and operational performance to you, I would first like to acknowledge the traditional custodians of lands throughout Australia and recognise their customs and tradition as important to all Australians.

I am pleased to report that many of the residual pandemic issues, such as supply chain constraints, have worked their way through the system. Shipping costs have normalised and inflation-driven wage pressure has been consistently addressed so as not to cause the need for quantum increases in future.

Undoubtedly, the most important learning from the recent pandemic, and there were many, was the intrinsic value of our integrated electrical and audio-visual systems to the business continuity plans of organisations across every market segment of the economy. They were no longer a 'nice-to-have'. They had become a critical risk mitigation tool and, if optimised effectively, offered entrée into valuable, disruptive markets, such as converged IT networks for intelligent buildings and data warehousing systems to accommodate business's needs in an increasingly cloud-based world. During the year, our strategy to capitalise on these opportunities resulted in material successes with new work in these areas won and completed, validating our strategic approach and the investment necessary to support it.

Work on hand remains high, $51 million, with a couple of soon-to-be executed contracts that will result in a quantum increase in the total order book. Since June 2020, our work on hand position has grown more than sixfold from $7 million to current level. With the addition of the provisionally approved work, that increase exceeds a ninefold increase over the same period.

Financial highlights

During the year, the business delivered another sizable increase in sales revenue of 23.7%, from $67.29 million in FY22 to $83.27 in FY23. This increase comes off the back of an 89.0% revenue increase in FY22. While all earnings metrics were positive, the lower EBITDA and before tax profit performance largely reflect the significant investment in new sectors with projects that leverage the technical expertise in the business and maximise the value that can be derived from them to deliver greater benefits in future years.

A further highlight of FY23 was the securing of bank debt with CBA in the form of a $5 million overdraft and a $3 million bank guarantee facility. This financing enabled positive working capital, reduced requirement for cash retention and improved cash flows through lower financing charges. Not least, our stronger financial position has enabled

Earnings summary	FY23	% Change	FY22
Sales Revenue	$83.27M	23.7%	$67.29M
EBITDA	$2.71M	(21.6%)	$3.45M
Net Profit Before Tax	$0.53M	(73.7%)	$2.00M
Net Profit After Tax	$0.63M	(79.1%)	$3.02M

the full retirement of the legacy R&D liability, which stood at $0.73 million at the start of the year. The business generated $2.92 million in cash flows from operations, which equates to a $3.82 million turnaround from FY22.

Strategy Overview

Perhaps the greatest highlight for the year, however, was the inception of SKS Indigenous Technologies in August 2022, in partnership with high-profile Indigenous identity, Chris Johnson. The business was established on commercial grounds to provide systems and services to support commercial outcomes as well as providing opportunities for Indigenous people. In a successful first year, SKS Indigenous Technologies secured work in many states and territories in Australia, and completed projects for a range of government and corporate customers across multiple sectors. Our initial Indigenous employment aim to exceed the national Indigenous population of 3% was achieved during the year and we are now aiming to achieve between 4% and 5%, depending on its future rate of growth.

Over the past 18 months, SKS Technologies has invested over $3 million to support a program of activities under its ambitious organic growth strategy. These initiatives include the recruitment of industry and technical specialists to drive revenue in new markets, the establishment of facilities in new states and territories, and the strengthening of management in others to complete a national network of branches. This footprint enables SKS Technologies to offer its full suite of systems and services to the existing customer base as well as those in the newly targeted sectors of defence, smart buildings and data centres. We have also undertaken a process and system improvement program to better accommodate the needs of a larger business, as well as completing a significant body of work relating to security clearances, accreditations and certifications to enable us to work in those sectors.

The drive to secure direct, end-user work that was outlined in last year's annual report has also had success with a number of large retail, IT, banking and online marketplace customers now awarding work to SKS Technologies. The process to make this happen, however, is far from insignificant, beginning with identifying and hiring people with the right connections, insight and expertise to advance the extensive process of onboarding required by these large, often global, organisations.

Thus, the focus remains firmly on organic expansion, pursuing more work in the new areas of smart buildings, data centres and defence, and continuing to grow work on hand in the traditional areas of the business. That is not to say that we don't consider acquisitive opportunities as they arise, but they are analysed in the context of growth efficiency and opportunity cost. The wins we have had in FY23 have validated the investment that has made them possible, and supports the board's view that the strategy is the right one for SKS Technologies at this stage of its growth.

Outlook

While there appears to be consensus on the view that the global economy has regained strength, with commentary focusing on lower growth rates rather than negative growth levels feared late last year, there are a proliferation of ideas on how our economic performance will fair over the next few years. Globally, expectations for most advanced economies have strengthened since early 2023. However, these early indications of optimism are counter-balanced by the uncertainty of elevated and persistent inflation, higher interest rates, and increased energy and food costs, adding further pressure to already high living costs.

Locally, Australia's resilience has enabled us to avoid a recession to date, with an unusual mix of performance in key economic indicators. While being exposed to similarly high rates of inflation, a tight labour market, the tail end of supply chain constraints and higher cost of capital, commodities markets remain high, the mining sector continues to prosper, unemployment remains at record lows, and in the property sector, values have defied the expectations of a slump to date, remaining slightly lower than pre-pandemic levels.

In terms of SKS Technologies, given the current substantial pipeline of prospects across multiple market sectors, we expect demand to continue unabated for the short-to-medium term. The board is confident that the business is now on strong footings to build its core operations by doing more of what it does best. Our aim for the current financial year is to achieve revenue in the range of $90 million to $100 million as we capitalise on opportunities in our targeted areas of growth.

Dividend

The board has resolved to pay a dividend of $0.002 per share.

On behalf of the board, I thank all our employees for another year of commitment to our business. We've certainly had an eventful few years as we have integrated the Apec Technologies operations and built on an augmented base to expand our core business. However, it is only through tight management of that rapid growth, along with astute operational and market insight and shrewd decision-making at many levels of the business that we have been successful. I am pleased to say that we have a great team.

Thank you also to our loyal bank of customers, many of whom have engaged our services over numerous years as well as the new customers who have allowed us to prove our worth by awarding us work.

Our thanks must also go to our shareholders who continue to share our vision and who we believe will not regret that commitment over time. We are well aware of the competition for capital in the marketplace. We want our shareholders to know that we respect the investments they have made and that we employ our resources in operating and expanding the business with shareholder returns at the forefront of our decisions.

All good things take time, and we are confident that SKS Technologies is evolving into the business we envisaged several years ago when we consolidated to focus on core operations and set out the plans for growth that are well on the way to being realised.

Peter Jinks
Executive Chairman

CEO's
REVIEW

I am pleased to say that today we are, in many ways, a different business, with a more strategic focus on how we optimise our assets to derive maximum value, and with tangible evidence of our success in these pursuits.

Matthew Jinks, Chief Executive Officer

Overview

A year ago, I updated you on the large body of work we were undertaking to extract greater value from our skill base by broadening its application to new market sectors, namely converged networks for smart buildings, data centre systems and projects for the defence force. I also noted an initiative to pursue end-user work that enabled higher margin projects. Substantial in-roads have been made in all of these initiatives.

Work on hand is high, with further enhancement to come from two imminent major contract wins for which we have gained verbal approval, and which are both in the newly targeted sectors.

In embarking on the process of winning work in these new markets, a significant body of work and financial investment is required to reach a point where opportunities can be successfully pursued, causing a large time lag between cash outlays to build and support the necessary resources and revenue generation from partially or fully completed projects. However, we have completed numerous onboarding processes with many new end-user clients and have now increased tendering activity in those areas.

Overall, FY23 was a year of investment in the future, setting the business up to harness new markets and customers to extract greater value from our core business. We have achieved everything we set out to achieve with these new areas while continuing to grow the existing business significantly for a third consecutive year.

Financial performance

In FY23, the business continued its rapid expansion with sales revenue of $83.27 million, representing a 23.7% increase on the $67.29 million achieved in the previous year. Revenue was slightly lower than the forecast $90 million target for FY23, largely due to the timing of onboarding and certification processes. However, over the last three years, revenue has grown at a compound annual growth rate of 46.4%, validating the decision to augment our base with an acquisition in FY21 and grow the business organically from that expanded platform.

While recurring revenue continues to grow in dollar terms, it is not growing as fast as we had initially anticipated due to the speed of growth and the expanded revenue base. Gross margins were marginally higher in an inflationary environment due to the tight matching of rising inventory costs with the tendering process to avoid any unanticipated increases. Wages have increased, as they have across the board, but also in response to higher work levels that have required more people.

While revenue has increased substantially over these years, other earnings metrics have not followed suit based on a deliberate decision to support the strategy by re-investing in excess of $3 million to support planned growth. This investment is now substantially complete, and during the year we began to see a return on it as we won and completed work that would not have been possible without an insightful market analysis and a commitment to invest in it.

Further growth in the medium term can now be achieved without the need for further significant investment in our fixed cost base.

Over the year, the balance sheet was strengthened by cash flows from operations of $2.92 million in FY23 compared with ($0.90) million in FY22, representing an improvement of $3.82 million. This cash enabled a net reduction in short-term borrowings of $0.90 million as well as the full retirement of the R&D liability of $0.73 million and a $0.27

million payment for the FY22 final dividend.

Working capital improved significantly to a surplus of $0.10 million from a deficit of $0.45 million in FY22, representing a $0.55 million turnaround. Net tangible assets per share increased by 19.7% to 1.76 cents from 1.47 cents in FY22.

Another success for the year was the securing of bank debt with CBA to relieve the reliance on more expensive invoice financing and cash guarantees. This new debt comprises a $5 million overdraft and a $3 million bank guarantee, enabling the return of $0.37 million of cash retentions to the business in FY23. These cash flow and balance sheet improvements have been achieved against a backdrop of the inevitable funding pressures that accompany rapid growth and are a testament to the rigorous cost control and financial management to successfully support this expansion.

Operational performance

On the operational front, the year could be best characterised as one of further significant growth in the traditional areas of the business as well as laying the foundations for work in new areas with investment in specialist teams, new processes and systems, new branches and in some locations, new management.

An enormous body of work has also been undertaken behind the scenes to establish the requisite trading environment to win and undertake projects for large, global end-user customers. Now, if we look at our work on hand profile over the past 12 to 18 months, we can see the trends emerging in customer type and market sector that we set out to achieve at the beginning of that period.

Notable achievements for the year include a stellar performance from the Western Australian branch and the establishment of SKS Indigenous Technologies early in the financial year. In January 2022, we installed new management in the WA operations and off the back of our expansion into the mining sector, achieved the best financial and operational performance since the branch was established in 2015.

Similarly, the inception of SKS Indigenous Technologies in August 2022 has also proved to be a good commercial decision, while delivering employment, training and opportunities for advancement for Indigenous people. In its first year, having gained the necessary Supply Nation accreditation to operate, the business exceeded revenue and work on hand expectations. Not least, it entered FY24 with a sizeable order book, having won a number of significant projects in several states and territories across a range of industry sectors. Furthermore, we expect SKS Indigenous Technologies to make a profit in its second year.

Our target of 3% Indigenous employment, which mirrors the national Indigenous population percentage, was achieved during the year, including the recruitment of an Indigenous female electrical apprentice. The new aspirational target is between 3% and 4%, depending on the future rate of growth. In building an Indigenous business that is set up appropriately, we can offer services to Indigenous organisations as well as enable organisations wanting to engage the services of Indigenous businesses to build and uphold the principles of diversity, inclusion and equal opportunity. In providing more opportunities for a broader section of the community, we have also unlocked opportunities to grow the SKS brand.

Work on hand currently sits at $51 million with two provisional approvals for major projects set to increase that figure by a hefty percentage. Both projects are in the newly targeted sectors which further boosts our credibility and brand awareness in the space. With the investment in the new areas of the business, the profile of the order book is markedly different compared with a few years ago.

Last year, I also reported our expansion into converged networks in smart buildings with our first project in South Australia. That project, at Festival Square in Adelaide, will be completed in September this year and since then we have won numerous such projects, including provisional approval for one of the largest converged networks projects in Australia, which again, validates the upfront investment we made to build this new market sector.

Equally, our specialist data centre team has built relationships and developed tenders over the year to build revenue from that sector, and I'm pleased to say that not only have projects been won and completed, we have recently received a provisional approval for a multi-million-dollar data centre project. Again, we have set out to achieve a strategic objective, committed budget for it and worked through an extensive process to reach this point.

As also flagged last year, one of our strategic objectives has been to target higher margin, end-user customers, strengthening relationships with the actual users of our systems and services and opening up greater scope for ongoing work. Many rigorous onboarding processes have been completed with local and global brands in the areas of banking and finance, IT, online marketplaces and retail, to name a few, positioning us to pursue a range of systems and services work on a larger scale. In the current financial year, the focus will be squarely on changing the mix of work on hand by expanding our workload for the smart buildings, data centre and defence markets.

Major contracts during the year were completed for the Australian Federal Police, the Federal Departments of Home Affairs and Agriculture, Forestry and Fisheries and Australian Unity. Major contracts won and commenced during the year include projects for Marvel Stadium, Western Health, Bendigo Kangan Institute and the Federal Department of Defence.

After new management in both Western Australia and Queensland in the 2H22, both branches are performing strongly with increasing work on hand and a good pipeline ahead of them. The newly established Northern Territory office is now gaining momentum on winning work and is expected to perform well in FY24. The focus for the new Canberra office has been on the defence sector and completing the extensive certification process to enable us to win work. That process is now complete and there is a drive to secure projects nationally. With Victoria and South Australia as the largest revenue contributors, there is also a campaign to increase work on hand from all branches.

While the supply chain issues that were experienced post-Covid have largely worked themselves through the system, there is always a lag factor in these circumstances. Projects that were priced and won in FY22 were sometimes impacted by these delays, requiring additional site visits and project management. However, the business has traded through it and we no longer contend with delayed invoicing issues. In terms of the tight labour market, we always face challenges with hiring qualified, experienced people, so on that basis, it's an issue that we must constantly manage, and we do that well.

People and culture

The rapid growth of SKS Technologies has also meant a rapid increase in employee levels each year to support the higher levels of work. Over the past 18 months, however, we built further talent and capability to target new sectors with the recruitment and structuring of specialist teams to design a target strategy and execute the necessary actions in readiness for tendering and winning new projects. We are now beginning to see the returns on that investment.

For many years, the SKS culture has been founded on diversity and inclusion, and I am pleased to report that a recent employee survey returned very positive sentiments about working at SKS Technologies, with 80% of people feeling satisfied or very satisfied with their place of work and 90% saying they would recommend the company's systems and services. These figures are further supported by the 73% repeat business level that remains high despite the many new clients we have attracted over the past 18 months, indicating that our satisfied and committed employees provide superior service levels which result in a high level of customer retention. We work hard to make our workplace a rewarding, interesting and fair environment, and we reap the benefits of that approach.

While we face a tight labour market, we continue to resource projects adequately. As resourcing our business with the necessary skills and expertise generally proves to be challenging, resourcing risk is one that we manage on a day-to-day basis. Thus, fortunately we do not face the issues with recruiting that many businesses confront at present. Equally, while our salary review process ensures that we maintain alignment with the market so that we are not faced with quantum increases in one period, inflation and higher cost of living are driving salary increases and we face the same pressures associated with the current labour that are being managed by businesses across Australia.

Health and Safety

Our health and safety focus continues to pay off with zero lost time injuries over 510,000 hours in 2023. More significantly, over the last five years there have been no lost time injuries, despite substantial increases in the workforce and hours worked. Our excellent safety record is no accident. An unrelenting focus on safety over many years has resulted in a strong safety culture. We now have a full-time National Health and Safety Manager who is working on maintaining and enhancing our strong performance to date, including promoting the benefits of general wellbeing and mental health to employees across the national branch network.

Sustainability

SKS Technologies understands that it has an obligation to preserve natural resources, minimise waste and the use of unsustainable materials and encourage the use of biodegradable material where possible. All buying and operating decisions are made according to best environmental practice. Sustainability measures include the efficient use of essential services, such as energy and water and the responsible procurement of them, waste recycling and the re-use of materials and supplies, with refilling and recycling options where possible. Products manufactured from virgin materials are avoided as are single-use products. Items which require lower levels of energy and water in manufacturing are also sought wherever possible.

Strategy

A number of years ago, we set out to redesign SKS Technologies to better optimise the skills and expertise in our business and to diversify into new markets with systems and services that could be developed on the foundations of our core capabilities. Understanding future market demand is critical for a technology business, as is being able to draw together insights and plans, and make informed judgements about how best to capture the value of those markets.

Our focus on organic growth is founded on building work on hand and delivering projects in the new branches in the two territories, as well as the other branches, to achieve a more even spread of work across Australia that leverages the opportunities in national businesses. SKS Indigenous Technologies will also be a critical part of this drive. As always, we will maintain an opportunistic eye on potential acquisitions, assessing them for their potential to drive capability, capacity and scale.

In the coming year, we will also build work in our traditional sectors, keep targeting large end-user customers and recurring revenue, and capture greater market share in the smart buildings, data warehousing and Australian Defence Force sectors.

The Future

Australia's post-Covid economy has performed better than expected, with stronger business and consumer confidence leading to lower unemployment, while higher commodity and energy prices feed the now moderating inflation level. There is now less speculation about a recession and more commentary about slower rates of economic growth, owing to interest rate rises, higher cost of living pressures and resultant declines in household wealth. In future, our economy is predicted to again outperform other advanced economies, albeit slightly.

In that context, SKS Technologies continues to experience high and growing demand from all market sectors as evidenced by its work on hand level, as well as a healthy pipeline of prospective work that shows no sign of easing. I have detailed the operational successes for FY23 that have diversified our offering and our markets and positioned us for further growth. Thus, it is clear that our current earnings are no indication of future earnings. We expect to see continued growth in revenue, but possibly not at the same level given the vastly augmented revenue base of FY23, and we expect to see some of the investment described above translating to profit. The FY24 revenue target of between $90 million and $100 million is based on the high level of activity, investment and achievements in FY23.

I echo the sentiments of the Chair in thanking our dedicated employees and shareholders, and look forward to another year of building our business efficiently and strategically to become the embodiment of our vision, our strategy and our commitment to achieving it.

Matthew Jinks
Chief Executive Officer

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of SKS Technologies Group Limited and the entities it controlled (the Group), for the financial year ended 30 June 2023 and auditor's report thereon.

Directors

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 as follows.

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.

DIRECTORS' REPORT

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 17-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.

DIRECTORS' REPORT

Review of Operations

Operating Results

Full year sales substantially increased with group's current year trading revenue of $83,268,128 by 23.7% on $67,288,383 in the previous corresponding period. The consolidated group made a profit after tax of $632,105 for the year ended 30 June 2023 compared to $3,022,577 in the previous corresponding period. The loss attributable to the non-controlling interest of the group is $120,678 for the year ended 30 June 2023 compared to nil in previous corresponding period.

Operational Overview

The sales in SKS Technologies Pty Ltd have grown strongly during the year. The company commenced SKS Indigenous Technologies Pty Ltd during year which will finish the year with a better-than-expected work in hand position. The company continues to gain momentum in the new Darwin office and has seen improvement in both Western Australian and Queensland operations. The work in hand, pipeline of opportunities, as well as the size of opportunities, remains favourable across the regions in which the company operates.

Employee expenses increased 23.9% to $31,814,480 ($25,669,623 year ended 30 June 2022) and materials increased 22.7% to $46,854,440 ($38,173,996 year ended 30 June 2022) compared to the previous corresponding period. The mix was consistent with the previous corresponding period.

The results for the year reflects the impact of the following key matters:

The Group received government incentives for a training scheme of $759,439 during the period which has associated staff training costs.

The group has grown significantly over the last 2 years and will continue to focus the business on its core product and services offering of Audio Visual, IT, Electrical and Communications with a strong emphasis on the service and maintenance offering direct to end users.

Capital Structure

On 19 July 2022 the group issued 500,000 ordinary shares with a market value of $90,000 for the options which were vested in 2022.

On 26 July 2022, the group transferred 51% of the shares of SKS Indigenous Technologies Pty Ltd with a value $51 to C.L.A.P. Aust Pty Ltd.

On 20 September 2022 the group issued 898,551 ordinary shares with a market value of $197,681 from the exercise of the performance rights.

Apart from these movements there is no change in the capital structure of the group during the year ended 30 June 2023.

Working Capital and Cashflows from Operations

The Group produced a positive cash flow from operations for the year of $2,922,480 compared to $895,617 negative cashflow in the corresponding period. The Group remains in an expansion phase with revenue growth of 23.7% (as outlined above) in continuing operations with further growth forecasted. The group has successfully overcome the supply chain delays that were impacting the period between the cash outlays and cash receipts.

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

Legal Matters

The Group currently has no legal matters.

Employees

The Group now employs 330 effective fulltime highly qualified employees across five states and two territories 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, Queensland and Northern Territory.

Principal Activities

The principal business activity of SKS Technologies Group Limited is design, supply and installation of audio visual (AV), electrical and communication products and services.

Outlook

The Group is currently capitalising on the opportunities that exists with advancement of converged AV and IT networks, leveraging managed AV and IT integrated solutions and Electrical and Communications opportunities. 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, electrical and communication business has continued. 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

DIRECTORS' REPORT

further advantage of its national presence during the following year as it continues to enter new market sectors. The Group will also take advantage of acquisition opportunities that may arise in the current environment.

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

Management and the board actively manage risk applying risk mitigation strategies where possible. Cyber risk is now a part of modern operations and is actively managed by the group's external IT providers complimented with internal awareness communications and appropriate insurance.

Supply chain disruption with delays in receiving some product is easing relative to recent years. The group is normally able to lock in price at the time of purchase.

Despite some sectors of the economy struggling with skilled labour shortages the group has not experienced any difficulty in recruiting skilled labour to date and remains an employer of choice in the sector.

The Group remains in a high organic growth phase and actively manages the demands high growth places on working capital. The group continues to enjoy the support of the current financiers and remains confident that capital could be raised if necessary.

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 Group 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

An unfranked dividend of $0.0025 per share has been declared from 2022 profits on 29 August 2022 and paid on 17 October 2022 amounting to $273,455. (Dividends declared and paid in 2022: Nil)

Options

At the date of this report, the unissued ordinary shares of SKS Technologies Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
25 November 2021	30 June 2024	$0.35	500,000
25 November 2021	30 June 2024	$0.45	500,000
25 November 2021	30 June 2024	$0.55	500,000

For details of options issued to key management personnel as remuneration, refer to the remuneration report.

Events Subsequent to Balance Date

An unfranked dividend of $0.002 per share has been declared on 30 August 2023.

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 affairs 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	Directors Meetings	
	Eligible to attend	Attended
Peter Jinks	14	14
Greg Jinks	14	13
Terence Grigg	14	13

DIRECTORS' REPORT

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 71.

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. 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.

	2023	2022
Amounts paid and payable to the related practice of the Auditors for non-audit services:	**$**	**$**
Taxation services	**19,400**	22,300
	19,400	22,300

DIRECTORS' REPORT

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

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 engaged a remuneration consultant related to the CEO role.

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 remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

The Company has chosen to use shares to incentivise and remunerate Mr Matthew Jinks because, in the opinion of the board, this represents a way to align the interests of Mr Mathew Jinks with the interests of Shareholders generally. Bonus payments to Mr Matthew Jinks is payable half in cash and half in shares and is only payable if agreed performance hurdles are met. Not only does this incentivise Mr Matthew Jinks and reward him based on the Company achieving its targets but, over time, as a shareholder, Mr Matthew Jinks will have objectives which are aligned to those of the Shareholders.

In relation to the options, the Board is of the view that it is in the interests of the Company and all Shareholders for the share price to grow over time and granting options to Mr Matthew Jinks to acquire shares as each hurdle price is met means that he is incentivised and rewarded for his part in delivering these objectives to the Company and its 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 as Chief Executive Officer on 1 February 2021, with a base salary of $350,000 inclusive of superannuation which may be terminated by the company with one year's notice.

DIRECTORS' REPORT

Mr Matthew Jinks is also eligible to receive Options (to a maximum of 1,500,000 as 500,000 options were vested in 2022) under the Plan, potentially vesting after the performance period from 1 July 2021 to 30 June 2024. Options which do not vest will lapse and will not be re-tested. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

The actual number of Options to be granted to Mr Matthew Jinks will require the Company to meet the share price targets (Hurdle Price) as set out below:

Hurdle Price	Options
$0.35	500,000
$0.45	500,000
$0.55	500,000

The Options were granted following shareholder approval and will vest after the Hurdle Price has been achieved. The Options will be exercisable at their relevant Hurdle Price within 4 years after issue

Mr. Matthew Jinks' current total remuneration package for FY23 is as follows:

Base Remuneration Rate	Short Term Incentive Target, calculated as a percentage on the prevailing Base Remuneration Rate	Long-Term Incentive Reward	Termination Payment (except for cause)
$350,000 pa reviewed August 2022	60% calculated on prevailing base remuneration rate (50% Cash, 50% Performance Rights)	Equity Incentive in the form of Share Options as set out above	One year's remuneration equivalent plus pro rata STI award

Performance Rights will be granted depending upon the Company meeting or exceeding its performance hurdles during the specified performance period of 1 July 2022 to 30 June 2023. If the Performance Rights hurdle are met, and shares are issued, they will be issued under the Plan (with an accompanying loan) and will be subject to the Plan Rules.

Mr Matthew Jinks will receive the Performance Rights and/or Options at no cost to him.

Mr Matthew Jinks is currently the only related party eligible under the Plan rules to be granted Performance Rights or Options.

A no interest bearing loan will be granted in relation to the exercise of an Option or the granting of shares pursuant to an award of Performance Rights and the entire amount of the loan will be applied to the exercise price of the Option or the acquisition price of shares issued pursuant to Performance Rights.

There are no written agreements with the non-executive director.

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

There are no retirement schemes in place for directors.

DIRECTORS' REPORT

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
Gary Beaton	Chief Financial Officer

Directors' and other officers' emoluments

	Short-term	**Post-employment**	**Shared Based Payments**	**Total**
2023	**Salary and Fees $**	**Superannuation $**	**Options and Rights $**	**$**
Peter Jinks	250,000	-	-	250,000
Greg Jinks	250,050	-	-	250,050
Terence Grigg	42,000	-	-	42,000
Matthew Jinks	324,708	25,292	1,558	351,558
Gary Beaton	211,481	22,206	-	233,687
Total	1,078,239	47,498	1,558	1,127,295

	Short-term	**Post-employment**	**Shared Based Payments**	**Total**
2022	**Salary and Fees $**	**Superannuation $**	**Options and Rights $**	**$**
Peter Jinks	250,000	-	-	250,000
Greg Jinks	249,996	-	-	249,996
Terence Grigg	42,000	-	-	42,000
Matthew Jinks	329,000	23,568	240,634	593,202
Gary Beaton	198,117	19,812	-	217,929
Total	1,069,113	43,380	240,634	1,353,127

Description of options/rights granted as remuneration

There are no options/rights granted to key management personnel during financial year 2023.

DIRECTORS' REPORT

Consequences of Group's performance on shareholder wealth

The following table summarises group performance and key performance indicators:

	2023	2022	2021	2020	2019
Sales revenue	**$83,268,128**	$67,288,383	$36,299,131	$36,173,248	$41,186,567
% increase in revenue	**23.7%**	85.4%	0.3%	(12%)	52%
Profit/(loss) before tax	**$527,105**	$2,002,577	$1,626,463	($4,989,287)	$19,167
% increase in profit/(loss) before tax	**(74%)**	23%	133%	(26131%)	101%
Change in share price (%)	**-**	(35%)	389%	(77%)	0%
Dividend paid to shareholders	**273,455**	-	-	-	-
Return of capital	**-**	-	$13,083	-	-
Total remuneration of KMP	**$1,127,295**	$1,353,127	$934,670	$475,134	$508,945
Total performance-based remuneration	**$1,558**	$240,634	-	-	-

Key management personnel's equity holdings

(a) Number of options held by key management personnel

2023	Balance 1 July 2022	Granted as remuneration	Excercised	Balance 30 June 2023	Vested during the year	Vested and exercisable
Key Management Personnel						
Peter Jinks	-	-	-	-	-	-
Greg Jinks	-	-	-	-	-	-
Terence Grigg	-	-	-	-	-	-
Matthew Jinks	1,500,000	-	-	1,500,000	-	-
Gary Beaton	-	-	-	-	-	-
	1,500,000	**-**	**-**	**1,500,000**	**-**	**-**

(b) Number of shares held by key management personnel

2023	Balance 1 July 2022	Received as remuneration	Other changes	On exercise options	Balance 30 June 2023	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	608,696	-	500,000	4,430,358	-	4,430,358
Gary Beaton	-	-	-	-	-	-	-
	37,930,962	**608,696**	**-**	**500,000**	**39,039,658**	**1,948,751**	**37,090,907**

Transactions with Key Management Personnel

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

- The principal place of business, 700 Spencer Street West Melbourne was purchased by 700 Spencer Street Pty Ltd owned by the executive directors and senior executives of the group. 700 Spencer Street Pty Ltd invoiced the group for $300,000 (2022: $62,500) for the lease rental of which 50% is applicable to the Key Management Personnel. The transaction was on an arm's length basis on normal commercial terms and conditions.
- Lawson Lodge Country Estate (Macedon), a conference centre owned by Greg Jinks invoiced the company for $25,219 (2022: $17,113). The transaction was on an arm's length basis on normal commercial terms and conditions.
- Greg Jinks invoiced the company for director fees of $250,050 (2022: $249,996) via his entity Jinks Consulting Group.
- Peter Jinks invoiced the company for director fees of $250,000 (2022: $250,000) via his entity Bundarah Pty Ltd.
- Terence Grigg invoiced the company for director fees of $42,000 (2022: $42,000)
- The following amounts are owed to key management personnel as at 30 June 2023:

- Peter Jinks - Nil (2022: Nil)
- Greg Jinks - Nil (2022: Nil)
- Terence Grigg - Nil (2022: Nil)
- Matthew Jinks – Nil (2022: Nil)
- Gary Beaton - $790 (2022: Nil)

- Information regarding share-based payment transactions with Mr. Matthew Jinks are included elsewhere in the remuneration report.

DIRECTORS' REPORT

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 fourth 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 Group's CGS is available on the SKS Technologies Group website at https://investors.sks.com.au/investor-center/corporate-governance

Voting and comments made at the company's 2022 Annual General Meeting (AGM)

The company received 100% of 'for' votes in relation to its remuneration report for the year ended 30 June 2022. The resolution to adopt the Remuneration Report of the Company and its controlled entities for the year ended 30 June 2022 was carried as an ordinary resolution. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Signed on 30 August 2023 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

Peter Jinks
Executive Chairman
30 August 2023

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended 30 June 2023

	Notes	2023 $	2022 $
Continuing operations			
Revenue and other income			
Sales revenue	4	**83,268,128**	67,288,383
Other income	5	**902,313**	1,838,035
Total revenue and other income		**84,170,441**	69,126,418
Expenses			
Raw material, consumables and logistics		**(46,854,440)**	(38,173,996)
Employee benefit expenses	6	**(31,814,480)**	(25,669,623)
Occupancy expenses		**(170,497)**	(185,470)
Administration expenses		**(2,624,354)**	(1,645,383)
Depreciation and amortisation	6	**(1,407,435)**	(917,643)
Finance charges	6	**(772,130)**	(530,806)
Total expenses		**(83,643,336)**	(67,122,921)
Profit before income tax		**527,105**	2,003,497
Income tax benefit	7(a)	**105,000**	1,020,000
Profit after income tax from continuing operations		**632,105**	3,023,497
Loss after income tax from discontinued operations	8	**-**	(920)
Profit for the year		**632,105**	3,022,577
Other Comprehensive Income		**-**	-
Total comprehensive income for the year		**632,105**	3,022,577
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		**752,783**	3,022,577
Non - controlling interest		**(120,678)**	-
		632,105	3,022,577
Earnings per share from continuing operations: (cents per share)			
Basic	26	**0.58**	2.80
Diluted	26	**0.58**	2.80
Earnings per share from discontinued operations: (cents per share)			
Basic	26	**(0.00)**	(0.00)
Diluted	26	**(0.00)**	(0.00)
Earnings per share: (cents per share)			
Basic	26	**0.58**	2.80
Diluted	26	**0.58**	2.80

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

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	2023 $	2022 $
Current assets			
Cash and cash equivalents	9	8,584	39,534
Trade and other receivables	10	18,080,510	20,173,143
Inventories	11	49,337	102,925
Other current assets	12	369,198	287,747
Total current assets		18,507,629	20,603,349
Non-current assets			
Trade and other receivables	10	-	414,891
Other non-current assets	12	51	115,656
Plant and equipment	13	1,826,719	1,746,657
Right of use assets	14(a)	4,872,286	4,216,301
Intangible assets	15	1,901,013	1,919,366
Deferred tax asset	7(b)	1,665,000	1,560,000
Total non-current assets		10,265,069	9,972,871
Total assets		28,772,698	30,576,220
Current liabilities			
Trade and other payables	16	14,174,475	15,720,704
Borrowings	17	1,761,250	2,663,989
R&D liability payable	18(a)	-	500,820
Provisions	19(a)	1,642,021	1,349,953
Lease liabilities	14(b)	825,997	816,454
Total current liabilities		18,403,743	21,051,920
Non-current liabilities			Non
R&D liability payable	18(b)	-	228,989
Provisions	19(b)	86,775	40,215
Lease liabilities	14(c)	4,795,815	4,185,277
Total non-current liabilities		4,882,590	4,454,481
Total liabilities		23,286,333	25,506,401
Net assets		5,486,365	5,069,819
Equity			
Contributed equity	20	22,359,070	22,072,783
Share option reserve	21	2,467	230,909
Accumulated losses	22	(16,754,545)	(17,233,873)
Total equity attributable to equity holders of the group		5,606,992	5,069,819
Non-controlling interest		(120,627)	-
Total equity		5,486,365	5,069,819

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

Consolidated Statement of Changes in Equity
for the year ended 30 June 2023

	Contributed Equity $	Share Option Reserve $	Accumulated losses $	Non-controlling interest $	Total $
As at 1 July 2022	**22,072,783**	**230,909**	**(17,233,873)**	**-**	**5,069,819**
Equity attributable to non-controlling interests	**-**	**-**	**-**	**51**	**51**
Profit for the year	**-**	**-**	**752,783**	**(120,678)**	**632,105**
<u>Transactions with owners in their capacity as owners</u>					
Share based payment transactions	**280,000**	**1,558**	**-**	**-**	**281,558**
Shares issued- exercise of options	**-**	**(230,000)**	**-**	**-**	**(230,000)**
Shares issued- value adjustment	**7,681**	**-**	**-**	**-**	**7,681**
Cost of issue of share options	**(1,394)**	**-**	**-**	**-**	**(1,394)**
Dividend paid	**-**	**-**	**(273,455)**	**-**	**(273,455)**
As at 30 June 2023	**22,359,070**	**2,467**	**(16,754,545)**	**(120,627)**	**5,486,365**

	Contributed Equity $	Share Option Reserve $	Accumulated losses $	Non-controlling interest $	Total $
As at 1 July 2021	22,085,699	-	(20,266,175)	-	1,819,524
Share based payment transactions	-	10,634	-	-	10,634
Shares to be issued upon the exercise of options and rights	-	230,000	-	-	230,000
Transfer to accumulated losses due to the exercise of options	-	(9,725)	9,725	-	-
Cost of issue of share options	(12,916)	-	-	-	(12,916)
Profit for the year	-	-	3,022,577	-	3,022,577
As at 30 June 2022	22,072,783	230,909	(17,233,873)	-	5,069,819

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

Consolidated Statement of Cash Flows
for the year ended 30 June 2023

	Notes	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		94,433,534	64,903,116
Receipts from government incentives		759,439	1,717,940
Payments to suppliers and employees		(91,471,025)	(66,989,651)
Interest received		2,078	388
Interest paid on lease liability		(388,866)	(188,098)
Other Interest paid		(412,680)	(339,312)
Net cash provided by/ (used in) operating activities	23(a)	2,922,480	(895,617)
Cash flows from investing activities			
Payment for plant and equipment		(656,035)	(766,891)
Proceeds from disposal of plant and equipment		54,931	2,001
Payment for intangibles		(6,935)	(47,422)
Net proceeds from / payments for bank guarantees		251,544	(114,607)
Proceeds from sale of discontinued operations		-	142,033
Net cash used in investing activities		(356,495)	(784,886)
Cash flows from financing activities			
Payments to issue of shares / options		(1,394)	(12,916)
Payment of lease liability		(870,081)	(552,060)
Net (repayment of)/ proceeds from borrowings		(902,740)	2,663,987
Repayment of R&D liability		(549,265)	(488,168)
Dividends paid		(273,455)	-
Net cash (used in) / provided by financing activities		(2,596,935)	1,610,843
Net decrease in cash and cash equivalents		(30,950)	(69,660)
Cash and cash equivalents at the beginning of the year		39,534	109,194
Cash and cash equivalents at the end of the year	23(b)	8,584	39,534

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

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 of the financial report

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 2023 was authorised for issue in accordance with a resolution of the directors on 30 August 2023.

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.

Intangibles 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) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group 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.

(f) Plant and equipment

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

Leasehold improvements are depreciated over 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:

Property, Plant and equipment: over 2 to 15 years
Motor Vehicles: over 3 to 6 years
Computer Software: over 3 years
Leasehold Improvements: over 3 to 10 years

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

(g) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, 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.

(h) 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.

(i) 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.

(j) 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 11% 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.

(k) 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.

(l) 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.

(m) Revenue

Revenue from the sale of goods is recognised when the customer receives the goods, ownership of the goods has 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).

(n) 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. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor 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. SKS Indigenous Technologies Pty Ltd has exited from the tax consolidation group effective 01 July 2022. 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Comparative information

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

(u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(v) Equity Settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(w) 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.

(x) Accounting standards issued but not yet effective at 30 June 2023

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.

(y) New and revised accounting standards effective at 30 June 2023

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2022.

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 in the following:

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 properties and 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.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 15 for further information.

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.

The deferred tax asset as at 30 June 2023 is recognised based on the future probable taxable profits of the tax consolidated group. Accordingly, $1,665,000 deferred tax asset is recognised at the tax rate of 30% based on forecasted profit for the tax consolidated group for the next two years with measured contingencies.

Revenue tax losses available to tax consolidated group but not recognised as a deferred tax asset total $3,837,281.

Capital tax losses available to tax consolidated group but not recognised as a deferred tax asset total $440,643.

Tax losses available to SKS Indigenous Technologies Pty Ltd of $211,136 have not been recognised as a deferred tax asset.

Share Based Payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period.

Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense.

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 (2022: 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 20 (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 sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have any significant concentrations of credit risk (on a net basis after recognising impairment losses) that arise from exposures to a single debtor or to a group of debtors having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for credit losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Sensitivity Analysis
The entity has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis concluded there would be no material impact on fair values of financial assets and liabilities.

(c) Financial Risk Management

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2023 $	2022 $	**2023 $**	2022 $	**2023 $**	2022 $	**2023 $**	2022 $
Consolidated Group								
Financial liabilities due for payment								
Trade and other payables	**(9,242,797)**	(11,493,841)	**-**	-	**-**	-	**(9,242,797)**	(11,493,841)
Borrowings	**(1,761,250)**	(2,663,989)	**-**	-	**-**	-	**(1,761,250)**	(2,663,989)
Lease liability	**(825,997)**	(816,454)	**(2,196,374)**	(2,047,033)	**(2,599,441)**	(2,138,244)	**(5,621,812)**	(5,001,731)
R&D liability	**-**	(500,820)	**-**	(228,989)	**-**	-	**-**	(729,809)
Total contractual outflows	**(11,830,044)**	(15,475,104)	**(2,196,374)**	(2,276,022)	**(2,599,441)**	(2,138,244)	**(16,625,858)**	(19,889,370)
Financial assets — cash flows realisable								
Cash and cash equivalents	**8,584**	39,534	**-**	-	**-**	-	**8,584**	39,534
Trade and other receivables	**18,080,510**	20,173,143	**-**	-	**-**	-	**18,080,510**	20,173,143
Other assets	**42,572**	178,074	**51**	115,656	**-**	-	**42,623**	293,730
Total anticipated inflows	**18,131,666**	20,390,751	**51**	115,656	**-**	-	**18,131,717**	20,506,407

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2023:

	Weighted average interest rate	Variable interest rate	Fixed Interest Rate Maturity			Non-interest bearing	Total
	%	$	Less than 1 year $	2 to 5 years $	Greater than 5 years $	$	$
As at 30 June 2023							
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	8,584	8,584
Current receivables	-	-	-	-	-	18,080,510	18,080,510
Other assets	3.49	42,623	-	-	-	-	42,623
		42,623	-	-	-	18,089,094	18,131,717
Financial Liabilities							
Trade and other payables	-	-	-	-	-	9,242,797	9,242,797
Borrowings	6.97	1,761,250	-	-	-	-	1,761,250
Lease Liability	6.33	-	825,997	2,196,374	2,599,441	-	5,621,812
R&D Liability Payable	-	-	-	-	-	-	-
		1,761,250	825,997	2,196,374	2,599,441	9,242,797	16,625,858
As at 30 June 2022							
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	39,534	39,534
Current receivables	-	-	-	-	-	20,173,143	20,173,143
Other assets	0.30	293,729	-	-	-	-	293,729
		293,729	-	-	-	20,212,677	20,506,406
Financial Liabilities							
Trade and other payables	-	-	-	-	-	11,493,841	11,493,841
Borrowings	9.10	2,663,989	-	-	-	-	2,663,989
Lease Liability	4.75	-	816,454	2,047,033	2,138,244	-	5,001,731
R&D Liability Payable	7.07	-	500,820	228,989	-	-	729,809
		2,663,989	1,317,274	2,276,022	2,138,244	11,493,841	19,889,370

Note 3: Financial Risk Management

(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

	2023 $	2022 $
Revenue from services recognised over time	**83,268,128**	67,288,383
Total sales revenue from continuing operations	**83,268,128**	67,288,383
Unearned revenue as recorded in Note 16, is recorded as a current liability and the underlying performance obligations are expected to be completed within 12 months		

Note 5: Other Income

	2023 $	2022 $
Interest revenue	**2,464**	621
Government incentives- (Training subsidies)	**759,439**	1,717,940
Other income	**140,410**	119,474
Total other income from continuing operations	**902,313**	1,838,035

Note 6: Profit from Continuing Operations

Profit from continuing operations before income tax has been determined after the following specific expenses:	2023 $	2022 $
Depreciation and amortisation of non-current assets:		
Property, plant and equipment	**851,744**	543,574
Motor vehicles	**351,304**	217,602
Computer software	**25,288**	26,188
Leasehold improvements	**179,099**	130,279
	1,407,435	917,643
Finance Costs:		
Interest – debtor finance, bank overdraft & other	**383,264**	342,708
Interest -lease liability	**388,866**	188,098
	772,130	530,806
Employee Benefit Expenses:		
Wages	**24,703,795**	20,197,480
Superannuation	**2,402,395**	1,750,493
Other employee benefits	**4,708,290**	3,721,650
	31,814,480	25,669,623

Note 7: Income Tax

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

	2023 $	2022 $
Profit before income tax	**527,105**	2,002,577
Prima facie income tax payable / (benefit) on profit before		
Income tax at 30% (2022: 30%)	**158,132**	600,773
Add/(less): Permanent differences	**18,686**	14,379
Add/(less): Tax losses utilised- Tax consolidated group	**(325,506)**	(769,435)
Add/(less): Tax losses not brought to account- SKS Indigenous Technologies Pty Ltd	**63,341**	-
Add/(less): Temporary differences	**85,347**	154,283
Add/(less): Tax losses recognised as Deferred Tax Asset (c)	**(105,000)**	(1,020,000)
Income tax benefit	**(105,000)**	(1,020,000)

(b) Deferred Tax
Deferred tax relates to the following:

Deferred tax assets	2023 $	2022 $
The balance comprises:		
Tax losses recognised (c)	**1,665,000**	1,560,000
	1,665,000	1,560,000

(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 $9,387,281 revenue tax losses and $440,643 capital tax losses carried forward from previous years. The deferred tax asset as at 30 June 2023 is recognised based on the future probable taxable profits of the tax consolidated group. Accordingly, $1,665,000 deferred tax asset is recognised at the tax rate of 30% based on forecasted profit for the tax consolidated group for the next two years with measured contingencies.

(d) Revenue tax losses available to tax consolidated group but not recognised as a deferred tax asset total $3,837,281.

Capital tax losses available to tax consolidated group but not recognised as a deferred tax asset total $440,643.

Tax losses available to SKS Indigenous Technologies Pty Ltd of $211,136 have not been recognised as a deferred tax asset.

Note 8: Discontinued Operations

(a) Commercial Lighting business

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:

	2023 $	2022 $
(i) Financial performance information		
Sales revenue	-	-
Expenses	-	(920)
Other income	-	-
(Loss) / profit before income tax	-	(920)
Income tax expense	-	-
(Loss) / profit after income tax from discontinued operations	-	(920)
Profit on disposal of the discontinued operations before income tax	-	-
Income tax expense	-	-
(Loss) / profit on disposal of the discontinued operations after income tax	-	-
Net (loss) / profit from discontinued operation	-	(920)
(ii) Cash flow information		
Net cash used in operating activities	-	(433)
Net cash provided by investing activities	-	-
Net cash used in financing activities	-	-
Net cash flow	-	(433)

(b) Street Column Lighting Business

On 31 January 2020, the group sold off its Street column lighting business and associated business assets under an Asset Sales Agreement and agreed a payment plan with the purchaser to receive the sales proceeds. Accordingly, the group has received $142,033 during the period ended 30 June 2022 completing the total sales proceeds receivable.

Note 9: Cash and Cash Equivalents

	2023 $	2022 $
Cash at bank	**8,584**	39,534
	8,584	39,534

Note 10: Trade and Other Receivables

Current	2023 $	2022 $
Trade debtors	**14,948,944**	16,512,232
Retention debtors	**1,355,026**	1,724,960
Allowance for credit losses	**(125,942)**	(27,411)
Contract assets	**1,786,893**	1,718,055
Other receivables	**115,589**	245,307
	18,080,510	20,173,143
Movements in the allowance for credit losses were:		
Opening balance at 1 July	**(27,411)**	(14,104)
(Charge) / reversal for the year	**(98,531)**	(13,307)
Amounts written off	**-**	-
Closing balance at 30 June	**(125,942)**	(27,411)

Trade receivables ageing analysis as at 30 June is	Gross 2023 $	Expected credit loss 2023 $	Gross 2022 $	Expected credit loss 2022 $
Not past due	**10,742,614**	**(38,025)**	12,703,179	-
Past due 31-60 days	**2,794,000**	**(41,382)**	3,381,538	-
Past due 61-90 days	**524,519**	**-**	208,075	-
Past due more than 90 days	**887,811**	**(46,535)**	219,440	(27,411)
	14,948,944	**(125,942)**	16,512,232	(27,411)

Non-Current	2023 $	2022 $
Retention debtors	**-**	414,891
	-	414,891

Notes to the financial statements for the year ended 30 June 2023

Note 11: Inventories

	2023 $	2022 $
Project materials at the warehouse – at cost	**49,337**	102,925
	49,337	102,925

Note 12: Other Assets

	2023 $	2022 $
Current		
Prepayments and other assets	**369,198**	287,747
Non-Current		
Bank deposits	**-**	115,656
Loan to C.L.A.P. Aust Pty Ltd	**51**	-
	51	115,656

Note 13: Property, Plant and Equipment

	2023 $	2022 $
Plant and equipment		
At cost	**908,516**	493,101
Accumulated depreciation	**(386,113)**	(163,061)
	522,403	330,040
Office furniture and equipment		
At cost	**862,475**	746,631
Accumulated depreciation	**(522,179)**	(395,657)
	340,296	350,974
Motor vehicles		
At cost	**916,554**	909,658
Accumulated depreciation	**(684,854)**	(639,705)
	231,700	269,953
Leasehold improvements		
At cost	**1,003,666**	915,736
Accumulated depreciation	**(271,346)**	(120,046)
	732,320	795,690
Total property, plant & equipment	**1,826,719**	1,746,657

Note 13: Property, Plant and Equipment

(a) Movement in carrying amount of property, plant & equipment

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

	Plant and Equipment $	Office Furniture, and Equipment $	Motor Vehicles $	Leasehold Improvements $	Total $
Year ended 30 June 2023					
Balance at the beginning of the year	**330,040**	**350,974**	**269,953**	**795,690**	**1,746,657**
Additions	**419,515**	**115,843**	**103,851**	**87,929**	**727,138**
Disposals	**(4,100)**	**-**	**(34,443)**	**-**	**(38,543)**
Depreciation expense	**(223,052)**	**(126,521)**	**(107,661)**	**(151,299)**	**(608,533)**
Balance at the end of the year	**522,403**	**340,296**	**231,700**	**732,320**	**1,826,719**
Year ended 30 June 2022					
Balance at the beginning of the year	167,909	133,590	410,398	582,395	1,294,293
Additions	257,509	287,543	8,150	329,864	883,066
Disposals	-	-	(7,835)	-	(7,835)
Depreciation expense	(95,378)	(70,160)	(140,760)	(116,569)	(422,867)
Balance at the end of the year	330,040	350,974	269,953	795,690	1,746,657

(b) The carrying value of motor vehicles includes leased motor vehicles of $80,398 as at 30 June 2023. (2022: $155,019)

Note 14: 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.

(a) Right of use asset

Carrying amount of lease assets, by class of underlying asset:

	2023 $	2022 $
Buildings under lease arrangements		
At cost	**4,166,081**	3,694,725
Accumulated depreciation	**(416,330)**	(184,234)
	3,749,751	3,510,491
Motor Vehicles		
At cost	**1,321,594**	635,963
Accumulated depreciation	**(332,382)**	(88,739)
	989,212	547,224
Equipment		
At cost	**49,478**	45,782
Accumulated depreciation	**(13,645)**	(12,486)
	35,833	33,296
Leasehold Improvements		
At cost	**139,000**	139,000
Accumulated depreciation	**(41,510)**	(13,710)
	97,490	125,290
Total right of use assets	**4,872,286**	4,216,301

Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:

	Buildings $	Motor Vehicles $	Equipment $	Leasehold $	Total $
Year ended 30 June 2023					
Balance at the beginning of the year	3,510,491	547,224	33,296	125,290	**4,216,301**
Additions	3,651,054	685,631	49,478	-	**4,386,163**
Terminated	(2,925,389)	-	(31,175)	-	**(2,956,564)**
Depreciation expense	(486,405)	(243,643)	(15,766)	(27,800)	**(773,614)**
Balance at the end of the year	3,749,751	989,212	35,833	97,490	**4,872,286**
Year ended 30 June 2022					
Balance at the beginning of the year	928,647	87,087	-	-	1,015,734
Additions	3,617,827	536,979	45,782	139,000	4,339,588
Terminated	(687,080)	-	-	-	(687,080)
Depreciation expense	(348,903)	(76,842)	(12,486)	(13,710)	(451,941)
Balance at the end of the year	3,510,491	547,224	33,296	125,290	4,216,301

(b) Right of use and other finance lease liabilities.

	2023 $	2022 $
Current lease liabilities	**825,997**	816,454
Non-current lease liabilities	**4,795,815**	4,185,277
Total carrying amount of lease liabilities	**5,621,812**	5,001,731

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year $	1 – 5 years $	> 5 years $	Total undiscounted lease liabilities $	Lease liabilities included in this Consolidated Financial Position $
2023					
Lease liabilities	**1,241,316**	**3,023,631**	**3,801,292**	**8,066,239**	**5,621,812**
2022					
Lease liabilities	**1,113,717**	**2,575,783**	**2,972,476**	**6,661,976**	**5,001,731**

(c) Right of use and other finance lease expenses and cashflows.

	2023 $	2022 $
Interest expense on lease liabilities	**388,866**	188,098
Depreciation expense on lease assets	**935,602**	655,675
Cash outflow in relation to payment of lease liabilities	**870,081**	552,060

Note 15: Intangible Assests

	2023 $	2022 $
Goodwill at cost (a)	**1,867,660**	1,867,660
Computer software (b)	**33,353**	51,706
	1,901,013	1,919,366

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

Goodwill	2023 $	2022 $
Carrying value as at 1 July	**1,867,660**	1,867,660
Carrying value as at 30 June	**1,867,660**	1,867,660

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

Computer software	2023 $	2022 $
Carrying value as at 1 July	**51,706**	30,471
Software costs capitalised	**6,935**	47,423
Amortisation	**(25,288)**	(26,188)
Carrying value as at 30 June	**33,353**	51,706

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	3,826,364	Value in use

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

CGU	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 Growth Rate	Based on historical growth patterns and current demand for services in the current climate	5 years	2.5	25

Note 15: Intangible Assests

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 still 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 approved by management covering a five-year period.

Note 16: Current Trade and Other Payables

	2023 $	2022 $
Trade payables (a)	**8,685,512**	10,957,655
Accrued expenses	**206,201**	298,536
Other payables	**1,574,995**	1,107,713
Unearned revenue	**3,707,767**	3,356,800
	14,174,475	15,720,704

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

Note 17: Borrowings

	2023 $	2022 $
Current		
Secured:		
Bank and other loans (i)	**-**	2,663,989
Bank overdraft facility (ii)	**1,761,250**	-
	1,761,250	2,663,989

(i) The secured borrowings as at 30 June 2022 represent the net position of Invoice finance facility undertaken which is secured by a fixed and floating charge over SKS Technologies Group Limited and SKS Technologies Pty Ltd.

(ii) The current secured borrowings as at 30 June 2023 represent the net position of the overdraft facility provided by the Commonwealth Bank of Australia which is secured by a fixed and floating charge over SKS Technologies Group Limited, SKS Technologies Pty Ltd, SKS Technologies Construction Pty Ltd and SKS iNet Pty Ltd.

Note 18: R&D Liability Payable

	2023 $	2022 $
R&D Liability Payable	-	729,809
(a) Current	-	500,820
(b) Non-Current	-	228,989
	-	729,809

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. The group completed the settlement of the R&D liability during the financial year 2023.

Note 19: Provisions – Employee Benefits

	2023 $	2022 $
Balance at 1 July	**1,390,168**	883,707
Provision for the year	**2,102,368**	1,518,541
Amounts used	**(1,763,740)**	(1,012,080)
Balance as at 30 June	**1,728,796**	1,390,168
(a) Employee benefits – Current	**1,642,021**	1,349,953
(b) Employee benefits – Non-Current	**86,775**	40,215
	1,728,796	1,390,168

Note 20: Share Capital

(a) Issued and paid-up capital

	2023 $	2022 $
Ordinary shares fully paid:	**22,359,070**	**22,072,783**

Note 20: Share Capital

(b) Movements in shares on issue

	Parent Equity 2023		Parent Equity 2022	
	No of Shares	$	No of Shares	$
Balance as at 1 July	**107,983,602**	**22,072,783**	107,983,602	22,085,699
Issue of shares to exercise of options	**500,000**	**125,000**	-	-
Issue of shares to performance rights	**898,551**	**155,000**	-	-
Shares issued- value adjustment	**-**	**7,681**	-	-
Cost of issue of shares/options	**-**	**(1,394)**	-	(12,916)
Balance as at 30 June	**109,382,153**	**22,359,070**	107,983,602	22,072,783

(c) Dividends

An unfranked dividend of $0.0025 per share has been declared from 2022 profits on 29 August 2022 and paid on 17 October 2022 amounting to $273,455. (Dividends declared and paid in 2022: Nil)

(d) 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.

(e) 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.

(f) Options

The Group has 1,500,000 options outstanding as at 30 June 2023. (Refer Note 31).

Note 21: Share Option Reserve

	2023 $	2022 $
Balance at beginning of year	**230,909**	-
Share Based Payment Transactions	**1,558**	10,634
Transfer to accumulated losses due to the exercise of options	**-**	(9,725)
Shares to be issued upon the exercise of options and rights	**-**	230,000
Shares issued upon the exercise of options and rights	**(230,000)**	-
Balance at end of year	**2,467**	230,909

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to contributed equity.

Note 22: Accumulated Losses

	2023 $	2022 $
Balance at beginning of year	**(17,233,873)**	(20,266,175)
Transfer from share option reserve due to the exercise of options	**-**	9,725
Net profit attributable to members of the parent entity	**752,783**	3,022,577
Dividend paid	**(273,455)**	-
Balance at end of year	**(16,754,545)**	(17,233,873)

Note 23: Statement of Cash Flows

(a) Reconciliation of cash flow from operations with profit after income tax.

	2023 $	2022 $
Net profit after income tax	**632,105**	3,022,577
(Profit)/ loss on sale of assets	**(16,390)**	5,835
Depreciation & amortisation expense	**1,407,435**	917,643
Interest reinvested in security deposits	**(386)**	(233)
Share based payment expenses	**1,558**	240,634
Loss from value adjustment of share issue	**7,681**	-
R&D liability interest remission	**(47,684)**	-
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	**2,507,524**	(9,252,997)
Inventories	**53,588**	(56,435)
Other current assets	**(216,953)**	(24,890)
Deferred tax assets	**(105,000)**	(1,020,000)
Increase/(decrease) in liabilities:		
Trade and other payables	**(1,639,626)**	4,765,788
Provisions	**338,628**	506,461
Net cash provided by / (used in) operating activities	**2,922,480**	(895,617)

(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:

	2023 $	2022 $
Cash at bank	**8,584**	39,534
	8,584	39,534

Note 23: Statement of Cash Flows

(c) Financing Facilities:

	2023 $	2022 $
Maximum available subject to (d) below		
Bank and other loans	-	5,000,000
Bank overdraft facility	**5,000,000**	-
Bank guarantee facility	**3,000,000**	-
	8,000,000	5,000,000

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

	2023 $	2022 $
Bank and other loans (i)	-	2,663,989
Bank overdraft facility (ii)	**1,761,250**	-
Bank guarantee facility (ii)	**2,165,632**	-
	3,926,882	2,663,989

i) The financing facility as at 30 June 2022 represent the net position of Invoice finance facility undertaken which is secured by a fixed and floating charge over SKS Technologies Group Limited and SKS Technologies Pty Ltd.

ii) The financing facilities as at 30 June 2023 represent the net position of the overdraft and bank guarantee facilities provided by the Commonwealth Bank of Australia which is secured by a fixed and floating charge over SKS Technologies Group Limited, SKS Technologies Pty Ltd, SKS Technologies Construction Pty Ltd and SKS iNet Pty Ltd.

Note 24: Operating Segment

The Group operates predominantly in Australia, in audio-visual, communication, 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 2023 (2022: $nil).

Note 26: Earning Per Share

Reconciliation of earnings used in calculating earnings per share:

	2023 $	2022 $
Profit from continuing operations	**632,105**	3,023,497
Loss from discontinued operations	**-**	(920)
Profit used in the calculation of basic profit per share	**632,105**	3,022,577

	2023 No. of Shares	2022 No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**109,158,091**	107,983,602
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**109,158,091**	107,983,602

Note 27: Director's and Executive's Compensation

(a) Details of Directors and Executives

Peter Jinks	Executive Chairman
Greg Jinks	Executive Director
Terence Grigg	Non-Executive Director
Matthew Jinks	Chief Executive Officer
Gary Beaton	Chief Financial Officer

(b) Remuneration by Category: Directors and Executives

	2023 $	2022 $
Short-term employee benefits	**1,078,238**	1,069,113
Long-term employee benefits	**-**	-
Share based payment- options and rights	**1,558**	240,634
Post-employment Employee benefits	**47,498**	43,380
Total	**1,127,294**	1,353,127

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**	**2023**	**2022**
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 Indigenous Technologies Pty Ltd	Australia	**49%**	100%
SKS iNet Pty Ltd	Australia	**100%**	100%

(b) Subsidiaries with material non-controlling interests

The amounts disclosed below are prior to any inter-company eliminations.

SKS Indigenous Technologies Pty Ltd - Subsidiary

	2023 $	2022 $
% ownership held by Non-Controlling Interest (NCI)	**51%**	-
Loss allocated to NCI	**(120,678)**	-
Accumulated NCI of subsidiary	**(120,627)**	-
Summarised consolidated statement of financial position		
Current assets	**1,411,484**	100
Non-current assets	**-**	-
Current liabilities	**1,647,938**	-
Non-current liabilities	**71**	-
Net Assets	**(236,525)**	100
Summarised consolidated statement of profit or loss and other		
Comprehensive income		
Revenue	**2,029,316**	-
Loss	**236,624**	-
Total comprehensive loss	**236,624**	-
Summarised consolidated statement of cash flows		
Cash flows from operating activities	**675,804**	-
Cash flows from investing activities	**-**	-
Cash flows from financing activities	**(670,500)**	-
Net increase / (decrease) in cash and cash equivalents	**5,034**	-

Note 28: Related Party Disclosures

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

- The principal place of business, 700 Spencer Street West Melbourne was purchased by 700 Spencer Street Pty Ltd owned by the executive directors and senior executives of the group. 700 Spencer Street Pty Ltd invoiced the group for $300,000 (2022: $62,500) for the lease rental of which 50% is applicable to the Key Management Personnel. The transaction was on an arm's length basis on normal commercial terms and conditions.

- Lawson Lodge Country Estate (Macedon), a conference centre owned by Greg Jinks invoiced the company for $25,219 (2022: $17,113). The transaction was on an arm's length basis on normal commercial terms and conditions.

- Greg Jinks invoiced the company for director fees of $250,050 (2022: $249,996) via his entity Jinks Consulting Group.

- Peter Jinks invoiced the company for director fees of $250,000 (2022: $250,000) via his entity Bundarah Pty Ltd.

- Terence Grigg invoiced the company for director fees of $42,000 (2022: $42,000)

- The following amounts are owed to key management personnel as at 30 June 2023:
  - Peter Jinks - Nil (2022: Nil)
  - Greg Jinks - Nil (2022: Nil)
  - Terence Grigg - Nil (2022: Nil)
  - Matthew Jinks – Nil (2022: Nil)
  - Gary Beaton - $790 (2022: Nil)

- Information regarding remuneration and share-based payment transactions with Mr. Matthew Jinks are included elsewhere in the remuneration report.

Note 29: Remuneration of Auditors

Amounts received or due and receivable by auditors for:

DFK BKM Audit Services

	2023 $	2022 $
Audit or review of the financial report of the entity	**78,500**	75,500
Taxation services provided by related practice of auditor	**19,400**	22,300
	97,900	97,800

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.

(a) Summarized Statement of Financial Position

	2023 $	2022 $
Current assets	**400,994**	1,262,438
Non-current assets	**3,532,761**	3,445,275
Total assets	**3,933,755**	4,707,713
Current liabilities	**108,780**	593,030
Non-current liabilities	**-**	228,989
Total liabilities	**108,780**	822,019
Net assets	**3,824,975**	3,885,694
Shareholders' equity		
i) Issued capital	**22,359,119**	22,072,783
ii) Share option reserve	**2,467**	230,909
iii) Accumulated losses	**(18,536,611)**	(18,417,998)
Total equity	**3,824,975**	3,885,694

(b) Summarized Statement of Comprehensive Income

Net profit	**154,891**	1,126,614
Total comprehensive income	**154,891**	1,126,614

(c) Parent entity guarantees

Guarantees provided by parent entity in relation to the debts of the subsidiaries	**3,926,882**	**2,663,989**

2023 guarantee amount includes bank guarantee amount of $2,165,632. (2022: Nil)

Note 31: Share -Based Payments

As at 30 June 2023 the Group has the following share-based payment schemes:

2023 Grant Date	Expiry Date	Exercise Price	Start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
25 November 2021	30 June 2024	$0.35	500,000	-	-	500,000	-
25 November 2021	30 June 2024	$0.45	500,000	-	-	500,000	-
25 November 2021	30 June 2024	$0.55	500,000	-	-	500,000	-

2022 Grant Date	Expiry Date	Exercise Price	Start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
25 November 2021	30 June 2024	$0.25	-	500,000	500,000	-	-
25 November 2021	30 June 2024	$0.35	-	500,000	-	500,000	-
25 November 2021	30 June 2024	$0.45	-	500,000	-	500,000	-
25 November 2021	30 June 2024	$0.55	-	500,000	-	500,000	-

The weighted average fair value of the options granted in 2022 was $0.0069.

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future movements.

Note 32: Subsequent Events

An unfranked dividend of $0.002 per share has been declared on 30 August 2023.

Other than the above, there were no matters or circumstances specific to SKS Technologies Group Limited that have arisen since 30 June 2023 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

The directors declare that:

1. In the directors' opinion the financial statements and notes thereto, as set out on pages 22 to 69 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 2023 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 ended 30 June 2023.

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

Peter Jinks

Executive Chairman

Melbourne

30 August 2023

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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 2023 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.

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DFK BKM Audit Services

Kevin P Adams
Director

Camberwell, Victoria
30 August 2023

Directors
Cheree F Woolcock
Tim M Kelleher
Kevin P Adams

Principal
Jamin Ong

Celebrating sixty years 1960 - 2020

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BKM Audit Services Pty Ltd
ACN 116 958 948
ABN 77 116 958 948

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 2023, 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 2023 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.

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Liability Limited by a scheme approved under Professional Standards Legislation

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Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Refer to Note 1(m) 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. 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. 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: • Obtaining an understanding of the processes and controls relevant to revenue recognition. • 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. • 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 including the calculations of the contract assets and contract liabilities were appropriate and adequately supported. • Assessing the adequacy of disclosure in the financial statements.
Recognition of Deferred Tax Asset Refer to Note 1(n) and Note 7	
The Group has $9,387,281 revenue tax losses and $440,643 capital tax losses carried forward from previous years. As at 30 June 2023, the Group recognised a deferred tax asset of $1,665,000 based on the future probable taxable profits of the Group. The deferred tax asset is calculated based at the expected tax rate of 30% on the forecasted profits for years 2024 and 2025 with measured contingencies. 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: • Confirming the amount of tax losses carried forward from previous years. • Reviewing management's assessment of the probability of future taxable profits of the Group available to allow the deferred tax asset to be recovered. • Assessing the Group's assumptions and estimates used to determine the forecasted profits for years 2024 and 2025. • Assessing the appropriateness of the expected tax rate used to calculate the deferred tax asset based on forecasted revenue for years 2024 and 2025. • Assessing the adequacy of disclosure in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Goodwill Refer to Note 15	
As at 30 June 2023 the Group's statement of financial position includes goodwill at cost amounting to $1,867,660, contained within one cash generating unit (CGU). The assessment of impairment of the Group's goodwill balances incorporated significant judgement in respect of factors such as cash flow forecasts, estimated growth rate and discount rate. 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: • Assessing management's determination of the CGU based on our understanding of the nature of the Group's business. • Evaluating management's process regarding valuation of the Group's goodwill to determine any goodwill impairment. • Using the work of an auditor's expert to assist with an assessment of the significant judgement used by management in the impairment testing of goodwill. • 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. • Checking the mathematical accuracy of the cash flow models and agreeing relevant data to the latest forecasts. • Performing sensitivity analysis on the key assumptions relating to the discount rate, gross profit margin and the cash flow forecasts. • Reviewing the recoverable amount of the CGU compared to the carrying value of the goodwill. • 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 2023 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 2023.

In our opinion, the Remuneration Report of SKS Technologies Group Limited, for the year ended 30 June 2023, 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

Kevin P Adams
Director

Camberwell, Victoria
30 August 2023

SHAREHOLDER INFORMATION

Shareholder Analysis and Other Stock Exchange Requirements

STATEMENT OF SECURITY HOLDERS AS AT 24 AUGUST 2023

(a) Distribution of Shareholders by Sizes of Holdings

1 - 1,000	78
1,001 - 5,000	50
5,001 - 10,000	50
10,001 - 100,000	140
100,001 and over	107
Total	**425**

Holding less than a marketable parcel	104
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	15.70
Bundarah Pty Ltd	8,147,274	7.45
Volantor Superannuation Fund Pty Ltd <Volantor Super Fund A/C>	7,080,000	6.47
Scholz Industries Pty Ltd	6,437,547	5.89
Manisa Nominees Pty Limited <Lasky Super Fund A/C>	6,215,000	5.68
Mr Edward Peter Goodwin + Mrs Louise Jane Goodwin <Goodwin Super Fund A/C>	3,750,000	3.43
Jomaho Investments Pty Ltd	3,750,000	3.43
Prima Growth Fund Pty Ltd	3,029,053	2.77
Allen And Power Electrical Communications Pty Ltd	2,754,438	2.52
Jason Allen Pty Ltd	2,754,438	2.52
Bickham Court Superannuation Pty Ltd <Bickham Court Super Fund Ac>	2,012,499	1.84
Mr Peter Raymond Jinks + Mrs Velda Jinks	1,948,751	1.78
Massv Pty Ltd <M & A Property A/C>	1,917,808	1.75
Allen & Power Technologies Pty Ltd	1,639,546	1.50
Bentmont Pty Ltd	1,570,000	1.44
Jireb Pty Ltd <M & A Super Fund A/C>	1,426,550	1.30
Kinship Nominees Pty Ltd <Malek Super Fund A/C>	1,120,841	1.02
Miss Kristie Jinks + Mr Matthew Jinks + Miss Lisa Jinks <PV Super Fund A/C>	1,086,000	0.99
Cartman & Co Pty Ltd	1,000,000	0.91
Fordholm Consultants Pty Ltd <Diana Boehme Super Fund A/C>	1,000,000	0.91
Total For Top 20	**75,815,770**	**69.31**
Total Other Investor	**33,566,383**	**30.69**
Grand Total	**109,382,153**	**100.00**

Shareholder Analysis and Other Stock Exchange Requirements

STATEMENT OF SECURITY HOLDERS AS AT 24 AUGUST 2023

(c) Substantial shareholders as per substantial shareholder advices held at 24 August 2023

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

(d) Securities subject to voluntary escrow Nil

(e) Unquoted equity securities Nil

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