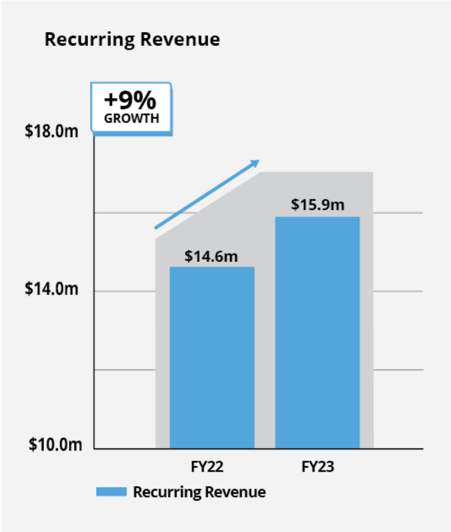
ASX: SKF | 30 August 2023

Positioned for Accelerated Growth

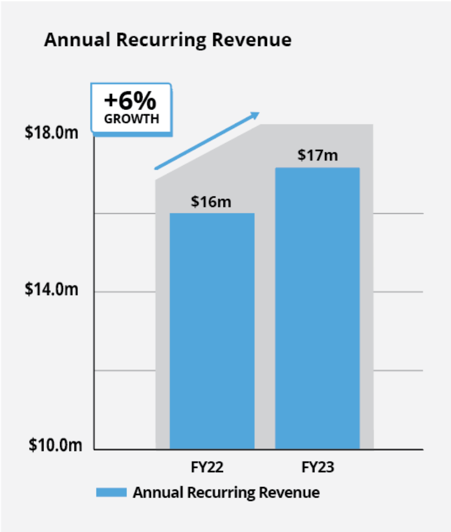
FY23 Financial Highlights

- Total Revenue of $23.5m and Cash Receipts of $27.2m (up 15% on FY22)
- Recurring revenues of $15.9m up 9% vs FY22
- FY23 net operating cash inflow from operations of $0.9m
- Delivered positive Underlying EBITDA[1] in 2H FY23 of $6k and FY23 Underlying EBITDA loss of $1.7m
- Annualised Recurring Revenue (ARR) exited FY23 at $17.0m[2], up 6% qoq and in line with guidance
- Cash at bank of $3.8m



FY23 Operational Highlights

- The Board of Skyfii undertook a strategic review, implementing initiatives including an operating model transformation and a restructure of the cost base with the aim of delivering greater efficiencies to generate improved and sustainable cash flows
- Rolling 12 month pipeline includes over $33m of qualified deals
- Secured over $15.8m in new business Total Contract Value (TCV)[3]
- Key contract wins during the year including London Heathrow Airport, JFK International airport, Nando's Rockefeller Centre NY



Outlook

- Deliver operating cost savings in FY24 through delivery of transformation initiatives to deliver free cash flow in 2H FY24
- Focus on core high-margin, high-growth verticals, specifically airports, stadiums, retail and quick-service restaurants
- Accelerate marketing investments to drive improved conversion and increase market share
- Company to continue its focus on furthering its AI capabilities and delivering new SaaS revenue opportunities

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[1] Underlying EBITDA refers to earnings before interest, tax, depreciation, amortisation, non-cash share based payments and $0.92m of non-recurring costs, primarily employee related restructure costs

[2] Annual Recurring Revenue (ARR) based on monthly contracted recurring revenues as at 30 June 2023 multiplied by twelve months

[3] Total Contract Value refers to the entire revenue generated from a contract and is inclusive of both recurring and non-recurring revenues. Skyfii's typical contract term is ~36 months.

ASX: SKF | 30 August 2023

Commenting on the FY23 results, Skyfii's Chairman Bob Alexander said:

"Skyfii delivered positive unaudited underlying EBITDA in 2H FY23 and continues to experience strong demand for its products and services. We are seeing an increase in the level of requests for proposals as more venues around the globe want to benefit from our people counting and data analytics to improve operations and compliance while delivering a better customer experience. Our 12-month qualified deal pipeline is now at over $33m, with a series of projects in their final stage of implementation and a strong forward pipeline.

We have commenced the implementation of outcomes from our recent strategic review which is aimed at executing on initiatives to drive growth in our core verticals, reset our cost base and deliver greater efficiencies to generate improved and sustainable positive cashflow. Our refreshed strategic focus, coupled with continued positive demand for our technology solutions will position Skyfii to deliver an improved financial performance in FY24."

Key Performance Metrics

	FY20	FY21	FY22	FY23
Total Operating Revenue	$13.5m	$15.9m	$23.6m	$23.5m
Recurring Revenue	$8.8m	$11.3m	$14.6m	$15.9m
ARR	$10.0m	$14.0m	$16.0m	$17.0m
True Gross Margin	66%	64%	58%	56%
Churn	2%	4%	4%	6%

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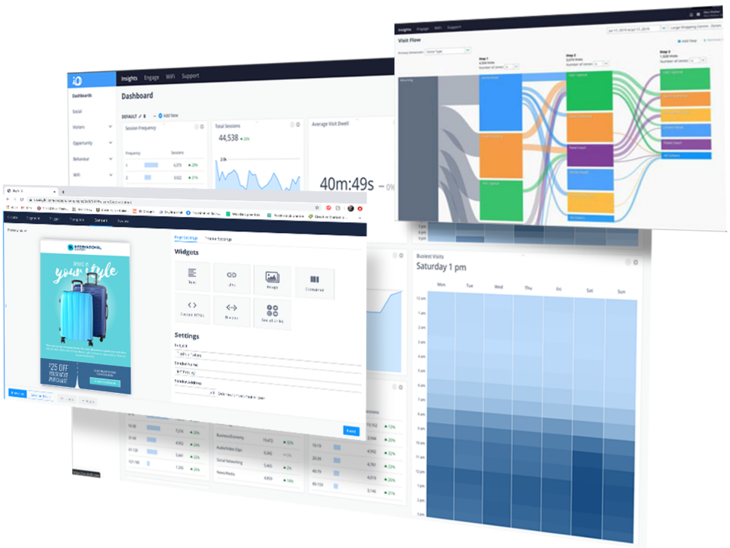
ASX: SKF | 30 August 2023

About Skyfii

Skyfii helps organisations activate the power of their data through technology & human ingenuity, to find new ways to optimise the spaces where we live, work, shop, travel & play.

Skyfii's IO platform unifies your data points one proprietary platform to give you the in needed to solve the complex challenges of present and future.

We ingest data from a diverse range of technologies including WiFi, Camera, People counting, LiDAR, CCTV and IoT devices. We combine these datasets with contextual data like weather, retail sales and sociodemographic to improve operational performance for retailers, airports, stadiums, smart cities and other public and commercial venues.



Skyfii further augments insights generated by the IO Platform with its Data & Marketing Services offering: A team of data science and digital marketing consultants who help our clients harness more value from their data.

This announcement has been approved by Skyfii Limited's Board.

Learn more at www.skyfii.io or follow Skyfii updates at https://au.linkedin.com/company/skyfii

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Appendix 4E
Preliminary final report

1. Company Details

Name of entity:	Skyfii Limited
ABN:	20 009 264 699
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for Announcement to Market

			$
Revenue from ordinary activities	down	0.50%	23,618,817
(Loss) from ordinary activities after tax attributable to the shareholders	down	4.92%	(10,542,247)
(Loss) for the year attributable to shareholders	down	4.92%	(10,542,247)

Dividends
No dividends have been declared for the reporting period.

Comments
The loss for the group after providing for income tax amounted to $10,542,247 (30 June 2022: loss of $11,087,809).

3. Net tangible assets

	2023 cents per share	2022 cents per share
Net tangible asset backing per share	(1.18)	0.34
Net assets per share	1.64	3.37

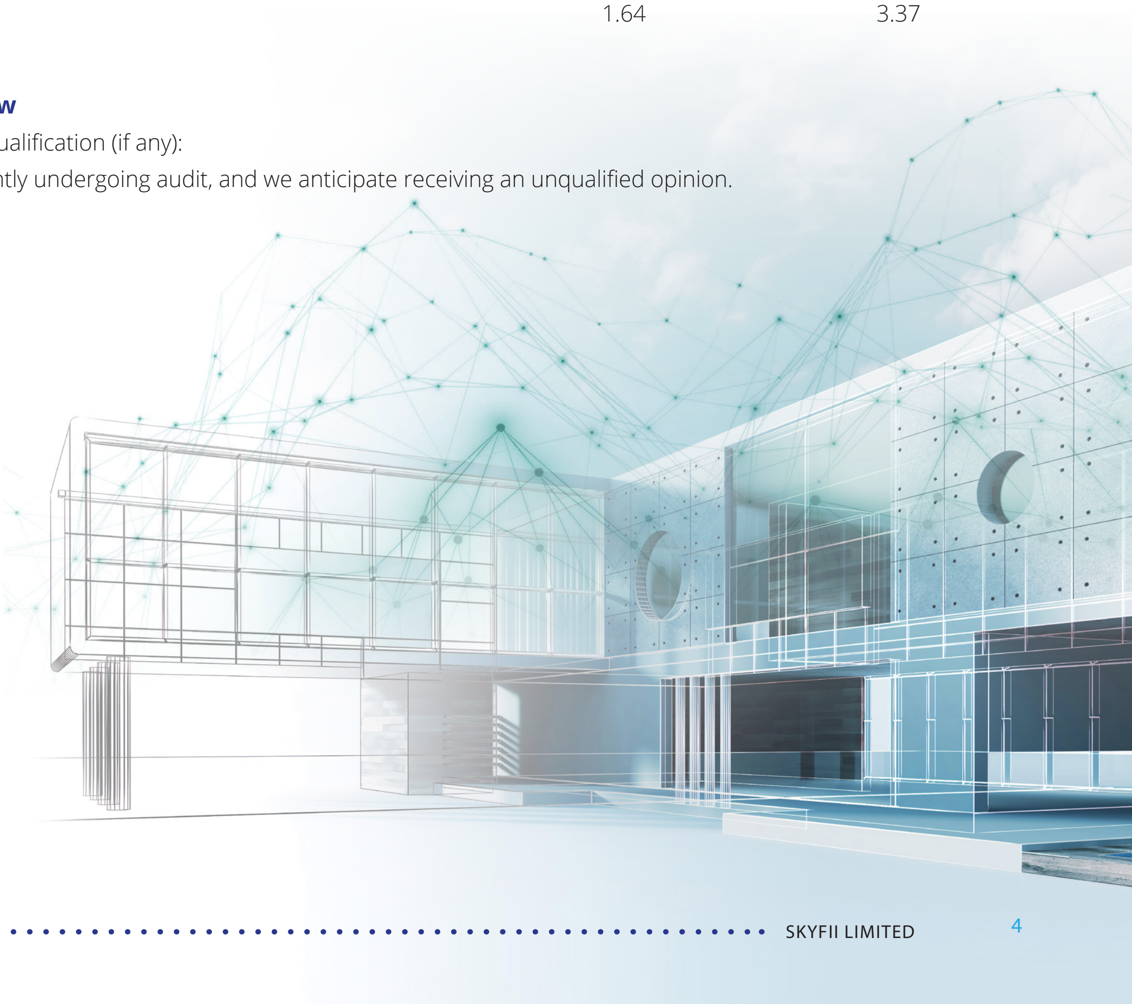
4. Audit qualification or review

Details of audit/review dispute or qualification (if any):
The financial statements are presently undergoing audit, and we anticipate receiving an unqualified opinion.

5. Signed

Robert Alexander
Chairman

30 August 2023



Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2023

	Note	2023 $	2022 $
Revenue and other income			
Revenue	5	23,524,779	23,640,245
Other income	5	94,038	88,822
Total revenue		**23,618,817**	**23,729,067**
Expenses			
Direct costs of services		(5,107,274)	(5,362,875)
Employee benefits expense	6	(15,183,940)	(15,473,650)
Contractor and consultant expenses		(63,936)	(141,659)
Marketing and promotion expenses		(705,057)	(930,432)
Data hosting expenses		(1,078,841)	(992,000)
Travel and accommodation expenses		(432,785)	(336,815)
Office and other expenses		(3,284,978)	(3,553,707)
Directors' fees		(352,372)	(285,875)
Share based payments expense		(2,555,114)	(3,685,988)
Depreciation and amortisation expenses	6	(4,229,254)	(4,774,630)
Finance costs	6	(168,232)	(50,833)
Total expenses		**(33,161,783)**	**(35,588,464)**
Loss before tax		**(9,542,966)**	**(11,859,398)**
Income tax (expense)/benefit	7	(999,281)	771,589
Loss for the year		**(10,542,247)**	**(11,087,809)**
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations		(8,096)	(647,923)
Total comprehensive loss for the year		**(10,550,343)**	**(11,735,732)**
Earnings per share		**Cents**	**Cents**
Basic earnings per share	30	(2.41)	(2.52)
Diluted earnings per share	30	(2.14)	(2.19)

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 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	3,788,281	5,122,538
Trade and other receivables	9	4,700,706	5,747,036
R&D tax incentive receivable		-	935,564
Inventories	10	353,501	287,466
Other assets	11	1,175,859	878,470
Total current assets		**10,018,346**	**12,971,074**
Non-current assets			
Fixed assets	12	865,577	361,510
Intangible assets	13	12,134,806	13,303,000
Other assets	11	73,517	113,231
Total non-current assets		**13,073,900**	**13,777,741**
Total assets		**23,092,246**	**26,748,815**
Liabilities			
Current liabilities			
Trade and other payables	14	4,546,261	4,391,531
Borrowings	15	2,064,096	884,345
Provisions	16	1,460,229	1,249,805
Current tax liabilities	7	22,595	67,456
Contract liabilities	17	6,191,739	4,230,788
Total current liabilities		**14,284,920**	**10,823,925**
Non-current liabilities			
Provisions	16	497,785	389,311
Contract liabilities	17	1,248,468	750,858
Total non-current liabilities		**1,746,253**	**1,140,169**
Total liabilities		**16,031,173**	**11,964,094**
Net assets		**7,061,073**	**14,784,721**
Equity			
Contributed equity	18	50,342,228	49,395,316
Reserves	19	10,917,526	9,045,839
Accumulated losses		(54,198,681)	(43,656,434)
Total equity		**7,061,073**	**14,784,721**

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 2023

	Note	Contributed equity $	Share based payments reserve $	Share option reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021		42,616,044	7,225,513	691,666	(257,674)	(33,208,868)	17,066,681
Loss for the year		-	-	-	-	(11,087,809)	(11,087,809)
Exchange differences on translation of foreign operations		-	-	-	(647,923)	-	(647,923)
Total comprehensive loss for the year		**-**	**-**	**-**	**(647,923)**	**(11,087,809)**	**(11,735,732)**
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	18	5,174,719	-	-	-	-	5,174,719
Exercise of ESP Shares	18 &19	822,561	(286,461)	-	-	-	536,100
Exercise of EOP Options	18 &19	781,992	(725,028)	-	-	-	56,964
Expiry of Options	19	-		(640,242)	-	640,242	-
Share based payments reserve	19	-	3,685,988	-	-	-	3,685,988
Balance at 30 June 2022		**49,395,316**	**9,900,012**	**51,424**	**(905,597)**	**(43,656,434)**	**14,784,721**

	Note	Contributed equity $	Share based payments reserve $	Share option reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022		49,395,316	9,900,012	51,424	(905,597)	(43,656,434)	14,784,721
Loss for the year		-	-	-	-	(10,542,247)	(10,542,247)
Exchange differences on translation of foreign operations		-	-	-	(8,096)	-	(8,096)
Total comprehensive loss for the year		**-**	**-**	**-**	**(8,096)**	**(10,542,247)**	**(10,550,343)**
Transactions with owners in their capacity as owners:							
Exercise of ESP Shares	18 &19	447,136	(152,536)	-	-	-	294,600
Exercise of EOP Options	18 &19	535,839	(522,795)	-	-	-	13,045
Share based payments reserve	18 &19	(36,063)	2,555,114	-	-	-	2,519,051
Balance at 30 June 2023		**50,342,228**	**11,779,795**	**51,424**	**(913,693)**	**(54,198,681)**	**7,061,073**

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 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		27,176,301	23,685,469
Payments to suppliers and employees		(26,047,397)	(26,425,844)
Receipts from government R&D tax incentive & other government grants		36,600	1,147,827
Interest received		57,438	17,295
Interest paid		(168,232)	(50,833)
Income tax paid		(107,087)	(210,644)
Net cash inflow from operating activities	29	**947,624**	**(1,836,730)**
Cash flows from investing activities			
Payments for fixed assets		(774,216)	(330,083)
Payments for intangible assets		(2,790,910)	(2,408,976)
Payments for acquisitions		-	(314,372)
Refunds/(Payments) for security deposits		24,973	(11,795)
Net cash (outflow) from investing activities		**(3,540,153)**	**(3,065,226)**
Cash flows from financing activities			
Proceeds from issue of shares, net of capital raising costs		88,273	548,064
Proceeds from borrowings		3,850,000	880,000
Repayment of borrowings		(2,680,000)	-
Net cash inflow from financing activities		**1,258,273**	**1,428,064**
Net (decrease)/increase in cash		**(1,334,257)**	**(3,473,892)**
Cash at the beginning of the year		5,122,538	8,596,430
Cash at the end of the year	8	**3,788,281**	**5,122,538**

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

Notes to the financial statements

For the year ended 30 June 2023

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 5 Ward Avenue Potts Point NSW 2011.The consolidated financial statements of the Company as at and for the year ended 30 June 2023 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 2023 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(x).

(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 2023 the Group incurred a loss after tax of $10,542,247 of which $6,784,368 are non-cash transactions including depreciation, amortisation and share based payments. At 30 June 2023, the Group had a surplus in net assets of $7,061,073.

The Company has maintained a loan facility of $1.8 million from Export Finance Australia. The loan facility is a rolling 12-month agreement, with the next renewal date scheduled for 29 September 2023. Interest on the loan facility is payable quarterly, with a total annual interest rate of 10.39% on funds drawn down and 1.5% on funds undrawn. Under the terms of the facility, repayment of the loan amount is due within six months post the date of the last drawdown. In the event of the facility's expiration, repayment of the loan amount is due within six months from the expiry date. The financial covenants include a minimum of $3 million cash at bank balance including the loan facility and is assessed at the end of each quarter.

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

The Directors of the Company consider that the cash flow projections and assumptions are achievable, 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 statements.

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 its 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 27.

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 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

Notes to the financial statements continued

For the year ended 30 June 2023

income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other 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 other comprehensive income.

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

(c) Goodwill

Goodwill is carried at cost, less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred at fair value;

(ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost, is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree, either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(d) 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.

(e) 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.

(f) Fixed Assets

Fixed Assets are 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 fixed assets 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.
- Infrastructure as a Service equipment: 3 – 5 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.

(g) 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%.

Notes to the financial statements continued

For the year ended 30 June 2023

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 three and six years.

Brand Names & Trademarks

Brand Names and Trademarks 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 five and seven 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 up to five years.

Customer relationships

Customer relationships 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 ten years.

Patents

Patents 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.

(h) 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 wage 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.

(i) Borrowing costs

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

(j) 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.

(k) 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.

(l) 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.

(m) Revenue recognition

The Group recognises revenue in accordance with AASB 15: Revenue from Contracts with Customers. Revenue is recognised when (or as) the control of goods or services is transferred to the customer for the amount expected to be entitled.

Recurring SaaS revenue is recognised over time, for the duration of the contracted term. The transaction price is determined in the contract and revenue is recognised to the extent that each performance obligation has been satisfied.

Non-recurring revenue including hardware, installation and setup costs is recognised at a point in time when control of the goods or services is transferred to the customer. This is also the case for project-based revenue.

In the case where products and services are sold as a package, such as a design and build, separate revenue elements are identified, unbundled and recognised as each performance obligation is satisfied.

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

(n) 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.

(o) 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.

(p) 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.

(q) 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 (i.e. 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.

Notes to the financial statements continued

For the year ended 30 June 2023

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 relationship).

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.

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 value (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.

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 were 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 a 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 (i.e. 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, and
- the simplified approach

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).

Notes to the financial statements continued

For the year ended 30 June 2023

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 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.

(r) 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 or 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.

(s) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. 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 makers has been identified as the Board of Directors.

(u) 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.

(v) 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.

(w) Government Grants

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. Grants relating to expense items are recognised against the expense over the periods necessary to match the grant to the costs to the compensating expense. This includes the JobKeeper wage subsidy in Australia as well as the SBA forgivable loan in the United States.

(x) 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 2023 of $12,134,806.

R&D tax incentive

In prior periods, the Group qualified for the R&D tax incentive offset. However, in FY23 as the Group's total revenue has exceeded the $20 million ATO threshold, this resulted in the Company no longer being eligible to receive the R&D tax incentive as a cash payment.

Provision for Impairment of Trade Receivables

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(y) New and Amended Accounting Policies Adopted by the Group

Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions

AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: Business Combinations, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the financial statements continued

For the year ended 30 June 2023

4. Operating segments

The Group operates predominantly in three geographical segments, being the development and commercialisation of data analytics, marketing and advertising services to its customers in APAC, Americas and EMEA. 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.

FY23	APAC	Americas	EMEA	Total
Revenue	10,846,532	6,703,844	5,974,403	23,524,779
Other income	94,038	-	-	94,038
Total revenue	**10,940,570**	**6,703,844**	**5,974,403**	**23,618,817**
Segment net profit	**8,088,348**	**4,940,990**	**4,403,364**	**17,432,702**
Employee benefits expense				(15,183,940)
Depreciation and amortisation expenses				(4,229,254)
Other Expenses				(7,394,242)
Finance Costs				(168,232)
Loss before tax				**(9,542,966)**
Income tax benefit				(999,281)
Loss for the year				**(10,542,247)**

FY22	APAC	Americas	EMEA	Total
Revenue	12,604,055	6,393,719	4,642,471	23,640,245
Other income	88,822	-	-	88,822
Total revenue	**12,692,877**	**6,393,719**	**4,642,471**	**23,729,067**
Segment net profit	**9,304,705**	**4,674,985**	**3,394,502**	**17,374,192**
Employee benefits expense				(15,473,650)
Depreciation and amortisation expenses				(4,774,630)
Other Expenses				(8,934,475)
Finance Costs				(50,833)
Loss before tax				**(11,859,398)**
Income tax benefit				771,589
Loss for the year				**(11,087,809)**

5. Revenue and other income

	2023 $	2022 $
Revenue at a point in time (non-recurring)	7,598,879	9,024,816
Revenue over a period of time (recurring)	15,925,900	14,615,429
Revenue from contracts with customers [(1)]	**23,524,779**	**23,640,245**

(1) Disaggregation of revenue by geographical markets is disclosed in Note 4 to the financial statements.

	2023 $	2022 $
Export market development grant	36,600	67,379
Interest income	57,438	21,443
Total other income	**94,038**	**88,822**
Total revenue	**23,618,817**	**23,729,067**

6. Expenses

	Note	2023 $	2022 $
Employee			
Salaries and related expenses (including superannuation)		14,098,630	14,955,248
Other employment costs		1,085,310	518,402
Total employee benefits expense		**15,183,940**	**15,473,650**
Depreciation and amortisation			
Fixed assets depreciation	12	270,150	248,414
Intangible amortisation	13	3,959,104	4,526,216
Total depreciation and amortisation expenses		**4,229,254**	**4,774,630**
Rental expense relating to operating leases			
Minimum lease payments		-	-
Rent recovery from sub-lease agreements		-	-
Net rental expense relating to operating leases		**-**	**-**
Net foreign exchange (gains)/losses		**(61,909)**	**89,393**
Provision for doubtful debts		**62,398**	**62,398**
Finance costs			
Interest expense		**168,232**	**50,833**

Notes to the financial statements continued

For the year ended 30 June 2023

7. Income tax

	Note	2023 $	2022 $
(a) Income tax			
Current tax		15,063	(852,790)
Deferred tax		984,218	81,202
Income tax (benefit)		**999,281**	**(771,589)**
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable			
Loss from ordinary activities before income tax expense		(9,542,966)	(11,859,398)
Tax at the Australian rate of 25% (2022:25%)		(2,740,875)	(2,964,850)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:			
R&D write back/(tax incentive)		801,765	(859,882)
Difference in tax rates		143	(5,917)
Benefit of tax losses/ timing differences not recognised		1,939,782	693,371
Deferred tax liability derecognised		(91,388)	654,585
Other non-allowable items		1,089,854	1,711,104
Income tax (benefit)		**999,281**	**(771,589)**
(c) Current tax liabilities			
Income tax payable in overseas jurisdictions		22,595	67,456
(d) Deferred tax liabilities			
Deferred tax liabilities		-	-
Franking credits			
Franking credits available at the reporting date based on a tax rate of 25% (2022:25%)		-	-

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: $4,361,277 (2022: $3,949,189)
- tax losses: operating losses $22,169,945 (2022: $14,417,410)
- tax losses: capital losses $16,911 (2022: $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

	2023 $	2022 $
Current		
Cash at bank and on hand	3,788,281	5,122,538
Total cash and cash equivalents	**3,788,281**	**5,122,538**

9. Trade and other receivables

	2023 $	2022 $
Current		
Trade receivables	3,891,240	4,153,633
Provision for expected credit losses	(62,398)	(62,398)
Net trade receivables	**3,828,842**	**4,091,235**
Other debtors	871,864	1,655,801
Total current trade and other receivables	**4,700,706**	**5,747,036**

(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 2023 has been determined as follows; the expected credit losses also incorporates forward looking information.

2023	**Current**	**>30 days**	**>60 days**	**>90 days**	**Total**
Expected loss rate	0%	0%	0%	34%	2%
Gross carrying amount	$3,337,739	$338,415	$31,806	$183,280	$3,891,240
Loss allowing provision	$0	$0	$0	$62,398	$62,398

2022	**Current**	**>30 days**	**>60 days**	**>90 days**	**Total**
Expected loss rate	0%	0%	10%	12%	2%
Gross carrying amount	$3,185,022	$368,685	$372,443	$227,483	$4,153,633
Loss allowing provision	$0	$0	$36,126	$26,272	$62,398

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

10. Inventories

	2023 $	2022 $
Current		
Inventories	353,501	287,466
Total Inventories	**353,501**	**287,466**

Notes to the financial statements continued

For the year ended 30 June 2023

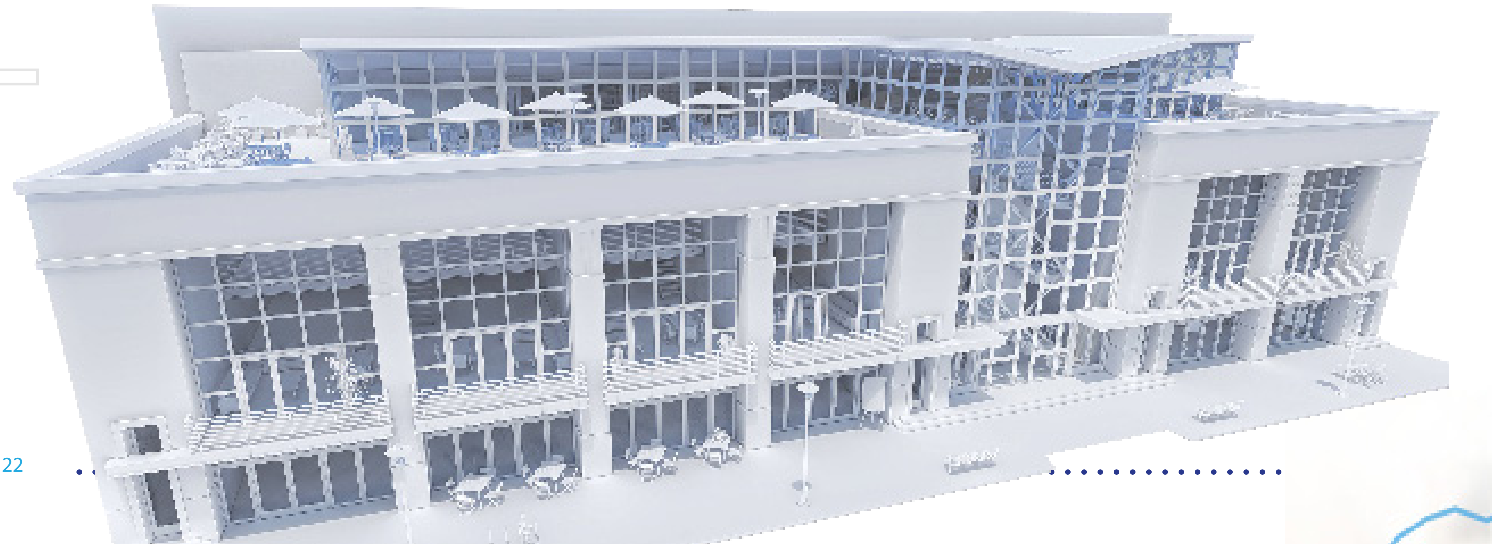
11. Other assets

	2023 $	2022 $
Current		
Prepayments	883,256	769,353
Security Deposits	10,045	35,018
Other	282,557	74,100
Non Current		
Prepayments	73,517	113,231
Total other assets	**1,249,376**	**991,702**

12. Fixed Assets

	2023 $	2022 $
Non-current		
Fixed Assets – at cost	3,790,089	3,015,873
Accumulated depreciation	(2,924,512)	(2,654,363)
Carrying value of fixed assets	**865,577**	**361,510**
Total carrying value of fixed assets	**865,577**	**361,510**

	Office and Computer Equipment	Infrastructure as a Service Equipment	Total $
Balance at 1 July 2021	279,842	-	279,842
Additions	95,777	234,305	330,082
Depreciation	(222,550)	(25,864)	(248,414)
Balance at 30 June 2022	**153,069**	**208,441**	**361,510**
Balance at 1 July 2022	153,069	208,441	361,510
Additions	220,092	554,124	774,217
Depreciation	(83,180)	(186,970)	(270,150)
Balance at 30 June 2023	**289,981**	**575,595**	**865,577**



13. Intangible assets

	2023 $	2022 $
Non-current		
Software development – at cost	18,255,238	15,464,328
Accumulated amortisation	(12,981,199)	(10,742,438)
Carrying value of software development	**5,274,038**	**4,721,890**
Non-current		
Customer Contracts – at cost	2,250,176	2,250,176
Accumulated amortisation	(1,428,507)	(1,137,978)
Carrying value of customer contracts	**821,669**	**1,112,198**
Non-current		
Brand Names – at cost	3,197,342	3,197,342
Accumulated amortisation	(1,624,774)	(1,144,925)
Carrying value of brand names	**1,572,568**	**2,052,417**
Non-current		
Software – at cost	5,249,637	5,249,637
Accumulated amortisation	(4,057,236)	(3,579,847)
Carrying value of software	**1,192,401**	**1,669,790**
Non-current		
Customer relationships – at cost	4,282,765	4,282,765
Accumulated amortisation	(1,130,457)	(702,180)
Carrying value of customer relationships	**3,152,308**	**3,580,585**
Non-current		
Patents – at cost	221,494	221,494
Accumulated amortisation	(99,672)	(55,374)
Carrying value of patents	**121,822**	**166,120**
Total carrying value of intangible assets	**12,134,806**	**13,303,000**

Notes to the financial statements continued

For the year ended 30 June 2023

	Software development	Customer contracts	Brand names	Software	Customer relationships	Patents	Goodwill	Total
Balance as at 1 July 2021	4,505,549	1,411,183	2,761,214	2,576,079	4,234,950	211,850	784,000	16,484,826
Additions	2,408,976	(8,824)	(14,658)	(11,363)	(244,235)	(1,506)	(784,000)	1,344,390
Amortisation	(2,192,636)	(290,161)	(694,139)	(894,926)	(410,130)	(44,224)	-	(4,526,216)
Balance at June 30 2022	**4,721,889**	**1,112,198**	**2,052,417**	**1,669,791**	**3,580,585**	**166,120**	**-**	**13,303,000**
Balance as at 1 July 2022	4,721,889	1,112,198	2,052,417	1,669,791	3,580,585	166,120	-	13,303,000
Additions	2,790,910	-	-	-	-	-	-	2,790,910
Amortisation	(2,238,761)	(290,529)	(479,849)	(477,390)	(428,277)	(44,299)	-	(3,959,104)
Balance at June 30 2023	**5,274,038**	**821,669**	**1,572,568**	**1,192,401**	**3,152,308**	**121,821**	**-**	**12,134,806**

The group's intangible assets have been assessed as one cash generating unit due to the interconnected way the company's products and services are sold and supplied to its customers. Services are commonly bundled and sold together as an all-inclusive package. Accordingly, these assets are not deemed to generate individually separate cash inflows and outflows.

The recoverable amount of the intangible assets is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of five year weighted average cost of capital (WACC) at the beginning of the budget period.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Revenue: Year 1	15.0%	25.0%
Revenue: Years 2-3	20.0%	25.0%

These cashflow projections use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the group. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Sensitivity analysis

The following tables illustrates sensitivities to the Group's exposures to changes in key assumptions used in the cash flow projections:

Lower case	**Growth Rate**	**Discount Rate**
Revenue: Year 1	10.0%	25.0%
Revenue: Years 2-5	15.0%	25.0%

Upper case	**Growth Rate**	**Discount Rate**
Revenue: Year 1	20.0%	25.0%
Revenue: Years 2-5	30.0%	25.0%

The sensitivity analysis conducted by management indicates that under the lower case scenario there is headroom between the present value of future cash flows and the carrying value of the intangible assets.

14. Trade and other payables

	2023 $	2022 $
Current		
Trade payables	4,139,921	4,154,859
Sundry payables	406,339	236,672
Total trade and other payables	**4,546,261**	**4,391,531**

15. Borrowings

	2023 $	2022 $
Current		
Borrowings	2,064,096	884,345
Total borrowings	**2,064,096**	**884,345**

The Company has obtained a loan facility of $1.8 million from Export Finance Australia. The loan facility is a rolling 12 month agreement, with the next renewal date scheduled for 29 September 2023. Interest on the loan facility is payable quarterly, with a total annual interest rate of 10.39% on funds drawn down and 1.5% on funds undrawn. Under the terms of the facility, repayment terms are payable within six months after the last drawdown. In the event of the facility's expiration, repayment will be payable within six months from the expiry date. The financial covenants include a minimum of $3 million cash at bank balance including the loan facility and is assessed at the end of each quarter. The current drawdown value is $1,800,000 and $13,000 is the accrued interest expense. In addition to the $1.8 million loan, there was a 15- day short term loan provided to assist with the cash management of large capital works projects. The current drawdown value is $250,000 and $1,096 is the accrued interest expense.

16. Provisions

	2023 $	2022 $
Current		
Employee benefits	1,460,228	1,249,805
Non-current		
Employee benefits	497,785	389,311
Total provisions	**1,958,014**	**1,639,116**

17. Contract liabilities

	2023 $	2022 $
Current		
Contract liabilities	6,191,739	4,230,788
Non-current		
Contract liabilities	1,248,468	750,858
Total contract liabilities	**7,440,207**	**4,981,646**

Contract liabilities, previously disclosed as deferred revenues, arise when the company has received advance payments from customers for goods or services. Upon the delivery or performance of these goods or services and in accordance with AASB 15: Revenue from Contracts with Customers, see notes to financial statements section, Note 3 (m) Revenue Recognition, the value will be recognised in the profit and loss statement once performance obligations have been satisfied. This liability is effectively a non-cash liability, given that the advance payments are non-refundable, unless stipulated under exceptional contractual conditions.

Notes to the financial statements continued

For the year ended 30 June 2023

18. Contributed equity

(a) Share capital

	30-Jun-23 Number	30-Jun-22 Number	30-Jun-23 $	30-Jun-22 $
Ordinary shares	431,788,162	438,328,726	50,342,228	49,395,316
Total share capital				

	Date	Number	Unit price	$
Reconciliation to 30 June 2022:				
Balance at 1 July 2021		419,356,484		42,616,044
Equity raising costs (net of tax)				-
Movements in ordinary shares:				
Issued for purchase of CrowdVision acquisition	23-Jul-21	26,673,811	$0.194	5,174,719
Conversion of ESP shares to ordinary shares	20-Sep-21	200,000	$0.065	19,840
Conversion of ESP shares to ordinary shares	20-Sep-21	(200,000)	$0.000	-
Conversion of ESP shares to ordinary shares	24-Sep-21	800,000	$0.077	98,400
Conversion of ESP shares to ordinary shares	24-Sep-21	(800,000)	$0.000	-
Conversion of ESP shares to ordinary shares	1-Oct-21	200,000	$0.065	19,840
Conversion of ESP shares to ordinary shares	1-Oct-21	(200,000)	$0.000	-
Issue of ESP Shares	1-Oct-21	600,000	$0.112	-
ESP shares buy-back	22-Dec-21	(16,073,000)	$0.000	-
Conversion of ESP shares to ordinary shares	23-Dec-21	4,373,076	$0.065	433,809
Conversion of ESP shares to ordinary shares	23-Dec-21	(4,373,076)	$0.000	-
Conversion of EOP options to ordinary shares	23-Dec-21	150,000	$0.010	22,355
Conversion of EOP options to ordinary shares	24-Dec-21	150,000	$0.065	23,541
Issue of ESP Shares	24-Dec-21	2,900,000	$0.100	-
Conversion of ESP shares to ordinary shares	28-Jan-22	2,526,924	$0.065	250,672
Conversion of ESP shares to ordinary shares	28-Jan-22	(2,526,924)	$0.000	-
Conversion of EOP options to ordinary shares	31-Jan-22	4,500,002	$0.010	725,451
Conversion of EOP options to ordinary shares	14-Apr-22	71,429	$0.010	10,645
Balance at 30 June 2022		**438,328,726**		**49,395,316**

Reconciliation to 30 June 2023:				
Balance at 1 July 2022		**438,328,726**		**49,395,316**
Equity raising costs (net of tax)				-
Movements in ordinary shares:				
Issue of ESP Shares	13-Oct-22	1,000,000	$0.046	-
Conversion of ESP shares to ordinary shares	14-Dec-22	800,000	$0.086	69,056
Conversion of ESP shares to ordinary shares	14-Dec-22	(800,000)	$0.000	-
Conversion of ESP shares to ordinary shares	14-Dec-22	3,400,000	$0.111	378,080
Conversion of ESP shares to ordinary shares	14-Dec-22	(3,400,000)	$0.000	-
ESP shares buy-back	30-Dec-22	(4,100,000)	$0.000	-
Conversion of EOP options to ordinary shares	11-Jan-23	1,304,478	$0.165	215,559
Conversion of EOP options to ordinary shares	30-Jan-23	2,069,773	$0.155	320,280
FPO shares buy-back	24-Apr-23	(1,864,815)	$0.000	-
ESP shares buy-back	24-Apr-23	(2,600,000)	$0.000	-
ESP shares buy-back	27-Jun-23	(1,050,000)	$0.000	-
ESP shares buy-back	29-Jun-23	(1,300,000)	$0.000	-
Prior year adjustment	30-Jun-23	-	$0.000	(36,063)
Balance at 30 June 2023		**431,788,162**		**50,342,228**

Notes to the financial statements continued

For the year ended 30 June 2023

(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 24.

(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 and refreshed on 23 November 2021 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 year are as follows:

Number of options	Grant date	Option consideration	Expiry date	Exercise price per option
23,206,018	1 December 2020	$0.00	1 December 2030	$0.01
5,620,532	6 August 2020	$0.00	6 August 2021	$0.01
20,712,421	25 November 2019	$0.00	25 November 2029	$0.01
1,892,282	21 January 2019	$0.00	21 January 2029	$0.01
16,943,289	28 December 2018	$0.00	28 December 2028	$0.01
47,799	13 October 2022	$0.00	13 October 2032	$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.

19. Equity – reserves

(a) Movements

	2023 $	2022 $
Share based payment reserve movements		
Balance at the beginning of the year	9,900,012	7,225,513
Share based payment expense	1,879,783	2,674,499
Balance at the end of the year	**11,779,795**	**9,900,012**
Share option reserve movements		
Balance at the beginning of the year	51,424	691,666
Share option expense	-	(640,242)
Balance at the end of the year	**51,424**	**51,424**
Foreign currency translation reserve movements		
Balance at the beginning of the year	(905,597)	(257,674)
Currency translation differences arising during the year	(8,096)	(647,923)
Balance at the end of the year	**(913,693)**	**(905,597)**
Total reserves	**10,917,526**	**9,045,839**

(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 2023

20. 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	2023 $	2022 $
Financial Assets			
Cash and cash equivalents	8	3,788,281	5,122,538
Trade and other receivables	9	4,700,706	5,747,036
R&D tax incentive receivable		-	935,564
Total financial assets		**8,488,986**	**11,805,138**
Financial Liabilities			
Trade and other payables	14	4,546,261	4,391,531
Borrowings	15	2,064,096	884,345
Total financial liabilities		**6,610,357**	**5,275,876**

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

Foreign 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 be 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, given the level of borrowings drawn down at balance date.

(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. A doubtful debt provision of $62,398 has been recognised during the financial year (2022: $62,398).

(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

The Company has obtained a loan facility of $1.8 million from Export Finance Australia. The loan facility is a rolling 12 month agreement, with the next renewal date scheduled for 29 September 2023. Interest on the loan facility is payable quarterly, with a total annual interest rate of 10.39% on funds drawn down and 1.5% on funds undrawn. Under the terms of the facility, repayment of the loan amount is due within six months post the date of the last drawdown. In the event of the facility's expiration, repayment of the loan amount is due within six months from the expiry date. The financial covenants include a minimum of $3 million cash at bank balance including the loan facility and is assessed at the end of each quarter. The current drawdown value is $1,800,000 and $13,000 is the accrued interest expense. In addition to the $1.8 million loan, there was a 15- day short term loan provided to assist with the cash management of large capital works projects. The current drawdown value is $250,000 and $1,096 is the accrued interest expense.

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 $
FY 2023				
Non-derivatives				
Trade and other payables	4,546,261	-	-	-
Borrowings	2,064,096	-	-	-
Total	**6,610,357**	**-**	**-**	**-**
FY 2022				
Non-derivatives				
Trade and other payables	4,391,531	-	-	-
Borrowings	884,345	-	-	-
Total	**5,275,876**	**-**	**-**	**-**

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.

Notes to the financial statements continued

For the year ended 30 June 2023

21. 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:

	2023 $	2022 $
Hall Chadwick		
Audit and review of financial reports	108,000	98,584
Tax compliance services	8,000	7,500
Total	**116,000**	**106,084**

22. Contingent liabilities

There are no other contingent liabilities as at 30 June 2023 (30 June 2022: nil).

23. Commitments for expenditure

There are no commitments for expenditure as at 30 June 2023 (30 June 2022: nil).

24. 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. The plan was refreshed at the 2018 AGM on 29 November 2018 and again at the 2021 AGM on 23 November 2021.

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 2023

(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	Converted to ordinary shares	Forfeited / cancelled	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
FY 2023								
13-Oct-22	$0.046	-	1,000,000	-	-	1,000,000	250,000	750,000
23-Dec-21	$0.100	2,900,000	-	-	(900,000)	2,000,000	2,000,000	-
1-Oct-21	$0.112	600,000	-	-	(200,000)	400,000	400,000	-
7-Jan-21	$0.210	1,700,000	-	-	(900,000)	800,000	800,000	-
11-May-20	$0.131	800,000	-	-	(200,000)	600,000	600,000	-
25-Nov-19	$0.160	6,300,000	-	-	(1,500,000)	4,800,000	4,800,000	-
28-Dec-18	$0.149	3,200,000	-	-	(700,000)	2,500,000	2,500,000	-
8-Jun-18	$0.147	800,000	-	-	(800,000)	-	-	-
1-Feb-18	$0.156	200,000	-	-	(200,000)	-	-	-
13-Dec-17	$0.073	6,000,000	-	(3,400,000)	(2,600,000)	-	-	-
1-Oct-17	$0.058	800,000	-	(800,000)	-	-	-	-
22-Dec-16	$0.065	1,050,000	-	-	(1,050,000)	-	-	-
Total		**24,350,000**	**1,000,000**	**(4,200,000)**	**(9,050,000)**	**12,100,000**	**11,350,000**	**750,000**

Grant date	Issue price	Balance at start of year	Granted/ issued	Converted to ordinary shares	Forfeited / cancelled	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
FY 2022								
23-Dec-21	$0.100	-	2,900,000	-	-	2,900,000	-	2,900,000
1-Oct-21	$0.112	-	600,000	-	-	600,000	-	600,000
7-Jan-21	$0.210	1,700,000	-	-	-	1,700,000	561,000	1,139,000
11-May-20	$0.131	800,000	-	-	-	800,000	528,000	272,000
25-Nov-19	$0.160	6,500,000	-	-	(200,000)	6,300,000	4,158,000	2,142,000
28-Dec-18	$0.149	3,200,000	-	-	-	3,200,000	3,200,000	-
8-Jun-18	$0.147	800,000	-	-	-	800,000	800,000	-
1-Feb-18	$0.156	400,000	-	-	(200,000)	200,000	200,000	-
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	8,350,000	-	(7,300,000)	-	1,050,000	1,050,000	-
21-Sep-16	$0.077	800,000	-	(800,000)	-	-	-	-
Total		**29,350,000**	**3,500,000**	**(8,100,000)**	**(400,000)**	**24,350,000**	**17,297,000**	**7,053,000**

(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 plan was refreshed at the 2021 AGM on 23 November 2021.

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.

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	Exercised	Forfeited / cancelled	Balance at end of year	Balance of vested EOP shares	Balance of unvested EOP shares
FY 2023								
13-Oct-22	$0.044	-	47,799	-	-	47,799	47,799	-
24-Dec-21	$0.099	20,000	-	-	-	20,000	20,000	-
1-Dec-20	$0.249	22,744,995	-	-	-	22,744,995	11,659,957	11,085,038
6-Aug-20	$0.139	3,220,723	-	-	(598,573)	2,622,150	2,622,150	-
25-Nov-19	$0.157	18,283,045	-	(2,089,674)	-	16,193,371	13,951,760	2,241,611
21-Jan-19	$0.151	1,892,282	-	(212,282)	-	1,680,000	1,680,000	-
28-Dec-18	$0.151	11,038,739	-	(1,072,295)	-	9,966,444	9,966,444	-
Total		**57,199,784**	**47,799**	**(3,374,251)**	**(598,573)**	**53,274,759**	**39,948,110**	**13,326,649**
FY 2022								
24-Dec-21	$0.099	-	170,000	(150,000)	-	20,000	20,000	-
1-Dec-20	$0.249	22,744,995	-	-	-	22,744,995	8,560,372	14,184,623
6-Aug-20	$0.139	5,119,932	-	(1,899,209)	-	3,220,723	3,220,723	-
25-Nov-19	$0.157	19,543,908	-	(1,260,863)	-	18,283,045	16,041,434	2,241,611
21-Jan-19	$0.151	1,892,282	-	-	-	1,892,282	1,892,282	-
28-Dec-18	$0.151	12,942,954	-	(1,904,215)	-	11,038,739	11,038,739	-
Total		**62,244,071**	**170,000**	**(5,214,287)**	**-**	**57,199,784**	**40,773,550**	**16,426,234**

Notes to the financial statements continued

For the year ended 30 June 2023

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 is five years and EOP Loan is ten 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 $0.022 per option (2022: $0.099). 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 2023 include:

- Weighted average exercise price: various 30 day VWAP at time of issue
- Weighted average life of the option: 5-10 years
- Expected share price volatility: 61-80%
- Risk-free interest rate: 0.24-0.74%

(e) Other share based payments

No other share based payments were issued in 2023 or 2022.

25. 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 27.

(c) Key management personnel compensation	2023 $	2022 $
Short-term employee benefits, including contractor fees	1,503,724	1,753,949
Share based employee benefits	-	-
Other long term benefits	109,360	94,826
Total benefits	**1,613,084**	**1,848,775**

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.

(d) Payable transactions with directors and key management personnel

There were no payable transactions or outstanding balances relating to director and/or key management personnel and entities over which they have control or significant influence.

Other payable transactions with directors and key management personnel

At 30 June 2023 the payable balance outstanding with directors and key management personnel relating to expense reimbursements for supplier payments and business expenses was $nil (2022: $nil).

Other receivable transactions with directors and key management personnel

At 30 June 2023, 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 $14,070 (2021: $17,303).

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 2023

26. Parent entity information

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

	2023 $	2022 $
Statement of comprehensive income		
Loss after tax	(8,249,725)	(6,468,287)
Total comprehensive income	(8,249,725)	(6,468,287)
Statement of financial position		
Current assets	3,692,375	4,136,652
Non-current assets	7,326,962	8,744,045
Total assets	**11,019,337**	**12,880,697**
Current liabilities	15,197,193	19,332,721
Non-current liabilities	-	-
Total liabilities	**15,197,193**	**19,332,721**
Net assets	**26,216,530**	**32,213,419**
Contributed equity	47,255,288	46,377,053
Reserves	11,116,112	9,741,511
Accumulated losses	(32,154,870)	(23,905,145)
Total equity	**26,216,530**	**32,213,419**

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2023 and 30 June 2022.

Capital commitments – plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2023 and 30 June 2022.

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

27. 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:

Parent entity	Country of incorporation	Ownership interest 2023	2022
Skyfii Limited	Australia		
Subsidiaries:			
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%
CrowdVision, Inc	United States of America	100%	100%
Subsidiaries of CrowdVision, Inc:			
CrowdVision Limited	United Kingdom	100%	100%
CrowdVision USA Co	United States of America	100%	100%
WirelessWerx International, Inc.	United States of America	100%	100%

28. Events occurring after the reporting date

On 9 August 2023, the Company announced a CEO transition with Mr Wayne Arthur stepping down as CEO and Mr Antony Karp appointed as Interim CEO. The Board is undertaking a process to identify a full-time CEO, including both internal and external candidates.

There are no other matters or circumstances that have arisen since 30 June 2023 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 2023

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

	2023 $	2022 $
Loss for the year	**(10,542,247)**	**(11,087,809)**
Investment cash flows included in profit & loss:		
Payments for acquisition costs	-	(2,063,517)
Non-cash items in operating loss:		
Depreciation and amortisation	4,229,254	4,774,630
Share based payments	2,555,114	3,685,988
Share option expense	-	-
Directors fees paid by issue of shares	-	-
Interest expense paid by issue of shares	-	-
Bad debt provision	62,398	62,398
Changes in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	1,981,894	(1,025,849)
Decrease / (increase) in prepayments and other assets	(257,675)	(154,286)
Decrease / (increase) in inventories	(66,035)	107,192
Increase / (decrease) in trade and other payables	252,323	2,174,419
Increase / (decrease) in provisions and employee benefits	318,898	460,857
Increase / (decrease) in contract liabilities	2,458,561	1,161,791
Increase / (decrease) in tax liabilities	(44,861)	67,456
Net cash used in operating activities	**947,624**	**(1,836,730)**

30. Earnings per share (EPS)

	2023 Cents per share	2022 Cents per share
(a) Basic earnings per share		
Basic EPS attributable to ordinary equity holders of the Company	(2.41)	(2.52)
(b) Diluted earnings per share		
Diluted EPS attributable to ordinary equity holders of the Company	(2.14)	(2.19)
(c) Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used in calculating basic EPS	437,632,300	439,942,850
Weighted average number of dilutive options outstanding	56,106,691	66,598,017
Weighted average number of ordinary shares used in calculating diluted EPS	493,738,990	506,540,867
(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	(10,542,247)	(11,087,809)

31. Prior Year Acquisition of CrowdVision Inc

On 6 April 2021, the Company acquired CrowdVision Inc and its subsidiaries. During year the Company finalised the settlement with a total enterprise value of $6,341,719 made up of cash consideration of $1,167,000 and shares issued of $5,174,719 issued on completion on 23 July 2021.

CrowdVision is a leading AI and machine learning video analytics and insights company based in North America and the United Kingdom. The company provides automated pedestrian analytics and insights that enables infrastructure operators like airports, transport hubs, retail malls, convention centres and theme parks to act decisively to increase efficiency and profitability, both in the moment and in the future, whilst improving their customers' experience. The CrowdVision real-time analytics platform processes live video input from commercial off the shelf cameras and live LiDAR streams, both of which detect pedestrian movements automatically using sophisticated artificial intelligence and machine learning techniques. CrowdVision outputs live data about everything from passenger and visitor flows, queue management and wait times to processing times, occupancies, social distancing and asset utilization. Live dashboards reveal actionable insights to improve real-time operations, while accumulated historical data provides evidence for planning and investment decisions.

As part of the completion of the CrowdVision acquisition a total of $3.1m in non-recurring payments were required to settle CrowdVision's legacy net debts (including aged payables). The $3.1m cost was offset against the total purchase price paid to the vendors of CrowdVision. However, under the accounting standards, these payments were required to be classified as cash outflows from operating activities. The outflows of $3.1m have to date been settled/paid as follows: $1.3m in Q4 FY21, $1.3m in Q1 FY22, $220k in Q2 FY22, $210k in Q3 FY22 and $70k in Q4 FY22.

The acquired trademarks, software, customer relationships, customer contracts and patents have been determined to have useful lives of 7 years, 5 years, 10 years, 6 years and 5 years respectively. The below fair values are recognised in the financial statements in respect of the CrowdVision acquisition.

	Fair Value $
Purchase consideration	
Cash	1,167,000
Deferred Consideration	5,174,719
Total Consideration	**6,341,719**
Identifiable assets acquired and liabilities assumed	
Intangible Assets - Trademarks	2,156,342
Intangible Assets - Software	1,671,637
Intangible Assets - Customer relationships	3,226,070
Intangible Assets - Customer contracts	1,298,176
Intangible Assets - Patents	221,484
Cash	65,000
Trade Receivables	323,000
Inventories	149,000
Accrued Revenues	205,000
Other Debtors	551,000
Property, plant and equipment	231,000
Trade Payables	(823,000)
Accrued Expenses	(462,000)
Contract liabilities	(790,000)
Tax Payable	(123,000)
Other Creditors	(1,558,000)
Net assets acquired and liabilities assumed	**6,341,719**