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## **Interim Financial Report & Appendix 4D**

for the half-year ended  
31 December 2019



## Appendix 4D for the half-year ended 31 December 2019

(Previous corresponding period: Half-year ended 31 December 2018)

### Results for Announcement to Market

			\$
Revenue from ordinary activities	up	45%	6,792,493
Loss from ordinary activities after tax attributable to the shareholders	up	50%	1,850,507
Loss for the year attributable to shareholders	up	50%	1,850,507

### Dividends

No dividends have been declared for the reporting period.

### Comments

The loss for the group after providing for income tax amounted to \$1,850,507 (31 December 2018: loss of \$1,233,754).

### Net tangible assets

		31-Dec-19 cents per share	30-Dec-18 cents per share
Net tangible asset backing per share	up	0.02	0.36
Net assets per share	up	2.52	2.30

Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been reviewed and an unqualified opinion has been issued.



**Wayne Arthur**  
Chief Executive Officer

Date: 27 February 2020

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## Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group), consisting of Skyfii Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019 (1HFY20).

### Directors

The names and particulars of the Directors of the Company who held office at the date of this report are:

Andrew Johnson.....	Independent Non-Executive Chairman
Wayne Arthur .....	Chief Executive Officer/Executive Director
Lincoln Brown.....	Independent Non-Executive Director
Jon Adgemis.....	Independent Non-Executive Director
Sue O'Malley.....	Independent Non-Executive Director

### Review of operations

During the half-year ended 31 December 2019, the Group generated revenues of \$6,792,493 up 45% on the prior corresponding period (pcp) (1HFY19: \$4,684,657).

During the half-year, the Group generated operating revenues (excluding grant and interest income) of \$6,789,228, up 45.5% on pcp (1HFY19: \$4,666,345). Underlying this result was an 91.8% increase in recurring revenues of \$4,408,099 (1HFY19: \$2,298,506).

The 45.5% increase in operating revenues was driven by strong organic growth and recognition of the Beonic business (acquisition completed 9 July, 2019). Beonic's integration over the period progressed as planned, providing a strong contribution to the business and generating a significant pipeline of new opportunities globally.

Strong growth in recurring revenues, generated from ongoing subscription fees, was supported by Skyfii's continued success in securing a range of contracts across several sectors and geographies, including retail property, stadiums, airports, hotels and quick service retail. Some of the most notable new customers include Wembley Stadium (UK), Baha Mar Resort (USA), Autostrade (EU), SARCO (LATAM), ISPT (Australia), Macerich (USA), TJ Morris (UK) and BetFred (UK).

To further accelerate the Company's international expansion and provide further financial flexibility, Skyfii raised \$2,250,000 through an institutional Placement in December 2019. As part of the plan to strengthen Skyfii's global team and support the growth, the Company has appointed a Chief Marketing Officer & VP of Channel and Strategic Alliances. Both roles will be based in Skyfii's largest market opportunity, North America.

Total operating expenses excluding depreciation, amortisation, non-cash share based payments and finance costs were \$6,443,521 (1HFY19: \$4,781,696), reflecting a 34.8% increase on pcp. Operating costs in 1HFY20 excluding COS was \$5,015,128 (1HFY19: \$3,264,231).

The Group reported a positive operating EBITDA (Earnings Before Interest, Tax, Depreciation, & Amortisation 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) of \$786,954 (1HFY19: \$480,061 loss) and net loss after tax of \$1,850,507 (1HFY19: \$1,233,754).

Operating cash inflows for 1HFY19 were \$1,015,500 (1HFY19: \$1,027,975 inflow) and net cash outflows from investment activities were \$1,323,896 (1HFY19: \$1,077,707 outflow) including an investment of \$1,191,158 in software development comprising predominantly direct employee costs and external developer costs.

The Group's cash balance as at 31 December 2019 was \$3,735,956 (1HFY19: \$1,415,175).

With annualised recurring revenue at \$10 million, an enhanced global leadership team and a net cash position of \$3.73 million, Skyfii is well placed to continue to deliver strong top-line growth in 2HFY20 and beyond.

### Dividends paid or recommended

In respect of the half-year ended 31 December 2019, there have been no dividends paid or provided for (1HFY19: nil).

### Auditor's independence declaration

The auditor's independence declaration is included on page 5 of this report and forms part of the Directors' Report for the half-year ended 31 December 2019.

This report is made in accordance with a resolution of Directors.



**Andrew Johnson**  
Chairman

27 February 2020

## Auditor's independence declaration

HALL CHADWICK  (NSW)

SKYFII LIMITED  
ABN 20 009 264 699  
AND CONTROLLED ENTITIES

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SKYFII LIMITED  
AND CONTROLLED ENTITIES**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
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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 review of the financial report of Skyfii Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000



GRAHAM WEBB  
Partner  
Dated: 27 February 2020

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## Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	31-Dec-18 \$
<b>Revenue and other income</b>			
Revenue	3	6,789,228	4,666,345
Other income	3	3,265	18,312
<b>Total revenue</b>		<b>6,792,493</b>	<b>4,684,657</b>
<b>Expenses</b>			
Direct costs of services		(1,428,393)	(1,517,465)
Employee benefits expenses	4	(3,223,510)	(1,836,443)
Contractor and consultant expenses		(231,711)	(112,071)
Marketing and promotion expenses		(222,379)	(276,215)
Travel and accommodation expenses		(196,683)	(179,773)
Office and other expenses		(900,845)	(615,833)
Directors' fees		(240,000)	(243,896)
Share based payments expense		(912,777)	(188,081)
Depreciation and amortisation expenses	4	(1,564,047)	(1,442,442)
Finance costs	4	(70,632)	(548)
<b>Loss before income tax</b>		<b>(2,198,484)</b>	<b>(1,728,109)</b>
Income tax benefit		347,977	494,355
<b>Loss for the period</b>		<b>(1,850,507)</b>	<b>(1,233,754)</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		(49,795)	(129,746)
<b>Total comprehensive loss for the period</b>		<b>(1,900,302)</b>	<b>(1,363,500)</b>
<b>Earnings per share</b>			
		<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>	16	(0.6)	(0.4)
<b>Diluted earnings per share</b>	16	(0.5)	(0.4)

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 For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,735,956	1,329,881
Trade and other receivables	5	3,595,862	2,789,475
Inventories		96,919	-
Other assets	6	631,061	411,190
<b>Total current assets</b>		<b>8,059,799</b>	<b>4,530,546</b>
<b>Non-current assets</b>			
Plant and equipment	7	91,289	88,849
Intangible assets	8	8,532,808	6,240,523
<b>Total non-current assets</b>		<b>8,624,097</b>	<b>6,329,372</b>
<b>Total assets</b>		<b>16,683,896</b>	<b>10,859,918</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	2,390,382	1,124,138
Borrowings	10	1,055,500	509,552
Provisions	11	523,995	371,875
Current tax liabilities		70,839	144,852
Deferred revenue		2,645,953	1,485,038
<b>Total current liabilities</b>		<b>6,686,669</b>	<b>3,635,455</b>
<b>Non-current liabilities</b>			
Provisions	11	97,715	65,745
Deferred revenue		657,035	380,519
Deferred tax liability	17	639,000	-
<b>Total non-current liabilities</b>		<b>1,393,750</b>	<b>446,264</b>
<b>Total liabilities</b>		<b>8,080,419</b>	<b>4,081,719</b>
<b>Net assets</b>		<b>8,603,477</b>	<b>6,778,199</b>
<b>Equity</b>			
Contributed equity	12	30,485,828	27,624,521
Reserves	13	2,741,110	1,940,219
Accumulated losses		(24,623,461)	(22,786,541)
<b>Total equity</b>		<b>8,603,477</b>	<b>6,778,199</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 half-year ended 31 December 2019

		Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>		26,739,453	448,365	60,627	(99,336)	(18,751,015)	8,398,094
Loss for the period		-	-	-	-	(1,233,754)	(1,233,754)
Exchange differences on translation of foreign operations		-	-	-	(129,746)	-	(129,746)
<b>Total comprehensive loss for the period</b>		-	-	-	(129,746)	(1,233,754)	(1,363,500)
<b>Transactions with owners in their capacity as owners:</b>							
Issue of ordinary shares		289,437	-	-	-	-	289,437
Share based payments		-	173,081	-	-	-	173,081
Issue of options		-	-	84,729	-	-	84,729
<b>Balance at 31 December 2018</b>		<b>27,028,891</b>	<b>621,446</b>	<b>145,356</b>	<b>(229,082)</b>	<b>(19,984,769)</b>	<b>7,581,842</b>
	Note	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>		27,624,521	1,750,535	396,259	(206,575)	(22,786,541)	6,778,197
Loss for the period		-	-	-	-	(1,850,507)	(1,850,507)
Exchange differences on translation of foreign operations		-	-	-	(49,795)	-	(49,795)
<b>Total comprehensive loss for the period</b>		-	-	-	(49,795)	(1,850,507)	(1,900,302)
<b>Transactions with owners in their capacity as owners:</b>							
Issue of ordinary shares	12	2,890,000	-	-	-	-	2,890,000
Equity raising costs	12	(138,343)	-	-	-	-	(138,343)
Exercise of ESP shares		109,650	-	-	-	-	109,650
Share based payments reserve	13	-	864,273	-	-	-	864,273
Expiry of options		-	-	(13,587)	-	13,587	-
<b>Balance at 31 December 2019</b>		<b>30,485,828</b>	<b>2,614,808</b>	<b>382,672</b>	<b>(256,370)</b>	<b>(24,623,461)</b>	<b>8,603,477</b>

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

## Consolidated statement of cashflows For the half-year ended 31 December 2019

	31-Dec-19	31-Dec-18
	\$	\$
<b>Cashflows from operating activities</b>		
Receipts from customers	6,200,259	4,515,102
Payments to suppliers and employees	(6,065,022)	(4,339,909)
Receipts from government R&D tax incentive	1,037,635	851,684
Interest received	3,265	1,646
Interest paid	(70,632)	(548)
Income tax paid	(90,005)	-
<b>Net cash inflow from operating activities</b>	<b>1,015,500</b>	<b>1,027,975</b>
<b>Cashflows from investing activities</b>		
Payments for plant and equipment	(18,193)	(62,554)
Payments for intangible assets	(1,191,158)	(1,029,472)
Payment for acquisition of Beonic	(100,000)	-
Payments for other assets	(14,545)	(2,348)
Proceeds from sale of other assets	-	16,667
<b>Net cash (outflow) from investing activities</b>	<b>(1,323,896)</b>	<b>(1,077,707)</b>
<b>Cashflows from financing activities</b>		
Proceeds from issue of shares, net of capital raising costs	2,172,803	-
Proceeds from borrowings	541,667	-
<b>Net cash inflow from financing activities</b>	<b>2,714,470</b>	<b>-</b>
<b>Net increase/(decrease) in cash</b>	<b>2,406,074</b>	<b>(49,732)</b>
Cash at the beginning of the period	1,329,881	1,464,907
<b>Cash at the end of the period</b>	<b>3,735,955</b>	<b>1,415,175</b>

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

## Notes to the financial statements For the half-year ended 31 December 2019

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This Interim Financial Report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Skyfii Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.



## Notes to the financial statements For the half-year ended 31 December 2019

### 1. Summary of significant accounting policies

#### (a) Basis of preparation of interim financial report

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Skyfii Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Skyfii Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year. The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2019, with the addition of the following:

#### New and Amended Accounting Standards Adopted by the Group

Skyfii has implemented a new accounting standard that is applicable for the current reporting period. AASB 16: Leases has been applied retrospectively, with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

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 with this new Standard.

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

AASB 16 has been 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 the 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).

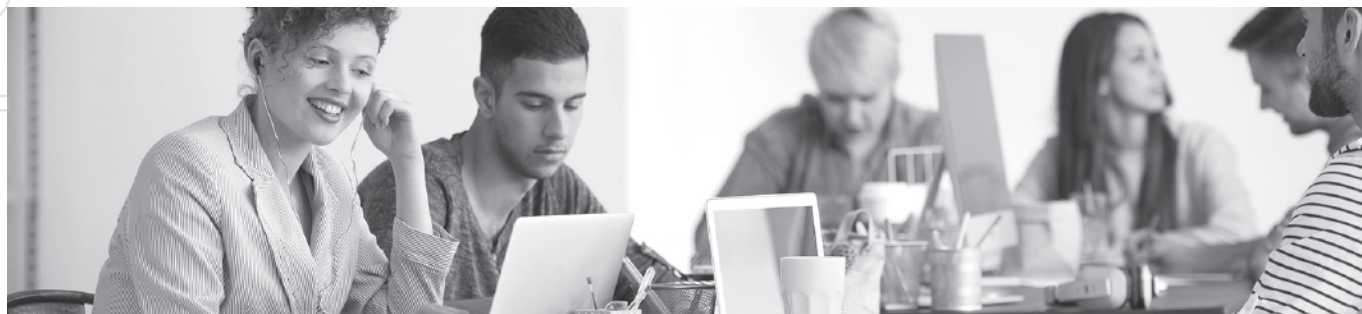
Moreover, AASB 16 outlines an exemption that specifically refers to short-term leases. This exemption states that any lease less than 12 months may not be recognised on the balance sheet. Skyfii falls under this exemption as the Group currently has month-to-month leasing arrangements in relation to its registered office in Sydney where the lease expired on 30 December 2019. In addition, all other Skyfii offices are classified as short-term leases. Therefore, in accordance with AASB 16, the Group will recognise rental expenses in profit or loss on a straight-line basis.

#### (b) 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 interim financial report, are disclosed in the 2019 Annual Report.

#### (c) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group has assessed the impact of these new standards and interpretations and does not expect that initial application will affect any of the amounts recognised in the financial report, but may change the disclosures presently made in relation to the Group.



## Notes to the financial statements For the half-year ended 31 December 2019

### 1. Summary of significant accounting policies (continued)

#### (d) 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 half-year ended 31 December 2019, the Group incurred a loss after tax of \$1,850,507. On 31 December 2019, the Group had a surplus in net current assets of \$1,373,130 and a surplus in net assets of \$8,603,477.

In December 2019, the Company announced a raise of \$2,250,000 from institutional investors by way of a placement of new fully paid ordinary shares. Also, the Group maintains

a \$2,000,000 loan facility from Thorney Technologies Ltd (ASX:TEK), Jagafii Pty Ltd a company associated with Skyfii director Jon Adgemis and BMR Securities Pty Ltd. The loan facility matures on 31 May 2021, with a conditional option to extend for a further 12 months.

Management have prepared cashflow projections that support the Group's ability to continue as a going concern.

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



## Notes to the financial statements For the half-year ended 31 December 2019

### 2. 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.

	Australia \$	International \$	Total \$
<b>As at 31 December 2019</b>			
Revenue	3,881,848	2,907,380	6,789,228
Other Income	3,265	-	3,265
<b>Total segment revenue</b>	<b>3,885,113</b>	<b>2,907,380</b>	<b>6,792,493</b>

<b>Segment net profit</b>	<b>3,067,009</b>	<b>2,297,091</b>	<b>5,364,100</b>
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#### Reconciliation of segment result to loss before tax

Employee benefits expense			(3,223,510)
Depreciation and amortisation expenses			(1,564,047)
Other Expenses			(2,704,395)
Finance Costs			(70,632)
<b>Loss before income tax</b>			<b>(2,198,484)</b>
Income tax benefit			347,977
<b>Loss for the year</b>			<b>(1,850,507)</b>

	Australia \$	International \$	Total \$
<b>As at 31 December 2018</b>			
Revenue	2,719,933	1,946,412	4,666,345
Other Income	16,994	1,318	18,312
<b>Total segment revenue</b>	<b>2,736,927</b>	<b>1,947,730</b>	<b>4,684,657</b>

<b>Segment net profit</b>	<b>1,667,190</b>	<b>1,500,003</b>	<b>3,167,193</b>
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#### Reconciliation of segment result to loss before tax

Employee benefits expense			(1,836,443)
Depreciation and amortisation expenses			(1,442,442)
Other Expenses			(1,615,869)
Finance Costs			(548)
<b>Loss before income tax</b>			<b>(1,728,109)</b>
Income tax benefit			494,355
<b>Loss for the year</b>			<b>(1,233,754)</b>

## Notes to the financial statements For the half-year ended 31 December 2019

### 3. Revenue

	31-Dec-19	31-Dec-18
	\$	\$
Revenue from operations	6,789,228	4,666,345
Gain on sale of plant and equipment	-	16,667
Interest income	3,265	1,646
<b>Total other income</b>	<b>3,265</b>	<b>18,312</b>
<b>Total revenue</b>	<b>6,792,493</b>	<b>4,684,657</b>

### 4. Expenses

	31-Dec-19	31-Dec-18
	\$	\$
<b>Employee</b>		
Salaries and related expenses (including superannuation)	2,255,737	1,287,621
Other employment costs	967,773	548,822
<b>Total employee benefits expense</b>	<b>3,223,510</b>	<b>1,836,443</b>
<b>Depreciation and amortisation</b>		
Plant and equipment	28,330	133,037
Software development amortisation	1,535,717	1,309,405
<b>Total depreciation and amortisation expenses</b>	<b>1,564,047</b>	<b>1,442,442</b>
<b>Finance costs</b>		
Interest expense	70,632	548

### 5. Trade and other receivables

	31-Dec-19	30-Jun-19
	\$	\$
<b>Current</b>		
Trade receivables	2,844,586	1,600,684
R&D tax incentive receivable	437,759	1,037,412
Other debtors	313,517	151,379
<b>Total current trade and other receivables</b>	<b>3,595,862</b>	<b>2,789,475</b>

## Notes to the financial statements For the half-year ended 31 December 2019

### 6. Other assets

	31-Dec-19	30-Jun-19
	\$	\$
<b>Current</b>		
Prepayments	498,077	392,448
Deposits	20,857	6,312
Other	112,127	12,430
<b>Total current other assets</b>	<b>631,061</b>	<b>411,190</b>

### 7. Plant and equipment

	31-Dec-19	30-Jun-19
	\$	\$
<b>Non-current</b>		
Office and computer equipment – at cost	372,196	341,542
Accumulated depreciation	(280,906)	(252,693)
<b>Total carrying value of plant and equipment</b>	<b>91,289</b>	<b>88,849</b>



## Notes to the financial statements For the half-year ended 31 December 2019

### 8. Intangible assets

Reconciliations of the carrying amount of intangible assets at the beginning and end of the current and previous period are set out below:

	31-Dec-19	30-Jun-19
	\$	\$
<b>Non-current</b>		
Software development – at cost	9,826,536	8,635,378
Accumulated depreciation	(5,580,121)	(4,708,620)
<b>Carrying value of software development</b>	<b>4,246,415</b>	<b>3,926,758</b>
Customer contracts - at cost	853,000	853,000
Accumulated amortisation	(564,085)	(422,302)
<b>Carrying value of customer contracts</b>	<b>288,915</b>	<b>430,698</b>
Brand names - at cost	795,000	198,000
Accumulated amortisation	(125,733)	(56,100)
<b>Carrying value of brand names</b>	<b>669,267</b>	<b>141,900</b>
Software - at cost	3,515,000	2,696,000
Accumulated amortisation	(1,360,085)	(954,833)
<b>Carrying value of software</b>	<b>2,154,917</b>	<b>1,741,167</b>
Customer relationships - at cost	907,000	-
Accumulated amortisation	(47,550)	-
<b>Carrying value of customer relationships</b>	<b>859,450</b>	<b>-</b>
Goodwill - at cost	313,844	-
<b>Carrying value of goodwill</b>	<b>313,844</b>	<b>-</b>
<b>Total carrying value of intangible assets</b>	<b>8,532,808</b>	<b>6,240,523</b>

### 9. Trade and other payables

	31-Dec-19	30-Jun-19
	\$	\$
<b>Current</b>		
Trade payables	540,292	1,062,653
Sundry payables	1,850,090	61,485
<b>Total trade and other payables</b>	<b>2,390,382</b>	<b>1,124,138</b>

## Notes to the financial statements For the half-year ended 31 December 2019

### 10. Borrowings

	31-Dec-19	30-Jun-19
	\$	\$
Borrowings	1,055,500	509,552
<b>Total borrowings</b>	<b>1,055,500</b>	<b>509,552</b>

### 11. Provisions

	31-Dec-19	30-Jun-19
	\$	\$
<b>Current</b>		
Employee Benefits	523,995	371,875
<b>Non-Current</b>		
Employee Benefits	97,715	65,745
<b>Total provisions</b>	<b>621,710</b>	<b>437,620</b>

### 12. Contributed equity

#### (a) Share capital

	31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
	Number	Number	\$	\$
Ordinary shares	341,963,017	314,463,017	30,485,828	27,624,521
<b>Total share capital</b>			<b>30,485,828</b>	<b>27,624,521</b>

#### (b) Movements in ordinary share capital

	Date	Number	Average price	\$
<b>Reconciliation to 30 June 2019:</b>				
Balance at 1 January 2019		310,563,017		27,028,891
Capitalised equity raising costs (net of tax)				
<b>Movements in ordinary shares:</b>				
Conversion of Director Options to ordinary shares	3-Apr-19	1,365,000	0.153	208,470
Conversion of Director Options to ordinary shares	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>

## Notes to the financial statements For the half-year ended 31 December 2019

	Date	Number	Average price	\$
<b>Reconciliation to 31 December 2019:</b>				
Balance at 1 July 2019		314,463,017		27,624,521
Capitalised equity raising costs (net of tax)				(138,343)
<b>Movements in ordinary shares:</b>				
Issued for purchase of Beonic Acquisition	9-Jul-19	2,500,000	\$0.160	400,000
Conversion of ESP shares to ordinary shares	18-Sep-19	200,000	\$0.099	19,840
Conversion of ESP shares to ordinary shares	18-Sep-19	(200,000)		-
Conversion of ESP shares to ordinary shares	18-Sep-19	75,000	\$0.224	16,830
Conversion of ESP shares to ordinary shares	18-Sep-19	(75,000)		-
Issue of shares in lieu of Directors Fees	25-Nov-19	1,500,000	\$0.160	240,000
Issue of ESP shares	25-Nov-19	8,500,000	\$0.160	-
Conversion of ESP shares to ordinary shares	4-Dec-19	350,000	\$0.099	34,720
Conversion of ESP shares to ordinary shares	4-Dec-19	(350,000)		-
Placement of ordinary shares	13-Dec-19	15,000,000	\$0.150	2,250,000
Conversion of ESP shares to ordinary shares	20-Dec-19	66,000	\$0.224	14,779
Conversion of ESP shares to ordinary shares	20-Dec-19	(66,000)		-
Conversion of ESP shares to ordinary shares	20-Dec-19	99,000	\$0.237	23,481
Conversion of ESP shares to ordinary shares	20-Dec-19	(99,000)		-
<b>Balance at 31 December 2019</b>		<b>341,963,017</b>		<b>30,485,828</b>

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

Information relating to the Employee Share Plan can be found in the Company's annual report for the year ended 30 June 2019.

### (d) Options over unissued ordinary shares

The Company granted the following options to senior executives, convertible into the same number of ordinary shares in the Company. The Executive Option Plan (EOP) was approved by shareholders on 28 November 2018 with a ten-year expiry date from date of issue. 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 the respective grant dates. Options granted under the EOP in the half year are as follows:

Number of options	Option consideration	Expiry date	Exercise price per option
20,712,421	\$0.00	25 November 2029	\$0.01

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, expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

## Notes to the financial statements For the half-year ended 31 December 2019

### 13. Equity – reserves

	31-Dec-19 \$	30-Jun-19 \$
<b>Share based payment reserve movements</b>		
Balance at the beginning of the period	1,750,535	448,365
Share based payment expense	864,273	1,302,170
<b>Balance at the end of the period</b>	<b>2,614,808</b>	<b>1,750,535</b>
<b>Share option reserve movements</b>		
Balance at the beginning of the period	396,259	60,627
Share option expense	-	335,632
Expiry of options	(13,587)	-
<b>Balance at the end of the period</b>	<b>382,672</b>	<b>396,259</b>
<b>Foreign currency translation reserve movements</b>		
Balance at the beginning of the period	(206,575)	(99,336)
Currency translation differences arising during the period	(49,795)	(107,239)
<b>Balance at the end of the period</b>	<b>(256,370)</b>	<b>(206,575)</b>
<b>Total reserves</b>	<b>2,741,110</b>	<b>1,940,219</b>



## Notes to the financial statements For the half-year ended 31 December 2019

### 14. Contingent liabilities

There are no contingent liabilities as at 31 December 2019.

### 15. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2019 that have significantly affected, or may significantly affect:

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

### 16. Earnings per share (EPS)

	31-Dec-19 Cents per share	31-Dec-18 Cents per share
<b>(a) Basic earnings per share</b>		
Basic EPS attributable to ordinary equity holders of the Company	(0.6)	(0.4)
<b>(b) Diluted earnings per share</b>	(0.5)	(0.4)
<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	320,360,809	303,170,859
Weighted average number of dilutive options outstanding	29,510,820	5,024,457
Weighted average number of ordinary shares used in calculating diluted EPS	349,871,629	308,195,316
<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	(1,900,302)	(1,363,500)



## Notes to the financial statements For the half-year ended 31 December 2019

### 17. Acquisition of Beonic

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

The acquisition is part of the Group's overall strategy to diversify Skyfii's product and service offering and position itself as a true omnidata intelligence company.

This transaction possesses an attractive valuation multiple of ~1.05x annual Recurring Revenue contract value. The consideration comprises of \$0.1m 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.

This acquisition is highly complementary to the Company's offering and thus, will provide a significant opportunity to upsell Skyfii's full suite of SaaS services to Beonic's existing portfolio of customers. Additionally, this knowledge transfer will allow the Group to accelerate growth and consolidate its competitive advantage in the marketplace. No amount of goodwill is deductible for tax purposes.

The acquired brands, software and customer relationships have been determined to have useful lives of 6 years, 6 years and 10 years respectively.

The below fair values are recognised in the financial statements in respect of the Beonic acquisition

	Fair Value \$
<b>Purchase consideration</b>	
Cash	100,000
Equity Issued	400,000
Deferred Consideration*	778,000
<b>Total Consideration</b>	<b>1,278,000</b>
<b>Identifiable assets acquired and liabilities assumed</b>	
Intangible Assets - Brand names	597,000
Intangible Assets - Software	819,000
Intangible Assets - Customer relationships	907,000
Inventories	6,300
Prepayments	16,385
Property, plant and equipment	12,577
Accrued Expenses	(106,864)
Deferred Revenue	(620,359)
Provision of Employee Benefits	(27,883)
Deferred tax liability	(639,000)
<b>Net assets acquired and liabilities assumed</b>	<b>964,156</b>
<b>Goodwill**</b>	<b>313,844</b>

\*The Company believes there will be further claims that are yet to be assessed. These claims will be offset against the deferred consideration and are expected to be final by June 2020.

\*\*Goodwill of \$313,844 has been recognised due to Beonic's unique core competency in camera and people counting solutions.



## Directors' declaration

In the Directors' opinion:

The financial statements and notes, as set out on pages 6 to 21, are in accordance with the Corporations Act 2001, including:

- Complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'A. Johnson'.

**Andrew Johnson**  
Chairman

27 February 2020

## Independent Auditor's review report

HALL CHADWICK  (NSW)

SKYFII LIMITED  
ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REVIEW 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

#### Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Skyfii Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### Directors' Responsibility for the Half-year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Skyfii Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Skyfii Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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## Independent Auditor's review report

HALL CHADWICK  (NSW)

SKYFII LIMITED  
ABN 20 009 264 699  
AND CONTROLLED ENTITIES

### INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKYFII LIMITED

#### Independence

In conducting our review, we have complied with the independence requirement of the Corporation Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Skyfii Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skyfii Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of Skyfii Limited's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

*Hall Chadwick*

HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000

*Graham Webb*

GRAHAM WEBB  
Partner  
Dated: 27 February 2020

## Corporate Directory

### Company Directors

Andrew Johnson.....Independent Non-Executive Chairman  
 Wayne Arthur .....Chief Executive Officer/Executive Director  
 Lincoln Brown.....Independent Non-Executive Director  
 Jon Adgemis.....Independent Non-Executive Director  
 Sue O'Malley.....Independent Non-Executive Director

### Company Secretary

Koreen White

### Registered Office

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

### Share Registry

Boardroom Pty Limited  
 Level 12  
 225 George 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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