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skyfii 

annual  
report | **2019**



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Skyfii Limited  
ABN 20 009 264 699  
Financial report for the year ended 30 June 2019

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## Chairman's Letter

### Dear Shareholders,

It gives me great pleasure to write my first Chairman's letter to you. Whilst I have been on the board of Skyfii since it first listed in 2014, I have only taken on the Chairman's role in January of this year after the retirement of James Scott. I would like to thank James for his tireless efforts over the past three years as Chairman of the company. What we have today very much reflects his commitment and leadership.

As the world's first omnidata intelligence company, Skyfii collects and analyses billions of data points each month from a range of venue types across five continents. Our SaaS, cloud-based solutions help venues visualise, measure, predict, and influence customer behaviour, creating better experiences for their visitors and customers.

Our listing on the ASX provides strong roots into the Australian market and reflects our heritage. At the same time, we are a truly global organisation with 54 staff in 8 countries delivering solutions to a portfolio of 8,500+ venues, under contract in over 30 countries.

### 2019 – A year of delivery

The 2019 financial year represented another period of exceptional underlying growth for the company, with the key metrics being:

- Full year FY2019 total operating revenues of \$9.4m, representing a 52% growth compared to FY2018
- Delivered our second consecutive year of positive operating EBITDA<sup>i</sup> of \$0.88m, compared to \$0.35m in FY2018.

Positive operating EBITDA was a goal that the company set for FY19 and our ability to deliver on our forecasts should provide comfort to investors that we can maintain the balance between growth and profitability.

### Successfully executing on internal growth and acquisitions

Post FY19, Skyfii formally completed the acquisition of Beonic Technologies, a leading Australian consumer insights provider specialising in camera and people counting technology. The transaction was highly complementary to our existing product offering and provides new channels for our business to engage with customers. Furthermore, acquiring Beonic demonstrates Skyfii's commitment to diversifying its product and service offering to position itself as a true omnidata intelligence company.

Skyfii received an overwhelmingly positive and supportive response from Beonic's key customers, consisting of blue-chip customers in the Australian retail sector including AMP, Lend Lease, QIC, ISPT and The GPT Group that extends Skyfii's already market leading position in the retail property segment in Australia.

Additional new customers including New Balance, Melbourne City Council, L'Oreal, David Jones and National Museum of Australia, provides Skyfii a further diversified customer base across the lucrative retail, municipality, cultural centres and education verticals.

Furthermore, the acquisition provides a significant opportunity to upsell Skyfii's full suite of SaaS services to Beonic's existing portfolio of customers and reflects our ability to identify, execute and complete value-adding acquisitions to complement our existing operations.

Our internal development activities delivered a steadily increasing level of customer engagement globally. Our focus on growth in the American and European markets has seen a very sound level of new contract wins from those geographies, both in traditional verticals as well as new areas such as museums, stadiums and municipalities. We will continue to invest in on the ground people and channel partners which we are confident will continue to open up further growth opportunities in global markets.

## Our people

As a technology and services company, our ability to create world leading software-based solutions and take them effectively to a global market is fundamental to our success. The board is committed to maintaining the strongest team of data scientists, analysts and engineers to allow Skyfii to continue to be a global leader in omnidata intelligence.

Furthermore, we have developed a very strong international sales and delivery team who are tasked with growing our global contracts and transitioning Skyfii to be a truly international company. With our CEO and CPO based in the USA, our commitment to our global presence is demonstrable, remaining strong and in sound hands.

## Well positioned for FY20

In FY19, Skyfii took the deliberate decision to achieve sound ongoing growth through acquisition and a direct investment into our distribution channels and in-house programming technology. We believe that this investment positions Skyfii very well for continued customer engagement and revenue growth. We continue to set positive operating EBITDA as a fundamental target for our business, but we remain committed to investing in driving growth. As we move in to FY20 I see the key areas of focus for the company as:

- Deliver strong top line and recurring revenue growth across all regions
- Close out large deals in our short and medium-term pipeline, particularly in the USA
- Maintain focus on cash management and maintaining a positive operating EBITDA position

Our growing global presence will offer new opportunities for the business in FY20. We are also growing our presence in verticals outside our traditional exposure to retail. New markets will continue to allow Skyfii to deliver on its historic growth rates.

I believe the company is well-positioned for a period of exciting growth as our investment in people, technology and global strategy establish Skyfii in a world leading position in omnidata intelligence.

I am pleased to have the opportunity to represent you as the Chairman of Skyfii and I am confident that the Skyfii team can continue to deliver for you, the shareholder.

Yours faithfully,



**Andrew Johnson**

Chairman and Non-Executive Director



<sup>i</sup> Operating EBITDA is defined as earnings before interest tax, depreciation, and amortization, and adjusted to be inclusive of any R&D tax incentive grants accrued or received, and exclusive of share, option-based payments and acquisition expenses.

## CEO's Letter

### Dear Shareholders,

I am very pleased to report another year of strong growth at all levels for the company. We began the financial year with a number of key objectives, including: further consolidation of our dominant position in the ANZ retail vertical, a continued focus on recruiting and enabling new channel partners globally, delivering growth in our international markets, managing cash and maintaining a positive operating EBITDA position and also continuing to investigate accretive acquisition opportunities to complement our strong organic growth rate.

FY19's results have shown successful delivery against all of these stated objectives. Firstly, our key financial and operating highlights included significant growth in both topline and recurring revenues, we maintained a positive operating EBITDA position for the full year, substantially grew topline and organic revenues, doubled our portfolio of venues under contract, with many new contract wins in the ANZ retail vertical and continued revenue growth across all international markets. Post the end of the year we also successfully concluded the acquisition of Beonic technologies, which will help to further accelerate our revenue growth and diversification into FY20 and beyond.

From an operations perspective, the company outpaced its internal forecasts, growing its venue portfolio to over 8,500+ venues under contract, up from 4,500 in FY18. In addition, we successfully penetrated new verticals outside of retail including: Cultural centres (museums, art galleries and libraries), Hospitals, Retail banking branches, Sporting stadiums, Smart Cities, Smart Commercial Buildings, Universities, Grocery stores and Quick Service Retail (QSR) venues. Finally, we have successfully grown our operations within our international markets, posting a number of new contract wins across the North America, EMEA and Brazil markets.

This year's successes would not have been possible without a supportive board and the continued commitment from the Skyfii team. I would like to personally thank all of the Skyfii staff for your tireless efforts and I look forward to working alongside the team as we work towards our goal of becoming the leading omnidata intelligence provider globally.

As we enter FY20, I firmly believe that the company will reach a significant inflection point and I am excited to share this next stage of the journey with our team and shareholders.

### Strong recurring revenue growth and improving operating earnings

Total operating revenue for the company in FY19 was up 52% YoY to \$9.4m and our recurring revenues grew at a similar rate, up 50% YoY, at \$5.2m. This is a very pleasing result and is testament to the momentum the company is delivering across all operating regions. The company was pleased to deliver a positive operating EBITDA of \$0.88m for the full year, which was a key milestone set and announced by the business 12 months ago. We are very pleased that this milestone has been met and should provide our investors with confidence as we continue to invest in our operating model.

### Financial strength and flexibility

During FY19, the company continued to manage its cash position to reflect its growth aspirations, ending the year with cash at bank of \$1.33m. In May 2019, the company announced it had secured a \$2m loan facility, which was a response to the increasing need for working capital as a result of the acquisition of Beonic. This will also allow Skyfii to better manage operating capital to support our growth rate as we look to scale further within the international markets. The company remains focused on managing its cost base, while continuing to invest in growth and the drawdown facility will provide access to further growth capital as needed.

### Investing in our product and distribution

The company continued to invest into its proprietary and market leading technology platform. Major milestones include the release of our omnidata intelligence functionality and integration with a variety of people counting solutions, the launch of our custom reporting suite through IO Labs and various new reporting features including student attendance reporting for the higher education vertical.

The company has maintained a strategy of scaling international operations through distribution via channel partners and we welcomed new global Managed Service Provider (MSPs) to our list of supported partners during FY19.

### Positioning ourselves as an industry pioneer through omnidata intelligence

2019 has been a breakthrough year for us in more ways than one.

We have now developed a global positioning strategy that will help us stand out from the crowded "WiFi analytics" and "WiFi marketing" spaces. As shareholders may recall, our technology platform initially relied solely on WiFi data to understand visitor behavior. However, we've long recognised that our customers would need more than a single data source to paint a complete picture of what's happening in their venues. To that end, we've invested heavily in integrating other data sources in our platform, such as people counters. We've also enhanced these data sources by building our data services team, who have provided our customers with much needed expertise with data science, research, and other services.

However, while our technology and services offerings have advanced tremendously, our messaging had not kept pace. At the same time, the market continued to perceive us as a "WiFi" company, which hindered our ability to build awareness around our more sophisticated solutions. To address this, Skyfii has crafted a new narrative around a concept we're calling 'omnidata intelligence'. This methodology provides customers with the right data, intelligent technology, and experienced people to gain insights about their venues. Instead of having to take on expensive and risky 'big data' projects, our customers can benefit from this new approach to get value from their data reliably and quickly.



We have already begun incorporating messaging around omnidata intelligence in our marketing and communications strategy, and you can expect us to continue evangelizing for this new and exciting approach.

### **New contract wins**

During FY19 the business continued to deliver new contract wins. Importantly we are seeing an increasing level of customer engagement in new verticals such as stadium, municipalities and museums which highlight the ability of our technology to add value outside of our historic focus on retail. We are also seeing an uplift in the contracts signed outside of Australia reflecting the truly global potential for our business.

A selection of our key contract wins during 2019 are;

- Increased our presence in Stadium verticals through deals with the iconic Sydney Cricket Ground and Somerset County Cricket Club UK
- Consolidated our presence in our core retail vertical with contracts with Fortius Funds Management, expanded contract with Nando's in South Africa, US Retail Group Cafaro, Tanger Outlets and Home Consortium
- Expanded our presence in Latin America through contracts with Habibs Restaurants, Dasa Group Medical Centers and white goods retailer, Frigelar
- Entered into new verticals through contracts with the National Library of Australia, Dayton Arena in Ohio and the San Francisco Museum of Modern Art

### **Our global focus**

Skyfii's suite of SaaS products are truly global in their ability to capture and analyse customer behavior data. Australia has been our traditional region of focus as we developed our technologies and software with our large base of local customers and relationships. As our offerings have enhanced and products refined, we are in a position where we are now successfully able to leverage our offerings into the global marketplace. We are further increasing our on the ground presence in the USA, Europe & Asia and working with local channel partners to broaden our distribution network. Our global strategy is gaining momentum with recent contract wins in Brazil and the USA and a very strong and large pipeline of enterprise customer opportunities.

### **Positive outlook for FY20 and beyond**

As we enter FY20, with contracted recurring revenues of \$6.0m (pre-Beonic acquisition) to be recognised over the new financial year, Skyfii is well positioned to deliver another very strong financial and operating performance.

In addition to continued expected growth at both the topline and recurring revenue lines, the company will continue to focus on maintaining a positive operating EBITDA result for the full year. The company expects to see a significant contribution from the North America and EMEA regions and is at this stage continuing to invest into its operating model to support this expected growth.

We have successfully diversified our product and services offering to now include analytics reporting from new data sources, including People Counting technology, 2D and 3D cameras, Point of Sale terminals, Mobile Applications, Live Weather and Social Media. The inclusion of new data sources provides a clear competitive advantage and increases the opportunity to sell through additional products and services to our current and prospective customer base.

Skyfii is well positioned to become the preferred omnidata intelligence partner for physical venues globally.

### **Key areas of focus for Skyfii in FY20:**

- Conversion of key contracts within our international markets
- Deliver strong topline and recurring revenue growth across all regions
- Maintain focus on cash management and maintaining a positive operating EBITDA position
- Integrate the Beonic (people counting) business and expand offering into the UK, USA and Brazil
- Further increase the number of datasets represented in the IO platform
- Further build out our channel partnerships with global ecosystem partners

On behalf of the Skyfii team I would like to thank the board, our talented and committed team and our shareholders for another great year and we look forward to delivering another successful year in FY20.

Yours faithfully,




**Wayne Arthur**

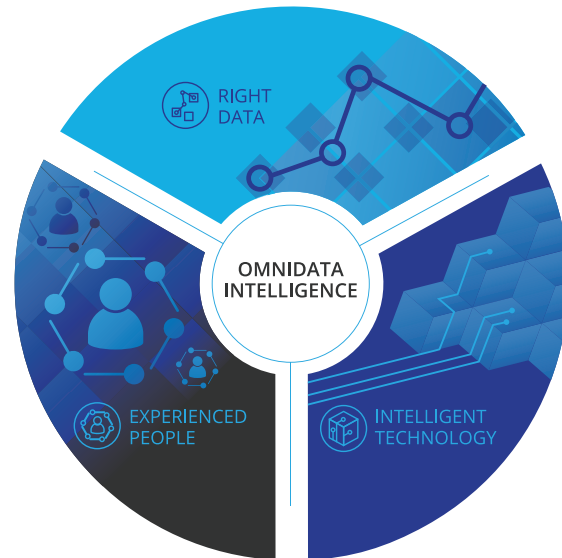
CEO and Executive Director

# Review of Operations

## Skyfii business overview

Skyfii is a global omnidata intelligence company which is transforming the way organisations collect, analyse and extract value from data and we exist to help physical venues use data to better understand visitor behaviour and improve experiences.

Physical venues need access to data and insights if they are going to operate successfully. However, many businesses don't have the resources or in-house capability to make use of this data. Skyfii's omnidata intelligence approach helps provide actionable insights reliably, and securely.



### 1. RIGHT DATA

Skyfii IO supports data collection from a growing number of data sources, many of which are already present within physical spaces today. This consolidation of data provides venues the ability to build a holistic view of the visitor experience and the factors that influence it. The scope, scale and integrity of our data allows our customers to maximize their client engagement and satisfaction.

The practice of omnidata intelligence means combining 3 key elements;

1. *The right data*
2. *Intelligent technology*
3. *Experienced people*



Beacons



Survey Responses



Advertising Networks



ERP



CRM & Marketing



Web



Infrared



Cameras



Weather



Mobile



POS



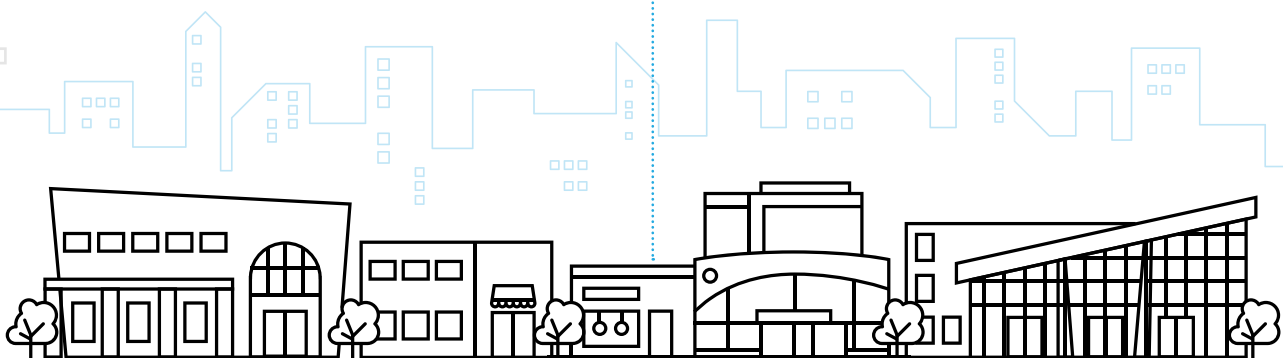
People Counters



Social



Wi-Fi

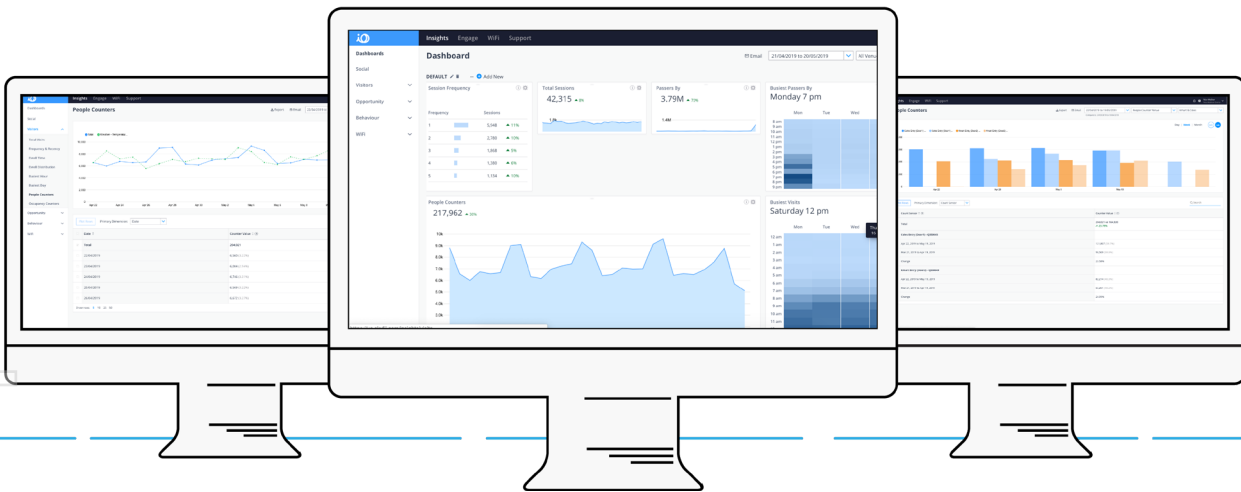
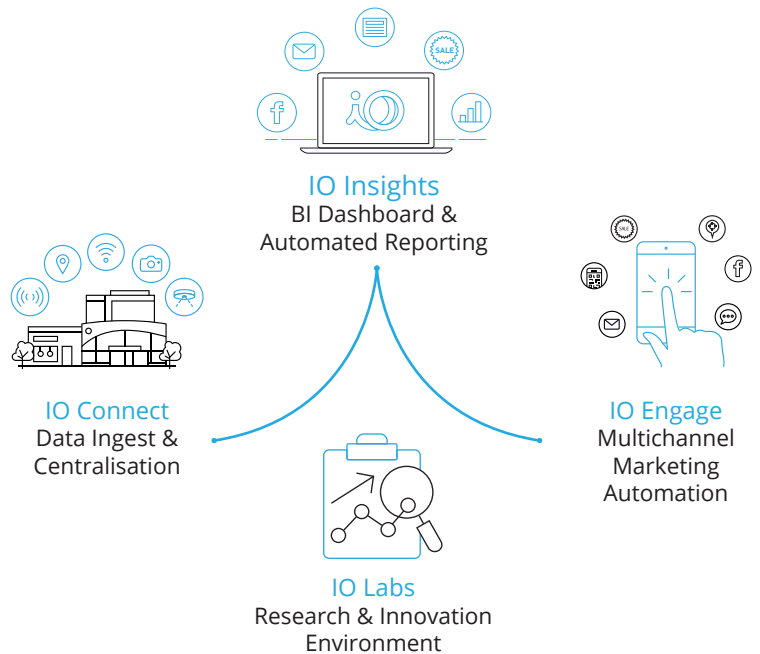




## 2. INTELLIGENT TECHNOLOGY

Our SaaS cloud-based solution, the IO Platform, helps venues, gather and visualise data, in order to measure, predict, and influence customer behaviour, thereby creating better experiences for their visitors and customers.

- **IO Connect** automates the collection, storage and processing of data from a wide variety of sources including; WiFi, Camera, CRM, Survey, BLE / Mobile Apps, Weather, POS / Sales, ERP / Accounting and Finance.
- **IO Insights** automates the reporting of data collected in real time providing tangible insights such as visitor counts, dwell time, traffic flow and venue conversion.
- **IO Engage** provides marketing tools to deliver & automate content across a number of channels including; Email, SMS, Mobile Push, WiFi Captive Portal and OOH Digital Screens.
- **IO Labs** is a research and innovation environment where Skyfii's data science & strategy teams build the products of tomorrow and support more custom client needs.



Our SaaS product offering is modular, thereby allowing our customers the flexibility to 'start small' and grow with us. During the FY19 year we successfully launched our IO Labs as well as camera and people counting technology, with more product and service offerings set to be launched in FY20.

## 3. EXPERIENCED PEOPLE

Our business offers more than just data. Skyfii's expert data scientists, strategists, and marketers develop customized solutions designed around your venue's unique needs. We service our customers in the following areas:

- Data Science
- Market Research
- Data Visualisation
- Marketing optimization
- Campaign Support
- Data Sourcing

Our people and technology ensure that our solutions are customised to allow physical venues to optimise the experience of the venue for their customers.

## Review of Operations continued

### Go-to-market strategy

Our go to market strategy utilises a combination of our own direct sales efforts, predominantly in the ANZ region and revenue generation through key channel partnerships, which is our preferred sales approach in our international markets.

With a total employee base of 54, we have set up small, nimble sales and support teams in each of our international markets to support and enable sales through a global channel partner ecosystem which includes bluechip enterprise companies such as:

- Optus
- Dimension Data
- Hewlett Packard Enterprises (HPE)
- Cisco
- AT&T

Channel partners are typically paid a percentage of revenue (10%-30%) and fall into the following categories:

**Technology partners:** Technology partners enable delivery of Skyfii's solutions or increase our capabilities using a 'better together' go-to-market approach. Examples of these partnerships include Hewlett Packard & Cisco Meraki.

**Managed service providers (MSPs):** MSPs purchase direct from Skyfii, retain title and provide a fully managed solution to customers that may also be bundled with a managed WiFi solution (using a third party WiFi provider). MSPs can provide critical go-to-market capabilities such as technical assistance centre (TAC) support, managed network operations centres (NOC), proof of concept support and enterprise customer deployment capabilities. Examples of these partnerships include Optus & Dimension Data.

**Value added resellers (VARs):** VARs typically provide a route to market for large SMB opportunities. They provide varying degrees of professional services (e.g. design, installation, integration) but many have limited capabilities to provide NOC and TAC support services. Examples of these partnerships includes Telcomms & Jade Solutions.

### Product Development

The product underwent significant product research and development within FY19. Development has focused on the following key areas:

#### Data Quality and Enhanced Multi-Datasource Capabilities

The Skyfii Connect module continues to be enhanced to support the growing categories of data for streamlined integration and provisioning, the goal of which is to improve overall data quality. The Skyfii IO Insights module was enhanced to provide advanced reporting capabilities regarding the correlation and influence of related data types.

#### Intelligent Campaign Tools

The Skyfii IO Engage module was enhanced to deliver targeted campaigns based on machine learning and predictive models.

#### Vendor Support

Skyfii continued its support of data category and vendor agnostic sources with the introduction of new Wi-Fi, 2D/3D Camera, CRM and SMS providers.

### Data Privacy

Skyfii treats data production, privacy and security very seriously. How data is collected, stored and used is of the utmost importance to our business, including supporting our customers' compliance with General Data Protection Regulation (GDPR).

As part of this continued commitment to data privacy, Skyfii ensured its compliance with GDPR, which came into effect on 25 May 2018.

Skyfii also takes a number of steps to ensure our data remains secure at every stage. This includes storing data securely in ISO 27001, SOC III, PCI DSS certified data centres. Data is kept within jurisdictional boundaries. Data is transmitted and stored using multiple levels of encryption that enforce the industry's most secure algorithms, such as 256 bit AES.

## Key Verticals and New Customer Contracts

The company continued to successfully diversify its addressable market during FY19 - accelerating growth in new target verticals whilst extending its penetration in established verticals. This diversification resulted in an extensive number of new contract wins, in new and exciting verticals, announced throughout the financial year. The number of venues under contract include Healthcare venues, Cultural centres (museums), Hospitals, Retail banking branches, Sporting stadiums, Smart Cities, Smart Buildings, Universities, Grocery stores, Quick Service Retail (QSR), and Department store retailers.

The company continued to extend its dominance in the retail property sector in Australia and made significant headway in this lucrative vertical in the United States, Brazil, United Kingdom and Europe.

A list of announced contracts during FY19 can be found below, however, this list is non-exhaustive and does not reflect the entirety of contracts secured during FY19.

### **Skyfii signs five year contract with Sydney Cricket Ground (12 June 2019)**

Sydney Cricket Ground, an iconic Australian sporting stadium, signed a five year contract to deploy Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across the stadium.

### **Skyfii signs three year contract with Fortius Funds Management (4 April 2019)**

Fortius Funds Management signed a three year contract to deploy Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across two Australian shopping centres, including Mid-City Centre in Sydney and Albany Creek Village in the greater Brisbane region.

### **Skyfii secures three-year contract with National Library of Australia (19 March 2019)**

The National Library of Australia, based in Canberra, signed a three year contract with Skyfii to deploy Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across the library.

### **Skyfii extends Nando's agreement to South Africa extending international partnership (7 March 2019)**

After the initial signed MSA with Nando's Australia and expansion to Nando's in the U.K., Skyfii extended its deployment to include an additional 260 restaurants in South Africa. This expansion takes Skyfii's total deployment to 780 Nando's restaurants globally, including the UK and Australia restaurants.

### **Skyfii signs master services agreement with North American retail property group Cafaro (5 March 2019)**

Cafaro Company, a North American retail property group, signed a three year Master Services Agreement (MSA) to deploy Skyfii's full suite of 'IO Platform' services into Eastwood Mall in Ohio. This agreement has since extended to include 3 additional mall venues.

### **Skyfii signs contract with San Francisco Museum of Modern Art (26 February 2019)**

Representing Skyfii's first client in the cultural centre vertical in the United States, the San Francisco Museum of Modern Art signed an initial one year contract to deploy Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) services. This contract has recently expanded to include delivery of People counters and People counting analytics.

### **Skyfii signs contract with leading large format retail landlord - Home Consortium (13 February 2019)**

Home Consortium, a leading Australian large format retail landlord, signed a three year contract to deploy Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across 23 centres with a further 18 centres planned for future deployment.

### **Skyfii signs three year contract with Somerset County Cricket Club in U.K. (5 February 2019)**

Representing Skyfii's first stadia client in the United Kingdom, Somerset County Cricket Club signed a three year contract to deploy Skyfii's full suite of 'IO Platform' services across the stadium.

### **Skyfii partners with Cincinnati Bell to deploy a Smart City and University in North America (30 January 2019)**

An initial five year contract delivered by North American Skyfii reseller, Cincinnati Bell, to deploy Skyfii's full suite of 'IO Platform' services across the City of Fairborn and University of Dayton in Ohio.

### **Skyfii signs contract with leading Australian property group ISPT (5 November 2018)**

Major Australian property group, ISPT, signed a one year contract for the deployment of Skyfii's 'IO Insight' (data analytics) across 32 shopping centres and commercial office towers located in Australia.

### **Skyfii signs multi year contract with Habib's restaurant chain in Brazil (16 October 2018)**

Further solidifying Skyfii's position in the Quick Service Restaurant (QSR) vertical, Skyfii signed a three year contract with Habib's, a restaurant chain in Brazil. The contract included the total deployment of Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across 360 Habib's venues.

### **Skyfii Signs Three Year Contract with Brazilian Retailer Frigelar (4 September 2018)**

Frigelar, a national white goods retailer in Brazil, signed a three year contract for the deployment of Skyfii's full suite of 'IO Platform' services across 31 retail venues. The agreement includes access to 'IO Connect' (data collection), 'IO Insight' (data analytics) and 'IO Engage' (marketing tools).

## Review of Operations continued

### Skyfii Signs Multi Year Contract with French Retailer Kooples (28 August 2018)

Representing Skyfii's first retailer signed in France, the three year signed contract with fashion retailer Kooples, included the deployment of 'IO Connect' (data collection) with a basic level of analytics across 100 Kooples retail venues.

### Skyfii Renews Contract with Waverley Council (14 August 2018)

After a successful two year relationship with Waverley Council, Skyfii renewed the contract with the council for a further one year term. The renewal includes the recent inclusions of WiFi services to Bondi Junction, which provides Waverley Council with key insights into public transport utilisation between the beaches and the Bondi Junction transport hub.

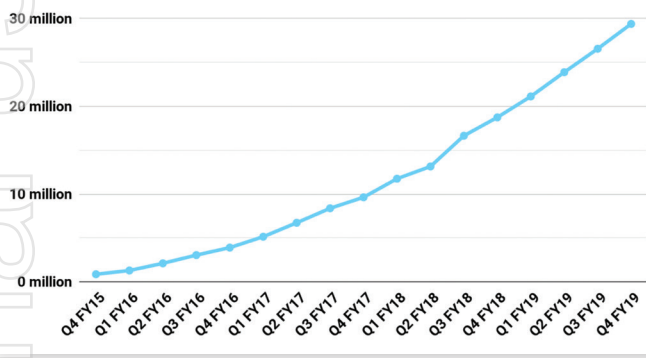
A snapshot of our current enterprise customer base



## Key operating highlights

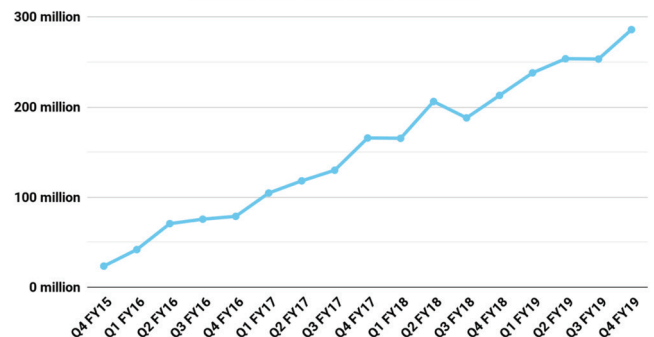
Founded in 2012, Skyfii has grown to provide services to 8,500+ venues, culminating in the collection of 29.9+ million unique registered users across by our our customers base.

**TOTAL USER REGISTRATIONS**



Total registered user base increased by **10.7% QoQ** from **27 million** to **29.9 million**

**QUARTERLY CUSTOMER VISITS**



Q4 FY19 customer visits increased by **12.89% QoQ** from **253 million** to **286 million**.

## Overview of financial performance

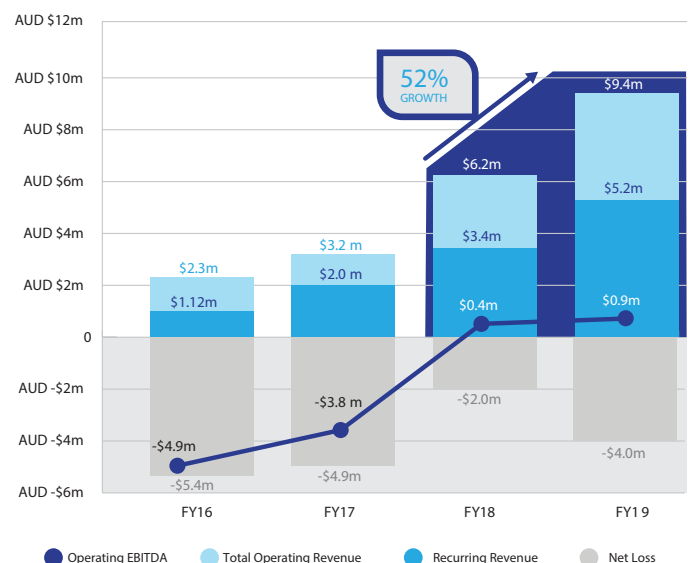
In FY19, the company delivered total operating revenues of \$9.4m, representing a 52% growth when compared with FY18 and recurring revenues of \$5.2m, representing a 50% growth when compared with FY18. This places the Company in a very strong financial position for FY20.

The growth in revenue is a result of the company's focus on delivering high margin, multi-year, recurring revenue contracts and growth in our services offering to our customer base, both domestically and internationally across a growing number of industry verticals.

The company delivered a positive operating EBITDA of \$0.88m for the full year. Maintaining a positive operating EBITDA for the full year FY19 was a key milestone set and announced by the business 12 months ago. We are very pleased that this milestone has been met and should provide our investors with confidence as we continue to invest in our operating model in our international operations.

The increase in net loss is a result of non-cash accounting adjustments made up of share based payments valued using the black scholes method, the amortisation of the Causely aquisition (completed February 2018) and Beonic aquisition costs (completed July 2019) when compared with the prior year.

**FY19 Revenue & EBITDA results**



## Review of Operations continued

### Revenue Channel Categories

The categorisations of revenue channels, defined as recurring, non-recurring and services revenues.

#### Recurring Revenues

The company's core revenue base is derived from subscriptions to its Software as a Service (SaaS) IO platform, comprised of IO Connect (data collection), IO Insight (data analytics) and IO Engage (marketing tools) modules. Modules can be purchased packaged, as a combination or in isolation, and are typically contracted on 1,3 or 5 year terms.

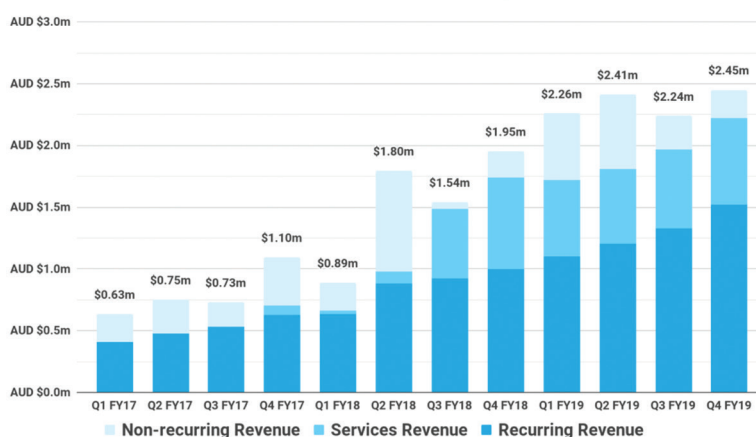
#### Non-recurring Revenues

Non-recurring revenues are generated from the deployment of hardware and infrastructure, implementations and upfront setup fees, which underpin recurring revenues.

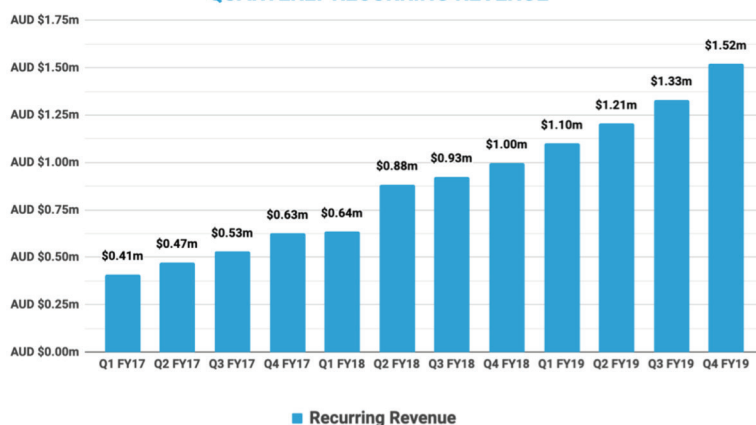
#### Services Revenues

Providing additional paid services to clients, services revenues are generated from the payment of projects undertaken by both the Data Consultancy and Marketing Services team, including revenues generated from customers of the Causely (US) business. Revenues generated from services are received as either recurring or fixed fee projects.

**TOTAL OPERATING REVENUE - BY QUARTER**



**QUARTERLY RECURRING REVENUE**





## Cash position

As at 30 June 2019, the company maintained a cash position of \$1.33m, down from \$1.46m at the end of the previous year (ending 30 June 2018), as a result of over \$175k in costs related to the acquisition of Beonic (completed 9 July 2019), upfront costs of delivering multiple infrastructure deployments in the Australian market and timing of customer payments to be received in FY20.

On 14 May 2019, the company announced it obtained unsecured loan facilities of \$2 million in aggregate from sophisticated investors, Thorney Technologies Ltd (ASX:TEK), Jagafii Pty Ltd a company associated with Skyfii director, Jon Adgemis and BMR Securities Pty Ltd. The initial term of the loan facility is for 2 years and matures on 31 May 2021, with a conditional option to extend for a further 12 months.

The company expects to maintain its cash balance in the coming year, while at the same time continuing to invest in growing revenues.

## Post Financial Year End Acquisition and Global Development

As we have stated previously, we are building an omnidata intelligence practice for our customers and our ability to secure value-added and accretive acquisitions is a key part of this strategy. We were extremely pleased to complete the acquisition of Beonic Technologies, a leading Australian customer insights provider specialising in camera and people counting technology. The transaction is highly complementary to our existing product offering and allows Skyfii to add more revenue opportunities to new and existing customers.

People counters provide physical venues with an effective way to capture high-fidelity, granular analytics on visitor movement throughout their venues. Additionally, the ability to correlate their data with other sources in the Skyfii 'IO Platform' – such as WiFi, POS, and weather – can help venues improve the depth of intelligence they can gather. While the 'IO Platform' already supports the ingestion and visualisation of people counter data, the acquisition of Beonic allows us to augment those capabilities, and integrate with an even wider range of devices and customer opportunities.

Skyfii received an overwhelmingly positive and supportive response from Beonic's top customers, consisting of blue chip customers in the Australian retail sector including AMP, Lend Lease, QIC, ISPT and The GPT Group that extends Skyfii's already market leading position in the retail property segment in Australia.

Additional new customers including New Balance, Melbourne City Council, L'Oreal, David Jones and National Museum of Australia, provides Skyfii a further diversified customer base across the lucrative retail, municipality, cultural centres and education verticals.

We estimate that Beonic will deliver a pro-forma 30% increase in Skyfii's annualised Recurring Revenue base and the acquisition is anticipated to be operating EBITDA accretive in the first full year post completion.

Furthermore, the acquisition provides a significant opportunity to upsell Skyfii's full suite of SaaS services to Beonic's existing portfolio of customers and reflects our ability to identify, execute and complete value adding acquisitions to complement our existing operations.

## Outlook for FY20 and beyond

As we enter FY20, with contracted recurring revenues of \$6.0m (pre-Beonic acquisition) to be recognised over the new financial year, Skyfii is well positioned to deliver another very strong financial and operating performance.

In addition to continued growth at both the topline and recurring revenue lines, the company will continue to focus on maintaining a positive operating EBITDA result for the full year. The company expects to see a significant contribution from the North America and EMEA regions and is at this stage continuing to invest into its operating model to support this growth.

The company has successfully diversified its product and service offering to now include analytics reporting from new data sources, including People Counting technology, 2D and 3D cameras, Point of Sale terminals, Mobile Applications, Live Weather and Social Media. The inclusion of new data sources provides a clear competitive advantage and increases the opportunity to sell through additional products and services to our current and prospective customer base. Skyfii is well positioned to become the preferred omnidata intelligence partner for physical venues globally.

### Key areas of focus for Skyfii in FY20:

- Conversion of key contracts within our International markets
- Deliver strong topline and recurring revenue growth across all regions
- Maintain focus on cash management and maintaining a positive operating EBITDA position
- Integrate the Beonic (people counting) business and expand offering into the UK, USA and Brazil
- Increase the number of datasets represented in the IO platform
- Further build out our partnership with global ecosystem partners

## Directors' Report

Your Directors submit the financial report of Skyfii Limited (**Skyfii** or **the Company**) for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

### Directors

The names and particulars of the Directors of the Company during or since the end of the financial year (**Directors**) are:

Name, independence status and qualifications	Experience, interests in shares, special responsibilities and other directorships
<b>Andrew Johnson</b> <i>Independent Non-Executive Chairman from 31 January 2019</i>  <i>Independent Non-Executive Director until 30 January 2019 (appointed November 2014)</i>  BComm., M Sc. FAICD	<ul style="list-style-type: none"> <li>Mr Johnson, a highly experienced and successful telecommunications industry executive, previously Chairman of Kumul Telikom Holdings Ltd, a telecommunications company in the South Pacific region and Chairman of bmobile-Vodafone, a mobile service provider for Papua New Guinea and the Solomon Islands and a Director of Dataco, the PNG national transmission company. He is also Managing Partner of Delta Systems International, a designer and builder/operator of telecommunications and defence systems. His prior roles include Divisional Manager for Computer Science Corporation's Australian and NZ Communications and Defence Division, CEO of Tenix (formerly Transfield) Defence Systems, which grew to become Australia's largest Defence company during his tenure and Managing Director of Telstra's Data and Online Division.</li> <li>Member (Chairman) of the Audit and Risk Committee.</li> <li>Holds a relevant interest in 5,183,861 shares and 910,000 options over an equivalent number of unissued shares.</li> <li>No other listed company directorships.</li> </ul>
<b>Lincoln Brown</b> <i>Independent Non-Executive Director (appointed 27 April 2018)</i>	<ul style="list-style-type: none"> <li>Mr Brown, was the founder and chairman of Causley and a sophisticated technology entrepreneur who sold his mobile technology business to Zynga in a very successful exit. He brings expertise in mobile tech, data science and machine learning and a wealth of US based contacts to the Skyfii board and will assist in Skyfii's North America expansion.</li> <li>Member of the Remuneration and Nomination Committee.</li> <li>Holds a relevant interest in 374,150 shares.</li> <li>No other listed company directorships.</li> </ul>
<b>Susan O'Malley</b> <i>Independent Non-Executive Director (appointed 24 September 2018)</i>  BBus GAICD	<ul style="list-style-type: none"> <li>Ms O'Malley, is a former Westfield/Scentre Group executive having held various senior managerial roles. Sue will support Skyfii's push into the retail property sector both domestically and internationally.</li> <li>Member (Chairperson) of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.</li> <li>Holds a relevant interest of 170,068 shares.</li> <li>No other listed company directorships.</li> </ul>

**Name, independence status and qualifications**

**Experience, interests in shares, special responsibilities and other directorships**

**Jon Adgemis**

*Independent Non-Executive Director (appointed 24 September 2018)*

- Mr Adgemis, is a former Managing Director of Mergers & Acquisitions at KPMG. Jon will assist Skyfii as it grows and expands its operations globally and builds on its strong top line sales growth trajectory.
- Member of the Remuneration and Nomination Committee and a member of the Auditor and Risk Committee.
- Holds a relevant interest of 33,260,006 shares.
- No other listed company directorships

**Wayne Arthur**

*Chief Executive Officer/ Executive Director (appointed 20 November 2014)*

*BComm.*

- Mr Arthur, a co-founder of Skyfii, built a long standing career in the outdoor media sector in senior managerial roles for companies such as Titan Media Group and EYE Corp. His experience in these roles has spanned three international markets. He has been responsible for the delivery of key contracts and partnerships to the Skyfii business to date.
- Holds a relevant interest in 11,626,211 shares, 3,075,000 ESP shares and 3,739,463 EOP Options.
- No other listed company directorships.

**James Scott**

*Independent Non-Executive Chairman (resigned 31 January 2019)*

**Shaun Bonett**

*Independent Non-Executive Director (resigned 29 November 2018)*

**Roger Hatem**

*Independent Non-Executive Alternate Director (resigned 29 November 2018)*

**Company Secretary**

**Koreen White**

*Company Secretary (appointed 4 August 2017)*  
*CPA Australia*  
*BBus(Acc)*

- Ms White has 21 years' experience in listed and unlisted, Australian and US-based corporate entities having worked across the technology, media and telecommunications (TMT) sector.
- Holds a relevant interest in 428,788 shares, 1,400,000 ESP shares and 1,792,283 EOP Options.
- No other listed company directorships.

## Directors' Report continued

### Meetings of Directors

During the financial year, 7 meetings of Directors were held. Other matters arising during the year were resolved by circulating resolutions. The following persons were Directors of the Company during the financial year, with attendance to meetings of Directors as follows:

	Directors' Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Johnson	7	7	2	2	4	4
Lincoln Brown	7	7	-	-	4	4
Susan O'Malley	5	5	1	1	1	1
Jon Adgemis	5	5	-	-	1	1
Wayne Arthur	7	7	-	-	-	-
James Scott	4	4	1	1	3	3
Shaun Bonett / Roger Hatem <sup>(1)</sup>	3	2	-	-	3	3

Note:

(1) Roger Hatem attended 1 board meeting on behalf of Shaun Bonett

### Principal activities

The principal activity of the Group during the financial year was the provision of data analytics services.

### Review of operations

The consolidated entity's loss attributable to equity holders of the Company, after providing for income tax, amounted to \$4,035,527 (2018 loss: \$2,009,719). Refer to the commentary in the Review of Operations.

### Dividends paid or recommended

In respect of the financial year ended 30 June 2019, there have been no dividends paid or provided for (2018: nil).

### Significant changes in state of affairs

There are no significant changes in the state of affairs of the parent entity occurred during the financial year:

### Subsequent events

On 9 July 2019, the Company announced the acquisition of the Beonic business from Beonic Technologies (Beonic). Beonic is a leading Australian customer insights provider specialising in camera and people counting technology.

This transaction possesses an attractive valuation multiple of ~1.05x annual Recurring Revenue contract value. The consideration comprises of \$0.1 cash and \$0.4m in Skyfii scrip upon completion,

with up to \$1.167m in deferred scrip consideration based on successful contract renewals in the first year post completion.

Other than the above matter there are no other matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

### Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

### Environmental regulations

The Group's operations are not involved in any activities that have a marked influence on the environment. As such, the Directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

### Indemnification of officers and auditors

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy. Except as noted below, the Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

The Company has previously entered into a Deed of Indemnity, Insurance and Access with each of its current Directors. The purpose of the Deed is to:

- confirm the indemnity provided by the Company in favour of Directors under the Company's Constitution;
- include an obligation upon the Company to maintain adequate Directors and Officers liability insurance; and
- confirm the right of access to certain documents under the Corporations Act.

### Non-audit services

Amounts paid or payable to the auditor for non-audit services provided during the year by the auditor amounted to \$6,000 (FY18: \$7,663).

The Directors are satisfied that the provision of non-audit services in the form of tax compliance services, during the year, by the auditor (or another person or firm on the auditors' behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services as disclosed in Note 19 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former audit partners of Hall Chadwick

There are no officers of the Company who are former audit partners of Hall Chadwick.

### Auditor's Independence Declaration

The auditor's independence declaration is included on page 26 of this report and forms part of the Directors' Report for the year ended 30 June 2019.

### Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## Remuneration report

The Remuneration Report, which has been audited, details the nature and amount of remuneration for each Director and the Executives.

Key management personnel (**KMP**) include:

the following persons who were Directors of Skyfii Limited during the financial year:

- Andrew Johnson – Non-Executive Chairman
- Lincoln Brown – Non-Executive Director
- Susan O'Malley – Non-Executive Director (effective from 24 September 2018)
- Jon Adgemis – Non-Executive Director (effective from 24 September 2018)
- Wayne Arthur – Chief Executive Officer
- James Scott – Non-Executive Chairman (resigned 31 January 2019)
- Shaun Bonett – Non-Executive Director (resigned 29 November 2018)
- Roger Hatem – Non-Executive Alternate Director (resigned 29 November 2018)

the following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

- John Rankin – Managing Director, Australia and Chief Operating Officer
- Jason Martin – Chief Product Officer
- Koreen White – Finance Director and Company Secretary
- Michael Walker – Chief Information Officer
- Ian Robinson – Sales Director

### 1. Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. The Group recognises the need to attract, motivate and retain highly skilled directors and executives.

The Board of Directors, through its Nomination and Remuneration Committee, accepts responsibility for determining and reviewing remuneration arrangements for the Directors and Executives. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

#### Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made of the Directors in fulfilling their responsibilities. Non-Executive Director fees are reviewed annually by the Board. The constitution of the Company provides that the Non-Executive Directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in a general meeting. The most recent determination was at a general meeting held on 3 December 2012 where the shareholders approved a maximum aggregate remuneration of \$500,000. Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$300,000 inclusive of superannuation.

#### Executive and Executive Director remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation funds.

Executive and Executive Director remuneration levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers the overall performance of the Group. Executive Directors are not paid any director fees in addition to their fixed remuneration as Executives.

#### Performance based remuneration

Performance based remuneration, which may take the form of cash or equity based bonuses, is at the discretion of the Nomination and Remuneration Committee.



## 2. Remuneration of Directors and Executives

Remuneration shown below relates to the period in which the Director or Executive was a member of key management personnel. Amounts below have either been paid out or accrued in the period.

	Short-term benefits			Post employment benefits	Share based payments		
	Directors' fees	Salary and fees	Other	Superannuation	Shares	Options	Total
	\$	\$	\$	\$	\$	\$	\$
<b>FY 2019</b>							
<b>Directors:</b>							
A. Johnson	30,000				30,000	29,655	89,655
L. Brown	30,000				30,000		60,000
S. O'Malley <sup>(1)</sup>	30,000				25,000		55,000
J. Adgemis <sup>(2)</sup>	30,000				20,000		50,000
J. Scott <sup>(3)</sup>	5,000				30,000	55,074	90,074
S. Bonett <sup>(4)</sup>	25,000						25,000
W. Arthur		232,500		22,088	36,982	211,544	503,114
<b>Other KMP:</b>							
J. Martin		211,958	16,667	20,136	29,423	178,777	456,961
J. Rankin		227,500		21,612	40,225	163,640	452,977
I. Robinson		213,750		20,306	31,988	112,851	378,895
M. Walker		218,125		20,430	31,988	-	270,543
K. White		197,500		18,763	15,178	108,310	339,751
<b>Total</b>	<b>150,000</b>	<b>1,301,333</b>	<b>16,667</b>	<b>123,335</b>	<b>320,784</b>	<b>859,851</b>	<b>2,771,970</b>
<b>FY 2018</b>							
<b>Directors:</b>							
J. Scott	25,000				50,000		75,000
A. Johnson	25,000				50,000		75,000
S. Bonett <sup>(5)</sup>	29,167						29,167
L. Brown <sup>(6)</sup>					25,000		25,000
W. Arthur		210,000		19,950	36,976		266,926
<b>Other KMP:</b>							
J. Martin		189,000	6,667	17,955	29,785		243,407
J. Rankin		210,000	32,000	19,950	86,061		348,011
I. Robinson		207,500		19,713	32,350		259,563
M. Walker		207,500		19,713	32,350		259,563
K. White		186,128		17,682	9,784		213,594
<b>Total</b>	<b>79,167</b>	<b>1,210,128</b>	<b>38,667</b>	<b>114,963</b>	<b>352,306</b>		<b>1,795,231</b>

The remuneration of key management personnel in the years ended 30 June 2019 was 100% fixed with the exception of Mr Arthur and Mr Rankin issued options. 40% of options issued to Mr Arthur and Mr Rankin are based on share price hurdles. For the year ended 30 June 2018 remuneration was 100% fixed. There is no link between remuneration and the market price of the Company's shares.

### Notes:

- (1) Represents the remuneration commencing on the 24 September 2018, being the date upon which the individual commenced to be a KMP.
- (2) Represents the remuneration commencing on the 24 September 2018, being the date upon which the individual commenced to be a KMP.
- (3) Represents the remuneration up until 31 January 2019, being the date upon which the individual ceased to be a KMP.
- (4) Represents the remuneration up until 29 November 2018, being the date upon which the individual ceased to be a KMP.
- (5) Represents the remuneration commencing on the 22 November 2017, being the date upon which the individual commenced to be a KMP.
- (6) Represents the remuneration commencing on the 12 February 2018, being the date upon which the individual commenced to be a KMP.

## Remuneration report continued

### Ordinary shares

Details of ordinary shares in the Company held directly, indirectly or beneficially, by KMP including their related parties, is as follows:

	Balance at start of year	Received as part of remuneration	Purchase of shares	Transfer/Sale of shares	Balance at end of year
<b>FY 2019</b>					
<b>Directors:</b>					
A. Johnson	3,357,869	374,150	1,451,842	-	5,183,861
L. Brown	-	374,150	-	-	374,150
S. O'Malley <sup>(1)</sup>	-	170,068	-	-	170,068
J. Adgemis <sup>(2)</sup>	18,589,512	136,054	27,034,440	(12,500,000)	33,260,006
W. Arthur	11,626,211	-	-	-	11,626,211
<b>Other KMP:</b>					
J. Martin	649,350	-	-	-	649,350
J. Rankin	1,307,315	-	378,788	-	1,686,103
I. Robinson	10,911,023	-	-	-	10,911,023
M. Walker	4,553,710	-	-	-	4,553,710
K. White	50,000	-	378,788	-	428,788
<b>Total</b>	<b>51,044,990</b>	<b>1,054,422</b>	<b>29,243,858</b>	<b>(12,500,000)</b>	<b>68,843,270</b>
<b>FY 2018</b>					
<b>Directors:</b>					
J. Scott	1,624,054	714,286	669,306	-	3,007,646
A. Johnson	2,083,266	714,286	560,317	-	3,357,869
S. Bonett <sup>(3)</sup>	-	-	22,015,874	-	22,015,874
L. Brown <sup>(4)</sup>	-	-	-	-	-
W. Arthur	11,626,211	-	-	-	11,626,211
R. Hatem <sup>(5)</sup>	-	-	396,825	-	396,825
<b>Other KMP:</b>					
J. Martin	649,350	-	-	-	649,350
J. Rankin	817,460	489,855	-	-	1,307,315
I. Robinson	11,307,848	-	-	(396,825)	10,911,023
M. Walker	4,553,710	-	-	-	4,553,710
K. White	-	-	50,000	-	50,000
<b>Total</b>	<b>32,661,899</b>	<b>1,918,427</b>	<b>23,692,322</b>	<b>(396,825)</b>	<b>57,875,823</b>

Notes:

- (1) Represents the ordinary share movements commencing on the 24 September 2018, being the date upon which the individual commenced to be a KMP
- (2) Represents the ordinary share movements commencing on the 24 September 2018, being the date upon which the individual commenced to be a KMP
- (3) Represents the ordinary share movements commencing on the 22 November 2017, being the date upon which the individual commenced to be a KMP
- (4) Represents the ordinary share movements commencing on the 12 February 2018, being the date upon which the individual commenced to be a KMP
- (5) Represents the ordinary share movements commencing on the 22 November 2017, being the date upon which the individual commenced to be a KMP

## ESP shares

Details of ESP shares in the Company held directly, indirectly or beneficially, by KMP including their related parties, is as follows:

	Balance at start of year	Granted / issued	Released from restrictions	Forfeited / cancelled	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
<b>FY 2019</b>							
<b>Directors:</b>							
W. Arthur	3,075,000	-	-	-	3,075,000	1,787,500	1,287,500
<b>Other KMP:</b>							
J. Martin	2,450,000	-	-	-	2,450,000	1,440,000	1,010,000
J. Rankin	3,125,000	-	-	-	3,125,000	2,116,000	1,009,000
I. Robinson	2,675,000	-	-	-	2,675,000	1,588,500	1,086,500
M. Walker	2,675,000	-	-	-	2,675,000	1,588,500	1,086,500
K. White	1,400,000	-	-	-	1,400,000	462,000	938,000
<b>Total</b>	<b>15,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,400,000</b>	<b>8,982,500</b>	<b>6,417,500</b>

## FY 2018

### Directors:

W. Arthur	1,775,000	1,300,000	-	-	3,075,000	585,750	2,489,250
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### Other KMP:

J. Martin	1,450,000	1,000,000	-	-	2,450,000	478,500	1,971,500
J. Rankin	2,025,000	1,100,000	-	-	3,125,000	668,250	2,456,750
I. Robinson	1,675,000	1,000,000	-	-	2,675,000	552,750	2,122,250
M. Walker	1,675,000	1,000,000	-	-	2,675,000	552,750	2,122,250
K. White	-	1,400,000	-	-	1,400,000	-	1,400,000
<b>Total</b>	<b>8,600,000</b>	<b>6,800,000</b>	<b>-</b>	<b>-</b>	<b>15,400,000</b>	<b>2,838,000</b>	<b>12,562,000</b>

## Remuneration Report continued

### Executive option plan (EOP) & Other Options

Details of options over unissued ordinary shares in the Company held directly, indirectly or beneficially, by KMP including their related parties, is as follows:

	Balance at start of year	Received as part of remuneration	Exercise of options	Sale of options	Balance at end of year
<b>FY 2019</b>					
<b>Directors:</b>					
A.Johnson	1,750,000	525,000	(1,365,000)	-	910,000
W.Arthur	-	3,739,463	-	-	3,739,463
<b>Other KMP:</b>					
J. Martin	-	3,334,564	-	-	3,334,564
J. Rankin	-	3,234,564	-	-	3,234,564
I.Robinson	-	1,822,282	-	-	1,822,282
K. White	-	1,792,282	-	-	1,792,282
<b>Total</b>	<b>1,750,000</b>	<b>14,448,154</b>	<b>(1,365,000)</b>	<b>-</b>	<b>14,833,154</b>
<b>FY 2018</b>					
<b>Directors:</b>					
J. Scott	3,250,000	-	-	-	3,250,000
A. Johnson	1,750,000	-	-	-	1,750,000
<b>Total</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>

### Loans to Directors and KMP

The following loan balances are outstanding at the reporting date in relation to remuneration arrangements with Executive Directors and KMP in respect of shares issued under the Employee Share Plan (ESP) and the Executive Option Plan (EOP).

As the ESP and EOP are considered in substance to be an option, the ESP and EOP shares issued and corresponding loan receivable are not recognised by the Group in its financial statements. The ESP shares will not be considered issued to participants until the corresponding loan has been repaid, at which time there will be an increase in the issued capital and increase in cash. Further information relating to the ESP and EOP is set out in Note 22 to the financial statements.

	2019 \$	2018 \$
<b>Directors:</b>		
W. Arthur	243,183	198,001
<b>Other KMP:</b>		
J. Martin	197,308	161,385
J. Rankin	220,811	175,086
I. Robinson	215,363	178,575
M. Walker	210,563	178,575
K. White	29,462	9,784
<b>Total</b>	<b>1,116,690</b>	<b>901,406</b>

#### Other transactions with KMP and/or their related parties

During the full year ended 30 June 2019, the Company incurred \$172,131 (FY18: \$6,719) of expenses relating to outsourced software development services provided by Simple Machines Pty Ltd, a company associated with Jason Martin (CPO).

During the full year ended 30 June 2019, the Company recognised revenue \$nil (FY18: \$4,500) for services rendered for DSI Engineering & Management Services, a company associated with Andrew Johnson (Director).

These services were provided under normal commercial terms and conditions. Further information in relation to related parties can be found in Note 23 to the financial statements.

#### Executive service agreements

The employment terms and conditions of KMP and Group executives are formalised in service agreements.

Position	Key terms of service agreements
Chief Executive Officer	<ul style="list-style-type: none"> <li>• Base salary: \$232,500 excluding superannuation.</li> <li>• Term: unspecified.</li> <li>• Base remuneration: Reviewed annually by the Nomination and Remuneration Committee.</li> <li>• Bonus entitlements: Determined annually by the Nomination and Remuneration Committee.</li> <li>• Termination notice period: 12 weeks' notice (or 13 weeks' notice after two years' service and is over the age of 45 at the time the notice is given), or without notice in the event of serious misconduct.</li> <li>• Restraint of trade period: up to 6 months.</li> </ul>
Other Executives	<p>Other Executives are employed under individual executive services agreements. These establish amongst other things:</p> <ul style="list-style-type: none"> <li>• total compensation;</li> <li>• bonus entitlements;</li> <li>• variable notice and termination provisions of up to 12 weeks, or by the Group without notice in the event of serious misconduct; and</li> <li>• restraint and confidentiality provisions.</li> </ul>

This concludes the Remuneration Report, which has been audited.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



**Andrew Johnson**  
Chairman  
30 August 2019

# Auditor's Independence Declaration

HALL CHADWICK  (NSW)

SKYFII LIMITED  
ABN 20 009 264 699  
AND ITS CONTROLLED ENTITIES

**SYDNEY**  
Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SKYFII LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Skyfii Limited. As the lead audit partner for the audit of the financial report of Skyfii Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000

*G Webb*

Graham Webb  
Partner  
Dated: 30 August 2019

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## Corporate Governance Statement

The Company's Board of Directors is responsible for the Corporate Governance of the Company and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The governance practices adopted by the Company are structured with reference to the 4th Edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX CGPR).

The Board is committed to improving its corporate governance practices and embracing the principles published by the ASX Corporate Governance Council, however the Board is of a view that the adoption of the practices and principles should be considered in line with the size, stage and nature of the business and the industry in which it operates.

The Board aims to achieve all of the Principles and Recommendations in stages as the Company grows and its circumstances change over time.

The information provided below summarises how the Company presently complies with the ASX CGPR, and how it intends to comply with each of the current Principles and Recommendations going forward. This statement is current as 30 June 2019 and has been approved by the Board of Directors of the Company.

### Principle 1 – Lay solid foundations for management and oversight

The Company has adopted a Board Charter clearly setting out the respective roles and responsibilities of the Board and management. The Board Charter is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

The key responsibilities of the Board include:

- (a) setting the long-term strategy and annual business plan including objectives and milestones to be achieved;
- (b) monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- (c) assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;
- (d) appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer and Company Secretary;
- (e) overseeing the delegation of authority for the day to day management of the Company;
- (f) ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance;
- (g) approving the capital structure and major funding requirements of the Company;

(h) approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and

(i) ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.

The Company has established a Nomination and Remuneration Committee to identify and make recommendations to the Board for the appointment of new Board candidates, having regard to their skills, experience and expertise. The Committee is currently comprised of three independent Directors, Ms O'Malley, Mr Brown and Mr Adgemis. The Board requires this Committee to undertake appropriate checks on potential Board candidates. The number of times the Nomination and Remuneration Committee met, and the attendance at those meetings, is set out in the Directors' Report. The Nomination and Remuneration Committee Charter is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

All Directors and senior executives have entered into written appointment agreements with the Company, setting out the terms and conditions of their appointment.

Under the Board Charter, each Director's performance is assessed when standing for re-election. Before each Annual General Meeting, the Chairperson of the Board assesses the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairperson), will conduct the review of the Chairperson.

Under the Board Charter, senior executives' performance will be considered by the Nomination and Remuneration Committee on at least an annual basis. The Chairperson is responsible for ensuring these meetings take place.

A formal Board performance evaluation was not undertaken during the 2019 financial year. The Board will consider conducting a formal performance evaluation during the 2020 financial year.

The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board. The Board Charter sets out the Company Secretary's responsibilities, which include:

- (a) committee papers;
- (b) ensuring the business at Board and committee meetings is accurately captured in the minutes;
- (c) monitoring and ensuring the Board and committee policy and procedures are followed; and
- (d) advising the Board and its committees on governance matters.

The Board has established a Diversity Policy, which recognises diversity to encompass ethnicity, gender, sexual orientation, age, physical abilities, family status, religious beliefs or other ideologies, and is committed to creating and maintaining an inclusive and collaborative workforce. The Company understands that encouraging diversity is not just a socially responsible necessity, but that it is essential to the Company's continued growth and vital to a successful future.

## Corporate Governance Statement continued

Given the size and nature of the Company, the Board determined not to establish measurable objectives for achieving diversity for the 2019 financial year. Establishing measurable objectives for achieving diversity will be reconsidered on an annual basis.

As at 30 June 2019, the proportion of women employed by the Group was as follows:

- Board of Directors: 20%
- Senior Executive positions: 20%
- Total Group workforce: 15%

The Diversity Policy is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

### Principle 2 – Structure the board to add value

The Nomination and Remuneration Committee has the authority and power to exercise the roles and responsibilities granted to it under the Nomination and Remuneration Committee Charter.

The Committee is comprised of three independent Directors, Ms O'Malley, Mr Brown and Mr Adgemis. Ms O'Malley acts as chairperson. The Board regularly assesses the independence of each Director in light of the interests disclosed by them. That assessment is made at each Board meeting in relation to matters under consideration at the meeting, at least annually at, or around the time that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose. If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.

A majority of the Board (comprising the Chairperson of the Board, Mr Johnson, Mr Brown, Ms O'Malley and Mr Adgemis) are considered to be independent Directors. Wayne Arthur, Managing Director and CEO, and a major founding shareholder of the Company, is not considered to be an independent Director.

Under the Board Charter, the Directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them. The Company Secretary assists in organising and facilitating the induction and professional development of Directors.

### Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

The Board has adopted a Code of Conduct which sets out the values, commitments, ethical standards of conduct expected of the Company's business and people, taking into account the Company's legal and other obligations to its stakeholders. This Code of Conduct is the foundation and basis for which the Company culture is built upon. Furthermore, the Code of Conduct applies to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of the Company. The Code of Conduct is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

### Principle 4 – Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee. This Committee is responsible for, amongst other things, appointing the Company's external auditors and overseeing the integrity of the Company's financial reporting systems and financial statements. The Company has adopted an Audit and Risk Committee Charter which is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

The number of times the Audit and Risk Committee met, and the attendance at those meetings, is set out in the Directors' Report.

The Committee is comprised of three independent Directors, Directors, Mr Johnson, Ms O'Malley and Mr Adgemis. Mr Johnson acts as Chairperson.

The Board has implemented a process to receive written assurances from its Chief Operations Officer and Finance Director that the declarations that will be provided under section 295A of the Corporations Act 2001 (Cth) are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. The Board seeks these assurances prior to approving the annual financial statements for all half year and full year results that follow.

Representatives from the Company's external auditor, Hall Chadwick, are present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

The Company has adopted a formal Disclosure and Communication Policy, where there is an express requirement that the external auditor will attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

### Principle 5 – Make timely and balanced disclosure

The Company ensures that it complies with the requirements of ASX listing rules and the Corporations Act in providing information to shareholders. Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out the Company's commitment to the objective of promoting investor confidence and the rights of shareholders by:

- (a) complying with the continuous disclosure obligations imposed by law;
- (b) ensuring that company announcements are presented in a factual, clear and balanced way;
- (c) ensuring that all shareholders have equal and timely access to material information concerning the Company; and
- (d) communicating effectively with shareholders and making it easy for shareholders to participate in general meetings.

The Disclosure and Communication Policy is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

### Principle 6 – Respect the rights of security holders

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Company. Information concerning the Company and its governance practices are made available on its website and addressed in detail in each years' Annual Report.

The Board has adopted a Disclosure and Communication Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders:

- (a) by making timely market announcements;
- (b) by posting relevant information on to its website;
- (c) by inviting shareholders to make direct inquiries to the Company; and
- (d) through the use of general meetings.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals.

The Company's shareholders may elect to receive information from the Company and its registry electronically. Otherwise, the Company and its registry will communicate by post with shareholders who have not elected to receive information electronically.

### Principle 7 – Recognise and manage risk

The Board has established an Audit and Risk Committee to ensure the Company has an effective risk management system in place and to manage key risk areas.

The Company's Audit and Risk Committee is comprised of three independent Directors, Mr Johnson, Ms O'Malley and Mr Adgemis. Mr Johnson acts as Chairperson.

The Company has adopted an Audit and Risk Committee Charter which is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

Under the Board Charter, the Board ensures that the Company has in place an appropriate risk management framework. A risk management framework was developed during the 2015 financial year by the Audit and Risk Committee, and approved by the Board. The Board will review, at least annually, the Company's risk management framework in order to satisfy itself that it continues to be sound. A risk review was undertaken as part of the Company's interim and end the financial year reporting periods.

The Audit and Risk Committee is responsible for ensuring that the Company has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Committee is also responsible for conducting investigations of breaches or potential breaches of these internal controls.

### Principle 8 – Remunerate fairly and responsibly

The Company's Nomination and Remuneration Committee is responsible for developing, reviewing and making recommendations on:

- (a) the remuneration framework for Directors, including the process by which any pool of Directors fees approved by security holders is allocated to Directors;
- (b) the remuneration packages to be awarded to senior executives;
- (c) equity based remuneration plans for senior executives and other employees; and
- (d) superannuation arrangements for Directors, senior executives and other employees.

The Company's remuneration policy is disclosed in the Directors' Report. The policy has been set out to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice, if required.

The Constitution permits Directors, senior executives and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for intentional and unintentional insider trading violations. The Company's Share Trading Policy is available on the Company's website, [www.skyfii.io](http://www.skyfii.io).

Directors must notify the Chairman of the Board, before they buy or sell shares in the Company. The details of the share trading must be given to the Company Secretary who must lodge such details of such changes with the ASX.

Senior executives must give prior notice to the Chief Executive Officer, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 5 business days.

Any changes in substantial shareholding of the Directors, senior executives or other officers must be reported to the ASX within 2 business days of such trading. The policy also recommends that trading in the Company shares only occur in certain trading windows.

## Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Revenue and other income</b>			
Revenue	5	9,360,252	6,171,120
Other income	5	89,677	130,113
<b>Total revenue</b>		<b>9,449,930</b>	<b>6,301,233</b>
<b>Expenses</b>			
Direct costs of services		(1,989,683)	(1,357,890)
Employee benefits expense	6	(3,785,448)	(3,007,968)
Contractor and consultant expenses		(370,685)	(75,340)
Marketing and promotion expenses		(601,584)	(235,247)
Data hosting expenses		(711,103)	(514,224)
Travel and accommodation expenses		(404,397)	(361,354)
Office and other expenses		(1,636,231)	(1,022,657)
Directors' fees		(369,730)	(204,167)
Share option expense		(359,034)	-
Share based payments expense		(1,381,607)	(282,523)
Depreciation and amortisation expenses	6	(2,755,329)	(2,026,486)
Finance costs	6	(10,673)	(1,023)
<b>Loss before tax</b>		<b>(4,925,574)</b>	<b>(2,787,646)</b>
Income tax benefit	7	890,047	777,927
<b>Loss for the year</b>		<b>(4,035,527)</b>	<b>(2,009,719)</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to profit or loss when specific conditions are met:</b>			
Exchange differences on translation of foreign operations		(107,239)	(115,220)
<b>Total comprehensive loss for the year</b>		<b>(4,142,766)</b>	<b>(2,124,939)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	(1.32)	(0.72)
Diluted earnings per share	28	(1.30)	(0.71)

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

## Consolidated statement of financial position

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>Revenue and other income</b>			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,329,881	1,464,907
Trade and other receivables	9	2,789,475	2,050,016
Other assets	10	411,190	377,449
<b>Total current assets</b>		<b>4,530,546</b>	<b>3,892,372</b>
<b>Non-current assets</b>			
Plant and equipment	11	88,849	137,824
Intangible assets	12	6,240,523	6,677,768
<b>Total non-current assets</b>		<b>6,329,372</b>	<b>6,815,592</b>
<b>Total assets</b>		<b>10,859,918</b>	<b>10,707,964</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,124,138	822,417
Borrowings	14	509,552	-
Provisions	15	371,875	223,199
Current tax liabilities	7	144,852	-
Deferred revenue		1,485,038	977,955
<b>Total current liabilities</b>		<b>3,635,455</b>	<b>2,023,571</b>
<b>Non-current liabilities</b>			
Provisions	15	65,745	-
Deferred revenue		380,519	286,300
<b>Total non-current liabilities</b>		<b>446,264</b>	<b>286,300</b>
<b>Total liabilities</b>		<b>4,081,719</b>	<b>2,309,870</b>
<b>Net assets</b>		<b>6,778,199</b>	<b>8,398,094</b>
<b>Equity</b>			
Contributed equity	16	27,624,521	26,739,453
Reserves	17	1,940,219	409,656
Accumulated losses		(22,786,541)	(18,751,015)
<b>Total equity</b>		<b>6,778,199</b>	<b>8,398,094</b>

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

## Consolidated statement of changes in equity

For the financial year ended 30 June 2019

	Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>		22,774,553	244,437	60,627	15,884	(16,741,297)	6,354,204
Loss for the year		-	-	-	-	(2,009,719)	(2,009,719)
Exchange differences on translation of foreign operations		-	-	-	(115,220)	-	(115,220)
<b>Total comprehensive loss for the year</b>		<b>22,774,553</b>	<b>244,437</b>	<b>60,627</b>	<b>(99,336)</b>	<b>(18,751,016)</b>	<b>4,229,265</b>
<b>Transactions with owners in their capacity as owners:</b>							
Issue of ordinary shares	16	3,964,900	-	-	-	-	3,964,900
Share based payments	17	-	203,928	-	-	-	203,928
<b>Balance at 30 June 2018</b>		<b>26,739,453</b>	<b>448,365</b>	<b>60,627</b>	<b>(99,336)</b>	<b>(18,751,016)</b>	<b>8,398,094</b>
	Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>		26,739,453	448,365	60,627	(99,336)	(18,751,016)	8,398,094
Loss for the year		-	-	-	-	(4,035,527)	(4,035,527)
Exchange differences on translation of foreign operations		-	-	-	(107,239)	-	(107,239)
<b>Total comprehensive loss for the year</b>		<b>26,739,453</b>	<b>448,365</b>	<b>60,627</b>	<b>(206,575)</b>	<b>(22,786,543)</b>	<b>4,255,328</b>
<b>Transactions with owners in their capacity as owners:</b>							
Issue of ordinary shares	16	776,937	-	-	-	-	776,937
Issue of ordinary shares on exercise of options		108,131	-	(108,131)	-	-	-
Share based payments reserve	17	-	1,302,170	-	-	-	1,302,170
Issue of options	17	-	-	443,763	-	-	443,763
<b>Balance at 30 June 2019</b>		<b>27,624,521</b>	<b>1,750,535</b>	<b>396,259</b>	<b>(206,575)</b>	<b>(22,786,543)</b>	<b>6,788,198</b>

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



## Consolidated statement of cash flows

For the financial year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		9,430,914	6,081,006
Payments to suppliers and employees		(9,212,459)	(6,970,373)
Receipts from government R&D tax incentive & government grants		918,742	942,824
Interest received		5,954	10,158
Interest paid		(10,673)	(1,023)
<b>Net cash inflow from operating activities</b>	27	<b>1,132,478</b>	<b>62,592</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(75,867)	(6,626)
Payments for intangible assets		(2,193,242)	(1,621,752)
Payment for security deposits		(6,312)	4,057
Proceeds from disposal of plant and equipment		16,667	-
<b>Net cash (outflow) from investing activities</b>		<b>(2,258,754)</b>	<b>(1,624,321)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		487,500	745,775
Proceeds from borrowings		503,750	-
<b>Net cash inflow from financing activities</b>		<b>991,250</b>	<b>745,775</b>
<b>Net (decrease) in cash</b>		<b>(135,026)</b>	<b>(815,954)</b>
Cash at the beginning of the year		1,464,907	2,280,861
<b>Cash at the end of the year</b>		<b>1,329,881</b>	<b>1,464,907</b>

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

# Notes to the financial statements

For the financial year ended 30 June 2019

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# Notes to the financial statements

For the year ended 30 June 2019

## 1. Reporting entity

Skyfii Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 2, 100 William Street, Woolloomooloo NSW 2011. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The separate financial statements of the parent entity, Skyfii Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The financial statements were authorised for issue on 30 August 2019 by the Directors of the Company.

## 2. Basis of preparation

### (a) Compliance with International Financial Reporting Standards

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

### (b) Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the notes. Except for the cash flow information, the financial statements have been prepared on an accrual basis, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

### (d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(v).

### (e) Going concern

The financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Group continues to be in the research, development and commercialisation stage of its data analytics technology and services. During the year ended 30 June 2019 the Group incurred

a loss after tax of \$4,035,527. At 30 June 2019, the Group had a surplus in net current assets of \$895,091 and a surplus in net assets of \$6,788,199.

On 14 May 2019, the Company announced it obtained unsecured loan facilities of \$2 million in aggregate from sophisticated investors, including Thorney Technologies LTD (ASX:TEK), Jagafii Pty Ltd a company associated with Skyfii director, Jon Adgemis and BMR Securities Pty Ltd. The initial term of the loan facility is for 2 years and matures on 31 May 2021, with a conditional option to extend for a further 12 months. Interest on the loan facility is payable quarterly, with a total annual interest rate of 8% on funds drawn plus an annual line fee of 2%. The loan facility provides for greater funding capacity to invest for organic growth across international markets and to support the integration of the recently announced acquisition of Beonic Technologies, a complementary customer insights business.

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. This forecast acknowledges that the Group will not require to raise additional capital funding for its daily operations.

The Directors of the Company consider that the cash flow projections and assumptions will be achieved, and in the longer term, significant revenues will continue to be generated from the commercialisation of intellectual property, and accordingly, the Group will be able to continue as a going concern.

In the event that the Group cannot continue as a going concern, it may not be able to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statement.

## 3. Significant accounting policies

### (a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Skyfii Limited and all subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A list of the subsidiaries is provided in Note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or

## Notes to the financial statements continued

### For the year ended 30 June 2019

at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary Skyfii Group Pty Ltd (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, Skyfii Limited (the acquiree for accounting purposes).

#### (b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

#### (c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial

reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax liabilities and assets will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. Skyfii Limited became the head entity within the tax consolidated group on 20 November 2014 (previously Skyfii Group Pty Ltd).

Where the Group receives the Australian Government's R&D tax incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 7.

#### (d) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out

basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **(e) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

Depreciation of all fixed assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Office and computer equipment: 3 – 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in the profit and loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

#### **(f) Intangibles**

##### **Software development**

Costs relating to research and development of new software products are expensed as incurred until technological feasibility has been established. Costs incurred in developing new software are recognised as intangible assets only when technological feasibility studies identify that it is probable that the project will deliver future economic benefits and these benefits can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, licenses and direct labour.

Capitalised development costs have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a systematic basis based on the future economic benefits over the useful life of the project as follows: Year 1: 0%; Year 2: 40%; Year 3: 40%; Year 4: 20%.

##### **Customer contracts**

Customer contracts acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life between two and six years.

##### **Brand Names**

Brand Names acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being

their finite useful life of five years.

##### **Software**

Software acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of four years.

#### **(g) Employee benefits**

##### **Short-term obligations**

Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs.

The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### **Short term incentive plans**

The Group recognises a liability and an expense for bonuses payable under short term incentive plans. Short term incentive plans are based on the achievement of targeted performance levels that may be set at the beginning of each financial year. The Group recognises a liability to pay out short term incentives when contractually obliged based on the achievement of the stated performance levels, or where there is a past practice that has created a constructive obligation.

##### **Other long-term employee benefit obligations**

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

#### **(h) Borrowing costs**

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### **(i) 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. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

#### **(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.



## Notes to the financial statements continued

### For the year ended 30 June 2019

#### (k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group at the end of financial year which are unpaid. The amounts are unsecured and are payable as and when they are due. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

#### (l) Revenue recognition

The Group has applied AASB 15: Revenue from Contracts with Customers using the cumulative effective method. The prior period comparatives were reviewed and the impact of AASB 15 on revenue and deferred revenue was considered to be immaterial and therefore comparative balances have not been restated.

On adoption of AASB 15 the company's revenue streams and their impact on adoption of AASB 15 is as follows:

- Installation (non-recurring) revenues under AASB 15 where the performance obligation is satisfied and deemed to be recognisable at the initial stage of the contract continue to be recognised in accordance with the previous accounting policy however revenues related to configuration as part of the installation (non-recurring) revenues are unbundled and amortised over the contract period.
- Recurring revenues recognised over the contract period continue to be recognised in accordance with the previous accounting policy; and
- Services revenue recognised in the period of when the performance obligation is satisfied and is deemed to be recognised in accordance with the previous accounting policy.

In the comparative period

Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration was deferred, it was treated as the provision of financing and was discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received was interest revenue.

Revenue from the sale of goods and rendering of services is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue for installation projects are recognised on the basis of that portion of total estimated costs that have been incurred to date in the completion of the particular project.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

All revenue is stated exclusive of the amount of goods and services tax (GST).

#### (m) 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 Australian Tax Office (ATO). 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 are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### (n) Foreign currency transactions and balances

##### *Functional and presentation currency*

The functional currency of each of the Group entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency is translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the year.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than the Australian dollar are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

### (o) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (p) Financial instruments

#### Initial recognition and measurement

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

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

### Classification and subsequent measurement

#### Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair values (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.



## Notes to the financial statements continued

### For the year ended 30 June 2019

#### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss. Measurement is on the basis of two primary criteria:
  - the contractual cash flow characteristics of the financial asset; and
  - the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost: – the financial asset is managed solely to collect contractual cash flows; and

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### *Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend

revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

#### *Derecognition*

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or

the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss. Loss allowance is not recognised for:
  - financial assets measured at fair value through profit or loss; or
  - equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

### General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

### Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

### Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Group measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties. *Low credit risk operational simplification approach*

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

### Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

## Notes to the financial statements continued

### For the year ended 30 June 2019

#### (q) Impairment of assets

At the end of each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in the profit and loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

#### (r) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Leases are made up of operating leases of property. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease. Benefits that are provided to the Group as an incentive to enter into a lease arrangement are recognised as a liability and amortised on a straight-line basis over the life of the lease.

#### (s) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

#### (t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, are shown in equity as a deduction, net of tax, from the proceeds.

#### (u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. The chief operating decision maker has been identified as the Board of Directors.

#### (v) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Impairment of intangible assets*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations are performed in assessing recoverable amounts which incorporate a number of key estimates.

Should the software development expenditure not meet the requirements set out in Note 3(f), an impairment loss would be recognised up to the maximum carrying value of intangible assets at 30 June 2019 of \$6,240,523.

##### *R&D tax incentive*

The Group has established a precedent for entitlement to the R&D tax incentive in prior periods. This experience supports the assumption that eligibility for the tax incentive will continue on the same basis, and accordingly, it is appropriate to recognise entitlement to the receivable in the current period. The value of the R&D tax incentive entitlement is determined by notional deductions based on eligible R&D expenditures.

#### (w) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard.

#### Basis of preparation

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to \$77,500 as at the reporting date.

The Group has performed a preliminary impact assessment and subject to extending its current lease has estimated that on 1 July 2019, the Group may recognise right-of-use assets and lease liabilities of approximately \$77,500. The current operating lease term ends in December 2019. The company is currently in discussions regarding extending its current lease however at the date of this report this item remains open.

Given that the Group's activities as a lessor will not be materially impacted by this new Standard, the Group does not expect any significant impact on its financial statement from a lessor perspective. Nonetheless, starting from 2020, additional disclosures will be required.

## Notes to the financial statements continued

For the year ended 30 June 2019

### 4. Operating segments

The Group operates predominantly in two geographical segments, being the development and commercialisation of data analytics, marketing and advertising services to its customers in Australia and Internationally. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

<b>FY19</b>	<b>Australia</b>	<b>International</b>	<b>Total</b>
Revenue	4,906,588	4,453,664	9,360,252
Other income	89,677	-	89,677
<b>Total revenue</b>	<b>4,996,266</b>	<b>4,453,664</b>	<b>9,499,930</b>
<b>Segment net profit</b>	<b>3,537,861</b>	<b>3,211,283</b>	<b>6,749,144</b>
Employee benefits expense			(3,785,448)
Depreciation and amortisation expenses			(2,755,329)
Other Expenses			(5,123,268)
Finance Costs			(10,673)
<b>Loss before tax</b>			<b>(4,925,574)</b>
Income tax benefit			890,047
<b>Loss for the year</b>			<b>(4,035,527)</b>
<b>FY18</b>	<b>Australia</b>	<b>International</b>	<b>Total</b>
Revenue	3,783,922	2,387,235	6,171,156
Other income	128,621	1,492	130,113
<b>Total revenue</b>	<b>3,912,506</b>	<b>2,388,727</b>	<b>6,301,233</b>
<b>Segment net profit</b>	<b>3,400,304</b>	<b>1,857,084</b>	<b>5,257,387</b>
Employee benefits expense			(3,007,968)
Depreciation and amortisation expenses			(2,026,486)
Other Expenses			(2,181,288)
Finance Costs			(1,023)
<b>Loss before tax</b>			<b>(2,787,646)</b>
Income tax benefit			777,927
<b>Loss for the year</b>			<b>(2,009,719)</b>

## 5. Revenue and other income

	Note	2019 \$	2018 \$
Revenue from contracts with customers		9,360,252	6,171,120
Export market development grant		67,057	110,955
Other government grants		-	9,000
Gain on sale of plant and equipment		16,667	-
Interest income		5,954	10,158
<b>Total other income</b>		<b>89,677</b>	<b>130,113</b>
<b>Total revenue</b>		<b>9,449,930</b>	<b>6,301,233</b>

## 6. Expenses

	Note	2019 \$	2018 \$
<b>Employee</b>			
Salaries and related expenses (including superannuation)		2,797,522	2,369,222
Other employment costs		987,926	638,746
<b>Total employee benefits expense</b>		<b>3,785,448</b>	<b>3,007,968</b>
<b>Depreciation and amortisation</b>			
Plant and equipment	11	124,842	46,437
Software development amortisation	12	2,630,487	1,980,049
<b>Total depreciation and amortisation expenses</b>		<b>2,755,329</b>	<b>2,026,486</b>
<b>Rental expense relating to operating leases</b>			
Minimum lease payments		307,264	237,741
Rent recovery from sub-lease agreements		(23,109)	(131,517)
<b>Net rental expense relating to operating leases</b>		<b>284,155</b>	<b>106,224</b>
Net foreign exchange losses		83,966	142,778
<b>Finance costs</b>			
Interest expense		10,673	1,023

## Notes to the financial statements continued

For the year ended 30 June 2019

### 7. Income tax

	Note	2019 \$	2018 \$
<b>(a) Income tax</b>			
Current tax		(947,583)	(777,927)
Over provision in respect of prior years		57,534	-
<b>Income tax (benefit)</b>		<b>(890,047)</b>	<b>(777,927)</b>
<b>(b) Numerical reconciliation of income tax benefit to prima facie income tax payable</b>			
Loss from ordinary activities before income tax expense		(4,925,574)	(2,787,646)
Tax at the Australian rate of 27.5%		(1,354,533)	(756,621)
<b>Tax effect amounts which are not deductible / (taxable) in calculating taxable income:</b>			
R&D tax incentive		(1,117,750)	(828,232)
Over provision in respect of prior years		57,534	-
Difference in tax rates		17,941	(18,067)
Accounting for R&D expenditure		655,835	537,786
Benefit of tax losses/ timing difference not recognised		286,173	176,824
Other non-allowable items		584,752	120,384
<b>Income tax (benefit)</b>		<b>(890,047)</b>	<b>(777,927)</b>
<b>(c) Current tax liabilities</b>			
Income tax payable in overseas jurisdictions		144,852	-
<b>Franking credits</b>			
Franking credits available at the reporting date based on a tax rate of 27.5%		-	-

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account in the period are as follows:

- temporary differences: \$3,113,282 (2018: \$2,486,491)
- tax losses: operating losses \$12,092,623 (2018: \$10,513,376)
- tax losses: capital losses \$16,911 (2018: \$16,911)

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in Note 3(c) occur. These amounts have no expiry date.

Skyfii Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 20 November 2014. The accounting policy on implementation of the income tax consolidation legislation is set out in Note 3(c).



## 8. Cash and cash equivalents

	2019 \$	2018 \$
<b>Current</b>		
Cash at bank and on hand	1,329,881	1,464,907
<b>Total cash and cash equivalents</b>	<b>1,329,881</b>	<b>1,464,907</b>

## 9. Trade and other receivables

	2019 \$	2018 \$
<b>Current</b>		
Trade receivables	1,600,684	1,146,853
R&D tax incentive receivable	1,037,412	828,593
Other debtors	151,379	74,570
<b>Total current trade and other receivables</b>	<b>2,789,475</b>	<b>2,050,016</b>

### (a) Expected credit losses

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 has been determined as follows; the expected credit losses also incorporates forward looking information.

2019	Current	>30 days	>60 days	>90 days	Total
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	1,211,976	243,144	48,665	96,898	1,600,684
Loss allowing provision	\$0	\$0	\$0	\$0	\$0

Trade receivables balance includes some customers with extended payment terms of over 90 days as well as a few customers with a history of paying late. In both cases the company expects to receive all payments in full.

## 10. Other assets

	2019 \$	2018 \$
<b>Current</b>		
Prepayments	392,448	328,575
Other	18,742	48,874
<b>Total current other assets</b>	<b>411,190</b>	<b>377,449</b>

## Notes to the financial statements continued

For the year ended 30 June 2019

### 11. Plant and equipment

	2019 \$	2018 \$
<b>Non-current</b>		
Office and computer equipment – at cost	341,542	265,250
Accumulated depreciation	(252,693)	(127,427)
<b>Carrying value of office and computer equipment</b>	<b>88,849</b>	<b>137,824</b>
<b>Total carrying value of plant and equipment</b>	<b>88,849</b>	<b>137,824</b>

#### Reconciliations

Reconciliations of the carrying amount of plant and equipment at the beginning and end of the current financial year are set out below:

	Office and Computer equipment \$	Total \$
<b>Balance at 1 July 2017</b>	177,634	177,634
Additions	6,627	6,627
Depreciation	(46,437)	(46,437)
<b>Balance at 30 June 2018</b>	<b>137,824</b>	<b>137,824</b>
<b>Balance at 1 July 2018</b>	<b>137,824</b>	<b>137,824</b>
Additions	75,867	75,775
Depreciation	(124,842)	(124,750)
<b>Balance at 30 June 2019</b>	<b>88,849</b>	<b>88,849</b>

## 12. Intangible assets

	2019 \$	2018 \$
<b>Non-current</b>		
Software development – at cost	8,635,378	6,442,136
Accumulated amortisation	(4,708,620)	(3,075,299)
<b>Carrying value of software development</b>	<b>3,926,758</b>	<b>3,366,837</b>
Customer Contracts	853,000	853,000
Accumulated amortisation	(422,302)	(138,736)
<b>Carrying value of customer contracts</b>	<b>430,698</b>	<b>714,264</b>
Brand Names	198,000	198,000
Accumulated amortisation	(56,100)	(16,500)
<b>Carrying value of brand names</b>	<b>141,900</b>	<b>181,500</b>
Software	2,696,000	2,696,000
Accumulated amortisation	(954,833)	(280,833)
<b>Carrying value of software</b>	<b>1,741,167</b>	<b>2,415,167</b>
<b>Total carrying value of intangible assets</b>	<b>6,240,523</b>	<b>6,677,768</b>

	Software Development	Customer Contracts	Brand Names	Software \$	Total \$
<b>Balance at 1 July 2017</b>	3,289,065	-	-	-	3,289,065
Additions	1,621,752	853,000	198,000	2,696,000	5,368,752
Amortisation	(1,543,980)	(138,736)	(16,500)	(280,833)	(1,980,049)
<b>Balance at 30 June 2018</b>	<b>3,366,837</b>	<b>714,264</b>	<b>181,500</b>	<b>2,415,167</b>	<b>6,677,768</b>
<b>Balance at 1 July 2018</b>	3,366,837	714,264	181,500	2,415,167	6,677,768
Additions	2,193,242	-	-	-	2,193,242
Amortisation	(1,633,321)	(283,566)	(39,600)	(674,000)	(2,630,487)
<b>Balance at 30 June 2019</b>	<b>3,926,758</b>	<b>430,698</b>	<b>141,900</b>	<b>1,741,167</b>	<b>6,240,523</b>

## Notes to the financial statements continued

For the year ended 30 June 2019

### 13. Trade and other payables

	2019 \$	2018 \$
<b>Current</b>		
Trade payables	1,062,653	740,588
Sundry payables	61,485	81,829
<b>Total trade and other payables</b>	<b>1,124,138</b>	<b>822,417</b>

### 14. Borrowings

	2019 \$	2018 \$
<b>Current</b>		
Loans	509,552	-
<b>Total borrowings</b>	<b>509,552</b>	<b>-</b>

On 14 May 2019, the Company announced it obtained unsecured loan facilities of \$2 million in aggregate from sophisticated investors, Thorney Technologies LTD (ASX:TEK), Jagafii Pty Ltd a company associated with Skyfii director, Jon Adgemis and BMR Securities Pty Ltd. The initial term of the loan facility is for 2 years and matures on 31 May 2021, with a conditional option to extend for a further 12 months. Interest on the loan facility is payable quarterly, with a total annual interest rate of 8% on funds drawn plus an annual line fee of 2%. Amounts drawn down at balance date amount to \$503,750 with line fee and interest accrued of \$5,820.

### 15. Provisions

	2019 \$	2018 \$
<b>Current</b>		
Employee benefits	371,875	223,199
<b>Non-current</b>		
Employee benefits	65,745	-
<b>Total provisions</b>	<b>437,620</b>	<b>223,199</b>

## 16. Contributed equity

### (a) Share capital

	30-Jun-19 Number	30-Jun-18 Number	30-Jun-19 \$	30-Jun-18 \$
Ordinary shares	314,463,017	300,924,789	27,624,521	26,739,453

Total share capital

	Date	Number	Unit price	\$
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#### Reconciliation to 30 June 2018:

Balance at 1 July 2017		261,118,194		22,774,553
Equity raising costs (net of tax)				

#### Movements in ordinary shares:

Issued for purchase of Wicomms Acquisition	1-Aug-17	3,800,000	\$0.065	247,000
Issued in settlement of various liabilities	25-Aug-17	289,855	\$0.069	20,000
Issue of ESP shares	12-Oct-17	800,000	\$0.058	-
Issued in settlement of various liabilities	24-Nov-17	1,428,572	\$0.070	100,000
Issue of ESP shares	11-Dec-17	6,000,000	\$0.073	-
Issued for purchase of Causely Acquisition	7-Feb-18	25,000,000	\$0.140	3,500,000
Issued in settlement of various liabilities	8-Feb-18	488,168	\$0.161	78,595
Conversion of ESP to FPO	22-Mar-18	115,500	\$0.065	7,508
Conversion of ESP to FPO	22-Mar-18	(115,500)	-	-
Issue of ESP shares	6-Apr-18	1,000,000	\$0.156	-
Issue of ESP shares	8-Jun-18	1,000,000	\$0.147	-
Conversion of ESP to FPO	29-Jun-18	66,000	\$0.065	4,290
Conversion of ESP to FPO	29-Jun-18	(66,000)	-	-
Conversion of ESP to FPO	29-Jun-18	115,500	\$0.065	7,508
Conversion of ESP to FPO	29-Jun-18	(115,500)	-	-

<b>Balance at 30 June 2018</b>		<b>300,924,789</b>		<b>26,739,454</b>
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#### Reconciliation to 30 June 2019:

Balance at 1 July 2018		300,924,789		26,739,454
Equity raising costs (net of tax)				

#### Movements in ordinary shares:

Issued in settlement of various liabilities	25-Jul-18	335,730	\$0.133	44,652
Issue of ESP shares	5-Sep-18	200,000	\$0.194	-
Issued in settlement of various liabilities	12-Sep-18	98,926	\$0.200	19,785
Issued in settlement of various liabilities	10-Oct-18	75,000	\$0.200	15,000
Issue of ESP shares	28-Dec-18	7,500,000	\$0.149	-
Issued in settlement of Directors Fees	28-Dec-18	1,428,572	\$0.147	210,000
Exercise of Directors Options	3-Apr-19	1,365,000	\$0.153	208,470
Exercise of Directors Options	18-Apr-19	2,535,000	\$0.153	387,160

<b>Balance at 30 June 2019</b>		<b>314,463,017</b>		<b>27,624,521</b>
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## Notes to the financial statements continued

For the year ended 30 June 2019

### (b) Ordinary shares

Ordinary shares have the right to receive dividends as declared, and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (c) Employee Share Plan (ESP)

Information relating to the Employee Share Plan, including details of shares issued under the plan, is set out in Note 22.

### (d) Options over unissued ordinary shares

The Company granted the following options to Directors, convertible into the same number of ordinary shares in the Company, on the basis of shareholder approval granted on 30 November 2016 and 29 November 2018 of which a portion has been exercised:

Number of options	Option consideration	Expiry date	Exercise price per option
1,000,000	\$0.00	Fully Exercised	\$0.100
1,000,000	\$0.00	Fully Exercised	\$0.125
1,000,000	\$0.00	Fully Exercised	\$0.150
1,000,000	\$0.00	30 November 2019	\$0.200
1,000,000	\$0.00	30 November 2019	\$0.300
300,000	\$0.00	Fully Exercised	\$0.100
300,000	\$0.00	Fully Exercised	\$0.125
300,000	\$0.00	Fully Exercised	\$0.150
300,000	\$0.00	29 November 2021	\$0.200
300,000	\$0.00	30 November 2021	\$0.300

The fair value of the options over the shares is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured and recognised at grant date, being 30 November 2016 and 29 November 2018.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the non-tradeable nature of the options, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

In April 2019, all options with an exercise price of \$0.10, \$0.125 and \$0.15 were fully exercised as fully paid ordinary shares contributing a total of \$487,500 as cashflows from financing activities.

## 17. Equity – reserves

### (a) Movements

	2019 \$	2018 \$
<b>Share based payment reserve movements</b>		
Balance at the beginning of the year	448,365	244,437
Share based payment expense	1,302,170	203,928
<b>Balance at the end of the year</b>	<b>1,750,535</b>	<b>448,365</b>
<b>Share option reserve movements</b>		
Balance at the beginning of the year	60,627	60,627
Share option expense	335,632	-
<b>Balance at the end of the year</b>	<b>396,259</b>	<b>60,627</b>
<b>Foreign currency translation reserve movements</b>		
Balance at the beginning of the year	(99,336)	15,884
Currency translation differences arising during the year	(107,239)	(115,220)
<b>Balance at the end of the year</b>	<b>(206,575)</b>	<b>(99,336)</b>
<b>Total reserves</b>	<b>1,940,219</b>	<b>409,656</b>

### (b) Nature and purpose of reserves

#### *Share based payments reserve*

The share based payments reserve represents the value of the ESP & EOP share grants to employees under the Company's Share Plans.

#### *Share option reserve*

The share option reserve represents the fair value of options granted over unissued ordinary shares in the Company.

#### *Foreign currency translation reserve*

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.



## Notes to the financial statements continued

For the year ended 30 June 2019

### 18. Financial risk management

#### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management is carried out by senior executives under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units.

The Group holds the following financial instruments:

	Note	2019 \$	2018 \$
<b>Financial Assets</b>			
Cash and cash equivalents	8	1,329,881	1,464,907
Trade and other receivables	9	2,789,475	2,050,016
<b>Total financial assets</b>		<b>4,119,356</b>	<b>3,514,923</b>
<b>Financial Liabilities</b>			
Trade and other payables	13	1,124,138	822,417
Borrowings	14	509,552	-
<b>Total financial liabilities</b>		<b>1,633,690</b>	<b>822,417</b>

The carrying value of the assets and liabilities disclosed in the table above closely approximates or equals their fair value. The carrying amounts of trade receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

#### (a) Market risk

##### Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency is translated using the average exchange rates at the dates of transactions each month and at the end of each month the balance sheet is restated using the end of month spot rate. To minimise risk the Group's policy is, when available to hold a natural hedge on any foreign currency, being that any receipts paid to the Group will held in the same foreign currency and then later used to settle any expenditure in those foreign entities.

##### Interest rate risk

The Group is not exposed to any significant interest rate risk.

#### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, security deposits, other receivables and GST receivable from the ATO.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk is managed by a risk assessment process for all customers and counterparties, which takes into account past experience.

There have been no impairment losses recognised during the year (2018: nil).

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity management rests with the Directors. The Group ensures that, where possible, it has sufficient cash on demand to meet expected net cash outflows, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Financing arrangements

On 14 May 2019, the Company announced it obtained unsecured loan facilities of \$2 million in aggregate from sophisticated investors, Thorney Technologies LTD (ASX:TEK), Jagafii Pty Ltd a company associated with Skyfii director, Jon Adgemis and BMR Securities Pty Ltd. The initial term of the loan facility is for 2 years and matures on 31 May 2021, with a conditional option to extend for a further 12 months. Interest on the loan facility is payable quarterly, with a total annual interest rate of 8% on funds drawn plus an annual line fee of 2%. Amount drawn down at balance date amount to \$503,750 with line fee and interest accrued of \$5,802

#### Maturities of financial liabilities

The following table details the Group's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	1 to 2 years \$	2 to 5 years \$	Over 5 years \$
<b>FY 2019</b>				
<b>Non-derivatives</b>				
Trade and other payables	1,124,138	-	-	-
Borrowings	509,552	-	-	-
<b>Total</b>	<b>1,633,690</b>			

#### FY 2018

<b>Non-derivatives</b>				
Trade and other payables	822,417	-	-	-

Trade and other payables are payable as and when they are due. The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

### (d) Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business and increase shareholder value. The Board ensures the Group has sufficient capital as required for working capital purposes. There were no changes to the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

## 19. Remuneration of auditors

During the year the following fees were accrued or paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 \$	2018 \$
<b>Hall Chadwick</b>		
Audit and review of financial reports	75,104	62,198
Tax compliance services	6,000	7,663
<b>Total</b>	<b>81,104</b>	<b>69,861</b>

# Notes to the financial statements continued

For the year ended 30 June 2019

## 20. Contingent liabilities

There are no other contingent liabilities as at 30 June 2019.

## 21. Commitments for expenditure

### (a) Non-cancellable operating leases

The Group has entered into a commercial lease for office property. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:

(a) Non-cancellable operating leases	2019 \$	2018 \$
Not later than one year	77,500	25,000
Later than one year	-	-
<b>Total operating lease commitments</b>	<b>77,500</b>	<b>25,000</b>

### (b) Sub-lease arrangements

The Group has entered into sub-lease arrangements with respect to the Group's head office. Rentals paid to the Group under sub-lease arrangements are reflected as a reduction in rental expense in the profit or loss statement on a straight line basis over the period of the sub-lease arrangements. Future minimum rentals receivable under sub-lease arrangements as at 30 June 2019 are as follows:

(b) Sub-lease arrangements	2019 \$	2018 \$
Not later than one year	-	13,200
<b>Total sub-lease commitments</b>	<b>-</b>	<b>13,200</b>

## 22. Share based payments

### (a) Employee Share Plan (ESP)

During the year ended 30 June 2016, the Company established a share based payment plan, the Employee Share Plan (**ESP**) to assist the Company in retaining and attracting current and future employees by providing them with the opportunity to own shares in the Company. This was refreshed at the 2018 AGM on 29 November 2018.

The key terms of the ESP are as follows:

- the Board may invite a person who is employed or engaged by or holds an office with the Group (whether on a full or part-time basis) and who is declared by the Board to be eligible to participate in the ESP from time to time (Eligible Employee) to apply for fully paid ordinary shares under the plan from time to time (ESP Shares);
- invitations to apply for ESP Shares are to be made on the basis of the market price per share defined as the volume weighted average price at which the Company's shares have traded during the 30 days immediately preceding the date of the invitation;
- invitations to apply for ESP Shares under the ESP will be made on a basis determined by the Board (including as to the conditionality on the achievement of any key performance indicators) and notified to Eligible Employees in the invitation, or if no such determination is made by the Board, on the basis that ESP Shares will be subject to a 3 year vesting period, with:
  - 33% of ESP Shares applied for vesting on the date that is the first anniversary of the issue date of the ESP Shares;
  - 33% of ESP Shares applied for vesting on the date that is the second anniversary of the issue date of the ESP Shares; and
  - 34% of ESP Shares applied for vesting on the date that is the third anniversary of the issue date of the ESP Shares.

- Eligible Employees who accept an invitation (ESP Participants) may be offered an interest free loan from the Company to finance the whole of the purchase of the ESP Shares they are invited to apply for (ESP Loan). ESP Loans will have a term of 5 years and become repayable in full on the earlier of:
  - the fifth anniversary of the issue date of the ESP Shares; and
  - if the ESP Participant ceases to be an Eligible Employee, either:
    - the fifth anniversary of the issue date of the ESP Shares, if the Eligible Employee is a good leaver (as defined in the ESP); or
    - that date of cessation, if the Eligible Employee is a bad leaver (as defined in the ESP).
- if the ESP Participant does not repay the outstanding ESP Loan, or it notifies the Company that it cannot, then such number of ESP Shares that equal by value (using the price at which the ESP Shares were issued) the outstanding amount of the ESP Loan will become the subject of a buy-back notice from the Company which the ESP Participant must accept. The buy-back of such number of ESP Shares will be considered full and final satisfaction of the ESP Loan and the Company will not have any further recourse against the ESP Participant;
- any dividends received by the ESP Participant whilst the whole or part of the ESP Loan remains outstanding must be applied to the repayment of the ESP Loan;
- the maximum number of ESP Shares for which invitations may be issued under the ESP together with the number of ESP Shares still to be issued in respect of already accepted invitations and that have already been issued in response to invitations in the previous 5 years (but disregarding ESP Shares that are or were issued following invitations to non-residents, that did not require a disclosure document under the Corporations Act, or that were issued under a disclosure document under the Corporations Act) must not exceed 10% of the total number of ordinary shares on issue in the Company at the time the invitations are made;
- in the event of a corporate reconstruction, the Board will adjust, subject to the Listing Rules (if applicable), any one or more of the maximum number of shares that may be issued under the ESP (if applicable), the subscription price, the buy-back price and the number of ESP Shares to be vested at any future vesting date (if applicable), as it deems appropriate so that the benefits conferred on ESP Participants after a corporate reconstruction are the same as the benefits enjoyed by the ESP Participants before the corporate reconstruction. On conferring the benefit of any corporate reconstruction, any fractional entitlements to shares will be rounded down to the nearest whole share;
- ESP Participants will continue to have the right to participate in dividends paid by the Company despite some or all of their ESP Shares not having vested yet or being subject to an ESP Loan. If an ESP Loan has been made to the ESP Participant, then any dividend due must first be applied to reducing any outstanding ESP Loan amount applicable to the ESP Shares on which the dividend is paid;
- ESP Shares which have not vested and/or are subject to repayment of the ESP Loan will be restricted (escrowed) from trading;
- the Company may buy-back at the issue price any ESP Shares which:
  - have not vested, or are incapable of vesting at any time (including as a result of the ESP Participant failing to meet any key performance indicators on which vesting of ESP Shares is conditional); or
  - remain in escrow and/or are the subject of an ESP Loan, on the occurrence of:
    - the ESP Participant ceasing to be an Eligible Employee (unless the Board, in its sole and absolute discretion determines otherwise, subject to any conditions that it may apply, including the repayment of any outstanding ESP Loan); or
    - the expiration of the term of the ESP Loan.
- any bonus securities issued in relation to ESP Shares which remain unvested or are subject to an ESP Loan which becomes repayable in full will be the subject of a buy-back by the Company at the issue price for no consideration;
- on the death or permanent disability of an ESP Participant, all ESP Shares held by the ESP Participant or their estate will immediately vest subject to the repayment of any outstanding ESP Loan by the curator, executor or nominated beneficiary(ies) (as the case may be) within 30 days of their appointment (or such longer period as the Company in its discretion may allow). Failing such repayment, the Company will buy-back all ESP Shares in respect of which there is an outstanding ESP Loan;
- the rules of the ESP and any amendment to the rules of the ESP must be in accordance with the Listing Rules and the Corporations Act;
- if, while the Company's shares are traded on the ASX or any other stock exchange, there is any inconsistency between the terms of the ESP and the Listing Rules, the Listing Rules will prevail; and
- the ESP is governed by the laws of the State of New South Wales, Australia.

## Notes to the financial statements continued

For the year ended 30 June 2019

### (b) ESP share grants

Set out below are summaries of ESP shares granted and issued under the plan:

Grant date	Issue price	Balance at start of year	Granted/ issued	Released from restrictions	Forfeited	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
<b>FY 2019</b>								
28-Dec-18	\$0.149	-	7,500,000	-	800,000	6,700,000	-	6,700,000
5-Sep-18	\$0.194	-	1,800,000	-	1,800,000	-	-	-
8-Jun-18	\$0.147	1,000,000	-	-	-	1,000,000	330,000	670,000
1-Feb-18	\$0.156	1,000,000	-	-	300,000	700,000	231,000	469,000
13-Dec-17	\$0.073	6,000,000	-	-	-	6,000,000	1,980,000	4,020,000
1-Oct-17	\$0.058	800,000	-	-	-	800,000	264,000	536,000
22-Dec-16	\$0.065	11,803,000	-	-	2,053,000	9,750,000	6,435,000	3,315,000
21-Sep-16	\$0.077	1,525,000	-	-	725,000	800,000	528,000	272,000
23-Dec-15	\$0.148	3,555,000	-	-	60,000	3,495,000	3,495,000	-
<b>Total</b>		<b>25,683,000</b>	<b>9,300,000</b>	<b>-</b>	<b>5,738,000</b>	<b>29,245,000</b>	<b>13,263,000</b>	<b>15,982,000</b>
<b>FY 2018</b>								
8-Jun-18	\$0.147	-	1,000,000	-	-	1,000,000	-	1,000,000
1-Feb-18	\$0.156	-	1,000,000	-	-	1,000,000	-	1,000,000
13-Dec-17	\$0.073	-	6,000,000	-	-	6,000,000	-	6,000,000
1-Oct-17	\$0.058	-	800,000	-	-	800,000	-	800,000
22-Dec-16	\$0.065	12,100,000	-	297,000	-	11,803,000	3,894,990	7,908,010
21-Sep-16	\$0.077	1,525,000	-	-	-	1,525,000	503,250	1,021,750
23-Dec-15	\$0.148	4,180,000	-	-	625,000	3,555,000	1,379,400	2,175,600
<b>Total</b>		<b>17,805,000</b>	<b>8,800,000</b>	<b>297,000</b>	<b>625,000</b>	<b>25,683,000</b>	<b>5,777,640</b>	<b>19,905,360</b>

### (c) Executive Option Plan (EOP)

During the financial year ended 30 June 2019, the Company established a share based option plan, the Executive Option Plan (**EOP**) seeks to closely align the interest of eligible senior executives participating in the EOP (**Executive Participants**) with those of investors and to ensure that the EOP Participants are motivated and rewarded for performance, shareholder return and compensated for remuneration in lieu of cash payments in line with the economic value created.

The options under the EOP (**EOP Options**) will entitle their holder to receive ordinary shares in the capital of the Company (**EOP Shares**) upon satisfaction of certain vesting conditions as determined by the Board from time to time.

The key terms of the EOP are as follows:

EOP Options provide an opportunity to acquire EOP Shares subject to the payment of the exercise price set at the time of the grant of the EOP Options (Exercise Price) and EOP Participants can continue to hold the EOP Options after they have vested.

EOP Options will vest upon notification by the Company that the EOP Options have vested and the Company.

EOP Options enable the participant to gain the benefit of any excess of the Share price over the Exercise Price paid. In the event the Share price is equal to or below the Exercise Price, the EOP Options would be of no value.

In order for the EOP Options to vest, the Vesting Conditions set out in the invitation, or otherwise determined by the Board, for the grant of the EOP Options must have been satisfied. In addition, at the time of vesting, a participant must not have engaged in serious and wilful misconduct, wilful disobedience, gross negligence or incompetence, insubordination, disqualification under Part 2D.6 of the Corporations Act 2001 (Cth), a serious breach of an employment agreement and behaviour which damages the business or reputation of the Company (**Proscribed Conduct**)

If the participant engages in Proscribed Conduct, then the EOP Options will be forfeited.

The EOP Options will not be quoted nor will they carry an entitlement to dividends or a right to vote at General Meetings of the Company.

The invitation to participate in the EOP will specify the number of EOP Options to be granted. If Vesting Conditions are not met, then unvested EOP Options will be forfeited. If the relevant targets are achieved the EOP Options will vest and may be exercised, by payment of the Exercise Price. This can be done at any time up to ten years after the grant of the EOP Options.

### (d) EOP share grants

Set out below are summaries of EOP shares granted and issued under the plan:

Grant date	Issue price	Balance at start of year	Granted/ issued	Released from restrictions	Forfeited / cancelled	Balance at end of year	Balance of vested EOP shares	Balance of unvested EOP shares
<b>FY 2019</b>								
21-Jan-19	\$0.149	0	1,892,282	0	0	1,892,282	0	1,892,282
28-Dec-18	\$0.149	0	16,943,289	0	0	16,943,289	2,950,000	13,993,289
<b>Total</b>		<b>0</b>	<b>18,835,571</b>	<b>0</b>	<b>0</b>	<b>18,835,571</b>	<b>2,950,000</b>	<b>15,885,571</b>



## Notes to the financial statements continued

### For the year ended 30 June 2019

All Eligible Employees who accepted an offer of ESP and EOP shares were given an interest free loan from the Company to finance the whole of the purchase of the ESP shares they were invited to apply for (ESP and EOP Loan).

The ESP and EOP Loans are provided to participants on a non-recourse basis and upon vesting must be repaid in order to remove trading restrictions on vested ESP and EOP shares. The term of the ESP and EOP Loan is five years; however, participants may forfeit their ESP and EOP shares if they do not repay the ESP and EOP Loan or leave the Company. As the ESP and EOP removes the risk to participants from decreases in the share price by limiting the maximum loan amount repayable to the value of the ESP and EOP shares disposed and waiving the ESP and EOP Loan should the participant forfeit their ESP and EOP shares, whilst still allowing participants the rewards of any increase in share price, the Company has effectively granted the participants an option to the ESP and EOP shares due to the ESP and EOP Loans being non-recourse. As such, this arrangement is accounted for under AASB 2.

The assessed weighted average fair value at grant date of the effective share options granted during the financial year is \$0.088 per option (2018: \$0.0357). Options were priced using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected volatility of the Company's shares is based on the historical volatility of the Company's shares and other ASX listed companies considered to be comparable to Skyfii Limited.

The model inputs for the share option grants outstanding during the year ended 30 June 2019 include:

- Weighted average exercise price: various 30 day VWAP at time of issue
- Weighted average life of the option: 5 years
- Expected share price volatility: 61%
- Risk-free interest rate: 1.90%

#### (e) Other share based payments

Issue Date	Creditor	Purpose	Valuation	No. of shares	Value per share	Total \$
<b>FY 2019</b>						
<b>Directors:</b>						
29-Nov-18	J. Scott	Director's fees	Value of services	374,150	\$0.147	55,000
29-Nov-18	A.Johnson	Director's fees	Value of services	374,150	\$0.147	55,000
29-Nov-18	L.Brown	Director's fees	Value of services	374,150	\$0.147	55,000
29-Nov-18	S.O'Malley	Director's fees	Value of services	170,068	\$0.147	25,000
29-Nov-18	J.Adgemis	Director's fees	Value of services	136,054	\$0.147	20,000
<b>Total</b>				<b>1,428,572</b>	<b>\$0.147</b>	<b>210,000</b>
<b>FY 2018</b>						
<b>Directors:</b>						
24-Nov-17	J. Scott	Director's fees	Value of services	714,286	\$0.07	50,000
24-Nov-17	A. Johnson	Director's fees	Value of services	714,286	\$0.07	50,000
<b>Total</b>				<b>1,428,572</b>	<b>\$0.07</b>	<b>100,000</b>

## 23. Related parties

### (a) Parent and ultimate controlling party

Skyfii Limited became the parent and ultimate controlling party of the Group on 20 November 2014. Prior to that date the parent and ultimate controlling party of the Group was Skyfii Group Pty Ltd.

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

### (c) Key management personnel compensation

	2019 \$	2018 \$
Short-term employee benefits, including contractor fees	1,468,000	1,298,795
Share based employee benefits	1,180,635	381,473
Other long term benefits	123,335	114,963
<b>Total benefits</b>	<b>2,771,970</b>	<b>1,795,231</b>

#### *Short-term employee benefits*

These amounts include fees and benefits paid to Directors as well as all salary, paid leave benefits and fringe benefits awarded to other KMP.

#### *Share based employee benefits*

These amounts represent the expense related to ordinary shares issued in lieu of payments as measured by the fair value of the shares issued or liabilities extinguished.

Further information in relation to KMP remuneration can be found in the Remuneration Report.

### (d) Payable transactions with directors and key management personnel

The aggregate value of payable transactions and outstanding balances relating to director and key management personnel and entities over which they have control or significant influence were as follows:

KMP	Related party entity	Transaction	Transaction value		Balance outstanding	
			2019 \$	2018 \$	2019 \$	2018 \$
Jason Martin	Simple Machines Pty Ltd	Outsourced software development services	172,131	6,719	-	-

#### *Other payable transactions with directors and key management personnel*

At 30 June 2019 the payable balance outstanding with directors and key management personnel relating to expense reimbursements for supplier payments and business expenses was \$nil (2018: \$nil).

### (e) Receivable transactions with directors and key management personnel

KMP	Related party entity	Transaction	Transaction value		Balance outstanding	
			2019 \$	2018 \$	2019 \$	2018 \$
Andrew Johnson	DSI Engineering & Management Services	Data Science Consultancy	-	4,500	-	-
Shaun Bonett	Precision Group	Analytics and Data Science Services	-	57,262	-	57,262

#### *Other receivable transactions with directors and key management personnel*

At 30 June 2019, the net receivable balance outstanding with directors and key management personnel relating to employee debit and credit card advances utilised for the sole purpose of supplier payments and business expenses was \$5,456 (2018: \$16,706).

The terms and conditions of the transactions with these entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

## Notes to the financial statements continued

For the year ended 30 June 2019

### 24. Parent entity information

Set out below is information about the legal parent entity, Skyfii Limited

	2019 \$	2018 \$
<b>Statement of comprehensive income</b>		
Loss after tax	(1,462,596)	97,382
Total comprehensive income	(1,462,596)	97,382
<b>Statement of financial position</b>		
Current assets	18,884,891	17,918,752
Non-current assets	16,313,765	17,310,931
<b>Total assets</b>	<b>35,198,656</b>	<b>35,229,683</b>
Current liabilities	756,529	1,847,831
<b>Total liabilities</b>	<b>756,529</b>	<b>1,847,831</b>
<b>Net assets</b>	<b>34,442,127</b>	<b>33,381,852</b>
Contributed equity	71,411,109	70,526,041
Reserves	2,380,794	742,992
Accumulated losses	(39,349,776)	(37,887,181)
<b>Total equity</b>	<b>34,442,127</b>	<b>33,381,852</b>

#### *Contingent liabilities*

The parent entity had no contingent liabilities at 30 June 2019 and 30 June 2018.

#### *Capital commitments – plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 30 June 2019 and 30 June 2018.

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 3.

### **25. Interests in controlled entities**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

<b>Parent entity</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2019</b>	<b>2018</b>
Skyfii Limited	Australia		
<b>Subsidiaries:</b>			
Skyfii Group Pty Ltd	Australia	100%	100%
Skyfii International Pty Ltd	Australia	100%	100%
Skyfii Brasil Inteligência, Mídia e Tecnologia Mobile Ltda.	Brazil	100%	100%
Skyfii South Africa (Pty) Ltd	Republic of South Africa	100%	100%
Skyfii UK Operations Limited	United Kingdom	100%	100%
Skyfii US Operations, LLC.	United States of America	100%	100%

### **26. Events occurring after the reporting date**

On 9 July 2019, the Company announced the acquisition of the Beonic business from Beonic Technologies (Beonic) has been completed. Beonic is a leading Australian customer insights provider specialising in camera and people counting technology.

This transaction possesses an attractive valuation multiple of ~1.05x annual Recurring Revenue contract value. The consideration comprises of \$0.1 cash and \$0.4m in Skyfii scrip upon completion, with up to \$1.167m in deferred scrip consideration based on successful contract renewals in the first year post completion.

Other than the above matter there are no other matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

## Notes to the financial statements continued

For the year ended 30 June 2019

### 27. Reconciliation of loss after tax to net cash from operating activities

	2019 \$	2018 \$
<b>Loss for the year</b>	<b>(4,035,527)</b>	<b>(2,009,719)</b>
<b>Investment cash flows included in comprehensive loss:</b>		
<b>Non-cash items in operating loss:</b>		
Depreciation and amortisation	2,755,329	2,026,486
Share based payments	1,381,607	282,523
Share option expense	359,034	-
Directors fees	294,729	100,000
Accrued interest	5,802	-
Gain from disposal of fixed assets	(16,667)	-
<b>Changes in operating assets and liabilities:</b>		
Decrease / (increase) in trade and other receivables	(739,459)	(621,876)
Decrease / (increase) in prepayments and other assets	(27,428)	(175,516)
Increase / (decrease) in trade and other payables	194,482	(63,739)
Increase / (decrease) in provisions and employee benefits	214,421	41,953
Increase / (decrease) in deferred revenue	601,302	492,993
Increase / (decrease) in tax liabilities	144,852	(10,513)
<b>Net cash used in operating activities</b>	<b>1,132,478</b>	<b>62,592</b>

### 28. Earnings per share (EPS)

	2019 Cents per share	2018 Cents per share
<b>(a) Basic earnings per share</b>		
Basic EPS attributable to ordinary equity holders of the Company	(1.32)	(0.72)
<b>(b) Diluted earnings per share</b>		
Diluted EPS attributable to ordinary equity holders of the Company	(1.30)	(0.71)
<b>(c) Weighted average number of shares used as the denominator</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic EPS	306,870,797	279,869,553
Weighted average number of dilutive options outstanding	4,272,472	5,000,000
Weighted average number of ordinary shares used in calculating diluted EPS	311,143,269	284,869,553
<b>(d) Reconciliation of earnings used in calculating earnings per share</b>	<b>\$</b>	<b>\$</b>
Loss attributable to the ordinary equity holders of the Company used in calculating basic EPS	(4,035,527)	(2,009,719)

## Directors' Declaration

In the Directors' opinion

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 259A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

**Andrew Johnson**  
Chairman



30 August 2019

# Independent Auditor's report

HALL CHADWICK  (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SKYFII LIMITED AND CONTROLLED ENTITIES

## SYDNEY

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
Ph: (612) 9263 2600  
Fx: (612) 9263 2800

### Opinion

We have audited the financial report of Skyfii Limited and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of the Skyfii Limited and Controlled Entities 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 2019 and of its performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*

### Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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* (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 at the same 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.

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## HALL CHADWICK (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED AND CONTROLLED ENTITIES

#### 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 for the year ended 30 June 2019. 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.

#### Key Audit Matter

#### How Our Audit Addressed the Key Audit Matter

#### Adoption of AASB 15 Revenue from Contracts with Customers

Refer to Accounting policy Note 3(l)

- |  |  |
|--|--|
| <p>The adoption of the new revenue accounting standard was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• AASB 15 became effective for financial reporting periods beginning on or after 1 January 2018 and has an impact on the Group;</li> <li>• The Group has the following revenue streams: <ul style="list-style-type: none"> <li>- Installation (non-recurring) revenue which includes a configuration component as part of installation, which is unbundled and amortised over the contract period</li> <li>- Recurring revenue</li> <li>- Services revenue</li> </ul> </li> <li>• Significant judgement is required by the Group in applying the new AASB 15 requirements, such as interpreting the contractual terms including performance obligations and assessing the allocation of revenue over time.</li> </ul> | <ul style="list-style-type: none"> <li>• We developed an understanding of relevant internal controls and processes in the revenue transaction cycle;</li> <li>• We assessed the impact of the Group's revenue streams on adoption of AASB 15, including changes to the Group's revenue recognition accounting policies;</li> <li>• We obtained and reviewed a sample of contracts, considering the terms and conditions, performance obligations of these arrangements and assessing the accounting treatment under AASB 15;</li> <li>• We verified management's calculation for deferred revenue in the current year; the deferred revenue in the prior year and assessed whether there was any significant impact on adoption of AASB 15;</li> <li>• We assessed the adequacy of the Group's disclosures in respect to the adoption of AASB 15.</li> </ul> |
|--|--|

## Independent Auditor's report continued

HALL CHADWICK  (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED AND CONTROLLED ENTITIES

#### Key Audit Matter

#### How Our Audit Addressed the Key Audit Matter

#### Carrying Value of Software development

Refer to Note 12 '*Intangible Assets*' \$3,926,758;  
Accounting Policy Note 3(f) and Note 3(v) '*Critical Accounting Estimates and Judgements*'

The intangibles balance includes the company's software development. The carrying value of software development expenditure is a key audit matter as:

- Capitalised software development expenditure represents 36% of the Group's total assets.
- There is a significant level of judgement when considering management's assessment of the carrying value of software development expenditure.

Our procedures included, amongst others, the following:

- We assessed management's determination of the Group's capitalisation of software development expenditure based on our understanding of the nature of the Group's operations and consideration of the factors in AASB 138 "Intangible Assets".
- We verified a sample of expenditure capitalised during the year to supporting documentation.
- We checked the amortisation calculation and verified the calculation was in accordance with the company's accounting policy.
- With the assistance of Hall Chadwick's valuation specialists, we assessed the recoverability of the carrying value by reviewing the client's discounted cash flow model and challenged the key inputs including forecasted revenues, forecasted costs and the discount rate applied.

## HALL CHADWICK (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED AND CONTROLLED ENTITIES

#### Key Audit Matter

#### How Our Audit Addressed the Key Audit Matter

#### Going Concern

Refer to Note 2(e) "Going Concern"

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

The Company incurred a net loss of \$4,177,099 for the year ended 30 June 2019 and has historically incurred losses and deficiencies in net cash flows from operations in prior years.

In May 2019, the company obtained loan facilities of \$2 million for a period of 2 years with an option to extend by a further 12 months.

The Directors of the Company consider that as a result of the loan facility obtained, the cash flow projections and assumptions provided support the ability of the company to pay its debts as and when they fall due and that there is no requirement to raise additional capital to fund the company's working capital requirements.

Our procedures included amongst others the following:

- We obtained the cash flow forecast prepared by management for the period up until 31 August 2020.
- We assessed the underlying assumptions and inputs to the cash flow forecast.
- We discussed the key assumptions used in the cash flow forecast with management.
- We reviewed the terms and conditions of the loan facilities and obtained confirmations of amounts drawn down as at balance sheet date.
- We reviewed the appropriateness of the going concern disclosures in the financial statements.

## Independent Auditor's report continued

HALL CHADWICK  (NSW)SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIESINDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SKYFII LIMITED AND CONTROLLED ENTITIES*Information Other than the Financial report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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, 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 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 Group's ability 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 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 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.



## HALL CHADWICK (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED AND CONTROLLED ENTITIES

- 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 director's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst 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 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.

## Independent Auditor's report continued

HALL CHADWICK  (NSW)

SKYFII LIMITED ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED AND CONTROLLED ENTITIES

#### Report on the Remuneration Report

We have audited the remuneration report included in page 20 to 25 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Skyfii Limited for the year ended 30 June 2019, complies with s 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 s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit concluded in accordance with Australian Auditing Standards.



Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



Graham Webb  
Partner  
Dated: 30 August 2019

## Additional ASX information

### Use of cash & cash equivalents

In accordance with ASX Listing Rule 4.10.19, the Board has determined that the Company has used the cash and equivalents that it had at the time of its re-admission to the ASX in a way consistent with its business objectives during the financial year ended 30 June 2019.

### Shareholder information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 13 August 2019.

### Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

Substantial shareholder	Date of Notice	Number of shares
Jagafii Pty Ltd	06-Jun-19	33,260,006
Thorney Technologies	04-Jun-19	26,135,555
Birketu Pty Ltd	12-Feb-18	23,268,756
Precision Management Corporation Pty Ltd	23-Nov-17	22,015,874
The Elsie Cameron Foundation Pty Ltd	14-Feb-17	17,009,380

### Top 20 shareholders as at 13 August 2019

Rank	Name	Number of ordinary shares held	% of ordinary shares held
1	SOCIALBON INC	24,810,050	8.90%
2	BIRKETU PTY LTD	23,268,756	8.35%
3	INVIA CUSTODIAN PTY LIMITED <PRECISION MNGMT CO PL A/C>	22,015,874	7.90%
4	THE ELSIE CAMERON FOUNDATION PTY LTD <ELSIE CAMERON FOUNDATION A/C>	17,009,380	6.10%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,076,547	5.41%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,572,125	4.51%
7	UBS NOMINEES PTY LTD	12,500,000	4.48%
8	KARIBU PTY LTD <WAYNE ARTHUR FAMILY A/C>	11,496,211	4.12%
9	BONDUFFMEX PTY LTD <IAN ROBINSON FAMILY A/C>	10,911,023	3.91%
10	JAGAFII PTY LTD <SKYFII UNIT A/C>	8,449,956	3.03%
11	MONTELLA INVESTMENTS PTY LTD <R WHITE DISC A/C>	7,581,715	2.72%
12	SHANDERLAY INVESTMENTS PTY LTD <SHANDERLAY DISC A/C>	6,935,972	2.49%
13	INVICTUS SUPER NOMINEES PTY LTD <PJT GAMMELL PENSION S/F A/C>	6,167,508	2.21%
14	BOLLINGER INVESTMENTS LIMITED <BRIGHT SIDE A/C>	5,285,713	1.90%
15	DEVERO HOLDINGS PTY LTD	4,553,710	1.63%
16	THE CHIMES PRIVATE FOUNDATION	4,548,450	1.63%
17	ALTERAC PTY LTD <ALTERAC A/C>	4,096,372	1.47%
18	AUSTER CAPITAL PARTNERS LLC	3,800,000	1.36%
19	MR ANDREW RODNEY JOHNSON	3,585,861	1.29%
20	JBWERE (NZ) NOMINEES LIMITED	2,960,853	1.06%
<b>Total top 20 holders</b>		<b>207,676,076</b>	<b>74.49%</b>
<b>Total remaining holders</b>		<b>71,123,941</b>	<b>24.51%</b>



## Additional ASX information

### Distribution of ordinary shareholders as at 13 August 2019

Name	Number of Shareholders	Number of shares
1-1,000	644	8,948
1,001-5,000	88	311,853
5,001-10,000	94	771,070
10,001-100,000	332	13,615,996
100,001-9,999,999,999	169	264,072,150
<b>Total</b>	<b>1,327</b>	<b>278,780,017</b>

At the closing market price of \$0.165 per share on 13 August 2019, there were 640 shareholders with less than a marketable parcel of shares (\$500).

### Option holders as at 13 August 2019

Rank	Name	Number of options held	% of options held
1	Mr James Scott	1,690,000	20%
2	Mr Andrew Johnson	910,000	10%
3	Thorney Technologies	5,714,285	65%
4	BMR Securities	476,190	5%
<b>Total</b>		<b>8,790,475</b>	

### Restricted securities as at 13 August 2019

There are no restricted securities on issue for the purpose of the ASX Listing Rules. There are ordinary shares on issue that are subject to escrow in accordance with voluntary escrow arrangements, as set out in the table below:

Class of restricted securities	Nature of restriction	Number of shares
ESP shares	Various dates ending no later than 28-Dec-21	29,245,000
Unquoted EOP shares	Various dates ending no later than 30-Jun-21	18,835,571
<b>Total shares subject to escrow</b>		<b>48,080,571</b>

## 28. Voting Rights

The voting rights attaching to ordinary shares, set out in the Company's Constitution are:

- (a) at meetings of members, each member is entitled to vote in person or by proxy, attorney or representative; and
- (b) on a show of hands, every person present who is a member has one vote, and on a poll every member present has a vote for each fully paid share owned.

There are no voting rights attached to unlisted ordinary shares or unlisted options, voting rights will be attached to unlisted ordinary shares once issued and to options upon exercise.

## 29. On-market Buy Back

There is no current on-market buy back.

## Corporate directory

### Company Directors

Mr Andrew Johnson	Chairman, Non-Executive Director
Mr Wayne Arthur	Executive Director
Mr Lincoln Brown	Non-Executive Director
Ms Susan O'Malley	Non-Executive Director
Mr Jon Adgemis	Non-Executive Director

### Company Secretary

Ms Koreen White

### Registered Office

Level 2  
100 William Street  
Woolloomooloo NSW 2011  
Telephone: +61 2 8188 1188

### Share Registry

Boardroom Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000

### Auditors

Hall Chadwick  
Level 40  
2 Park Street  
Sydney NSW 2000

### Securities exchange listing

Skyfii Limited shares are listed on the Australian Securities Exchange (Listing code: SKF)

### Website

[www.skyfii.io](http://www.skyfii.io)

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