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**Interim Financial Report
& Appendix 4D**

for the half-year ended
31 December 2020



Appendix 4D for the half-year ended 31 December 2020

(Previous corresponding period: Half-year ended 31 December 2019)

Results for Announcement to Market

			\$
Revenue from ordinary activities	up	11%	7,512,288
Loss from ordinary activities after tax attributable to the shareholders	up	6%	1,740,653
Loss for the year attributable to shareholders	up	6%	1,740,653

Dividends

No dividends have been declared for the reporting period.

Comments

The loss for the group after providing for income tax amounted to \$1,740,653 (31 December 2019: loss of \$1,850,507).

Net tangible assets

		31-Dec-20 cents per share	30-Dec-19 cents per share
Net tangible asset backing per share	up	0.33	0.02
Net assets per share	up	2.64	2.52

Audit qualification or review

Details of audit/review dispute or qualification:

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



Wayne Arthur
Chief Executive Officer

Date: 24 February 2021

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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 2020 (1HFY21).

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
Susan O'Malley.....	Independent Non-Executive Director

Review of operations

Skyfii is becoming an increasingly relevant product and technology offering for all public spaces and physical venues as they seek to operate their businesses more safely in the current COVID-19 environment. Skyfii's analytics and data services continue to be critical and relevant, allowing businesses to understand their customers behaviour in order to make critical operating decisions and provide the public with confidence to return to public spaces in safe, clean and effectively managed environments.

During the half-year ended 31 December 2020, the Group generated total revenues of \$7,512,288 up 11% on the prior corresponding period (pcp) (1HFY20: \$6,792,493).

During the half-year, the Group generated operating revenues (excluding grant and interest income) of \$7,399,074, up 9% on pcp (1HFY20: \$6,789,228). Underlying this result was an 14% increase in recurring revenues of \$5,032,864 (1HFY20: \$4,408,099).

The revenue uplift over the period was driven by the growing demand from venues to better understand and analyse their customers behaviour. Over the period, Skyfii saw significant growth within our North America operations, delivering six new customer contracts across multiple verticals, with a strong demand for our OccupancyNow™ solution, as businesses seek to implement long-term operational changes to ensure safety and security in their environments.

In addition to the new customer wins, the Company retained and extended its agreements with a range of existing customers across the globe including David Jones, The Kooples, McArthurGlen Retail Outlets, SFMOMA, JCPM Group and Nuffield Health.

The acquisition of Blix (announced in September 2020) contributed meaningfully to our performance over the first half of FY21. The Blix technology delivers a highly complementary solution that provides our sales team with a more expansive product and service offering particularly

relevant for SMB and Mid Market retail and automotive dealerships. We have also begun to market the Blix offering into our US, UK, European and Middle Eastern business operations and have built a pipeline of new opportunities within the SMB and mid market enterprise business segment, in those markets.

Total operating expenses excluding depreciation, amortisation, non-cash share based payments and finance costs were \$6,345,218 (1HFY20: \$6,443,521), reflecting a 1% decrease on pcp. Operating costs in 1HFY21 excluding direct costs of services was \$4,733,292 (1HFY20: \$5,015,128).

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 \$1,603,729 (1HFY20: \$786,954) and net loss after tax of \$1,740,653 (1HFY20: \$1,850,057).

Operating cash inflows for 1HFY21 were \$2,051,767 (1HFY20: \$1,015,500) and net cash outflows from investment activities were \$1,303,052 (1HFY20: \$1,323,896 outflow) including an investment of \$1,140,737 in software development comprising predominantly direct employee costs and external developer costs.

The Group's cash balance as at 31 December 2020 was \$3,417,128 (1HFY20: \$3,735,956).

During the half year the company witnessed a return of several pre-covid opportunities to the advanced sales pipeline.

COVID-19 related activities during the period include:

- The Company's sales pipeline continued to build, with a return to advanced negotiations on several opportunities which were in process pre-covid
- OccupancyNow™ continues to gain momentum with both existing customers and new business development opportunities
- Due to a return in revenue growth and a strong cash balance and cash equivalents, the company is not forecasting any further requirement for COVID-19 related government assistance packages and support

Despite the uncertainties of the impact of COVID-19 on global macroeconomic conditions, Skyfii has remained a highly relevant product and technology offering for all public spaces and physical venues. We remain focused on driving continued organic growth within our International markets and we continue to actively seek out complementary acquisition opportunities.

Skyfii's software development team and data scientists have continued to focus their efforts on product releases that encompass both machine learning and artificial intelligence particularly in the area of computer vision for video analytics. These advancements in the product and processing power of the IO platform are allowing our customers to harness the extensive datasets Skyfii collects to improve the operational performance of their venues and ensure their customers, employees and visitors remain safe.

Key areas of focus for the Skyfii team during the remainder of FY21 include:

- Continued investment into marketing activities to drive quality leads across all markets.
- Significant focus on key verticals including Grocery, Corporate offices, Universities, Schools and Municipalities
- Drive continued growth from Blix into our offshore markets focused on small and mid-market customers
- Ongoing development and rollout of new products such as OccupancyNow™ to continue drive new revenue streams
- Specific focus on cash management and maintaining a strong balance sheet position
- Continuing to pursue highly complementary accretive acquisitions to drive further growth and broaden our offering to current and new customers

With annualised recurring revenue at \$11.5 million, an enhanced global leadership team and a net cash position of \$3.42million, Skyfii is well placed to continue to deliver strong top-line growth in 2HFY21 and beyond.

Dividends paid or recommended

In respect of the half-year ended 31 December 2020, there have been no dividends paid or provided for (1HFY20: nil).

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of this report and forms part of the Directors' Report for the half-year ended 31 December 2020.

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



Andrew Johnson
Chairman

24 February 2021

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
Ph: (612) 9263 2600
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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 2020, 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

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

GRAHAM WEBB
Partner
Dated: 24 February 2021

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2020

	Note	31-Dec-20 \$	31-Dec-19 \$
Revenue and other income			
Revenue	3	7,399,074	6,789,228
Other income	3	113,214	3,265
Total revenue		7,512,288	6,792,493
Expenses			
Direct costs of services		(1,611,926)	(1,428,393)
Employee benefits expenses	4	(3,068,659)	(3,223,510)
Contractor and consultant expenses		(21,834)	(231,711)
Marketing and promotion expenses		(129,862)	(222,379)
Travel and accommodation expenses		(26,808)	(196,683)
Office and other expenses		(1,370,129)	(1,025,845)
Directors' fees		(116,000)	(115,000)
Share based payments expense		(2,285,184)	(912,777)
Depreciation and amortisation expenses	4	(1,636,080)	(1,564,047)
Finance costs	4	(23,427)	(70,632)
Loss before income tax		(2,777,621)	(2,198,484)
Income tax benefit		1,036,968	347,977
Loss for the period		(1,740,653)	(1,850,507)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations		170,781	(49,795)
Total comprehensive loss for the period		(1,569,872)	(1,900,302)
Earnings per share			
		Cents	Cents
Basic earnings per share	16	(0.5)	(0.6)
Diluted earnings per share	16	(0.4)	(0.5)

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 31 December 2020

	Note	31-Dec-20 \$	30-Jun-20 \$
Assets			
Current assets			
Cash and cash equivalents		3,417,128	2,114,336
Trade and other receivables	5	4,155,420	4,043,993
Inventories		272,604	207,132
Other assets	6	823,120	545,729
Total current assets		8,668,272	6,911,190
Non-current assets			
Plant and equipment	7	93,839	96,545
Intangible assets	8	8,038,281	7,629,708
Total non-current assets		8,132,120	7,726,253
Total assets		16,800,392	14,637,443
Liabilities			
Current liabilities			
Trade and other payables	9	2,773,271	1,990,121
Borrowings	10	532,561	93,625
Provisions	11	799,492	690,072
Current tax liabilities		-	46,543
Deferred revenue		2,606,076	2,246,416
Total current liabilities		6,711,400	5,066,777
Non-current liabilities			
Provisions	11	195,119	141,297
Deferred revenue		714,101	662,962
Deferred tax liability		-	639,000
Total non-current liabilities		909,220	1,443,259
Total liabilities		7,620,620	6,510,036
Net assets		9,179,772	8,127,407
Equity			
Contributed equity	12	31,182,572	30,487,972
Reserves	13	5,927,807	3,829,389
Accumulated losses		(27,930,607)	(26,189,954)
Total equity		9,179,772	8,127,407

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 2020

		Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		30,487,972	3,856,184	382,672	(409,467)	(26,189,954)	8,127,407
Loss for the period		-	-	-	-	(1,740,653)	(1,740,653)
Exchange differences on translation of foreign operations		-	-	-	170,781	-	170,781
Total comprehensive loss for the period		-	-	-	170,781	(1,740,653)	(1,569,872)
Issue of ordinary shares	12	225,977	-	-	-	-	225,977
Issue of options to Jagafii	13	-	-	257,570	-	-	257,570
Exercised ESP shares		140,411	-	-	-	-	140,411
Exercised EOP shares		328,212	-	-	-	-	328,212
Share based payments	13	-	1,670,067	-	-	-	1,670,067
Balance at 31 December 2020		31,182,572	5,526,251	640,242	(238,686)	(27,930,607)	9,179,772

		Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2019		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)
Total comprehensive loss for the period		-	-	-	(49,795)	(1,850,507)	(1,900,302)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares		2,890,000	-	-	-	-	2,890,000
Equity raising costs		(138,343)	-	-	-	-	(138,343)
Exercise of ESP shares		109,650	-	-	-	-	109,650
Share based payments reserve		-	864,273	-	-	-	864,273
Expiry of options		-	-	(13,587)	-	13,587	-
Balance at 31 December 2019		30,485,828	2,614,808	382,672	(256,370)	(24,623,461)	8,603,477

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 2020

	31-Dec-20	31-Dec-19
	\$	\$
Cashflows from operating activities		
Receipts from customers	7,134,115	6,200,259
Payments to suppliers and employees	(6,106,045)	(6,065,022)
Receipts from government R&D tax incentive & other government grants	1,083,697	1,037,635
Interest received	11,214	3,265
Interest paid	(23,427)	(70,632)
Income tax paid	(47,787)	(90,005)
Net cash inflow from operating activities	2,051,767	1,015,500
Cashflows from investing activities		
Payments for plant and equipment	(17,209)	(18,193)
Payments for intangible assets	(1,140,737)	(1,191,158)
Payments for acquisitions	(150,000)	(100,000)
Refunds/(Payments) for other assets	4,894	(14,545)
Net cash (outflow) from investing activities	(1,303,052)	(1,323,896)
Cashflows from financing activities		
Proceeds from issue of shares, net of capital raising costs	111,077	2,172,803
Proceeds from borrowings	443,000	541,667
Net cash inflow from financing activities	554,077	2,714,470
Net increase in cash	1,302,792	2,406,074
Cash at the beginning of the period	2,114,336	1,329,881
Cash at the end of the period	3,417,128	3,735,955

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 2020

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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 2020 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 2020

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 2020 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 2020, 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 2020, with the addition of the following:

New and Amended Accounting Standards Adopted by the Group

The Group has considered the implications of new and amended accounting standards and determined that their application to the financial statements is either not relevant or not material.

(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 2020 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.

(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 2020, the Group incurred a loss after tax of \$1,740,655. On 31 December 2020, the Group had a surplus in net current assets of \$1,956,872 and a surplus in net assets of \$9,179,772.

Also, the Group maintains a \$2,000,000 loan facility of which \$1,476,832 remained undrawn 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 2020

2. Operating segments

The Group operates predominantly in four geographical segments, being the development and commercialisation of data analytics, marketing and advertising services to its customers in Australia, North America, UK & Europe 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.

1H FY21	Australia	North America	UK & Europe	Other International	Total
Revenue	4,887,028	1,105,984	709,603	696,458	7,399,074
Other income	113,214	-	-	-	113,214
Total revenue	5,000,242	1,105,984	709,603	696,458	7,512,288
Segment net profit	3,897,141	881,963	565,870	555,388	5,900,362
Employee benefits expense					(3,068,659)
Depreciation and amortisation expenses					(1,636,080)
Other Expenses					(3,949,817)
Finance Costs					(23,427)
Loss before tax					(2,777,621)
Income tax benefit					1,036,968
Loss for the year					(1,740,653)
1HFY20		Australia	International		Total
Revenue*		3,881,848	2,907,380		6,789,228
Other income		3,265	-		3,265
Total revenue		3,885,113	2,907,380		6,792,493
Segment net profit		3,067,009	2,297,091		5,364,100
Employee benefits expense					(3,223,510)
Depreciation and amortisation expenses					(1,564,047)
Other Expenses					(2,704,395)
Finance Costs					(70,632)
Loss before tax					(2,198,484)
Income tax benefit					347,977
Loss for the year					(1,850,507)

*1HFY20 revenue segments were based on internal reports reviewed and used by the Board of Directors during the half year being for two geographical segments Australia and International.

Notes to the financial statements For the half-year ended 31 December 2020

3. Revenue

	31-Dec-20	31-Dec-19
	\$	\$
Revenue from operations	7,399,074	6,789,228
Government grants	102,000	-
Interest income	11,214	3,265
Total other income	113,214	3,265
Total revenue	7,512,288	6,792,493

4. Expenses

	31-Dec-20	31-Dec-19
	\$	\$
Employee		
Salaries and related expenses (including superannuation)	2,380,716	2,255,737
Other employment costs	687,943	967,773
Total employee benefits expense	3,068,659	3,223,510
Depreciation and amortisation		
Plant and equipment	19,916	28,330
Software development amortisation	1,616,164	1,535,717
Total depreciation and amortisation expenses	1,636,080	1,564,047
Finance costs		
Interest expense	23,427	70,632

5. Trade and other receivables

	31-Dec-20	30-Jun-20
	\$	\$
Current		
Trade receivables	3,332,849	2,722,783
Provision for expected credit losses	(25,000)	(47,575)
Total trade receivables and other receivables	3,307,849	2,675,208
R&D tax incentive receivable	436,609	981,646
Other debtors	410,962	387,139
Total current trade and other receivables	4,155,420	4,043,993

Notes to the financial statements For the half-year ended 31 December 2020

6. Other assets

	31-Dec-20	30-Jun-20
	\$	\$
Current		
Prepayments	649,223	450,480
Deposits	23,184	23,077
Other	150,714	72,172
Total current other assets	823,120	545,729

7. Plant and equipment

	31-Dec-20	30-Jun-20
	\$	\$
Non-current		
Office and computer equipment – at cost	411,741	396,455
Accumulated depreciation	(317,902)	(299,910)
Total carrying value of plant and equipment	93,839	96,545



Notes to the financial statements For the half-year ended 31 December 2020

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-20	30-Jun-20
	\$	\$
Non-current		
Software development - at cost	11,958,774	10,818,038
Accumulated depreciation	(7,512,447)	(6,501,228)
Carrying value of software development	4,446,328	4,316,810
Customer contracts - at cost	952,000	853,000
Accumulated amortisation	(756,276)	(705,869)
Carrying value of customer contracts	195,724	147,131
Trademarks & Brand names - at cost	1,041,000	795,000
Accumulated amortisation	(279,100)	(195,200)
Carrying value of trademarks & brand names	761,900	599,800
Software - at cost	3,578,000	3,515,000
Accumulated amortisation	(2,179,771)	(1,765,333)
Carrying value of software	1,398,229	1,749,667
Customer relationships - at cost	1,279,000	907,000
Accumulated amortisation	(146,900)	(90,700)
Carrying value of customer relationships	1,132,100	816,300
Goodwill - at cost	104,000	-
Carrying value of goodwill	104,000	-
Total carrying value of intangible assets	8,038,281	7,629,708

9. Trade and other payables

	31-Dec-20	30-Jun-20
	\$	\$
Current		
Trade payables	696,271	1,505,136
Deferred consideration	1,105,552	464,156
Sundry payables	971,448	20,829
Total trade and other payables	2,773,271	1,990,121

Notes to the financial statements For the half-year ended 31 December 2020

10. Borrowings

	31-Dec-20	30-Jun-20
	\$	\$
Borrowings	532,561	93,625
Total borrowings	532,561	93,625

11. Provisions

	31-Dec-20	30-Jun-20
	\$	\$
Current		
Employee Benefits	799,492	690,072
Non-Current		
Employee Benefits	195,119	141,297
Total provisions	994,611	831,369

12. Contributed equity

(a) Share capital

	31-Dec-20	30-Jun-20	31-Dec-20	30-Jun-20
	Number	Number	\$	\$
Ordinary shares	348,295,321	345,376,412	31,182,572	30,487,972
Total share capital			31,182,572	30,487,972

(b) Movements in ordinary share capital

	Date	Number	Average price	\$
Reconciliation to 30 June 2020:				
Balance at 1 January 2020		343,563,017		30,485,829
Capitalised equity raising costs (net of tax)				
Movements in ordinary shares:				
Issue of shares in lieu of interest loan payable	13-Feb-20	13,395	0.160	2,143
Issue of ESP shares	20-May-20	1,800,000	0.160	-
Balance at 30 June 2020		345,376,412		30,487,972

Notes to the financial statements For the half-year ended 31 December 2020

	Date	Number	Unit price	\$
Reconciliation to 31 December 2020:				
Balance at 1 July 2020		345,376,412		30,487,972
Movements in ordinary shares:				
Conversion of ESP shares to ordinary shares	6-Aug-20	350,000	\$0.099	34,720
Conversion of ESP shares to ordinary shares	6-Aug-20	(350,000)	-	-
Conversion of EOP shares to ordinary shares	6-Aug-20	977,720	\$0.163	159,643
Issue of shares in lieu of loan interest payable	16-Nov-20	12,355	\$0.160	1,977
Issue of shares in lieu of Directors Fees	1-Dec-20	871,596	\$0.257	224,000
Conversion of ESP shares to ordinary shares	3-Dec-20	201,000	\$0.237	47,673
Conversion of ESP shares to ordinary shares	3-Dec-20	(201,000)	-	-
Conversion of ESP shares to ordinary shares	3-Dec-20	99,000	\$0.246	24,358
Conversion of ESP shares to ordinary shares	3-Dec-20	(99,000)	-	-
Conversion of EOP shares to ordinary shares	3-Dec-20	78,571	\$0.149	11,710
Conversion of EOP shares to ordinary shares	7-Dec-20	892,953	\$0.161	144,098
Conversion of ESP shares to ordinary shares	11-Dec-20	150,000	\$0.224	33,660
Conversion of ESP shares to ordinary shares	11-Dec-20	(150,000)	-	-
Conversion of EOP shares to ordinary shares	22-Dec-20	85,714	\$0.149	12,762
Balance at 31 December 2020		348,295,321		31,182,572

(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 2020.

(d) Options over unissued ordinary shares

During the period, 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
5,620,532	\$0.00	6 August 2030	\$0.01
23,206,016	\$0.00	1 December 2030	\$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 2020

13. Equity - reserves

	31-Dec-20	30-Jun-20
	\$	\$
Share based payment reserve movements		
Balance at the beginning of the period	3,856,184	1,750,535
Share based payment granted	2,027,614	2,215,299
ESP shares exercised	(49,672)	(109,650)
EOP shares exercised	(307,875)	-
Balance at the end of the period	5,526,251	3,856,184
Share option reserve movements		
Balance at the beginning of the period	382,672	396,259
Share option expense	257,570	-
Expiry of options	-	(13,587)
Balance at the end of the period	640,242	382,672
Foreign currency translation reserve movements		
Balance at the beginning of the period	(409,467)	(206,575)
Currency translation differences arising during the period	170,782	(202,892)
Balance at the end of the period	(238,685)	(409,467)



Notes to the financial statements For the half-year ended 31 December 2020

14. Contingent liabilities

There are no contingent liabilities as at 31 December 2020.

15. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2020 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-20	31-Dec-19
	Cents per share	Cents per share
(a) Basic earnings per share		
Basic EPS attributable to ordinary equity holders of the Company	(0.5)	(0.6)
(b) Diluted earnings per share	(0.4)	(0.5)
(c) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	346,435,276	320,360,809
Weighted average number of dilutive options outstanding	54,242,117	29,510,820
Weighted average number of ordinary shares used in calculating diluted EPS	400,677,393	349,871,629
(d) Reconciliation of earnings used in calculating earnings per share	\$	\$
Loss attributable to the ordinary equity holders of the Company used in calculating basic EPS	(1,569,872)	(1,900,302)



Notes to the financial statements For the half-year ended 31 December 2020

17. Acquisition of Blix

On 16 September 2020, the Company announced the acquisition of Blix. Blix provides a retail analytics solution to the specialty retail, automotive, property, and transport sectors in Australia and internationally.

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.

The purchase price for the acquisition includes an initial cash consideration of \$150k, a deferred cash payment of up to \$150k plus an earnout payment based on a percentage of annualised Q1 FY22 revenue contribution from current and an agreed pipeline of Blix customers, payable in Q2 FY22 ("Earnout").

Skyfii can elect to pay up to 50% of the Earnout in SKF shares, to be issued at the 15 trading day volume weighted average price of SKF shares prior to payment of the Earnout in Q2 FY22.

Skyfii anticipates the total purchase price to be less than 1 x Annualised Recurring Revenues contributed by Blix customers in the first year of ownership.

Blix's complementary technology solution expands the Skyfii product and service offering. The acquisition provides customers with an affordable 'plug and play' technology solution that will now benefit from Skyfii's global footprint of resellers and direct customer operations across the UK, EMEA and North America.

The acquired trademarks & brands, software, customer relationships and customer contracts have been determined to have useful lives of 5 years, 2 years, 10 years and 3 years respectively. No amount of good will is deductible for tax purposes.

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

	Fair Value \$
Purchase consideration	
Cash	150,000
Deferred Consideration*	696,733
Total Consideration	846,733
Identifiable assets acquired and liabilities assumed	
Intangible Assets - Trademarks & Brand names	246,000
Intangible Assets - Software	63,000
Intangible Assets - Customer relationships	372,000
Intangible Assets - Customer contracts	99,000
Security Deposit	5,000
Prepayments	35,929
Accrued Expenses	(8,779)
Deferred Revenue	(41,868)
Provision of Employee Benefits	(27,549)
Net assets acquired and liabilities assumed	742,733
Goodwill**	104,000

*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 finalised by June 2021. The deferred consideration includes the deferred cash payment of up to \$150,000.

**Goodwill of \$104,000 has been recognised due to Blix's cost effective solution for small to medium sized venues as well as providing further expansion into the lucrative Automotive and Retail sectors.

Revenue and profit resulting from the acquisition of Blix amounting to \$316,000 and \$115,000 respectively, are included in the consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2020. The values stated above are from the acquisition date of 16 September 2020. Due to the Group purchasing key assets and liabilities, it is impractical to determine the revenue and profit had the business been consolidated from 1 July 2020.



Directors' declaration

In the Directors' opinion:

The financial statements and notes, as set out on pages 7 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 2020 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,

Andrew Johnson
Chairman

24 February 2021

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

Conclusion

We have reviewed the accompanying half-year financial report of Skyfii Limited, which comprises the consolidated statement of financial position as at 31 December 2020, 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 to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of Skyfii Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2020 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*.

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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 AND CONTROLLED ENTITIES

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

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

GRAHAM WEBB
Partner
Dated: 24 February 2021

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Corporate Directory

Company Directors

Andrew Johnson.....Independent Non-Executive Chairman
 Wayne ArthurChief Executive Officer/Executive Director
 Lincoln Brown.....Independent Non-Executive Director
 Jon AdgemisIndependent Non-Executive Director
 Susan O'MalleyIndependent Non-Executive Director

Company Secretary

Koreen White

Registered Office

5 Ward Avenue
 Potts Point 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



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