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ANNUAL REPORT
2017



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skyfii

Skyfii Limited
ABN 20 009 264 699
Financial report for the year ended 30 June 2017



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Chairmans Letter

Dear Shareholders,

On behalf of the Board of Skyfii Limited (ASX: SKF), I am pleased to open our Annual Report for the year ended 30 June 2017 (FY17).

A range of activities undertaken by your Board and management over the last 12 months has ensured Skyfii is well positioned to prosper as a global provider of data analytics and marketing services.

Key achievements

- Substantial recurring revenue growth from IO platform subscription services up 82%
- Growth of international footprint and into new verticals
- Advanced stage future revenue pipeline grew to \$91 million
- Important relationships solidified and formed with ecosystem partners
- Generation of rich consumer insights as result of the 840 million visitor journeys analysed across our global footprint of venues since inception

We grew overall revenue substantially, up 32% to \$3.2 million of which recurring revenues grew by 82%, and are now recognised across a growing number of industry verticals for our capacity to use data to provide insights and drive specific business outcomes for our clients.

We successfully grew our international footprint, executing agreements with notable global brands, such as Woolworths of South Africa, Wellington International Airport in New Zealand and a premier global food chain in the UK amongst others, in line with our stated FY17 objectives.

Alongside our clients sit a growing number of important relationships within the industry ecosystem which support our business model. We continued to grow and align ourselves with quality partners who are firmly engaged and are pivotal to our continued growth. Two examples of core partner relationships which were either solidified or formed through the year were with Aruba Networks, a Hewlett Packard Enterprise company, and key enabler of location-based services and with Cincinnati Bell, a US provider of integrated communications solutions.

In addition to our partnerships, we further grew channel partner relationships in key geographies during the period who will play an important role in growing the business.

Our capability to add value to our clients continues to grow exponentially. Tangible and quantifiable client use cases now span an increasing number of verticals, for example the addition of education and culture centres, though we maintain a strong anchor in the retail sector with the likes of our tier one clients, Scentre Group, The GPT Group, and more recent wins, One Five One Property and Mirvac.

Further demonstrating Skyfii's value proposition, conversations are now being had with a broader array of internal stakeholders within enterprises, well beyond the traditional Chief Information Officer / Chief Technical Officer engagement route that now include the Chief Marketing Officer and Chief Financial Officer. This expanded stakeholder group is a reflection of Skyfii's ability to solve problems using complex data sets across a range of use cases.

The Skyfii data analytics and marketing platform IO, is able to ingest multiple forms of data, integrating with existing enterprise systems. Above all, the platform provides a dashboard into clients' operations and is also adding value in its ability to make sense of clients' existing operating data. Recognising the importance of these datasets, Data Consulting Services (DCS), a small but growing newly formed division now sits alongside our existing Software as a Service (SaaS) subscription based IO platform that has become synonymous with the Skyfii name.

The value of enterprise data continues to evolve as does the data analytics industry itself. Skyfii's value lies in its position to generate specific datasets to solve for clients' specific problems, using both anonymised and targeted data since inception. The data analytics and marketing platform IO, deployed with our clients, has analysed 840 million visitor journeys and 10 million registered users. Our data is a real insights capability.

Skyfii's value proposition extends across greenfield and brownfield settings. Whether using aggregate data driven insights to redesign entire commercial fit-outs, using heat maps and flow data or drive the design of greenfield footprints such as new lifts and escalators, we now have countless examples of having worked with clients to optimise both asset use and capital allocation.

In marketing, our ability to also capture named users allows our clients to directly engage and market to their customers and prospective customers, such as in retail, university or municipality settings.

FY17 has been a year of strong validation for our business and in further projecting our value potential. The opportunity before us is to capture growing demand in the sector while at the same time increasing our "share of wallet" from existing customers.

Our advanced stage revenue pipeline has continued to grow and now sits at a record all time high of \$91 million. The challenge in the coming year will be to deploy our resources in the most efficient and effective manner while at the same time allowing us to lead the industry.



We have a globally recognised platform, a strong management team and an engaged workforce and partner community which will help us capture and deliver on the opportunities in the increasing markets we operate in.

My fellow Board Director, Andrew Johnson and I would like to thank key executives within the business for their outstanding contribution during the year. CEO and Executive Director, Wayne Arthur who is now based overseas, has shown a relentless drive to grow Skyfii's business internationally, culminating in the recent acquisition of Wicoms and a number of high profile international client wins.

John Rankin, MD of ANZ and global COO, joined us in early FY17, quickly cemented leadership over our Australian operations and has successfully driven the provision of our Data Consulting Services division. This move has brought us closer to our clients who increasingly see us as real problem solvers, backed by real data.

I look forward to what is shaping up to be an incredibly exciting year for Skyfii and its stakeholders as we stretch ourselves to deliver strong revenue growth, expand our footprint in the UK, build a meaningful position in the US, and extend our existing relationships in the ANZ market.

I thank shareholders for their support throughout the year and look forward to keeping you apprised as we hit our FY18 milestones.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'James Scott', written over a light blue horizontal line.

James Scott
Chairman and Non-Executive Director



CEO's letter

Fellow Skyfii Shareholders,

It is a pleasure to write to you, looking back upon what has been a period of considerable achievement within the Skyfii business in FY17.

Highlights

- Recurring revenues up 82% to \$2.0 million and overall revenue up 37% at \$3.2 million
- Large enterprise contract wins; Woolworths of South Africa and Durham University
- Sales and marketing capability strengthened, and resellers engaged in UK and US markets
- Skyfii's data insights capability increasingly recognised by clients
- Emergence of bespoke Data Consulting Services (DCS) and Marketing Services (MS) offering positioned to solve clients' unique challenges

Skyfii achieved significant growth this year, with recurring revenues up at \$2.0 million, a 82% improvement on FY16. Overall revenue reached \$3.2 million, up 37%. Our recurring revenues are locked in across long term contracts, and provide an extremely robust base from which to strive for further growth in FY18.

In line with our stated goal, we invested heavily in growing our sales and marketing capability during the year. This effort led to unlocking growth and considerable new business wins to provide data analytics and marketing services to clients across key geographies and verticals (municipalities, hospitality, transit, education and culture centres), alongside our carefully selected channel partner network.

During the year we signed 10 resellers in the UK and US markets, adopting a less is more approach. Beachhead offices were opened in Dallas in the US and in London in the UK from which we will grow the business regionally. We created strong brand image and shop front for our data analytics and marketing services offering and also promoted the business through attendance at numerous industry events, including presence at Aruba's global events during the year.

These successfully executed initiatives combined with my recent deployment overseas to cover both the UK and US markets, position the business ideally to accelerate revenue growth in FY18 in line with our stated objectives.

The sales pipeline has grown substantially during FY17, up to \$91 million from \$53 million in FY16 which now includes a growing number of verticals. Pilots are underway to enter the casino, sporting venue and small format retail stores verticals. Importantly, we improved our ability to move opportunities through the sales pipeline funnel, and this work has contributed to our improved FY17 revenue result.

Our growth potential has also been positively impacted by our ability to know where clients see need and where Skyfii could be a good fit. Our proximity to clients is now much closer – both geographically and as a result of new consulting services which enable us to become further embedded within the client teams with which we work. We have witnessed very strong retention in our pipeline and are confident of maintaining our continued position as a leader in the sector.

In recent years Skyfii has established a position of expertise in data and analytics in the retail sector. This position is testimony to our depth of contracts across the retail sector, predominantly in Australia, however this expertise is also starting to become recognised across the UK and continental Europe. The recent acquisition (post period) of Wicoms Wireless Ltd, a provider of guest wifi services and user analytics to the retail sector, has enabled Skyfii to establish a profitable European foothold. As part of the Wicoms acquisition, Skyfii acquired the contracts for a portfolio of large-format designer outlet chain stores, operating across 9 countries in North America and Europe.

Reinforcing our ambitions to drive growth through geographic expansion, we had a number of big international wins during the year. A standout was the multi-year agreement we announced in April with international retail giant, Woolworths of South Africa. Under the agreement, Skyfii will roll out its Software as a Service (SaaS), IO platform offering to around 500 stores across an initial three year period. Not only is the agreement with Woolworths impressive on its own, perhaps more gratifying is the fact that this tier one client has referred new leads into our sales pipeline.

Reviewing international operations, the UK had a slow start to the year but ended with a number of major contract wins including with Durham University and a leading UK food chain. The UK now stands as our fastest growing revenue market heading into FY18. The US market has been slower to grow and Skyfii is focused on reshaping the resource plan and building the right team to deliver growth in this market. A number of live tier one pilots sit in our revenue pipeline that have the potential to significantly grow the business. Brazil continues to grow its revenues and build its pipeline.

Assuming responsibility as MD for the ANZ market as well as global COO, John Rankin oversaw further growth during the year culminating in a number of contract wins including Wellington International Airport and National Museum of Australia. John also led domestic growth of the revenue pipeline together with Ian Robinson, Sales Director, ANZ. John's successful appointment has allowed me to relocate overseas and focus on driving international growth in the UK and US markets.



Product innovation continues to be the leading edge of our business. We are focused on ensuring the IO platform remains competitive and able to integrate and ingest data from other platforms and data sources. We can integrate with a broad range of data sources - Google analytics, weather feeds, CCTV, Point of Sale data, Salesforce and MailChimp are but a few. Our long standing Chief Product Officer, Jason Martin, has applied his critical foresight necessary to keep evolving the technology which underlies the IO platforms' data analytics and marketing tools, thereby helping ensure we remain the partner of choice for existing and prospective clients.

Our IO platform is now well known across the market and during the year, we identified the strong need from clients for us to work with them in a more bespoke manner giving rise to consulting services.

The emergence of bespoke data services consulting led to the creation of two new revenue areas within the business, Data Consulting Services (DCS) and Marketing Services (MS).

These services position Skyfii to solve our clients' unique challenges. The IO platform in this setting has demonstrated its ability to serve as a dashboard into clients' operations, including leveraging and making sense of existing often underutilised enterprise data sitting within an organisation.

DCS involves direct client problem solving through the use of data science. MS remains in its infancy and offers huge upside potential, involving assisting clients in running large marketing campaigns. These developments firmly position Skyfii as a data company, correcting the misconception that we are a Wi-Fi provider and further cementing our business model.

I would like to thank our nimble yet fit-for-purpose Board consisting of Chairman, James Scott and Andrew Johnson who I sit alongside. James has been instrumental in facilitating key deal flow discussions. He also provides a tremendous wealth of experience to the organisation in enterprise sales and knowledge around the application and deployment of data backed technology solutions to companies through his senior executive roles. Andrew has delivered wise counsel and governance, while also opening up his network to support Skyfii's growth.

Leading into FY18, the small but focused Skyfii team will further capitalise upon the differentiated positioning we have built in the market as retail experts, while continuing to push for growth in new verticals. We are already seeing strong signs of pipeline activity which position us well to accelerate growth in key geographies in the year ahead, particularly in the UK and the US.

I am excited by what I can see ahead for FY18 and look forward to reporting on our progress along the way.

Sincerely,

Wayne Arthur
CEO and Executive Director

Review of Operations

Skyfii's Business Model

During FY17, the company maintained its categorisation of revenue channels defined as **subscriptions; services and transactions.**

Subscriptions

The company's core recurring revenue base is derived from subscriptions to its Software as a Service (SaaS) IO platform including IO Connect (a data portal where data is collected and unified - data in) , IO Insight (venue performance, customer behaviour and, loyalty & engagement - insights out) and IO Engage (targeted content delivery, automated marketing and monetization) modules. Modules can be purchased packaged, combination or in isolation, and are typically contracted on 1,3 or 5 year terms.

The company continued to expand in its initial core target vertical within the retail sector (a mix of retailers, including department stores and quick service food retail, and shopping centres). FY17 saw the company grow the business into a number of new key verticals discussed later in this section.

During FY17, the company generated revenues from a new marketing and content delivery product (IO Engage). The marketing tools are sold as a subscription on a per account basis, ranging from \$500 - \$5,000 per month, per account and typically on 12 month terms.

Social Dashboard

In 2H FY17, the company launched a new platform feature, the Social Dashboard. The Social Dashboard is an extension of the analytics tool (IO Insights), ingesting key data from Facebook. This toolset enables venues to see a direct correlation between social media engagement and its effect on venue footfall. For any retailer, airport, stadium, municipality or smart city with an active digital marketing strategy, the Social Dashboard provides a platform to measure ongoing social engagement campaigns.

Services

The company's services capabilities include network design, project management, data consulting services (DCS) and marketing services (MS), which is in its infancy, all of which support and underpin revenue generation from the company's IO platform subscription modules (Connect, Insight and Engage).

Network Design & Project Management

The company provides network design and project management services, supporting the deployment of wireless, 3D camera, people counting technology on behalf of its customers. Both services provide customers with access to industry best practice, to guide investment decisions whilst also ensuring an optimal level of accurate and insightful data collection for Skyfii's core data analytics and content delivery services. Fees generated from these services are typically a once-off fee for service, on a per venue basis, and form the base for the company's implementation revenues.

Data Consulting Services (DCS)

The company has continued to build its data science capabilities, now defining this revenue generating service as Data Consulting services (DCS). The DCS service is a key differentiator for the company and supports the sell-through of subscriptions to the IO platform (Connect, Insight and Engage) software as a service. DCS fees are charged on a per project basis or can be charged on a subscription basis typically between 6-36 month periods. .

This business unit solves real business problems for customers including:

1. Shopper research - consumer segmentation, venue performance and shopper sentiment
2. Automation and enrichment - bespoke reporting , data consolidation and CRM enrichment
3. Marketing spend optimisation - audience building, attribution and measurement, testing and experimentation
4. Trade area analysis - real time measurement of venue visitation, conversion and loyalty

The company's data science capability provides a clear differentiator from its competitors, supporting the sell-through of the company's core subscription products and services.

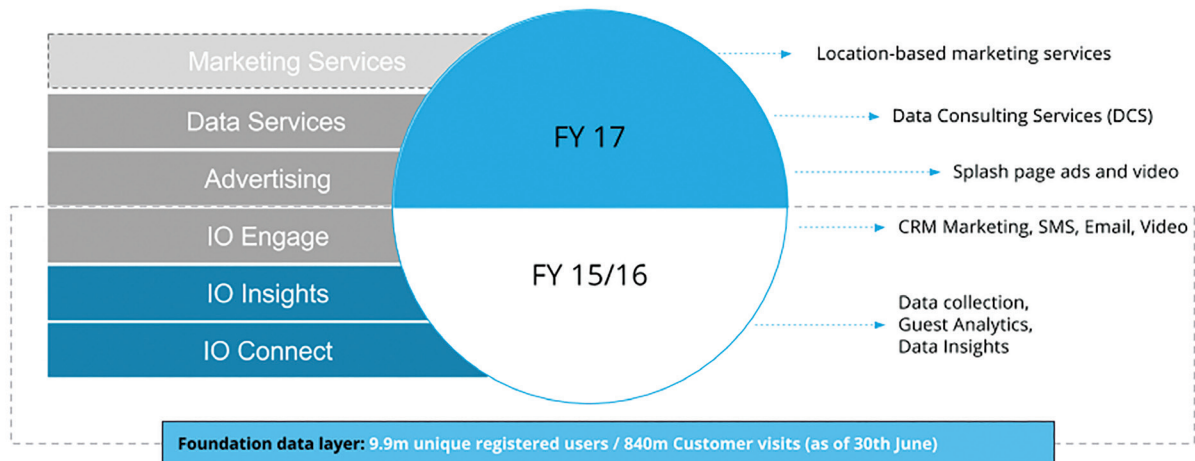
Transactions

In FY17, Skyfii invested in the research and development of data sharing capabilities to integrate customer data with third party platforms. Encrypted customer data can be shared with other third party data platforms, used as an enrichment tool for data driven marketing campaigns. The location based data can also be used to deliver contextualised marketing to a consumer within a physical venue. The application of this data benefits a multitude of data platforms including loyalty and rewards applications, digital Out-of-Home, media and programmatic platforms. In this exchange, Skyfii has the potential to generate revenues from the transaction or revenues generated from advertising revenues.

Several performance based revenue models remain in pilot with existing customers and partners, and represents a significant revenue opportunity in the future for Skyfii.



Total business offering



Skyfii target verticals

The Company continued to pursue opportunities within the retail vertical both locally and abroad, successfully delivering new contracts within this key vertical during the financial year. Consistent with the company's stated strategy, Skyfii successfully entered a number of new verticals during the FY17 year. Including the successful deployment of our subscription platform services into five new and highly lucrative verticals, namely: Transit, Education, Municipalities, Quick Service Retail and Cultural Centres.

Retail

In FY17, the company announced wins within its core vertical of retail, with the completion of a number of key contracts in Australia, South Africa and Brazil. In January 2017, in Brazil, the company completed a multi-year contract with Aliansce Shopping Centre Group which will see the company's subscription platform services deployed to over 30 shopping centres, bringing the total number of shopping malls under contract in the region to over 50+. The Aliansce contract includes the agreement of network commercial rights to Skyfii, allowing for further monetisation of the contract through targeted advertising sponsorship campaigns.

The Australian market successfully extended its contract with Mirvac property group in December 2016, in addition to signing new contracts with shopping centre management group One Five One Property in April 2017. Also during April, 2017, Skyfii signed a multi year agreement with Woolworths Group (South Africa), deploying subscription platform services across their +500 medium sized department stores located throughout Africa.

New verticals

In January 2017, the company successfully entered the education vertical, announcing the completion of a multi-year deal with Durham University in the United Kingdom. In April 2017, the company also announced the completion of a contract with a premium UK food chain (QSR) to roll out its subscription platform services to +300 stores. The following month in May 2017, the company announced its first contract in the transit vertical with a

12 month initial agreement signed with Wellington airport in New Zealand, a contract which includes both subscription platform services and Data consulting services (DCS). In June of 2017, the company announced its first contract within the Cultural centres vertical, signing a contract with the National Museum of Australia.

In 1H FY17, the company made two announcements within the 'smart city' or municipality vertical, completing agreements with Waverley Council to deploy subscription platform services across Bondi Beach, surrounding beaches and public spaces. The second announcement made in the smart city vertical was the successful completion of a multi-year agreement in the United States, with integrated communications company Cincinnati Bell Inc. (NYSE: CBB). The company's subscription services will support Cincinnati Bell's ongoing campaign to "Light up the city of Cincinnati" connecting residents, visitors and businesses through the use of technology.

These contract wins demonstrate the versatility of the IO platform and the company's ability to unlock significant value in key geographies, importantly within new verticals locally and internationally.

The company is currently engaged in a number of live pilots across additional verticals including, casinos, sporting venues and small format retail stores, and looks forward to updating the market on new contract wins early in FY18.

Domestic and international sales strategy

As stated in the FY17 strategy, the company continued to expand its operations in key growth markets of North America, United Kingdom and Europe. The first year of operations in these strategic markets, resulted in significant growth within the company's sales pipeline, showing strong demand for the IO platform's subscription service.

The sales strategy underpinning Skyfii's international expansion is to sell IO platform, data analytics and marketing services via carefully selected channel partners. This strategy provides access

Review of Operations continued

to a large network of existing customers and qualified prospects, whilst reducing the requirement to establish a large dedicated sales team.

- **Solution partners:** Solution partners enable delivery of Skyfii's solutions or increase our capabilities using a "better together" go-to-market approach.
- **Managed service providers (MSPs):** MSPs purchase direct from Skyfii, retain title and provide a fully managed solution to customers that may also be bundled with a managed WiFi solution (using a third party WiFi provider). MSPs can provide critical go-to-market capabilities such as technical assistance centre (TAC) support, managed network operations centres (NOC), proof of concept support and enterprise customer deployment capabilities.
- **Value added resellers (VARs):** VARs provide a route to market for SMB opportunities. They provide varying degrees of professional services (e.g. design, installation, integration) but many have limited capabilities to provide NOC and TAC support services.

The channel partner strategy has proven to be successful for all markets with a particular emphasis on deals announced in 2H FY17 coming via channel partners in North America United Kingdom and Europe markets.

In FY16, the company announced the appointment of John Rankin, Chief Operating Officer (COO) for global operations and Managing Director for the ANZ geography. The appoint of an inaugural COO has allowed the company to refocus Wayne Arthur, Chief Executive Officer (CEO), to lead the international expansion in North America, United Kingdom and Europe. In 2H FY17 Wayne Arthur relocated overseas, allocating his time across sales efforts in North America, United Kingdom and Europe.

Headquartered in Sydney, the company's Australian operations delivered strong revenue performance in the FY17. This was due to a noticeable increase in subscriptions for the IO platform and service fees generated from existing customers, in addition to a steady undercurrent of smaller but profitable contract wins. Service fees generated from Data Consulting Services (DCS) materialised in 2H FY17, with strong adoption in the retail vertical, specifically shopping centres. The company has built a strong reputation as the data analytics and marketing services provider of choice in Australia across the retail, transit, education and municipality verticals.

Key performance highlights

The company commenced FY17 with several strategic objectives including continued expansion within its core retail vertical, penetration into new, lucrative verticals, expansion into new key geographies, accelerate revenue growth and develop new product and service offerings to grow existing customer revenues.

At year end the company delivered the following key highlights:

- Signed 3 new retail contracts totalling 539 new retail venues under contract (Woolworths of South Africa, One Five One Property, Aliansce Malls)
- New contracts signed within 5 new verticals

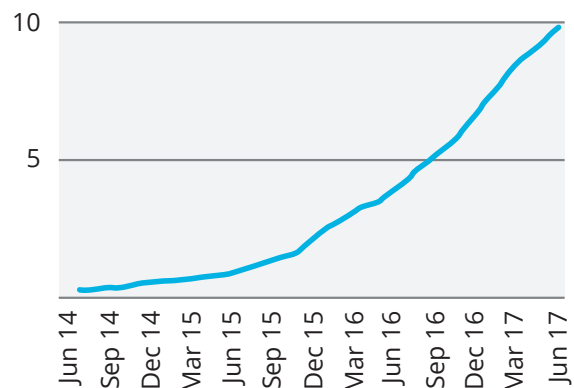
- New contracts and significant pipeline growth within new geographies of USA, UK and Europe
- Accelerated revenue growth - 37% YOY growth in topline revenues, recurring revenue growth of 87% YOY
- Launch of Data Consulting Services business unit and first revenue contracts secured

Significant growth in key operating metrics in FY17

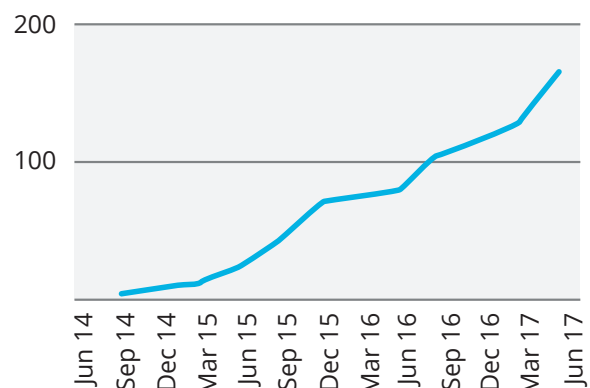
In line with the Company's continued growth in contract deployments, all key operating metrics continue to experience significant growth, lending strong user validation of Skyfii's services:

- Significant growth in total registered user base of +151% year on year from 3.9 million to 9.9 million unique users (as of 30th June)
- Significant growth in customer venue visits of +96% year on year

Total User Registrations (Millions)



Quarterly Customer Visits (Millions)



Operating metric definitions

Total User Registrations: The total number of people who have registered to use guest WiFi in venues where Skyfii is deployed.

Quarterly Customer Visits: The total number of physical people visits to venues where Skyfii is deployed.



Key operating highlights

New contract wins in FY17:

McGavren Guild Malls

McGarven Guild Malls are the first major commercial agreement in the North American market, providing the company with direct, large-scale exposure to the North American retail mall sector. Headquartered in New York, McGarven Malls are a media representation company focused on providing a wide range of media to 3,000 shopping malls throughout North America.

Waverley Council

Following a successful trial and tender, Skyfii secured a contract with Waverley Council, highlighting the adaptability of Skyfii's IO platform across multiple industries and applications. Drawing 2.2 million annual visitors, this deployment provides Waverley Council visitors and residents with Guest WiFi, whilst offering a critical data analytics reporting tool for the council, supporting their 'Smart Cities' initiative

Cincinnati Bell Inc.

Supporting Cincinnati Bell's 'Light Up Cincinnati' campaign, Skyfii's IO platform was deployed across the Cincinnati metro area. Integrating with Cincinnati Bell's Fiopics WiFi services, the IO platform will provide a reliable data analytics, marketing and communication tool for local events and businesses to promote and advertise their goods and services.

Durham University

Representing Skyfii's first education client, Durham University (United Kingdom) was another successful execution of Skyfii's strategy to expand within existing and new verticals. With approximately 2,800 Access Points across 235 buildings, leveraging Aruba's Analytics and Location Engine (ALE), Durham University is one the largest single deployments for Aruba's ALE infrastructure, with Skyfii recording an average of 350,000 visits per week.

Aliansce Malls

Managing the second largest portfolio of shopping centres in Brazil, Aliansce Malls are a market leader in Retail Property. The deployment of Skyfii's services across Aliansce's 33 Shopping Centres, results in a total deployment of 50 shopping centres in the Brazilian market. Representing Skyfii's core vertical, deployments within Retail Property are expected to continue as the company expands internationally.

Premium UK Food Chain

Deploying across 320 stores within the United Kingdom, Skyfii will be rolling out its services to a premium UK Food Chain. The fast-food chain is a leading retail food group, with 390 stores in 6 countries including North America. This partnership is in conjunction with channel partner Jade Solutions, whose experience in the retail sector is proving a successful match for Skyfii.

Woolworths Group

A leading international retail group, a Master Services Agreement (MSA) was signed with Woolworths Group (South Africa). The deployment/across 500 stores, evidence of another retail group's

adoption of the IO platform. Operating in 14 countries with a total of 1,300 large format stores, the current deployment has an opportunity to be expanded significantly.

Wellington Airport

Demonstrating Skyfii's continued international and vertical expansion, Wellington International Airport in New Zealand is Skyfii's first contract in the airport vertical. In addition, to deploying the IO platform, Wellington Airport engaged Skyfii's Data Consulting Services (DCS) for the paid provision of services. With over 5.2 million passengers each year, the IO platform will be a critical tool, reporting on the performance of the venue and the behaviour of its passengers.

National Museum of Australia

A prominent Australian cultural centre, the National Museum of Australia (NMA) is housed on 6,600 square meters of exhibition space. With more than 1.2 million visitors between the 2015/2016 financial year, the IO platform will provide insights to support NMA in planning its exhibits to suit the preference of visitors. As a new contract in the culture centre vertical, the NMA is a proving point for the platform's suitability in an industry of more than 2,000 museums and galleries Australia wide.

Existing customer growth

Mirvac Shopping Centres

In partnership with Optus Business, Skyfii expanded its IO platform subscription across Mirvac Shopping Centres. With an initial deployment in two of Mirvac's retail assets, the partnership with Optus Business will see Skyfii provide a further five Mirvac sites with matching services, resulting in a total of seven deployments across Mirvac's retail property assets.

One Five One Property

Following an earlier agreement for the provision of the IO Platform across One Five One Property's managed retail centres, Skyfii secured a further nine shopping centres across New South Wales, Victoria, Queensland and South Australia.

Scentre Group (contract delivered through Optus Business)

Skyfii's services were deployed to an additional 6 shopping centres bringing the total number of live shopping centres to 35. This concludes the deployment phase of Skyfii's platform services across Scentre's Australian portfolio of shopping centres.

The GPT Group

Contracting with Skyfii for the delivery of platform subscriptions services in June 2015, the GPT Group have continued to leverage Skyfii's expertise and services, undertaking the paid provision of Data Consultancy Services. The DCS team, who are working closely with GPT along their retail portfolio, have been critical in delivering addressable research outcomes to support operations through to marketing teams..

Review of Operations continued

Continued pipeline growth

The company's advanced stage pipeline continued to grow significantly year on year up 42% YOY to \$91m globally. Key drivers of this growth were the expansion into the US and UK/EMEA markets where we are seeing significant demand across our suite of services. Particular focus on our channel partner selection has also assisted this growth in the advanced stage pipeline, through a more refined focus on existing Wifi deployments which has reduced the sale cycle significantly.

The company has also successfully broadened its target vertical focus and entered new verticals such as municipalities, quick service restaurants, transit, education and lifestyle centre all of which are contributing to an acceleration in advanced pipeline opportunities.

Finally, the successful launch of the company's Data consulting services has seen strong support from the market and is also beginning to contribute strongly to the pipeline, particularly in the retail vertical.

Qualified sales pipeline snapshot



¹ Assuming full roll out 3 to 5 year contract terms excluding additional revenues from advertising and data services, defined as proposals presented, pilots underway and submissions rendered.



International highlights

The company successfully launched its product and services offering into the UK and US markets early in the FY17 financial year and has reported a full year of operation within both of these markets. In addition to an accelerated sales effort within the US and UK markets, the company continued to focus efforts within its existing international markets of South Africa, Brazil and New Zealand with new contracts being converted in all markets during the period.

In addition to the new contract wins which are noted in the key operating highlights section of this report, here are some additional notable highlights delivered internationally during the period:

- 5 new channel partnerships initiated within the US market, including with Cincinnati Bell Telecom
- New partnerships initiated within the UK and Italy with Jade Solutions and Telcomms Multimedia Solutions respectively
- New partnerships within the South African and Brazilian markets
- Skyfii CEO relocation overseas to drive new partnerships across the US and UK specifically
- Significant revenue growth within South Africa and the UK
- Significant advanced stage pipeline growth within the US market with several large contracts at final stages
- Successful penetration into new verticals opening up further growth opportunity globally

Expansion of products/services offering

The company successfully launched its Data Consulting Services (DCS) offering during the fourth quarter of FY17, following a string of successful pilot projects delivered during the third quarter.

DCS works with retailers to inform decisions and solve complex problems through the analysis of data. Analysing over 530m visitor experiences for FY17 for some of the world's leading retail brands, the team are experts in visitor behaviour and retail analytics, delivering a wealth of unique IP and expertise to every project.

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Review of Operations continued

New case studies



Creating Smart Campuses with Skyfii

Background

A leading UK university sought to provision a software platform capable of leveraging the campuses new wireless network, as a critical reporting tool for student behaviour and campus performance.

Solution

Seamlessly integrating with Aruba's Wireless Infrastructure, Skyfii's data analytics and marketing platform was chosen to incorporate with the networks 2,800 access points, including ALE (Aruba Location Engine).

Results

The platform provided the university with a critical reporting tool for student behaviour and campus performance, helping support a number of key challenges:

Timetable Optimisation – Observing course attendance rates to map and optimise lecture hall timetables.

Event Planning - Understanding student traffic flow and behaviour to optimise for future planning.

Facilities Utilisation - Visualisation of cross-campus traffic and congestion levels in facilities, informing on-going changes to amenities.



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Shopper Sentiment Research

Challenge

A Shopping Centre client wanted to accelerate their tactical research initiatives and leverage technology to improve the way they survey visitors and capture shopper sentiment data:

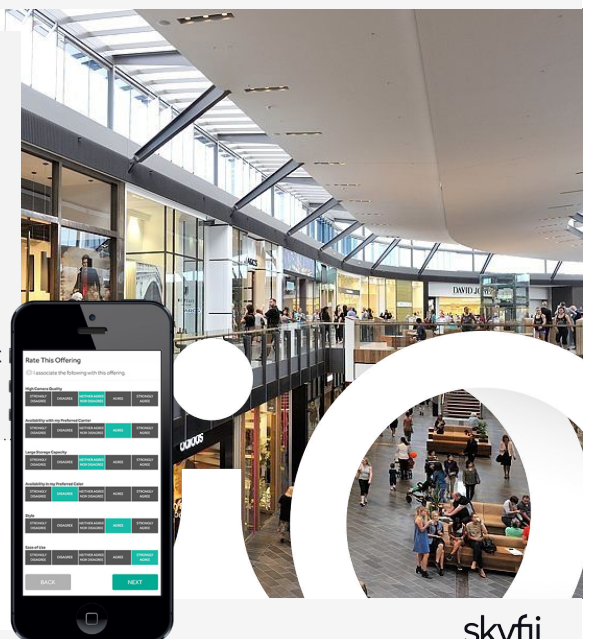
- Contact qualified customers with recent shopping experiences
- Improve the quality of research data
- Minimise the impact to shoppers.

Solution

- Creation of exit survey delivered to customers 60 min after their visit
- Correlate research data with behavioural data for improved insights and audience selection.

Results

- Completion rate 2.5 times higher than surveys sent via bulk eDM
- Survey now rolled out group wide across 9 assets



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Successful capital raisings in FY17

On the 15th December 2016, the Company announced a successful capital raise of \$4.1m raised to fund accelerated growth into the UK and US markets particularly and continue the strong recurring revenue momentum of the business.

The capital raise consisted of:

An unconditional placement of 40.8 million ordinary, fully paid shares issued at 0.063c to raise approximately \$2.6million before costs and a conditional placement of \$1.5million issued at the same price which received shareholder approval.

The successful capital raise was over subscribed and strongly supported by existing shareholders including Jan Cameron and The White Family and in addition brought new, sophisticated investors onto the register including former Seven Group CEO, Peter Gammell and former Foxtel CEO, Richard Freudenstein.

On the 14th February 2017, the Company raised a further \$0.5 million through the subscription of 7.8 million ordinary paid shares (SPP Shares).

Combining the oversubscribed capital raise in December 2016 with the SPP Shares raise in February 2017, the total capital raised in FY17 was \$4.7 million.

Outlook for FY18 and beyond

Skyfii continues to see strong interest in data analytics and marketing services across the verticals in which it operates, particularly large enterprise clients. The company will remain focused on delivering revenue growth in its key geographical markets, particularly in the US, UK and mainland Europe where several large deals are well progressed.

The advanced stage pipeline continues to build in the US, UK, mainland Europe, Brazil, South Africa and Asia Pacific region, with a large component of this pipeline sourced through key channel partners. We will remain particularly focussed on continuing to build our strong retail footprint throughout shopping centres, major retail chains and quick service retail and will also continue to build momentum into our newly penetrated verticals of education, transit, museums and municipalities.

Revenues attributed from new sources including Data Consulting Services (DCS) built strong momentum in the final quarter of FY2017, and we expect these revenues to drive further growth in FY2018.

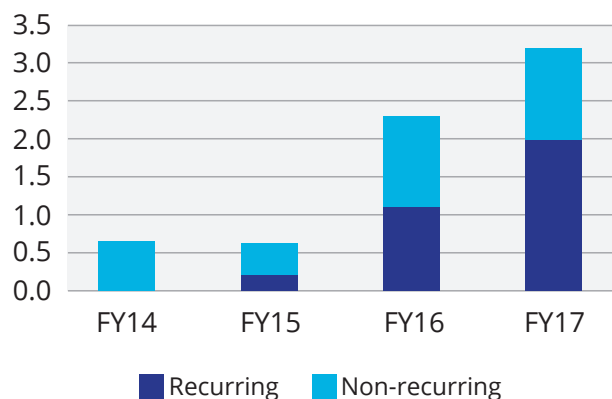
Overview of financial performance

The Company achieved operating revenues of \$3.2 million in FY17, representing 37% growth on the previous corresponding period (FY16: \$2.3 million).

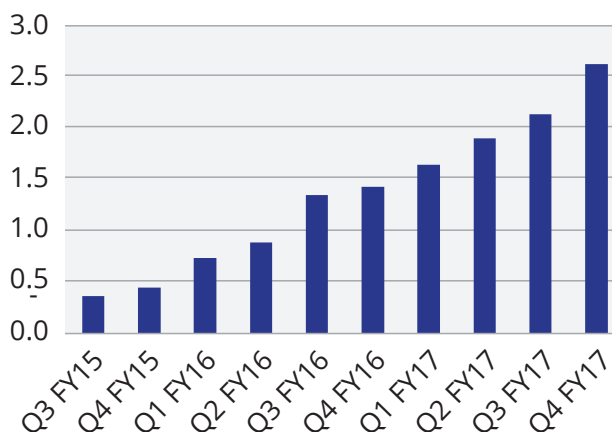
Underlying the growth in operating revenues in FY17 was an increase in recurring revenues of 82% to \$2.0 million. As at Q4 FY17, the Company's annualised recurring revenue run rate was \$2.5 million, up 79% on the previous corresponding period (Q4 FY16: \$1.4 million)

Consistent growth in recurring revenues

Total Operating Revenues (\$m)



Annualised Recurring Revenues (\$m)



In line with the Company's continued investment to support the future growth and roll-out of its services internationally, the Company reported an operating net loss after tax of \$4.894 million (FY16: \$5.407 million loss) and operating loss before interest, tax, depreciation and amortisation of \$4.912 million (FY16 Operating EBITDA: \$5.415 million loss).

Net operating cash outflows of \$2.3 million in FY17 remained in line with the previous financial year (FY16: \$2.0 million outflow), including the receipt of an R&D tax incentive rebate of \$0.82 million (FY16: \$0.80m).

During the year, the Company also spent and capitalised \$1.6 million on software development activities relating to its SaaS platform (FY16: \$1.8 million), with the reduction reflecting an increased focus and expenditure on sales and marketing activities internationally.

As at 30 June 2017, the Company held cash and equivalents of \$2.28 million. In addition, the Company expects to receive an R&D tax incentive rebate of \$0.82 million in FY18 relating to research and development expenditures undertaken in FY17.

Directors' Report

Your Directors submit the financial report of Skyfii Limited (Skyfii or the Company) for the year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

Directors

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

Name, independence status and qualifications

Experience, interests in shares, special responsibilities and other directorships

James Scott

Independent Non-Executive Chairman from 21 April 2016.

Independent Non-Executive Director until 20 April 2016 (appointed 20 November 2014)

BEng. (Hons)
FIEAust.
CPEng.

- Mr Scott has 21 years' experience in digital technology, network and IT business, including network computing, server virtualisation, digital enablement and mobility solutions. He is Group Executive Director – Technology & Innovation at Seven Group Holdings and has responsibility for the strategies and execution of technology, processes and systems across its operating companies including WesTrac. Prior to Seven Group Holdings, Mr Scott was a Partner in KPMG's Business Performance and Technology division and has also held the position of Partner & Managing Director APAC at Accenture where he worked for 14 years.
- Member of the Audit and Risk Committee and Member (Chairman) of the Nomination and Remuneration Committee.
- Holds a relevant interest in 2,020,879 shares and 3,250,000 options over an equivalent number of unissued shares.
- No other listed company directorships.

Andrew Johnson

Independent Non-Executive Director (appointed 27 November 2014)

BComm., M Sc.

- Mr Johnson, a highly experienced and successful telecommunications industry executive, is currently Chairman of bmobile-Vodafone, a mobile service provider for Papua New Guinea and the Solomon Islands and a Director of Dataco, the PNG national transmission company. He is also Managing Partner of Delta Systems International, a designer and builder/operator of telecommunications and defence systems. His prior roles include Divisional Manager for Computer Science Corporation's Australian and NZ Communications and Defence Division, CEO of Tenix (formerly Transfield) Defence Systems, which grew to become Australia's largest Defence company during his tenure, and Managing Director of Telstra's Data and Online Division.
- Member of the Nomination and Remuneration Committee and Member (Chairman) of the Audit and Risk Committee.
- Holds a relevant interest in 2,274,157 shares and 1,750,000 options over an equivalent number of unissued shares.
- No other listed company directorships.

Wayne Arthur

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

BComm.

- Mr Arthur, a co-founder of Skyfii, built a long standing career in the outdoor media sector in senior managerial roles for companies such as Titan Media Group and EYE Corp. His experience in these roles has spanned three international markets. He has been responsible for the delivery of key contracts and partnerships to the Skyfii business to date.
- Holds a relevant interest in 11,626,211 shares and 1,775,000 ESP shares.
- No other listed company directorships.



Company Secretary

Mr Heath Roberts held the position of Company Secretary during and at the end of the financial year (resigned on the 4th August 2017). Ms Koreen White was appointed to the position of Company Secretary after the end of financial year (appointed on 4th August 2017).

Name, independence status and qualifications

Experience, interests in shares, special responsibilities and other directorships

Heath Roberts

Company Secretary until 4th August 2017 (appointed 20 November 2014)

Dip Law (SAB),
Grad. Dip. Legal Practice

- Mr Roberts is a commercial solicitor with 19 years' ASX listed company experience. He has particular strength in corporate operations and compliance, asset due diligence and acquisitions and equity/debt funding, focussed on the IT, resources and healthcare sectors. He has acted as a Company Secretary and director for numerous ASX listed and private companies and was previously Secretary of the Sydney Kings Basketball team.
- Holds a relevant interest in nil shares.
- No other listed company directorships.

Koreen White

Company Secretary (appointed 4 August 2017)

CPA Australia
BBus(Acc)

- Ms White has 20 years' experience in listed and unlisted, Australian and US-based corporate entities having worked across the technology, media and telecommunications (TMT) sector.
- Holds a relevant interest in nil shares.
- No other listed company directorships.

Meetings of Directors

During the financial year, 12 meetings of Directors were held. Other matters arising during the year were resolved by circulating resolutions.

The following persons were Directors of the Company during the financial year, with attendances to meetings of Directors as follows:

	Directors' Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
James Scott	12	12	2	2	2	2
Andrew Johnson	12	12	2	2	2	2
Wayne Arthur	12	11	-	-	-	-

Directors' Report continued

Principal activities

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

Review of operations

The consolidated entity's loss attributable to equity holders of the Company, after providing for income tax, amounted to \$4,911,715 (2016 loss: \$5,415,324). Refer to the commentary in the Review of Operations.

Dividends paid or recommended

In respect of the financial year ended 30 June 2017, there have been no dividends paid or provided for (2016: nil).

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 15 July 2016, the Company announced that certain conditions precedent to the share subscription agreement with Chapmans Opportunities Limited (COL) had not been fulfilled and the COL transaction had been terminated.
- On 21 September 2016, the Company issued 1,825,000 at \$0.077 per share in accordance with the Company's Employment Share Plan (ESP). The Company also issued 1,685,065 fully paid ordinary shares at \$0.077 per share to various employees in accordance with their employment contracts. These shares were issued outside of the Company's ESP.
- On 15 December 2016, the Company announced a two tranche equity placement to new and existing sophisticated investors and an intention to offer a share purchase plan to eligible shareholders.
- On 21 December 2016, the Company issued 40,043,922 fully paid ordinary shares at \$0.063 per share to new and existing sophisticated investors to raise gross proceeds of \$2.5 million.
- On 21 December 2016, the Company issued 1,587,301 fully paid ordinary shares at \$0.063 per share to the Directors in lieu of cash.
- On 21 December 2016, the Company issued 5,000,000 options over an equivalent number of unissued ordinary shares to Messrs Scott and Johnson, which had been approved at the AGM on the 30th November 2016.
- On 10 February 2017, the Company issued 26,379,052 fully paid ordinary shares at \$0.063 per share to new and existing sophisticated investors to raise additional gross proceeds of \$1.7 million, which had been approved and ratified at an Extraordinary General Meeting on 6 February 2017.
- On 10 February 2017, the Company issued 13,000,000 at \$0.065 per share in accordance with the Company's Employment Share Plan.
- On 14 February 2017, the Company issued 7,793,643 fully paid ordinary shares at \$0.063 per share pursuant to a share purchase plan offered to eligible shareholders.

Subsequent events

On 26 July 2017, the Company announced the acquisition of key assets from Wicoms Wireless for an all scrip transaction of 3,800,000 new ordinary shares issued at \$0.065 per share valued at \$247,000.

Other than the above matter there are no other matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

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

Future developments

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

Environmental regulations

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

Indemnification of officers and auditors

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

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

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



Non-audit services

Amounts paid or payable to the auditor for non-audit services provided during the year by the auditor amounted to \$18,506.

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

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

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

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

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 57 of this report and forms part of the Directors' Report for the year ended 30 June 2017.

Proceedings on behalf of Company

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

Remuneration report

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

Key management personnel (KMP) include:

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

- James Scott – Non-Executive Chairman
- Andrew Johnson – Non-Executive Director
- Wayne Arthur – Chief Executive Officer and Executive Director

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

- John Rankin – Managing Director, Australia and Chief Operating Officer
- Jason Martin – Chief Technology Officer
- Brone Roze – Chief Financial Officer (ceased 22 June 2017)
- Koreen White – Finance Director (commenced 22 May 2017) and Company Secretary (effective from 4 August 2017)
- Michael Walker – Chief Information Officer
- Ian Robinson – Sales Director

1. Remuneration policy

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

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

Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made of the Directors in fulfilling their responsibilities. Non-Executive Director fees are reviewed annually by the Board. The constitution of the Company provides that the Non-Executive Directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in a general meeting. The most recent determination was at a general meeting held on 3 December 2012 where the shareholders approved a maximum aggregate remuneration of \$500,000. Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$100,000 inclusive of superannuation.

Executive and Executive Director remuneration

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

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

Performance based remuneration

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



2. Remuneration of Directors and Executives

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

	Short-term benefits			Post employment benefits	Share based payments		
	Directors' fees	Salary and fees	Other	Super-annuation	Shares	Options	Total
	\$	\$	\$	\$	\$	\$	\$
FY17							
Directors:							
J. Scott					50,000	39,408	89,408
A. Johnson					50,000	21,219	71,219
W. Arthur		205,000		19,475	21,263		245,738
Other KMP:							
J. Martin		184,500		17,528	67,384		269,412
J. Rankin		195,443		18,567	55,247		269,257
I. Robinson		191,250		18,169	18,719		228,138
B. Roze (1)		171,436		14,852	16,197		202,485
M. Walker		203,750		19,356	18,719		241,825
K. White (2)		20,538		1,951			22,490
Total	-	1,171,918	-	109,897	297,529	60,627	1,639,971
FY16							
Directors:							
J. Scott					50,000		50,000
A. Johnson					50,000		50,000
W. Arthur		209,778		19,929	7,553		237,260
G. Flowers	50,000		6,667	4,750	20,000		81,417
C. Taylor	41,670		12,500	3,958			58,128
A. Dunlop	16,667		12,500				29,167
Other KMP:							
J. Martin		182,260		17,315	6,180		205,755
J. Rankin		29,545		2,807			32,352
I. Robinson		177,197		16,834	6,180		200,211
B. Roze		161,824		15,373	6,180		183,377
M. Walker		202,511		19,239	6,180		227,930
Total	108,337	963,115	31,667	100,205	152,273	-	1,355,597

The remuneration of key management personnel in the years ended 30 June 2017 and 30 June 2016 were 100% fixed, and there is no link between remuneration and the market price of the Company's shares.

Notes:

(1) Represents the remuneration up until 22 June 2017, being the date upon which the individual ceased to be a KMP.

(2) Represents the remuneration commencing on the 22 May 2017, being the date upon which the individual commenced to be a KMP.

Remuneration report continued

Ordinary shares

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

	Balance at start of year	Received as part of remuneration	Purchase of shares	Transfer/Sale of shares	Balance at end of year
FY17					
Directors:					
J. Scott	785,403	793,651	45,000	-	1,624,054
A. Johnson	579,717	793,650	709,899	-	2,083,266
W. Arthur	11,626,211	-	-	-	11,626,211
Other KMP:					
J. Martin	-	649,350	-	-	649,350
J. Rankin	-	500,000	317,460	-	817,460
I. Robinson	10,514,198	-	793,650	-	11,307,848
B. Roze ⁽¹⁾	1,159,200	-	-	-	1,159,200
M. Walker	3,887,043	-	666,667	-	4,553,710
K. White ⁽²⁾	-	-	-	-	-
Total	28,551,772	2,736,651	2,532,676	-	33,821,099

Notes:

(1) Represents the ordinary share movements up until 22 June 2017, being the date upon which the individual ceased to be a KMP.

(2) Represents the ordinary share movements commencing on the 22 May 2017, being the date upon which the individual commenced to be a KMP.



ESP shares

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

	Balance at start of year	Granted / issued	Released from restrictions	Forfeited / cancelled	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
FY17							
Directors:							
W. Arthur	550,000	1,225,000	-	-	1,775,000	181,500	1,593,500
Other KMP:							
J. Martin	450,000	1,000,000	-	-	1,450,000	148,500	1,301,500
J. Rankin	-	2,025,000	-	-	2,025,000	-	2,025,000
I. Robinson	450,000	1,225,000	-	-	1,675,000	148,500	1,526,500
B. Roze ⁽¹⁾	450,000	800,000	-	-	1,250,000	148,500	1,101,500
M. Walker	450,000	1,225,000	-	-	1,675,000	148,500	1,526,500
K. White ⁽²⁾	-	-	-	-	-	-	-
Total	2,350,000	7,500,000	-	-	9,850,000	775,500	9,074,500

FY16

Directors:							
W. Arthur	-	550,000	-	-	550,000	-	550,000
Other KMP:							
J. Martin	-	450,000	-	-	450,000	-	450,000
J. Rankin	-	-	-	-	-	-	-
I. Robinson	-	450,000	-	-	450,000	-	450,000
B. Roze	-	450,000	-	-	450,000	-	450,000
M. Walker	-	450,000	-	-	450,000	-	450,000
Total	-	2,350,000	-	-	2,350,000	-	2,350,000

Options

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

	Balance at start of year	Received as part of remuneration	Purchase of options	Sale of options	Balance at end of year
FY17					
Directors:					
J. Scott	-	3,250,000	-	-	3,250,000
A. Johnson	-	1,750,000	-	-	1,750,000
Total	-	5,000,000	-	-	5,000,000

Remuneration Report continued

Loans to Directors and KMP

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

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

	2017 \$	2016 \$
Directors:		
W. Arthur	161,025	81,400
Other KMP:		
J. Martin	131,600	66,600
J. Rankin	141,225	-
I. Robinson	146,225	66,600
B. Roze (1)	118,600	66,600
M. Walker	146,225	66,600
K. White (2)	-	-
Total	844,900	347,800

Other transactions with KMP and/or their related parties

During the full year ended 30 June 2017, the Company incurred \$118,934 (FY16: \$397,244) of expenses relating to outsourced software development services provided by Simple Machines Pty Ltd, a company associated with Jason Martin (CTO).

During the full year ended 30 June 2017, the Company recognised revenue \$23,400 (FY16: \$0) for services rendered for DSI Engineering & Management Services, a company associated with Andrew Johnson (Director).

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

Executive service agreements

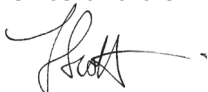
The employment terms and conditions of KMP and Group executives are formalised in service agreements.

Position	Key terms of service agreements
Chief Executive Officer	<ul style="list-style-type: none"> • Base salary: \$210,000 excluding superannuation. • Term: unspecified. • Base remuneration: Reviewed annually by the Nomination and Remuneration Committee. • Bonus entitlements: Determined annually by the Nomination and Remuneration Committee. • Termination notice period: 12 weeks' notice (or 13 weeks' notice after two years' service and is over the age of 45 at the time the notice is given), or without notice in the event of serious misconduct. • Restraint of trade period: up to 6 months.
Other Executives	<p>Other Executives are employed under individual executive services agreements. These establish amongst other things:</p> <ul style="list-style-type: none"> • total compensation; • bonus entitlements; • variable notice and termination provisions of up to 12 weeks, or by the Group without notice in the event of serious misconduct; and • restraint and confidentiality provisions.

This concludes the Remuneration Report, which has been audited.

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

On behalf of the Directors



James Scott

Chairman 31 August 2017



Auditor's Independence Declaration

HALL CHADWICK  (NSW)

Chartered Accountants and Business Advisers

SKYFII LIMITED
ABN 20 009 264 699
AND ITS CONTROLLED ENTITIES

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Dated: 31 August 2017

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Corporate Governance Statement

The Company's Board of Directors is responsible for the Corporate Governance of the Company and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The governance practices adopted by the Company are structured with reference to the 3rd Edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX CGPR).

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

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

The information provided below summarises how the Company presently complies with the ASX CGPR, and how it intends to comply with each of the current Principles and Recommendations going forward. This statement is current as 30 June 2017 and has been approved by the Board of Directors of the Company.

Principle 1 – Lay solid foundations for management and oversight

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

The key responsibilities of the Board include:

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

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

The Company has established a Nomination and Remuneration Committee to identify and make recommendations to the Board for the appointment of new Board candidates, having regard to their skills, experience and expertise. The Committee is currently comprised of two independent Directors, Messrs Scott and Johnson. The Board requires this Committee to undertake appropriate checks on potential Board candidates. The number of times the Nomination and Remuneration Committee met, and the attendance at those meetings, is set out in the Directors' Report. The Nomination and Remuneration Committee Charter is available on the Company's website, www.skyfii.io.

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

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

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

A formal Board performance evaluation was not undertaken during the 2017 financial year. The Board will consider conducting a formal performance evaluation during the 2018 financial year.

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

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

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



Given the size and nature of the Company, the Board determined not to establish measurable objectives for achieving diversity for the 2017 financial year. Establishing measurable objectives for achieving diversity will be reconsidered on an annual basis.

As at 30 June 2017, the proportion of women employed by the Group was as follows:

- Board of Directors: 0%
- Senior Executive positions: 17%
- Total Group workforce: 14%

The Diversity Policy is available on the Company's website, www.skyfii.io.

Principle 2 - Structure the board to add value

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

The Committee is comprised of two independent Directors, one of whom acts as chairperson. The Company's Nomination and Remuneration Committee does not meet the recommended minimum of three members. The Board is of the view that given the Company's size and stage of operations, two independent Directors as members of the Nomination and Remuneration Committee is sufficient to perform the relevant responsibilities of the committee.

The Board has not, at this time, adopted a board skills matrix given the Company's size and stage of operations. The Board aims to attract and maintain a Board which has an appropriate mix of skills, experience, expertise and diversity. The names and particulars of the Directors of the Company during or since the end of the financial year are set out in the Directors' Report.

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

A majority of the Board (comprising the Chairperson of the Board, James Scott and Andrew Johnson) are considered to be independent Directors. Wayne Arthur, Managing Director and CEO, and a major founding shareholder of the Company, is not considered to be an independent Director.

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

Principle 3 - Act ethically and responsibly

The Board has adopted a Code of Conduct which sets out the values, commitments, ethical standards and policies of the Company and

outlines the standards of conduct expected of the Company's business and people, taking into account the Company's legal and other obligations to its stakeholders. The Code of Conduct applies to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of the Company. The Code of Conduct is available on the Company's website, www.skyfii.io.

Principle 4 - Safeguard integrity in corporate reporting

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

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

The Committee is comprised of two independent Directors, Messrs Scott and Johnson. Mr Johnson acts as Chairperson. The Audit and Risk Committee does not meet the recommended minimum of three members. The Board is of the view that given the Company's size and stage of operations, two independent Directors as members of the Audit and Risk Committee is sufficient to perform the relevant responsibilities of the Committee.

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

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

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

Principle 5 - Make timely and balanced disclosure

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

Corporate Governance Statement continued

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

The Disclosure and Communication Policy is available on the Company's website, www.skyfii.io.

Principle 6 – Respect the rights of security holders

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

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

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

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

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

Principle 7 – Recognise and manage risk

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

The Company's Audit and Risk Committee, which has two members, does not meet the recommended minimum of three members. The Board is of the view that given the Company's size and stage of operations, two independent Directors as members of the Audit and Risk Committee is sufficient to perform the relevant responsibilities of the Committee

The Company has adopted an Audit and Risk Committee Charter which is available on the Company's website, www.skyfii.io.

Under the Board Charter, the Board ensures that the Company has in place an appropriate risk management framework. A risk management framework was developed during the 2015 financial year by the Audit and Risk Committee, and approved by the

Board. The Board will review, at least annually, the Company's risk management framework in order to satisfy itself that it continues to be sound. A risk review was undertaken as part of the Company's interim and end the financial year reporting periods.

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

Principle 8 – Remunerate fairly and responsibly

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

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

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

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

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

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

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



Consolidated statement of profit or loss and other comprehensive income

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue and other income			
Revenue	5	3,211,007	2,339,570
Other income	5	868,360	1,040,309
Total revenue		4,079,367	3,379,879
Expenses			
Direct costs of services		(825,358)	(786,738)
Employee benefits expense	6	(4,033,752)	(2,428,258)
Contractor and consultant expenses		(111,339)	(69,089)
Marketing and promotion expenses		(304,140)	(227,517)
Data hosting expenses		(511,158)	(316,041)
Travel and accommodation expenses		(444,872)	(257,694)
Office and other expenses		(1,085,772)	(870,363)
Directors' fees		(100,000)	(295,003)
Issue of Earn Out Shares		-	(3,013,535)
Share option expense		(60,627)	-
Share based payments expense		(355,064)	(60,492)
Depreciation and amortisation expenses	6	(1,139,780)	(461,091)
Finance costs	6	(1,845)	(925)
Loss before tax		(4,894,338)	(5,406,868)
Income tax expense		(17,377)	(8,456)
Loss for the period		(4,911,715)	(5,415,324)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations		12,296	3,588
Total comprehensive loss for the period		(4,899,419)	(5,411,737)
Earnings per share			
		Cents	Cents
Basic earnings per share	28	(2.3)	(3.8)

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 2017

	Note	2017 \$	2016 \$
Revenue and other income			
Assets			
Current assets			
Cash and cash equivalents	8	2,280,860	2,612,422
Trade and other receivables	9	2,239,156	1,515,106
Inventories	10	1,901	10,444
Other assets	11	142,605	93,930
Total current assets		4,664,522	4,231,902
Non-current assets			
Plant and equipment	12	177,634	164,374
Intangible assets	13	3,289,065	2,803,857
Total non-current assets		3,466,699	2,968,231
Total assets		8,131,221	7,200,133
Liabilities			
Current liabilities			
Trade and other payables	14	824,509	674,768
Provisions	15	181,246	136,841
Deferred revenue		771,262	166,926
Total current liabilities		1,777,018	978,534
Total liabilities		1,777,018	978,534
Net assets		6,354,203	6,221,599
Equity			
Contributed equity	16	22,774,553	17,987,101
Reserves	17	320,948	64,080
Accumulated losses		(16,741,297)	(11,829,582)
Total equity		6,354,203	6,221,599

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 2017

Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	11,091,161	-	-	-	(6,414,258)	4,676,903
Loss for the period	-	-	-	-	(5,415,324)	(5,415,324)
Exchange differences on translation of foreign operations	-	-	-	3,588	-	3,588
Total comprehensive loss for the period	-	-	-	3,588	(5,415,324)	(5,411,737)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	16	7,138,535	-	-	-	7,138,535
Capitalised equity raising costs (net of tax)	16	(242,595)	-	-	-	(242,595)
Share based payments	17	-	60,492	-	-	60,492
Balance at 30 June 2016	17,987,101	60,492	-	3,588	(11,829,582)	6,221,599
Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	17,987,101	60,492	-	3,588	(11,829,582)	6,221,599
Loss for the period	-	-	-	-	(4,911,715)	(4,911,715)
Exchange differences on translation of foreign operations	-	-	-	12,296	-	12,296
Total comprehensive loss for the period	-	-	-	12,296	(4,911,715)	(4,899,419)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	16	4,946,766	-	-	-	4,946,766
Equity raising costs (net of tax)	16	(159,315)	-	-	-	(159,315)
Share based payments	17	-	183,945	-	-	183,945
Issue of options	17	-	-	60,627	-	60,627
Balance at 30 June 2017	22,774,553	244,437	60,627	15,884	(16,741,297)	6,354,203

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 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		3,859,900	1,845,191
Payments to suppliers and employees		(7,127,655)	(4,791,419)
Receipts from other income		27,990	145,796
Receipts from government R&D tax incentive		851,069	791,729
Interest received		17,291	43,294
Interest paid		(1,845)	(925)
Net cash (outflow) from operating activities	27	(2,373,250)	(1,966,335)
Cash flows from investing activities			
Payments for plant and equipment		(57,164)	(165,282)
Payments for intangible assets		(1,581,084)	(1,819,316)
Payments for other assets		(54,477)	(757)
Payment for security deposits		(10,450)	-
Receipts from security deposits		-	17,159
Net cash (outflow) from investing activities		(1,703,175)	(1,968,196)
Cash flows from financing activities			
Proceeds from issue of shares		3,904,177	4,105,000
Capital raising costs		(159,315)	(242,595)
Net cash inflow from financing activities		3,744,862	3,862,405
Net (decrease) in cash		(331,562)	(72,126)
Cash at the beginning of the year		2,612,422	2,684,548
Cash at the end of the year	8	2,280,860	2,612,422

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



Notes to the financial statements

For the financial year ended 30 June 2017

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Notes to the financial statements

For the year ended 30 June 2017

1. Reporting entity

Skyfii Limited (the **Company**) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 1, 34-36 Oxford Street, Darlinghurst NSW 2010. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 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 31st August 2017 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(w).

(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 is in the research, development and commercialisation stage of its data analytics technology and services. During the year ended 30 June 2017 the Group incurred a loss after tax of

\$4,911,715 and incurred cash outflows from operating activities of \$2,373,250. At 30 June 2017, the Group had a surplus in net current assets of \$2,887,505 and a surplus in net assets of \$6,354,203.

The Group has to date been successful in raising equity capital since the Company's re-listing in November 2014, having undertaken a private placement to new and existing investors of \$2.8 million in May 2015, \$4.1 million in November 2015, \$2.5 million in December 2016, \$1.7 million in February 2017 and a share purchase plan of \$0.5 million in February 2017.

Management have prepared cash flow projections that support the Group's ability to continue as a going concern after expected future capital raisings. This forecast acknowledges that the Group assumes that the Directors will be able to raise between \$1 to \$2 million dollars in the next financial year and that the Group will continue to grow sales of its products and services and successfully exploit the Group's technology.

The Directors of the Company consider that the cash flow projections and assumptions will be achieved, and in the longer term, significant revenues will 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 subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A list of the subsidiaries is provided in Note 25.

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

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



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

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

(b) Business combinations

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

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

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

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

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

(c) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the

Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

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

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the financial statements continued

For the year ended 30 June 2017

(e) Plant and equipment

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

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

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

- Office and computer equipment: 3 – 10 years.

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

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

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

(f) Intangibles

Software development

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

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

(g) Employee benefits

Short-term obligations

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

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

Short term incentive plans

The Group recognises a liability and an expense for bonuses payable under short term incentive plans. Short term incentive

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

Other long-term employee benefit obligations

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

(h) Borrowing costs

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

(i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. This provision includes amounts that are not considered to be recoverable from debtors and amounts that are expected to be credited to debtors. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established 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 is impaired. In addition, the trade receivables balances are considered for credit notes that are expected to be raised against individual and collective balances.



(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

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

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

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

Interest revenue is recognised using the effective interest method.

Government grants and R&D tax incentives are recognised at fair value where there is reasonable assurance that the grant/tax incentive will be received and all grant/tax incentive conditions will be met.

All revenue is stated net 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.

Notes to the financial statements continued

For the year ended 30 June 2017

(q) Financial instruments

Initial recognition and measurement

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

Financial instruments 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.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After

having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(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 and loss.

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

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

(s) Leases

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

(t) 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.

(u) 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.

(v) Segment reporting

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

(w) 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 2017 of \$3,289,065.

R&D tax incentive

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

(x) New Accounting Standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
 - The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.
 - The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.
 - The directors anticipate that the adoption of AASB 9 will not have a significant impact on the Group's financial statements.
- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).
 - When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.
 - The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
 - identify the contract(s) with a customer;
 - identify the performance obligations in the contract(s);
 - determine the transaction price;
 - allocate the transaction price to the performance obligations in the contract(s); and
 - recognise revenue when (or as) the performance obligations are satisfied.
 - The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies,

Notes to the financial statements

For the year ended 30 June 2017

Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

- The Directors have conducted an initial assessment of the impact of adopting AASB15 and have assessed that the impact will not be significant.
 - AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
- When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact given the Company's current lease agreement expires prior to the adoption of AASB 16.

4. Operating segments

The Group operates predominantly in one industry and one geographical segment, being the development and commercialisation of data analytics, marketing and advertising services to its customers in Australia. At this stage the Group's overseas operations are not significant to the Group. 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.



5. Revenue

	Note	2017 \$	2016 \$
Revenue from operations		3,211,007	2,339,570
Other income			
Government R&D tax incentive		823,229	851,219
Other government grants		27,840	145,796
Interest income		17,291	43,294
Total other income		868,360	1,040,309
Total revenue		4,079,367	3,379,879

6. Expenses

	Note	2017 \$	2016 \$
Employee			
Salaries and related expenses (including superannuation)		3,810,253	2,235,746
Other employment costs		223,499	192,512
Total employee benefits expense		4,033,752	2,428,258
Depreciation and amortisation			
Plant and equipment	12	43,903	25,648
Software development amortisation	13	1,095,876	435,443
Total depreciation and amortisation expenses		1,139,780	461,091
Rental expense relating to operating leases			
Minimum lease payments		298,088	152,547
Rent recovery from sub-lease agreements		(101,652)	(64,842)
Net rental expense relating to operating leases		196,436	87,705
Net foreign exchange losses		20,093	27,423
Finance costs			
Interest expense		1,845	925

Notes to the financial statements continued

For the year ended 30 June 2017

7. Income tax

	Note	2017 \$	2016 \$
(a) Income tax			
Current tax		17,377	8,456
Income tax (benefit)		17,377	8,456
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable			
Loss from ordinary activities before income tax expense		(3,390,876)	(5,406,868)
Tax at the Australian rate of 27.5% (2016:30%)		(932,491)	(1,622,060)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:			
R&D tax incentive		-	963
Difference in overseas tax rates		(2,530)	
Acquisition costs not allowable		-	904,061
Accounting for R&D expenditure		294,089	331,682
Deferred tax assets not recognised		556,348	373,787
Other non-allowable items		101,961	20,024
Income tax expense		17,377	8,456
(c) Income tax receivable			
R&D tax incentive receivable		(823,229)	(851,219)
Franking credits			
Franking credits available at the reporting date based on a tax rate of 27.5%		-	-

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

- temporary differences: \$2,019,310 (2016: (\$1,342,314))
- tax losses: operating losses \$10,392,961 (2016: \$7,533,567)
- tax losses: capital losses \$16,911 (2016: \$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

	2017 \$	2016 \$
Current		
Cash at bank and on hand	2,280,860	2,612,422
Total cash and cash equivalents	2,280,860	2,612,422

9. Trade and other receivables

	30-Jun-17 \$	30-Jun-16 \$
Current		
Trade receivables	638,318	682,874
R&D tax incentive receivable	765,983	823,325
Other debtors	834,855	8,907
Total current trade and other receivables	2,239,156	1,515,106

(a) Ageing of trade receivables

1-30 days	568,626	538,282
31-60 days	23,766	84,672
61-90 days	40,361	23,516
90+ days	5,565	36,403
Total trade receivables net of provision for impairment	638,318	682,874

There was no impairment of trade receivables. Amounts past due but not impaired \$45,926 (2016: \$59,919).

10. Inventories

	2017 \$	2016 \$
Current		
Equipment – at cost	1,901	10,444
Total inventories	1,901	10,444

Inventories include servers and other networking equipment which the Group sells to its customers in order to deliver data analytics services.

11. Other assets

	30-Jun-17 \$	30-Jun-16 \$
Current		
Prepayments	129,680	87,629
Security deposits	4,057	4,057
Other	8,868	2,244
Total current other assets	142,605	93,930

Notes to the financial statements continued

For the year ended 30 June 2017

12. Plant and equipment

	2017 \$	2016 \$
Non-current		
Office and computer equipment – at cost	258,826	201,773
Accumulated depreciation	(81,192)	(37,399)
Carrying value of office and computer equipment	177,634	164,374
Total carrying value of plant and equipment	177,634	164,374

Reconciliations

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

	Office and Computer equipment \$
Balance at 1 July 2015	24,740
Additions	165,282
Depreciation	(25,648)
Balance at 30 June 2016	164,374
Balance at 1 July 2016	164,374
Additions	57,054
Depreciation	(43,794)
Balance at 30 June 2017	177,634

13. Intangible assets

	2017 \$	2016 \$
Non-current		
Software development – at cost	4,820,384	3,239,300
Accumulated amortisation	(1,531,319)	(435,443)
Carrying value of software development	3,289,065	2,803,857
Total carrying value of intangible assets	3,289,065	2,803,857



Reconciliations

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

	Software Development \$
Balance at 1 July 2015	1,419,984
Additions	1,819,316
Amortisation	(435,443)
Balance at 30 June 2016	2,803,857
Balance at 1 July 2016	2,803,857
Additions	1,581,084
Amortisation	(1,095,876)
Balance at 30 June 2017	3,289,065

14. Trade and other payables

	2017 \$	2016 \$
Current		
Trade payables	802,012	633,289
Sundry payables	22,498	41,478
Total trade and other payables	824,509	674,768

15. Provisions

	2017 \$	2016 \$
Current		
Employee benefits	181,246	136,841
Total provisions	181,246	136,841

Notes to the financial statements continued

For the year ended 30 June 2017

16. Contributed equity

(a) Share capital

	30-Jun-17 Number	30-Jun-16 Number	30-Jun-17 \$	30-Jun-16 \$
Ordinary shares	261,118,194	168,265,551	22,774,553	17,987,101
	Date	Number	Unit price	\$
Reconciliation to 30 June 2016:				
Balance at 1 July 2015		113,768,522		11,091,161
Equity raising costs (net of tax)				(242,595)
Movements in ordinary shares:				
Share placement	9-Nov-15	27,366,667	\$0.1500	4,105,000
Issue of ESP shares	23-Dec-15	4,655,000	\$0.1480	-
Issue of Earn Out Shares	26-Feb-16	22,342,028	\$0.1349	3,013,535
Issued in settlement of a liability	26-Feb-16	133,334	\$0.1500	20,000
Balance at 30 June 2016		168,265,551		17,987,101
Reconciliation to 30 June 2017:				
Balance at 1 July 2016		168,265,551		17,987,101
Equity raising costs (net of tax)				(159,315)
Movements in ordinary shares:				
Issue of ESP shares	21-Sep-16	1,825,000	\$0.077	-
Issued in settlement of various liabilities	21-Sep-16	1,685,065	\$0.077	129,750
Issued in settlement of various liabilities	20-Dec-16	1,587,301	\$0.063	100,000
Share placement	20-Dec-16	40,043,922	\$0.063	2,522,767
Share placement	10-Feb-17	26,379,052	\$0.063	1,661,880
Issue of ESP shares	10-Feb-17	13,000,000	\$0.065	-
Share purchase plan	14-Feb-17	7,793,643	\$0.063	491,000
Issued in settlement of various liabilities	16-May-17	538,660	\$0.077	41,369
Balance at 30 June 2017		261,118,194		22,774,553

(b) Ordinary shares

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

(c) Employee Share Plan (ESP)

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

(d) Earn Out Shares

Information relating to the Earn Out Shares issued in the year ended 30 June 2016 can be found in the Company's annual report for the year ended 30 June 2016.



(e) Options over unissued ordinary shares

The Company granted the following options to Directors, convertible into the same number of ordinary shares in the Company, on the basis of shareholder approval granted on 30 November 2016:

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

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

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

17. Equity - reserves

(a) Movements

	2017 \$	2016 \$
Share based payment reserve movements		
Balance at the beginning of the period	60,492	-
Share based payment expense	183,945	60,492
Balance at the end of the period	244,437	60,492
Share option reserve movements		
Balance at the beginning of the period	-	-
Share option expense	60,627	-
Balance at the end of the period	60,627	-
Foreign currency translation reserve movements		
Balance at the beginning of the period	3,588	-
Currency translation differences arising during the period	12,296	3,588
Balance at the end of the period	15,884	3,588
Total reserves	320,948	64,080

(b) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve represents the value of the ESP share grants to employees under the Company's Employee Share Plan.

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 2017

18. Financial risk management

Financial risk management objectives

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

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

The Group holds the following financial instruments:

	Note	2017 \$	2016 \$
Financial Assets			
Cash and cash equivalents	8	2,280,860	2,612,422
Trade and other receivables	9	2,239,156	1,515,106
Total financial assets		4,520,016	4,127,528
Financial Liabilities			
Trade and other payables	14	824,509	674,768
Total financial liabilities		824,509	674,768

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

(a) Market risk

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has an insignificant exposure to foreign currency risk at this early stage of international growth however to minimise the risk the Group's policy is, when available to hold a natural hedge on any foreign currency, being that any receipts paid to the Group will held in the same foreign currency and then later used to settle any expenditure in those foreign entities.

Interest rate risk

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

(b) Credit risk

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

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

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

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

There have been no impairment losses recognised during the year (2016: nil).



(c) Liquidity risk

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

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

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

Financing arrangements

The Group does not have any borrowing facilities in place at the reporting date.

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 \$
2017				
Non-derivatives				
Trade and other payables	824,509	-	-	-
2016				
Non-derivatives				
Trade and other payables	674,768	-	-	-

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

(d) Capital management

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

19. Remuneration of auditors

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

	2017 \$	2016 \$
Hall Chadwick		
Audit and review of financial reports	55,500	50,650
Tax compliance services	18,506	34,486
Total	74,006	85,136

20. Contingent liabilities

There are no other contingent liabilities as at 30 June 2017:

Notes to the financial statements continued

For the year ended 30 June 2017

21. Commitments for expenditure

(a) Non-cancellable operating leases

The Group has entered into a commercial lease for office property. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 are as follows:

(a) Non-cancellable operating leases	2017 \$	2016 \$
Not later than one year	79,762	246,223
Later than one year	46,363	69,470
Total operating lease commitments	126,125	315,694

(b) Sub-lease arrangements

The Group has entered into sub-lease arrangements with respect to the Group's head office. Rentals paid to the Group under sub-lease arrangements are reflected as a reduction in rental expense in the profit or loss statement on a straight line basis over the period of the sub-lease arrangements. Future minimum rentals receivable under sub-lease arrangements as at 30 June 2017 are as follows:

(b) Sub-lease arrangements	2017 \$	2016 \$
Not later than one year	1,100	51,649
Total sub-lease commitments	1,100	51,649

22. Share based payments

(a) Employee Share Plan (ESP)

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

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.

(b) ESP share grants

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

Grant date	Issue price	Balance at start of year	Granted/ issued	Released from restrictions	Forfeited / cancelled	Balance at end of year	Balance of vested ESP shares	Balance of unvested ESP shares
FY17								
23-Dec-15	\$0.148	4,405,000	-	-	(225,000)	4,180,000	1,379,400	2,786,667
21-Sep-16	\$0.077	-	1,825,000	-	(300,000)	1,525,000	-	1,525,000
10-Feb-17	\$0.065	-	13,000,000	-	(900,000)	12,100,000	-	12,100,000
Total		4,405,000	14,825,000	-	(1,425,000)	17,805,000	1,379,400	16,411,667
FY16								
23-Dec-15	\$0.148	-	4,655,000	-	(250,000)	4,405,000	-	4,405,000
Total		-	4,655,000	-	(250,000)	4,405,000	-	4,405,000

Notes to the financial statements continued

For the year ended 30 June 2017

All Eligible Employees who accepted an offer of ESP 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 Loan).

The ESP 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 shares. The term of the ESP Loan is five years; however, participants may forfeit their ESP shares if they do not repay the ESP Loan or leave the Company. As the ESP removes the risk to participants from decreases in the share price by limiting the maximum loan amount repayable to the value of the ESP shares disposed and waiving the ESP Loan should the participant forfeit their ESP 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 shares due to the ESP 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 \$0.069 per option (2016: \$0.0764). 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 2017 include:

- Weighted average exercise price: \$0.065
- Weighted average life of the option: 5 years
- Expected share price volatility: 61%
- Risk-free interest rate: 1.90%

(c) Other share based payments

Issue Date	Creditor	Purpose	Valuation	No. of shares	Value per share	Total \$
2017						
Directors:						
21-Dec-16	J. Scott	Director's fees	Value of services	793,651	\$0.063	50,000
21-Dec-16	A. Johnson	Director's fees	Value of services	793,650	\$0.063	50,000
Total				1,587,301	\$0.063	100,000
2016						
Directors:						
26-Feb-16	G. Flowers	Director's fees	Value of services	133,334	\$0.15	20,000
Total				133,334	\$0.15	20,000



23. Related parties

(a) Parent and ultimate controlling party

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Key management personnel compensation

	2017 \$	2016 \$
Short-term employee benefits, including contractor fees	1,171,918	1,103,119
Share based employee benefits	358,156	152,273
Other long term benefits	109,897	100,205
Total benefits	1,639,971	1,355,597

Short-term employee benefits

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

Share based employee benefits

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

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

(d) Payable transactions with directors and key management personnel

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

KMP	Related party entity	Transaction	Transaction value		Balance outstanding	
			2017 \$	2016 \$	2017 \$	2016 \$
Jason Martin	Simple Machines Pty Ltd	Outsourced software development services	118,934	397,244	-	-

Other payable transactions with directors and key management personnel

At 30 June 2017 the payable balance outstanding with directors and key management personnel relating to expense reimbursements for supplier payments and business expenses was \$8,100 (2016: \$61,831).

(e) Receivable transactions with directors and key management personnel

KMP	Related party entity	Transaction	Transaction value		Balance outstanding	
			2017 \$	2016 \$	2017 \$	2016 \$
Andrew Johnson	DSI Engineering & Management Services	Data Science Consultancy	23,400	-	23,400	-

Other receivable transactions with directors and key management personnel

At 30 June 2017, the 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 \$42,242 (2016: \$9,507).

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 2017

24. Parent entity information

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

	2017 \$	2016 \$
Statement of comprehensive income		
Loss after tax	(104,275)	(2,876,784)
Total comprehensive income	(104,275)	(2,876,784)
Statement of financial position		
Current assets	15,326,356	10,363,934
Non-current assets	14,000,000	14,000,000
Total assets	29,326,356	24,363,934
Current liabilities	210,715	176,041
Total liabilities	210,715	176,041
Net assets	29,115,642	24,187,893
Contributed equity	66,561,141	61,773,689
Reserves	539,064	294,492
Accumulated losses	(37,984,563)	(37,880,288)
Total equity	29,115,642	24,187,893

Contingent liabilities

Other than the contingent earn-out obligation, as discussed in Note 20, the parent entity had no contingent liabilities at 30 June 2017 and 30 June 2016.

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

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

25. Interests in controlled entities

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

Parent entity	Country of incorporation	Ownership interest	
		2017	2016
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%

26. Events occurring after the reporting date

On 26 July 2017, the Company announced the acquisition of key assets from Wicoms Wireless for an all scrip transaction of 3,800,000 new ordinary shares issued at \$0.065 per share valued at \$247,000.

Other than the above matters there are no other matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

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



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

	2017 \$	2016 \$
Loss for the year	(4,911,715)	(5,415,324)
Non-cash items in operating loss:		
Depreciation and amortisation	1,139,780	461,091
Issue of Earn Out Shares	-	3,013,535
R&D tax incentive receivable	-	(851,219)
Share based payments	455,064	80,492
Share option expense	60,627	-
Changes in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	72,546	297,891
Decrease / (increase) in inventories	8,543	33,056
Decrease / (increase) in prepayments and other assets	(48,676)	20,335
Increase / (decrease) in trade and other payables	206,055	246,276
Increase / (decrease) in provisions and employee benefits	35,874	69,376
Increase / (decrease) in deferred revenue	604,337	78,155
Increase / (decrease) in other liabilities	4,315	-
Net cash used in operating activities	(2,373,250)	(1,966,335)

28. Earnings per share (EPS)

	2017 Cents per share	2016 Cents per share
(a) Basic earnings per share		
Basic EPS attributable to ordinary equity holders of the Company	(2.3)	(3.8)
(b) Diluted earnings per share		
Diluted EPS attributable to ordinary equity holders of the Company	(2.3)	(3.8)
(c) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	210,951,238	141,357,785
Weighted average number of dilutive options outstanding	2,904,110	-
Weighted average number of ordinary shares used in calculating diluted EPS	213,855,347	141,357,785
(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	(4,911,715)	(5,415,324)

Directors' Declaration

In the Directors' opinion

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

James Scott
Chairman



31 August 2017



Independent Auditor's report

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

**SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES**

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
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Opinion

We have audited the accompanying financial report of Skyfii Limited and the Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Skyfii Limited and the Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's responsibility* section of our report. We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial report, which indicates that the Company incurred a net loss of \$4,911,715 and net cash outflows from operating entities of \$2,373,250 during the year ended 30 June 2017. As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Independent Auditor's report continued

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

**SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES**

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
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Sydney NSW 2001

Ph: (612) 9263 2600
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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Carrying Value of Intangible Assets Refer to Note 13 'Intangible Assets' \$3,289,065; Accounting Policy Note 3(f) and Note 3(w) 'Critical Accounting Estimates and Judgements'</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> we assessed management's determination of the Group's capitalisation of software development expenditure based on our understanding of the nature of the Group's operations and consideration of the factors in AASB 138 "Intangible Assets". we verified a sample of expenditure capitalised during the year to supporting documentation. we checked the amortisation calculation and verified the calculation was in accordance with the company's accounting policy. with the assistance of Hall Chadwick's valuation specialists, we assessed the recoverability of the carrying value by reviewing the client's discounted cash flow model and challenged the key inputs including forecasted revenues, forecasted costs and the discount rate applied.

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

- capitalised software development expenditure represents 40% of the Group's total assets.
- there is a significant level of judgement when considering management's assessment of the carrying value of software development expenditure.

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Chartered Accountants and Business Advisers

SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Revenue Recognition Refer to Note 5 'Revenue' \$4,079,367 and Accounting Policy Note 3(m)</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • we tested a sample of transactions to ensure that revenues are supported with a service agreement and valid invoices • we verified a sample of revenue transactions both before and after year end to ensure that revenue is recognised in the correct accounting period and in line with the company's policy. • we verified a sample of deferred revenue transactions and ensured that these were not recognised in the current accounting period.
<p>The group has 2 distinct categories of revenue, being Analytics Services and Design and Build Services. Revenue from rendering of these services is recognised when the services are delivered and a component of these revenues are deferred over the period that the service is rendered. Revenue Recognition is a key audit matter because of the significance of revenue to the profit and loss and deferred revenue to the financial position.</p>	

Independent Auditor's report continued

HALL CHADWICK  (NSW)
Chartered Accountants and Business Advisers

**SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES**

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



HALL CHADWICK  (NSW)
Chartered Accountants and Business Advisers

**SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES**

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditor's report continued

HALL CHADWICK  (NSW)
Chartered Accountants and Business Advisers

**SKYFII LIMITED ABN 20 009 264 699
AND CONTROLLED ENTITIES**

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

Report on the Remuneration Report

We have audited the remuneration report included in page 20 to 24 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Skyfii Limited and Its Controlled Entities, for the year ended 30 June 2017, complies with s 300A of the *Corporations Act 2001*.



Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



Graham Webb
Partner
Dated: 31 August 2017



Additional ASX information

Use of cash & cash equivalents

In accordance with ASX Listing Rule 4.10.19, the Board has determined that the Company has used the cash and equivalents that it had at the time of its re-admission to the ASX in a way consistent with its business objectives during the financial year ended 30 June 2017.

Shareholder information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 15 August 2017.

Substantial shareholders

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

Substantial shareholder	Date of Notice	Number of shares
Jagafii Pty Ltd	10-Feb-17	41,865,060
Avenue C Pty Ltd	14-Feb-17	17,189,642
The Elsie Cameron Foundation Pty Ltd	14-Feb-17	17,009,380
Birketu Pty Ltd	10-Feb-17	15,392,436
Karibu Pty Ltd	14-Feb-17	13,401,211

Top 20 shareholders as at 15 August 2017

Rank	Name	Number of ordinary shares held	% of ordinary shares held
1	JAGAFII PTY LTD <SKYFII UNIT A/C>	41,865,060	17.06%
2	AVENUE C PTY LTD <ORCHARD STREET FAMILY A/C>	17,189,642	7.00%
3	THE ELSIE CAMERON FOUNDATION PTY LTD <ELSIE CAMERON FOUNDATION A/C>	17,009,380	6.93%
4	BIRKETU PTY LTD	15,392,436	6.27%
5	KARIBU PTY LTD <WAYNE ARTHUR FAMILY A/C>	11,626,211	4.74%
6	BONDUFFMEX PTY LTD <IAN ROBINSON FAMILY A/C>	10,911,023	4.45%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,239,577	3.76%
8	SHANDERLAY INVESTMENTS PTY LTD <SHANDERLAY DISC A/C>	8,602,639	3.51%
9	INVICTUS SUPER NOMINEES PTY LTD <PJT GAMMELL PENSION S/F A/C>	7,936,508	3.23%
10	MONTELLA INVESTMENTS PTY LTD <R WHITE DISC A/C>	7,581,715	3.09%
11	PAYNEHAM INVESTMENTS PTY LTD <PAYNEHAM INVESTMENT A/C>	5,819,689	2.37%
12	ALTERAC PTY LTD <ALTERAC A/C>	4,620,465	1.88%
13	DEVERO HOLDINGS PTY LTD	4,553,710	1.86%
14	THE CHIMES PRIVATE FOUNDATION	4,548,450	1.85%
15	YELLOW MONKEY HOLDINGS PTY LTD <THE BERNBERG FAMILY A/C>	4,174,327	1.70%
16	AUSTER CAPITAL PARTNERS LLC	3,800,000	1.55%
17	MR MARCO BETTELLI	2,620,465	1.07%
18	MR ANDREW JOHNSON	2,274,157	0.93%
19	MR JAMES SCOTT	2,020,879	0.82%
20	MR MARTIN ERIC ROBINSON	2,008,055	0.82%
Total Securities of Top 20 Holdings		183,794,388	74.88%
Total Remaining Holders		61,643,806	25.12%
Total of Securities		245,438,194	

Additional ASX information continued

Distribution of ordinary shareholders as at 15 August 2017

Name	Number of Shareholders	Number of shares
1 – 1,000	629	8,574
1,001 – 5,000	57	195,996
5,001 – 10,000	57	475,148
10,001 – 100,000	189	7,990,481
100,001 and over	169	236,767,995
Total	1,101	245,438,194

At the closing market price of 0.07 per share on 15 August 2017, there were 624 shareholders with less than a marketable parcel of shares (\$500).

Option holders as at 15 August 2017

Rank	Name	Number of options held	% of options held
1	Mr James Scott	3,250,000	65.00%
2	Mr Andrew Johnson	1,750,000	35.00%
	Total	5,000,000	

Restricted securities as at 15 August 2017

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

Class of restricted securities	Nature of restriction	Number of shares
Unquoted ESP shares	Various dates ending no later than 22-Dec-19	19,480,000
Total shares subject to escrow		19,480,000

31. Voting Rights

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

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

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

32. On-market Buy Back

There is no current on-market buy back.



Corporate directory

Company Directors

Mr James Scott	Chairman, Non-Executive Director
Mr Wayne Arthur	Executive Director
Mr Andrew Johnson	Non-Executive Director

Company Secretary

Ms Koreen White

Registered Office

Level 1
34-36 Oxford Street
Darlinghurst NSW 2010
Telephone: +61 2 8188 1188

Share Registry

Boardroom Limited
Level 7
207 Kent Street
Sydney NSW 2000

Auditors

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Securities exchange listing

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

Website

www.skyfii.io

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