

3 Net tangible assets per security

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security*	0.28 Cents	(0.57 Cents)

* The net tangible assets calculations above include right-of-use assets

4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entities

Name of entities (item 4.1)	- Not Applicable -	
Date(s) of gain of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	\$	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$	

Loss of control of entities

Name of entities (item 4.1)	- Not Applicable -	
Date(s) of loss of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).	\$	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$	

5. **Dividends** *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2021		Nil
Final dividend year ended 30 June 2021		Nil

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	Nil	Nil	Nil
Previous year	Nil	Nil	Nil

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	Nil	Nil

6. **Details of dividend or distribution reinvestment plans in operation are described below** *(item 6)*:

- Not Applicable -

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

--

7. Details of associates and joint venture entities (item 7)

Name of associate or joint venture entity	%Securities held
- Not Applicable -	

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2021 \$	2020 \$
Profit (loss) from ordinary activities before tax		
Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax		
Adjustments		
Share of net profit (loss) of associates and joint venture entities		

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

9. Independent review of the financial report (item 9)

The financial report has been independently reviewed by the auditors DFK BKM Audit Services. The independent auditor's review report was unqualified.

SKS TECHNOLOGIES GROUP LIMITED
and Controlled Entities

ABN 24 004 554 929

Financial Report
for the half-year ended 31 December 2021

The half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2021

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Directors' Report

The directors present their report together with the condensed financial report of the group consisting of SKS Technologies Group Limited and the entities it controlled, for the half-year ended 31 December 2021 and independent auditor's review report thereon.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Each of the directors was in office for this entire period, unless otherwise stated.

Peter Jinks, Executive Chairman

Greg Jinks, Executive Director

Terence Grigg, Non-Executive Director

Review and Results of Operations

First half trading recorded a group sales revenue (including discontinued operations) of \$28,165,300 compared to \$13,916,068 in the previous corresponding period. The Group reported a net profit from continuing operations of \$1,349,804 for the half year ended 31 December 2021, compared to \$661,735 in the previous corresponding period. The Group reported a total net profit of \$1,348,924 (including discontinued operations) for the half year ended 31 December 2021 compared to \$1,032,971 in the previous corresponding period.

Employee expenses increased 156% to \$11,502,485 (\$4,486,239 half year ended 31 December 2020) and materials increased 77.9% to \$14,886,134 (\$8,369,001 half year ended 31 December 2020) compared to the previous corresponding period. This was as a result of both sales growth and a contract where materials were primarily supplied by the client.

The results for the half year reflect the impact of the following key matters:

The sales growth in SKS Technologies Pty Ltd has more than doubled compared to the same time last year and increased a further 25% over the second half of last year, despite experiencing some supply chain disruption.

The group currently holds a record order book with a strong pipeline of opportunities across the regions and disciplines in which the group operates. Despite some sectors of the economy struggling with skilled labour shortages the company has not experienced any difficulty in recruiting skilled labour to date, however, the company expects some supply chain disruption for the remainder of the financial year.

During the half the group incurred a bad debt of \$1.26M which was effectively compensated by a one-off payment from the end client on the project.

The Group received government incentives for training schemes of \$471,271 during the period which has associated staff training costs.

Directors' Report (Cont'd)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report on page 4.

Rounding of Amounts

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

Signed in accordance with a resolution of the directors.



Peter Jinks
Executive Chairman

Melbourne

Date: 22 February 2022

**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 half-year ended 31 December 2021 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

DFK BKM Audit Services

DFK BKM Audit Services



Kevin P Adams
Director

Camberwell
22 February 2022



A member firm of DFK International a worldwide association of independent accounting firms and business advisers
Liability Limited by a scheme approved under Professional Standards Legislation

Directors
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BKM Audit Services Pty Ltd
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ABN 77 116 958 948

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2021

		Half- year	
	Notes	31 December 2021 \$	31 December 2020 \$
Revenue and Other Income			
Sales revenue	2	28,165,594	13,213,496
Other income	2	1,823,097	1,387,856
		29,988,691	14,601,352
Expenses			
Raw material, Consumables, and logistics		(14,886,134)	(8,369,001)
Occupancy expenses		(94,950)	(49,732)
Employee Benefits Expense		(11,502,485)	(4,486,239)
Administration expenses		(716,115)	(640,885)
Impairment loss	2	(1,264,579)	-
Depreciation and amortisation		(404,568)	(253,737)
Finance costs		(190,056)	(140,023)
Total expenses		(29,058,887)	(13,939,617)
Profit before income tax expense from continuing operations		929,804	661,735
Income tax benefit	5	420,000	-
Profit from continuing operations		1,349,804	661,735
(Loss)/ Profit after tax from discontinued operations	3	(880)	371,236
Other comprehensive income for half-year		-	-
Total comprehensive Income for half-year		1,348,924	1,032,971
Earnings per share (cents per share) for profit attributable to the equity holders of the entity:			
Basic earnings per share – Continuing Operations		1.25	0.66
Basic earnings per share – Discontinued Operations		0.00	0.37
Diluted earnings per share – Continuing Operations		1.25	0.66
Diluted earnings per share – Discontinued Operations		0.00	0.37

The accompanying notes forms part of these Financial Statements

SKS TECHNOLOGIES GROUP LIMITED

ABN 24 004 554 929

Financial report for half-year ended 31 December 2021

**Condensed Consolidated Statement of Financial Position
as at 31 December 2021**

	Notes	31 December 2021	30 June 2021
		\$	\$
Current assets			
Cash and cash equivalents		52,293	109,194
Trade and other receivables		11,327,905	11,477,070
Inventories		8,003	46,490
Other current assets		777,051	123,659
Total current assets		12,165,252	11,756,413
Non-current assets			
Trade and other receivables		195,753	-
Other non-current assets		64,614	140,014
Plant and equipment		1,419,539	1,381,380
Right of Use Assets		1,400,764	928,647
Intangible assets		1,908,722	1,898,131
Deferred Tax Asset	5	960,000	540,000
Total non-current assets		5,949,392	4,888,172
Total assets		18,114,644	16,644,585
Current liabilities			
Trade and other payables		10,376,902	11,230,943
Borrowings	6	209,041	-
R&D liability		500,820	500,820
Provisions		1,236,449	858,996
Lease liabilities		572,894	448,532
Total current liabilities		12,896,106	13,039,291
Non-current liabilities			
R&D liability		485,876	821,480
Provisions		19,284	24,711
Lease liabilities		1,544,930	939,579
Total non-current liabilities		2,050,090	1,785,770
Total Liabilities		14,946,196	14,825,061
Net assets		3,168,448	1,819,524
Equity			
Contributed capital	7	22,085,702	22,085,702
Accumulated losses		(18,917,254)	(20,266,178)
Total equity		3,168,448	1,819,524

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Changes in Equity

Half-year ended 31 December 2020

Consolidated	Contributed equity \$	Accumulated losses \$	Total equity \$
At 1 July 2020	20,658,305	(22,432,641)	(1,774,336)
Shares buy back- Unmarketable parcels	(13,084)	-	(13,084)
Profit for the half year	-	1,032,971	1,032,971
At 31 December 2020	20,645,221	(21,399,670)	(754,449)

Half-year ended 31 December 2021

Consolidated	Contributed equity \$	Accumulated losses \$	Total equity \$
At 1 July 2021	22,085,702	(20,266,178)	1,819,524
Profit for the half year	-	1,348,924	1,348,924
At 31 December 2021	22,085,702	(18,917,254)	3,168,448

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2021

	Half-year	
	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities		
Receipts from customers	31,786,708	16,229,438
Receipts from government incentives	471,271	1,299,200
Payments to suppliers and employees	(31,507,027)	(15,691,092)
Interest received	230	202
Interest paid on Lease liability	(48,759)	(33,802)
Interest paid	(151,401)	(77,773)
Net cash flows from operating activities	551,022	1,726,173
Cash flows from investing activities		
Payment for plant and equipment	(319,405)	(3,251)
Proceeds from disposal of plant and equipment	2,000	9,089
Payments for intangibles	(21,801)	(24,811)
Payment for bank guarantee	(51,321)	(26,782)
Proceeds from sale of discontinued operations	81,162	1,022,409
Net cash flows (used in)/ from investing activities	(309,365)	976,654
Cash flows from financing activities		
Payment for share buy back	-	(13,084)
Payment of lease liability	(253,105)	(215,218)
Proceeds from borrowings	30,065,498	14,287,753
Repayments of borrowings	(29,856,457)	(15,689,341)
Repayment of R&D liability	(254,494)	(250,410)
Net cash flows (used in) financing activities	(298,558)	(1,880,300)
Net (decrease) / increase in cash and cash equivalents	(56,901)	822,527
Cash and cash equivalents at beginning of half year	109,194	229,005
Cash and cash equivalents at end of the half year	52,293	1,051,532

The accompanying notes forms part of these Financial Statements

Notes to Condensed Consolidated Half-Year Financial Statements

1. Basis of Preparation of the Half-Year Financial Report

The condensed consolidated half-year financial report does not include all notes of the type normally included within the annual financial report. It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by SKS Technologies Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers SKS Technologies Group Limited and controlled entities ("the 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 VIC, 3003. SKS Technologies Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the director's report.

(a) Basis of accounting

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared in accordance with the historical cost convention, as modified by revaluations to fair value for certain class of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2021 and the corresponding half-year other than as stated below in Note 1(b).

(b) Summary of the significant accounting policies

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2021.

Notes to Condensed Consolidated Half-Year Financial Statements**(c) Going Concern**

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

The group generated a profit from continuing operations of \$1,349,804 during the half-year ended 31 December 2021 (half-year ended 31 December 2020 profit of \$661,735), and as at that date, the group's net assets was \$3,168,448 (30 June 2021: net assets position \$1,819,524).

The group produced positive cash flows from operating activities for the half-year ended 31 December 2021 of \$551,022 (half-year ended 31 December 2020: positive \$1,726,173).

The group has prepared a forward forecast 12 months from the date of this report which assumes continuing revenue and profit growth which has been supported by the high levels of work in hand. The cash flow forecast has been stress tested with various revenue and profit assumptions to further support the forecast.

Based on the assessment of the group's ability to achieve its revenue and profit targets, the board believes that the group will continue as a going concern and be able to repay its debts as and when they fall due. The board also acknowledges the group's access to the capital market should additional funding be required.

Accordingly, the financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Notes to Condensed Consolidated Half-Year Financial Statements

2. Revenue, Other Income, and Impairment Loss

	31 December 2021	31 December 2020
	\$	\$
Revenue		
Revenue from services	28,165,594	13,213,496
	<u>28,165,594</u>	<u>13,213,496</u>
Other income		
Interest income	293	58
One off project payment	1,349,160	-
Other income*	473,644	1,387,798
	<u>1,823,097</u>	<u>1,387,856</u>

*Other income for the half year ended 31 December 2021 comprises of government training incentives whereas other income for the half year ended 31 December 2020 comprises of government incentives such as JobKeeper and insurance proceeds.

	31 December 2021	31 December 2020
	\$	\$
Impairment loss		
Bad Debt Incurred*	1,264,579	-
	<u>1,264,579</u>	<u>-</u>

*This bad debt incurred was effectively compensated by a one-off payment from the end client on the project.

3. Discontinued Operations

The group divested its Lighting business and associated business assets in two stages, the Street Column Lighting business on 31 January 2020 and the Commercial Lighting business on 07 August 2020. The results of these discontinued operations for the current and comparative period are presented below.

Notes to Condensed Consolidated Half-Year Financial Statements
3. Discontinued Operations (cont'd)

(a) On 31 January 2020, the group sold the Street lighting business and associated business assets.

The results of the discontinued operations for the current and comparative period are presented below:

	31 Dec 2021	31 Dec 2020
	\$	\$
(i) Financial performance information		
Revenue		
Sales revenue	-	-
Total Revenue	<u>-</u>	<u>-</u>
Expenses		
Total Expenses (excluding depreciation and amortisation)	-	(11,536)
Depreciation and amortisation	-	-
Total Expenses	<u>-</u>	<u>(11,536)</u>
<i>(Loss) before income tax of discontinued operations</i>	-	(11,536)
<i>Profit on disposal of the discontinued operations before income tax</i>	-	67,653
Income tax expense	-	-
<i>Profit after income tax of discontinued operations</i>	<u>-</u>	<u>56,117</u>
(ii) Cash flow information		
Net cash provided from operating activities	-	-
Net cash from investing activities	-	312,208
Net cash (used in) financing activities	-	-
<i>Net cash flow</i>	<u>-</u>	<u>312,208</u>

Notes to Condensed Consolidated Half-Year Financial Statements
3. Discontinued Operations (cont'd)

(b) On 07 August 2020, the group sold the Commercial lighting business and associated business assets. The results of the discontinued operations for the current and comparative period are presented below:

	31 Dec 2021	31 Dec 2020
	\$	\$
(i) Financial performance information		
Revenue		
Sales revenue	(294)	702,572
Other income	-	74,522
Total Revenue	(294)	777,094
Expenses		
Total Expenses (excluding depreciation and amortisation)	-	(488,974)
Depreciation and amortisation	(586)	(8,983)
Total Expenses	(880)	(497,957)
<i>Profit/(Loss) before income tax of discontinued operations</i>	(880)	279,137
<i>Profit on disposal of the discontinued operations before income tax</i>	-	35,982
Income tax expense	-	-
<i>Profit/(Loss) after income tax of discontinued operations</i>	(880)	315,119
(ii) Cash flow information		
Net cash (used in) / from operating activities	(328)	598,364
Net cash from investing activities	-	710,202
Net cash (used in) financing activities	-	(1,747,396)
<i>Net cash flow</i>	(328)	(438,830)

Notes to Condensed Consolidated Half-Year Financial Statements

4. Dividends Paid or provided for on Ordinary Shares

There were no dividends proposed or recognised during the half-year ended 31 December 2021.

5. Deferred tax assets

	31 December 2021	30 June 2021
	\$	\$
Deferred tax assets	960,000	540,000
	960,000	540,000

The increase in the deferred tax asset for the half year ended 31 December 2021 is reflected by income tax benefit of \$420,000.

SKS Technologies Group Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 30 November 2009. The group has \$13,037,088 tax losses carried forward from previous years. The deferred tax asset as at 31 December 2021 is recognised based on the future probable taxable profits of the group. Accordingly, \$960,000 deferred tax asset is recognised at the tax rate of 30% based on forecasted profit.

6. Borrowings

	31 December 2021	30 June 2021
	\$	\$
Current		
Secured:		
Bank and other loans (i)	209,041	-
	209,041	-

- (i) The current secured borrowings represent the net position of Invoice finance facility undertaken which is secured by a fixed and floating charge over SKS Technologies Group Limited, SKS Technologies Pty Ltd, Duetek Pty Ltd and SKS Lighting Pty Ltd.

Notes to Condensed Consolidated Half-Year Financial Statements

7. Contributed Capital

Movements in shares on issue

	Half-Year 31 Dec 2021		Half-Year 31 Dec 2020	
	No of Shares	\$	No of Shares	\$
Beginning of the half-year	107,983,602	22,085,702	99,916,704	20,658,305
Shares buyback during the half-year	-	-	(130,834)	(13,084)
End of the half-year	107,983,602	22,085,702	99,785,870	20,645,221

8. Operating Segments

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

9. Subsequent Events

The company has entered into a binding share sale agreement on 20 August 2021 with Integrated Solution Group Queensland Pty Ltd (ISGQ) to buy the shares in the company. As announced to the ASX on 22 February 2022, the company has decided not to proceed with the acquisition.

Other than the above, there were no matters or circumstances specific to SKS Technologies Group Limited that have arisen since 31 December 2021 that have significantly affected or may significantly affect:

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

Directors' Declaration

The directors declare that:

In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that SKS Technologies Group Limited will be able to pay its debts as and when they become due and payable.

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



Peter Jinks
Director

Date: 22 February 2022

Independent Auditor's Review Report To the members of SKS Technologies Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SKS Technologies Group Limited (Company) and Controlled Entities (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors

Cheree F Woolcock
Tim M Kelleher
Kevin P Adams



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BKM Audit Services Pty Ltd

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility of the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DFK BKM Audit Services



Kevin P Adams
Director

Camberwell
22 February 2022