


# skyfiio 

Skyfii Limited
ABN 20009264699
Financial report for the year ended 30 June 2018

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## Chairman \& CEO address

## Dear Shareholders,

We are pleased to present Skyfii Limited's (ASX: SKF) Annual Report for the year ended 30 June 2018 and are delighted to foreshadow what we expect will be an exceptionally strong financial performance and outlook for Skyfii in FY2019.

Here are some of the key achievements from FY2018:
Operating revenue growth of $92 \%$ to $\$ 6.17$ million
Recurring revenue growth of $68 \%$ to $\$ 3.4$ million
First positive EBITDA of $\$ 0.067$ million
$52 \%$ increase in share price during the reporting period

## Demonstrating consistent performance

In FY2018, the management team were tasked with driving the business forward on all fronts to achieve our stated FY2018 objective of accelerating revenue. Following the execution of numerous new customer contracts, completion of two asset acquisitions and efforts to broaden our service offering to existing and new customers, Skyfii almost doubled its business size in revenue terms to $\$ 6.17$ million from $\$ 3.2$ million, while stringently maintaining its cost base, set against tight internal budgetary targets. The result has been delivery of a maiden positive EBITDA.
"The market can place confidence in the Skyfii management team's ability to deliver on our aspirations to lead this industry which shows enormous growth potential.
We have demonstrated consistent annual delivery of strong revenue growth for some years, and in FY2018, showed profitable growth for the first time, in conjunction with scaling the business. I commend the entire team for this terrific result, and in particular, call out Finance Director, Koreen White for her tireless efforts throughout the period," commented Skyfii's Chairman, James Scott.

## Newv customers and acquisitions driving growth

Operating a lean team of 35 employees, we work hand in hand with select channel partners and hardware vendors around the globe, to drive cost effective scale and reach. Through these relationships with quality partners such as Aruba Networks, we successfully secured material new contract wins during the year with high profile brands, including Precision Group, Lewis Land Group, Versace, Nuffield Health, HSBC and Nando's.
These contracts are centred around our Software as a Service (SaaS) data analytics and marketing services 'IO platform', which delivers long term recurring revenues through a mix of products and services.
Two scrip-based asset acquisitions complemented our top-line growth during FY2018.
Wicoms was acquired in July 2017 with a mostly European footprint of large shopping centres. The Wicoms acquisition represented a significantly de-risked opportunity to acquire and novate customer contracts and associated footprint, while being immediately value accretive to Skyfii. So too was Causely, acquired in February 2018 which has allowed us to build a strategic foothold in the US market while facilitating swift entry into new verticals of Gyms, Churches and access to the Quick Service Restaurants.
"Skyfii's first two acquisitions illustrate our ability to not only identify attractive assets in the market, but to cost effectively integrate them into the Skyfii business for significant gains. In both cases, we were able to enhance the experience of acquired customers by making the Skyfii 'IO platform' and consulting services available to them, which has led to a marked increase in the billing value of those customers," commented Skyfii's CEO, Wayne Arthur.

## Services offering expansion

Strategically, our services offering expanded and was solidified during the FY2018 year. Our 'IO platform' now coexists alongside Data Consulting Services and Marketing Services provisions that have already demonstrated revenue contributions. The enhanced offering leverages insights and drives tangible value around the use of data.

Data Consulting Services was conceived following customer demand which originated in the real estate vertical and is increasingly being adopted by our customers in other sectors. Skyfii's Head of Data, JP Talbot, has been instrumental in growing the data science team and capability.

One of our proudest achievements is that Skyfii has experienced zero enterprise customer contract churn, with many customer contracts actually growing in revenue terms through their use of additional Skyfii products and services.
We believe two key factors are responsible for this outcome, our exceptionally competitive service offering alongside our nimble in-house product development team who are highly responsive to customers' needs. Our 'IO platform' continues to be enhanced both in terms of new data source ingestion and richer analytics capability. Second, our Data Consulting Services and Marketing Services offering is proving to be a highly sought after wraparound service to the 'IO platform'. As a result, our depth of commercial engagement has increased markedly during this past year, and is noticeably differentiated from our peers.

## Data security

During the year, Skyfii adopted the European conceived General Data Protection Regulation (GDPR) data privacy guideline across all of its operations globally. Foreseeing the emergence of governance around data privacy and security, the Board took a front foot approach and established an internal working group to develop compliance well ahead of the European standard taking effect in May of this year. As a result, Skyfii is positioned as a trustworthy and reliable data partner for our customers and prospects.

## Entering a new phase of growth

A solid pipeline and strong existing customer and partner relationships underpin our belief that the strong growth trajectory delivered to date will continue into FY2019. Careful management of capital will remain important to the Company's achievement of on-going top line growth, while we remain focused on maintaining our profitability and continuing to deliver value from our resource base.
Skyfii is extremely well poised for continued and accelerated growth and no longer requires capital injections to sustain its current operating level. In addition, FY2019 leverages a strong baseline of multiyear contracted revenues established in prior years, with over $\$ 5.9$ million already booked into the year ahead.
Following a consistent and demonstrated track record, Skyfii expects to drive for further organic business growth and will continue to evaluate accretive acquisition growth prospects in FY2019.
On behalf of our fellow Directors, we thank all of our shareholders - old and new, and particularly those who have backed the business since its infancy.


## James Scott

Chairman and Non-Executive Director



## Wayne Arthur

CEO and Executive Director


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## Review of Operations

## Skyfii Business Model

Skyfii (or the Company) is a data analytics and marketing services technology company providing a cloud-based SaaS (Software as a Service) solution called 'IO'. The IO platform is comprised of three core product modules; IO Connect (data collection), IO Insight (data analytics) and IO Engage (marketing tools). The IO platform is charged on a monthly recurring revenue basis, dependent upon the subscription level and services provisioned. The delivery of the 10 platform services are typically contracted on 1,3 and 5 year terms.

In addition to the IO platform, Skyfii provides a suite of professional services through its Data Consulting Services and Marketing Services teams. These services assist the company to acquire, retain and grow our diversified customer base. Our service offering acts as a key differentiator in the pre and post sales cycle and underpins our go-tomarket strategy in key regions.

Since the company was founded in 2012, Skyfii has grown to provide services to over 4,500 venues, culminating in the collection of +18.7 million unique registered users by our customers.

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FOUNDATION DATA LAYER
+18.7m unique registered users / +213 billion visits analysed


Data Consulting Services (DCS)


Marketing Services (MS)


During FY2018, the company introduced new categorisations of how it generates revenues, defined as recurring, non-recurring and services revenues.

## Recurring Revenues

The Company's core revenue base is derived from subscriptions to its SaaS IO platform, comprised of three modules. Modules can be purchased packaged, as a combination or in isolation.

## Non-recurring Revenues

Non-recurring revenues are one-off revenues generated from the deployment of hardware and infrastructure, implementations and upfront setup fees relating the deployment of wireless and people counting infrastructure in physical venues, which are the precursor and underpin recurring revenues generated from subscriptions to the IO platform.

## Services Revenues

Services revenues are revenues generated from professional services extended to our growing customer base. Revenues are generated from the payment of projects undertaken by both the Data Consultancy and Marketing Services team and includes revenues generated from the Causely business. Revenues generated from services are received as either recurring or fixed fee projects and typically support the sell-through of the IO platform.

## FY18 Key Highlights

## Financial highlights:

- First positive EBITDA at $\$ 0.067$ million
- Operating revenue growth of $92 \%$ to $\$ 6.17 \mathrm{~m}$, when compared to FY2017 revenues of $\$ 3.2$ million
Recurring revenue growth of $68 \%$ to $\$ 3.4 \mathrm{~m}$
Recurring revenues of $\$ 1$ million+ per quarter and continuing to build
+4,500 venues now deployed across our global footprint of customers
Annualised reduction of $\$ 1$ million in operating expenditure when compared to FY2017
254\% reduction in net cashburn year on year to an average of $\$ 130,000$ per month in FY2018 from $\$ 330,000$ per month in FY2017


## Operating highlights:

Successful completion of $2 \times$ all scrip value accretive asset acquisitions
Significant growth in a diversified revenue offering, including services revenues
Zero enterprise customer contract churn during the period
Successful growth within new target verticals of Healthcare, Convenience, Cultural centres, Quick service restaurants

## Acquisitions

## Wicoms Wireless, United Kingdom

In july 2017, Skyfii acquired the portfolio of customers of Wicoms Wireless, a UK based Wifi Technology platform. The acquisition of Wicoms portfolio of customers saw the Company expand its international retail sector footprint within key overseas geographies of North America and Europe. The asset acquisition enabled Skyfii to leverage an existing revenue generating footprint and subsequently upsell the Wicoms' retail mall customers.
Following the announcement of the Wicoms Wireless asset acquisition, Skyfii reached an agreement to deliver their marquee client - McArthurGlen Designer Outlets, a greater level of data analytics and marketing services than what was provisioned under Wicoms' own technology platform.
The new agreement signed with McArthurGlen represented a significant multiple on the value of the scrip only acquisition of Wicoms by Skyfii, and also delivers additional value to the shopping centre group. The value of the new three year contract is greater than three times the value of the original Wicoms acquisition, which was paid using $\$ 247,000$ worth of Skyfii ordinary shares (scrip).

## Causely, North America

In February 2018, Skyfii acquired assets from the North American
based marketing services company Causely, a loyalty and charitable rewards marketing platform, which enables the SME venues to contribute to various charitable causes via their customers check-ins to social media.
With an existing customer portfolio of over 1,850 venues, including 600 religious congregations, $1000+$ gym and wellness venues and a progressed pipeline of quick service restaurant (QSR) groups - the acquisition is providing a significant opportunity for Skyfii to upsell its existing SaaS IO platform services to the Causely customer portfolio.
The deal included its portfolio of existing contracts in an all scrip transaction, issuing 25 million new ordinary shares in Skyfii Limited at $\$ 0.14$ per share, valuing the transaction at AU $\$ 3.5$ million. As part of the acquisition by Skyfii, the sale of the asset by the incumbent Causely investors (sellers) has an underwriting agreement in place to guarantee a minimum net profit (defined as being revenue less costs, before taxes) of US $\$ 1.625$ million over a three year period.

## Services Development

## Data Consulting Services and Marketing Services

As a critical component of Skyfii's go to market strategy, the Data Consulting Services and Marketing Services teams' enable upsell and sell-through opportunities, with the IO platform not required for engagement. These teams continue to find growing success amongst existing and new clients, working closely with a number of Skyfii's major retail property clients domestically and internationally.
Projects undertaken by Skyfii's Data Consulting Services or Marketing Services team occur as either a once-off or retainer based (recurring revenues) engagement. The teams work to support our customers in both strategic and operational decision making needed to improve venue performance. Project examples undertaken by the team include, data strategy consultation, retailer performance assessments, audience segmentation, campaign optimisation and delivering data-driven marketing strategies.
Revenues generated from Data Consulting Services and Marketing Services, in the June quarter were $\$ 746 k$, up $33 \%$ on the previous quarter, positively influenced by the integration of the Causely business (marketing services), acquired during the period (consolidated from February 2018). During FY2018, Skyfii generated $\$ 1.4 \mathrm{~m}$ in services revenue.

## Channel Partners

A core focus for Skyfii's global sales strategy is to sell our suite of product and services via strategic channels partners. This allows the business to scale its salesforce and build its reach cost effectively. The company places importance on ensuring it identifies and recruits the right partners within market.

Channel partners are categorised as follows in order of strategic priority:

## Solution partners:

Solution partners enable delivery of Skyfii's solutions or increase our capabilities using a "better together" go-to-market approach.

## Review of Operations continued

## 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.

During the year Skyfii welcomed a number of new channel partners, including but not limited to:

## Dimension Data (South Africa)

Dimension Data are a global systems integrator and manager service provider for hybrid IT. Dimension Data offer consulting, support and technical services to enhance digital business.

## Telcomms Multimedia Solutions (Italy)

Telcomms are a value-added distributor of solutions focused on Broadband Wireless Access and backhauling technologies.

## AM Networks (United Kingdom)

AM Networks are an accredited IT service provider, AM Networks is a United Kingdom based business providing services such as managed IT, networking, cabling and cloud IT solutions.

## Ultima (United Kingdom)

Ultima are a United Kingdom based reseller, providing IT solutions and managed services. In 2017 Ultima was awarded CRN's Reseller of the Year.

## Acuative (USA)

Founded in 1984, Acuative are an American based reseller and managed service provider.

## Unified Technologies (USA)

Unified Technologies is a communications technology company and managed service provider with locations in Louisville and Lexington, KY.

## New Verticals

The Company continued to successfully grow its addressable market during FY2018 - aligning with the Company's announced strategy to extend its reach into new verticals. This resulted in a number of new contract wins within, the petrol convenience, health and wellness, cultural centres (museums), hospital, financial services and grocery and quick service restaurant (QSR) verticals.
In addition to growing its addressable market, Skyfii continued to consolidate its position as the leading provider to the retail property industry in Australia, highlighted by a number of new contract wins within the industry during FY2018.

## New Material Customer Contracts

A list of announced contracts during FY2018 can be found below, however, please note this list is non-exhaustive and does not reflect the entirety of contracts secured during FY2018.

## Aventus Property Group - Australia

A three year contract was signed with Aventus Property Group to deploy the 'IO' platform services across an initial four Aventus Shopping centres. The signed contract will provide Aventus access to Skyfii's 'IO Connect' and 'IO Insight' products over three year contract terms. The signed contract represents another successful execution in the retail property vertical for Skyfii, reinforcing the Company's position as a leading service provider to the Australian retail industry.

McArthurGlen Designer Outlets - UK \& Europe (announced as Major Shopping Centre Group, 25th November 2017)
Following the asset acquisition of Wicoms Wireless, Skyfii acquired contracts to deliver services to Wicoms' portfolio of customers including McArthurGlen Designer Outlets. Deploying across 22 shopping centres, the signed contract value is greater than three times the value of the original Wicoms acquisition, which was paid using $\$ 247,000$ worth of Skyfii scrip. Skyfii's Data Consulting Services has been contracted across the term of the agreement.

## Leading Supermarket Chain - Italy

As a five year contract term across 295 supermarkets, the signed contract with the leading supermarket chain marks the first contract in the Italian market. The contract replaces a former incumbent and was won in partnership with an Italian distributor, Telcomms and their value added partner, Tecnosistemi a strategic partner for the region.

Skyfii signs Master Services Agreement with HSBC, Australia (16th of January 2018)
Representing Skyfii's first customer in the Banking and Financial sector, the Master Services Agreement (MSA) with HSBC, provisions the deployment of Skyfii's entire suite of 'IO platform' services across HSBC's entire Australian branch network, on a three-year contract term.

Skyfii signs contract with Nuffield Health, United Kingdom (28th of March 2018)
Nuffield Health operate 31 hospitals and 111 Health and Wellbeing gyms across the United Kingdom. The three year contract will see the deployment of Skyfii's IO Connect and IO Insight solutions within an initial 70 venues across the Nuffield portfolio. The contract was delivered in partnership with infrastructure and security company Ampito Group.

## Skyfii Signs Multi-year contract with Precision Group,

## Australia (11th of April 2018)

The Precision Group signed a three year contract term for the deployment of Skyfii's full suite of 'IO platform' services across five shopping centres. In addition to subscribing to the IO platform services, Precision Group have provisioned Marketing Services to accelerate and support the application of their digital and data strategy, a core focus for the organisation's long term competitive advantage.

Skyfii Signs Multi-year contract with Lewis Land Group, Australia (18th of April 2018)
Skyfii has signed a three year contract with Lewis Land Group. Lewis Land Group own two large open plan shopping centres, Harbour Town Adelaide and Harbour Town Gold Coast that have been heralded by the the Australian Tourism Awards for excellence in specialised tourism services.

## Skyfii Signs Contract with Luxury Fashion Brand Versace (15th of May 2018)

The agreement includes Skyfii 'IO Connect' product across 45 Versace retail venues in Europe on an initial one year contract, replacing an incumbent provider. Upon completion of the initial 12-month contract, Versace has expressed their intent to move to a multi-year contract term.

## Skyfii Doubles Deployment with Nuffield Health in the UK

## (17th of May 2018)

Having already successfully contracted Nuffield Health for the deployment of 'IO platform' services across 70 venues, the contract extension added an additional 72 sites to the agreement, taking the total number of hospital and gym venues deployed to 142 across the UK.

Skyfii Signs Leading Service Station Group in Italy (13th of June of 2018)
Representing Skyfii's first customer in the petrol convenience retail vertical, the signed contract with the Italian national service station group, will see Skyfii deploy its services across 210 venues.
The contract is being delivered in partnership with Skyfii's Italian based distributor, Telcomms and system integrator, Tecnosistemi reseller of Skyfii's products and services across Europe.

## Nando's Australia and Skyfii Sign Multi-year Contract (19th of June 2018)

Skyfii signed a Master Services Agreement to cover Australian corporate owned and franchised owned restaurants. The initial contract will provision access to 'IO Connect' and 'IO Insight' on a two-year contract for Nando's 120 Australian corporate owned restaurants, with an option to extend services to an additional 100 franchise owned restaurants.

## Skyfii Delivers Smart Cities Solution to Covington, USA

 (26th of June 2018)Following initial success with the city of Cincinnati, Skyfii and Cincinnati Bell will deliver a Smart Cities solution to Covington, Kentucky, USA. The three-year agreement will see Skyfii provide a local area marketing and communications platform for events, advertising, and business to promote their good and services throughout Covington central business district.

## Key operating highlights



Total registered user base increased by $\mathbf{+ 1 2 . 6 \%}$ qoq
from $\mathbf{1 6 . 6}$ million to $\mathbf{1 8 . 7}$ million

QUARTERLY CUSTOMER VISITS


Quarterly customer visits increased by $\mathbf{1 3 . 3} \mathbf{3}$ qoq
from $\mathbf{1 8 8}$ million to $\mathbf{2 1 3}$ million.

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## Review of Operations continued

## Existing Customer Contract Renewal

In addition to the new contracts signed in FY2018 and the growth into new verticals, Skyfii also boasts an extremely high retention rate, which is demonstrated by contract renewals of its existing customer base.

## The GPT Group (Australia)

One of Skyfii's first enterprise customers, originally contracted in 2015, The GPT Group renewed its long-term Master Services Agreement (MSA) with Skyfii across 18 of GPT Group's retail and commercial premises for a further three years during the quarter.

- The agreement will broaden Skyfii's scope of work, including the provision of Data Consultancy Services, in addition to the previously provided full suite of analytics and marketing services provided through the 'IO' platform.
The GPT Group is one of the largest diversified property groups and a top 50 ASX listed company by market capitalisation. GPT owns and manages a $\$ 20$ billion portfolio of office, logistics, business parks and prime shopping centres across Australia.


## Overview of financial performance

The Company delivered a full year FY2018 total operating revenues of $\$ 6.17 \mathrm{~m}$, representing a $92 \%$ improvement when compared to FY2017. This places the Company in a very strong financial position for FY2019, with additional highlights including:

- $+4,500$ venues now deployed across our global footprint of customers
- Annualised reduction of $\$ 1.0 \mathrm{~m}$ in operating expenditure when compared to FY2017
- A 254\% reduction in net cashburn year on year to an average of $\$ 130 k$ per month in FY2018 from $\$ 330 k$ per month in FY2017
- Quarterly recurring revenue run rate in final quarter of FY2018 (Q4 FY2018) of \$1 million
The growth in revenue is the result of the Company's focus on delivering high margin, multi-year, recurring revenue contracts and growth in our services offering to our customer base, both domestically and internationally across a growing number of industry verticals.
The Company has also benefited from the acquisition of Wicoms Wireless (July 2017) in the United Kingdom and the more recent acquisition of Causely in North America (Feb 2018) with both acquisitions having delivered income accretive results for the Company.

HALF-YEAR REVENUE \& EBITDA

AUD \$4.5m


## Product Development

The product underwent significant product research and development within FY2018. Development has focused on the following key areas:

## GDPR

The platform was modified to support the EU based privacy legislation, GDPR. This includes revised privacy policy, data retention practices and data-subject self service portal.

## Omni-Channel Campaign Tools

The Skyfii IO Engage module was enhanced to deliver targeted campaigns using more sophisticated triggering rules and third party channels.

## Vendor Support

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

## Data Privacy

Skyfii treats data protection, privacy and security very seriously. How data is collected, stored and used is of the utmost importance to our business, including supporting our customers' compliance with the General Data Protection Regulation (GDPR).
As part of this continued commitment to data privacy, Skyfii ensured its compliance with GDPR, which came into effect on the 25th May 2018.
Skyfii also takes a number of steps to ensure our data remains secure at every stage. This includes storing data securely in ISO 27001, SOC III, PCI DSS certified data centres. Data is kept within jurisdictional boundaries. Data is transmitted and stored using multiple levels of encryption that enforce the industry's most secure algorithms, such as 256 bit AES.

## Outlook for FY19 and beyond

Following a very strong year of financial results in FY2018, Skyfii enters the FY2019 year with $\$ 5.9 \mathrm{~m}$ in contracted revenues that will be recognised over the FY2019 year.
In addition to the 10 platform recurring revenues, there is a very strong undercurrent of services revenues, which continue to supplement and support the Company's IO platform sales and provide a clear differentiator for Skyfii globally.
We expect Skyfii's international markets to continue to deliver strong growth, following an increase in reported contracts from international operations in FY2018, across a growing number of industry verticals. Skyfii's network of channel partners and resellers continues to grow, particularly in our international operations, which is allowing the Company to continue delivering new business whilst running capital prudent operations.
The Company expects to further consolidate its market leading position within the ANZ retail property vertical and expects to see an increased revenue contribution from its international operations. In the US, following a year of building awareness and establishing a credible presence in the North America region, the Company predicts strong traction in the region during the mid-part of FY2019.
The Company continues to focus efforts on building long term, sustainable growth within its organic business in FY2019, anticipating another very strong year of accelerated topline revenue growth, with an emphasis on investing for top line growth.
In addition to the underlying organic growth potential for Skyfii in FY2019, the Company will continue to evaluate accretive acquisition growth prospects.

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## Directors' Report

Your Directors submit the financial report of Skyfii Limited (Skyfii or the Company) for the year ended 30 June 2018. 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 <br> Experience, interests in shares, <br> 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)
FIE Aust
CP Eng
GAICD

- Mr Scott has 22 years' experience in digital technology, network and IT business, including network computing, server virtualisation, digital enablement and mobility solutions. He is Managing Director at Accenture Digital Australia and New Zealand. In 2004 Mr Scott also held the position of Partner \& Managing Director APAC at Accenture.
- Prior to Mr Scott's current position at Accenture. Mr Scott was a Partner in KPMG's Business Performance and Technology division and Group Executive Director of Technology \& Innovation at Seven Group Holdings.
- Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee.
- Holds a relevant interest in 3,007,646 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 Kumul Telikom Holdings Ltd, a telecommunications company in South Pacific region and Chairman of bmobile-Vodafone, a mobile service provider for Papua New Guinea and the Solomon Islands and a Director of Dataco, the PNG national transmission company. He is also Managing Partner of Delta Systems International, a designer and builder/operator of telecommunications and defence systems. His prior roles include Divisional Manager for Computer Science Corporation's Australian and NZ Communications and Defence Division, CEO of Tenix (formerly Transfield) Defence Systems, which grew to become Australia's largest Defence company during his tenure and Managing Director of Telstra's Data and Online Division.
- Member of the Nomination and Remuneration Committee and Member (Chairman) of the Audit and Risk Committee.
- Holds a relevant interest in 3,357,869 shares and 1,750,000 options over an equivalent number of unissued shares.
- No other listed company directorships.
- Mr Bonett is the founder and CEO of Precision Group, one of Australia and New Zealand's most successful private property investment companies. He brings an exceptional wealth of experience to the Skyfii board from not only the retail and property sector, but also through his extensive experience in working with the finance sector, including the Chinese banking sector, particularly with the Bank of China.
- Member (Chairman) of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee
- Holds a relevant interest in 22,015,874 shares as Precision Group Pty Ltd
- Listed company directorships at iSelect Independent Non-Executive Director


## Name, independence status and qualifications

Experience, interests in shares, special responsibilities and other directorships

- Mr Brown, is the founder and chairman of Causley and a sophisticated technology entrepreneur who recently sold his mobile technology business to Zynga in a very successful exit. He brings expertise in mobile tech, data science and machine learning and a wealth of US based contacts to the Skyfii board and will assist in Skyfii's North America expansion.
- Holds a relevant interest in nil shares
- No other listed company directorships.


## Wayne Arthur

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

BComm.

## Roger Hatem

Alternate Non-Executive Director to Shaun Bonett (appointed 12 February 2018)

- 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 3,075,000 ESP shares.
- No other listed company directorships.
- Mr Hatem, is the Chief Technology Officer at Precision Group.
- Roger holds a Bachelor of Arts degree in Mathematics and Statistics (Macquarie University), a Master of Science in Operations Research
- (University of Technology Sydney), and is a Microsoft Certified Systems Engineer.
- Holds a relevant interest in 396,825 shares as Qad Investments Pty Ltd
- No other listed company directorships.


## Company Secretary

## Koreen White

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

- Ms White has 21 years' experience in listed and unlisted, Australian and US-based corporate entities having worked across the technology, media and telecommunications (TMT) sector.
- Holds a relevant interest in 50,000 shares and 1,400,000 ESP shares.
- No other listed company directorships.


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## Directors' Report continued

## Meetings of Directors

During the financial year, 11 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:


## 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 $\$ 2,009,719$ (2017 loss: $\$ 4,911,715$ ). Refer to the commentary in the Review of Operations.

## Dividends paid or recommended

In respect of the financial year ended 30 June 2018, there have been no dividends paid or provided for (2017: nil).

## Significant changes in state of affairs

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

## Subsequent events

There are no matters or circumstances that have arisen since 30 June 2018 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 \$7,663 (FY17: $\$ 18,506)$.
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 20 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 21 of this report and forms part of the Directors' Report for the year ended 30 June 2018.

## 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:
D. James Scott - Non-Executive Chairman

Andrew Johnson - Non-Executive Director
Shaun Bonett - Non-Executive Director
Lincoln Brown - Non-Executive Director
Wayne Arthur - Chief Executive Officer
Roger Hatem - Alternate Non - Executive Director to Shaun Bonett
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
Koreen White - Finance Director 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 $\$ 500,000$.

## 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 Superannuation \$ | Share based payments |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Directors' fees \$ | Salary and fees \$ | Other $\$$ |  | Shares \$ | $\begin{gathered} \text { Options } \\ \$ \\ \hline \end{gathered}$ | Total \$ |
| FY 2018 |  |  |  |  |  |  |  |
| Directors: |  |  |  |  |  |  |  |
| J. Scott | 25,000 |  |  |  | 50,000 |  | 75,000 |
| A. Johnson | 25,000 |  |  |  | 50,000 |  | 75,000 |
| S. Bonett ${ }^{(1)}$ |  |  |  |  | 29,167 |  | 29,167 |
| L. Brown ${ }^{(2)}$ |  |  |  |  | 25,000 |  | 25,000 |
| W. Arthur |  | 210,000 |  | 19,950 | 36,976 |  | 266,926 |
| R.Hatem ${ }^{(3)}$ |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Other KMP: |  |  |  |  |  |  |  |
| J. Martin |  | 189,000 | 6,667 | 17,955 | 29,785 |  | 243,407 |
| J. Rankin |  | 210,000 | 32,000 | 19,950 | 86,061 |  | 348,011 |
| 1. Robinson |  | 207,500 |  | 19,713 | 32,350 |  | 259,563 |
| M. Walker |  | 207,500 |  | 19,713 | 32,350 |  | 259,563 |
| K.White |  | 186,128 |  | 17,682 | 9,784 |  | 213,594 |
| Total | 50,000 | 1,210,128 | 38,667 | 114,963 | 381,473 | - | 1,795,231 |


| FY 2017 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 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 |
| 1. Robinson |  | 191,250 |  | 18,169 | 18,719 |  | 228,138 |
| B. Roze ${ }^{(4)}$ |  | 171,436 |  | 14,852 | 16,197 |  | 202,485 |
| M. Walker |  | 203,750 |  | 19,356 | 18,719 |  | 241,825 |
| K. White |  | 20,538 |  | 1,951 |  |  | 22,490 |
| Total | - | 1,171,918 | - | 109,897 | 297,529 | 60,627 | 1,639,971 |

The remuneration of key management personnel in the years ended 30 June 2018 and 30 June 2017 were $100 \%$ fixed, and there is no link between remuneration and the market price of the Company's shares.
Notes:
(1) Represents the remuneration commencing on the 22 November 2017, being the date upon which the individual commenced to be a KMP
(2) Represents the remuneration commencing on the 27 April 2018, being the date upon which the individual commenced to be a KMP.
(3) There is no remuneration payable for this appointment commencing on 12 February 2018.
(4) Represents the remuneration up until 22 June 2017, being the date upon which the individual ceased to be a KMP.

## skyfitio

## 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:


Notes:
(1) Represents the ordinary share movements commencing on the 22 November 2017, being the date upon which the individual commenced to be a KMP
(2) Represents the ordinary share movements commencing on the 27 April 2018, being the date upon which the individual commenced to be a KMP.
(3) Represents the ordinary share movements commencing on the 12 February 2018, 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 | Granted / <br> issued | Released from <br> restrictions | Forfeited / <br> cancelled | Balance at <br> end of year | Balance of <br> vested ESP shares |
| ---: | ---: | ---: | ---: | ---: | ---: | | Balance of |
| ---: |


| FY 2018 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Directors: |  |  |  |  |  |  |  |
| W. Arthur | 1,775,000 | 1,300,000 | - | - | 3,075,000 | 585,750 | 2,489,250 |
| Other KMP: |  |  |  |  |  |  |  |
| J. Martin | 1,450,000 | 1,000,000 | - | - | 2,450,000 | 478,500 | 1,971,500 |
| J. Rankin | 2,025,000 | 1,100,000 | - | - | 3,125,000 | 668,250 | 2,456,750 |
| 1. Robinson | 1,675,000 | 1,000,000 | - | - | 2,675,000 | 552,750 | 2,122,250 |
| M. Walker | 1,675,000 | 1,000,000 | - | - | 2,675,000 | 552,750 | 2,122,250 |
| K. White | - | 1,400,000 | - |  | 1,400,000 | - | 1,400,000 |
| Total | 8,600,000 | 6,800,000 | - | - | 15,400,000 | 2,838,000 | 12,562,000 |
| - |  |  |  |  |  |  |  |
| FY 2017 |  |  |  |  |  |  |  |
| 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 |
| M. Walker | 450,000 | 1,225,000 | - | - | 1,675,000 | 148,500 | 1,526,500 |
| K. White |  | - |  |  | - | - | - |
| Total | 1,900,000 | 6,700,000 | - | - | 8,600,000 | 627,000 | 7,973,000 |

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 | Received as part <br> of remuneration | Purchase <br> of options | Sale <br> of options | Balance at <br> end of year |
| ---: | :---: | :---: | ---: | ---: |


| FY 2018 |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Directors: |  |  |  |  |  |
| J. Scott | 3,250,000 |  |  |  | 3,250,000 |
| A. Johnson | 1,750,000 |  | - | - | 1,750,000 |
| Total | 5,000,000 |  | - | - | 5,000,000 |
| FY 2017 |  |  |  |  |  |
| 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 23 to the financial statements.

| Directors: | $\mathbf{2 0 1 8} \mathbf{\$}$ | $\mathbf{2 0 1 7} \mathbf{\$}$ |
| :--- | :--- | :--- |
| W. Arthur | 198,001 | 161,025 |
| Other KMP: |  |  |
| J. Martin | 161,385 | 131,600 |
| J. Rankin | 175,086 | 141,225 |
| I. Robinson | 178,575 | 146,225 |
| M. Walker | 178,575 | 146,225 |
| K. White | 9,784 | - |
| Total | $\mathbf{9 0 1 , 4 0 6}$ | $\mathbf{7 2 6 , 3 0 0}$ |

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

During the full year ended 30 June 2018, the Company incurred $\$ 6,719$ (FY17: $\$ 118,934$ ) 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 2018, the Company recognised revenue $\$ 4,500$ (FY17: $\$ 23,400$ ) for services rendered for DSI Engineering \& Management Services, a company associated with Andrew Johnson (Director) and \$57,262 (FY17:\$0) for services rendered for Precision Group Pty Ltd, a company associated with Shaun Bonett (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 - Base salary: \$210,000 excluding superannuation.

Other Executives are employed under individual executive services agreements. These establish amongst other things:

- 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 2018

## Auditor's Independence Declaration

## HALL CHADWICK ${ }^{-7}$ (SW)

SKYFII LIMITED<br>ABN 20009264699 AND ITS CONTROLLED ENTITIES

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 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.

> UM Chadewode

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000
Cerever

Graham Webb
Partner
Dated: 31 August 2018

[^0]PrimeGlobal

## 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 ofthe 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 2018 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 three independent Directors, Messrs Scott, Johnson and Bonett. 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 2018 financial year. The Board will consider conducting a formal performance evaluation during the 2019 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 2018 financial year. Establishing measurable objectives for achieving diversity will be reconsidered on an annual basis.
As at 30 June 2018, the proportion of women employed by the Group was as follows:

- Board of Directors: 0\%

Senior Executive positions: 17\%
Total Group workforce: 15\%
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 three independent Directors, Messers Scott, Johnson and Bonett. Mr Bonett acts as Chairperson. The Board regularly assesses the independence of each Director in light of the interests disclosed by them. That assessment is made at each Board meeting in relation to matters under consideration at the meeting, at least annually at, or around the time that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose. If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.
A majority of the Board (comprising the Chairperson of the Board James Scott, Andrew Johnson, Shaun Bonett and Lincoln Brown) 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 three independent Directors, Messrs Scott, Bonett and Johnson. Mr Johnson acts as Chairperson.
The Board has implemented a process to receive written assurances from its Chief Operations Officer and Finance Director that the declarations that will be provided under section 295A of the Corporations Act 2001 (Cth) are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. The Board seeks these assurances prior to approving the annual financial statements for all half year and full year results that follow. Representatives from the Company's external auditor, Hall Chadwick, are present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.
The Company has adopted a formal Disclosure and Communication Policy, where there is an express requirement that the external auditor will attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

## Principle 5 - Make timely and balanced disclosure

The Company ensures that it complies with the requirements of ASX listing rules and the Corporations Act in providing information to shareholders. Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out the Company's commitment to the objective of promoting investor confidence and the rights of shareholders by:
(a) complying with the continuous disclosure obligations imposed by law;
(b) ensuring that company announcements are presented in a factual, clear and balanced way;
(c) ensuring that all shareholders have equal and timely access to material information concerning the Company; and
(d) communicating effectively with shareholders and making it easy for shareholders to participate in general meetings.
The Disclosure and Communication Policy is available on the Company's website, www.skyfii.io.

## Corporate Governance Statement continued

## 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 laddressed in detail in each years' Annual Report.

The Board has adopted a Disclosure and Communication Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders:
(a) by making timely market announcements;
(b) by posting relevant information on to its website;
(c) by inviting shareholders to make direct inquiries to the Company; and
(d) through the use of general meetings.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals.
The Company's shareholders may elect to receive information from the Company and its registry electronically. Otherwise, the Company and its registry will communicate by post with shareholders who have not elected to receive information electronically.

## Principle 7 - Recognise and manage risk

The Board has established an Audit and Risk Committee to ensure the Company has an effective risk management system in place and to manage key risk areas.
The Company's Audit and Risk Committee, is comprised of three independent Directors, Messrs Scott, Bonett and Johnson. Mr Johnson acts as Chairperson.
The Company has adopted an Audit and Risk Committee Charter which is available on the Company's website, www.skyfii.io.
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 <br> and other comprehensive income For the financial year ended 30 June 2018

| $\square$ | Note | 2018 $\$$ | $\begin{array}{r} 2017 \\ \$ \end{array}$ |
| :---: | :---: | :---: | :---: |
| Revenue and other income |  |  |  |
| Revenue | 5 | 6,171,120 | 3,211,007 |
| Other income | 5 | 958,345 | 868,360 |
| Total revenue |  | 7,129,465 | 4,079,367 |
| Expenses |  |  |  |
| Direct costs of services |  | $(1,357,890)$ | $(825,358)$ |
| Employee benefits expense | 6 | $(3,007,968)$ | $(4,033,752)$ |
| Contractor and consultant expenses |  | $(75,340)$ | $(111,339)$ |
| Marketing and promotion expenses |  | $(235,247)$ | $(304,140)$ |
| Data hosting expenses |  | $(514,224)$ | $(511,158)$ |
| Travel and accommodation expenses |  | $(361,354)$ | $(444,872)$ |
| , Office and other expenses |  | $(1,022,657)$ | $(1,085,772)$ |
| Directors' fees |  | $(204,167)$ | $(100,000)$ |
| Share option expense |  | - | $(60,627)$ |
| Share based payments expense |  | $(282,523)$ | $(355,064)$ |
| Depreciation and amortisation expenses | 6 | $(2,026,486)$ | $(1,139,780)$ |
| Finance costs | 6 | $(1,023)$ | $(1,845)$ |
| Loss before tax |  | $(1,959,414)$ | $(4,894,338)$ |
| Income tax expense | 7 | $(50,305)$ | $(17,377)$ |
| Loss for the year |  | $(2,009,719)$ | $(4,911,715)$ |
| Other comprehensive income |  |  |  |
| Items that will be reclassified to profit or loss when specific conditions are met: |  |  |  |
| Exchange differences on translation of foreign operations |  | $(115,220)$ | 15,884 |
| Total comprehensive loss for the period |  | $(2,124,939)$ | $(4,895,831)$ |
| Earnings per share |  | Cents | Cents |
| Basic earnings per share | 29 | (0.72) | (2.3) |
| Diluted earnings per share | 29 | (0.71) | (2.3) |

## skyfiie

## Consolidated statement of financial position

As at 30 June 2018

| - | Note | $\begin{array}{r} 2018 \\ \$ \end{array}$ | 2017 $\$$ |
| :---: | :---: | :---: | :---: |
| Revenue and other income |  |  |  |
| Assets |  |  |  |
| Current assets |  |  |  |
| Cash and cash equivalents | 8 | 1,464,907 | 2,280,860 |
| Trade and other receivables | 9 | 3,684,489 | 2,239,156 |
| Inventories | 10 | - | 1,901 |
| Other assets | 11 | 377,449 | 142,605 |
| Total current assets |  | 5,526,845 | 4,664,522 |
| Non-current assets |  |  |  |
| Plant and equipment | 12 | 137,824 | 177,634 |
| Intangible assets | 13 | 6,677,768 | 3,289,065 |
| Total non-current assets |  | 6,815,592 | 3,466,699 |
| Total assets |  | 12,342,437 | 8,131,221 |
| Liabilities |  |  |  |
| Current liabilities |  |  |  |
| Trade and other payables | 14 | 811,635 | 824,510 |
| Provisions | 15 | 233,981 | 181,246 |
| Deferred revenue | 16 | 1,781,683 | 771,262 |
| Total current liabilities |  | 2,827,299 | 1,777,018 |
| Non-Current liabilities |  |  |  |
| Deferred revenue | 16 | 1,117,044 | - |
| Total non-current liabilities |  | 1,117,044 | - |
| Total liabilities |  | 3,944,343 | 1,777,018 |
| Net assets |  | 8,398,094 | 6,354,203 |
| Equity |  |  |  |
| Contributed equity | 17 | 26,739,453 | 22,774,553 |
| Reserves | 18 | 409,656 | 320,948 |
| Accumulated losses |  | $(18,751,015)$ | $(16,741,297)$ |
| Total equity |  | 8,398,094 | 6,354,203 |

[^1]
## Consolidated statement of changes in equity <br> For the financial year ended 30 June 2018

|  | 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 year |  | - | - | - | - | $(4,911,715)$ | $(4,911,715)$ |
| Exchange differences on translation of foreign operations |  | - | - | - | 12,296 | - | 12,296 |
| Total comprehensive loss for the year |  | - | - | - | 12,296 | $(4,911,715)$ | $(4,899,419)$ |
| Transactions with owners in their capacity as owners: |  |  |  |  |  |  |  |
| Issue of ordinary shares | 17 | 4,946,766 | - | - | - | - | 4,946,766 |
| Capitalised equity raising costs (net of tax) | 17 | $(159,315)$ | - | - | - | - | $(159,315)$ |
| Share based payments | 18 | - | 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 |
|  | Note | Contributed equity | Share based payments reserve | Share option reserve | Foreign currency translation reserve | Accumulated losses | Total equity |
|  |  | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 |  | 22,774,553 | 244,437 | 60,627 | 15,884 | $(16,741,297)$ | 6,354,204 |
| Loss for the year |  | - | - | - | - | $(2,009,719)$ | $(2,009,719)$ |
| Exchange differences on translation of foreign operations |  | - | - | - | $(115,220)$ | - | $(115,220)$ |
| Total comprehensive loss for the period |  | - | - | - | $(115,220)$ | $(2,009,719)$ | $(2,124,939)$ |
| Transactions with owners in their capacity as owners: |  |  |  |  |  |  |  |
| Issue of ordinary shares | 17 | 3,964,900 | - | - | - | - | 3,964,900 |
| Equity raising costs (net of tax) | 17 | - | - | - | - | - | - |
| Share based payments | 18 | - | 203,928 | - | - | - | 203,928 |
| Issue of options | 18 | - | - | - | - | - | - |
| Balance at 30 June 2018 |  | 26,739,453 | 448,365 | 60,627 | $(99,336)$ | $(18,751,016)$ | 8,398,094 |

## skyfiie

## Consolidated statement of cash flows

For the financial year ended 30 June 2018

| $\square$ | Note | 2018 | 2017 |
| :---: | :---: | :---: | :---: |
| Cash flows from operating activities |  |  |  |
| Receipts from customers |  | 6,081,006 | 3,859,900 |
| Payments to suppliers and employees |  | $(6,970,373)$ | $(7,127,655)$ |
| Receipts from other income |  | - | 27,990 |
| Receipts from government tax incentives \& government grants |  | 942,824 | 851,069 |
| Interest received |  | 10,158 | 17,291 |
| interest paid |  | $(1,023)$ | $(1,845)$ |
| Net cash (outflow) from operating activities | 28 | 62,592 | $(2,373,250)$ |
| Cash flows from investing activities |  |  |  |
| Payments for plant and equipment |  | $(6,626)$ | $(57,164)$ |
| Payments for intangible assets |  | $(1,621,752)$ | $(1,581,084)$ |
| Payments for other assets |  | - | $(54,477)$ |
| Refund / (Payment) for security deposits |  | 4,057 | $(10,450)$ |
| Receipts from security deposits |  | - |  |
| Net cash (outflow) from investing activities |  | $(1,624,321)$ | $(1,703,175)$ |
| Cash flows from financing activities |  |  |  |
| Proceeds from issue of shares |  | 745,775 | 3,904,177 |
| Capital raising costs |  | - | $(159,315)$ |
| Net cash inflow from financing activities |  | 745,775 | 3,744,862 |
| Net (decrease) in cash |  | $(815,954)$ | $(331,562)$ |
| Cash at the beginning of the year |  | 2,280,861 | 2,612,422 |
| Cash at the end of the year | 8 | 1,464,907 | 2,280,860 |

## Notes to the financial statements <br> For the financial year ended 30 June 2018

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# Notes to the financial statements <br> <br> For the year ended 30 June 2018 

 <br> <br> For the year ended 30 June 2018}

## 1. Reporting entity

Skyfii Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 2, 100 William Street, Woolloomooloo NSW 2011. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 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 2018 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 2018 the Group incurred a loss after tax of $\$ 2,009,719$. At 30 June 2018, the Group had a surplus in net current assets of $\$ 2,699,546$ and a surplus in net assets of $\$ 8,398,094$.
Management have prepared cash flow projections that support the Group's ability to continue as a going concern. This forecast acknowledges that the Group will not require to raise additional capital funding for its daily operations.
The Directors of the Company consider that the cash flow projections and assumptions will be achieved, and in the longer term, significant revenues will be generated from the further 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 26.
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.

## (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.

## Notes to the financial statements continued <br> For the year ended 30 June 2018

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

## Customer contracts

Customer contracts acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life between $2-6$ years.

## Brand Names

Brand Names acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

## Software

Software acquired are carried at their fair value at date of acquisition, less accumulated amortisation. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 4 years.

## (g) Employee benefits

 Short-term obligationsEmployee 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.

## (1) 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.


## Notes to the financial statements continued <br> For the year ended 30 June 2018

## (p) Earnings per share

## Basic earnings per share

Basic earnings per share is calculated by dividing:

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


## Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## (q) Financial instruments

## Initial recognition and measurement

Financial assets and financial liabilities are recognised when the 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

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 2018 of $\$ 6,877,768$.

## $R \& D$ 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 have assessed 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).


## Notes to the financial statements continued <br> For the year ended 30 June 2018

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, 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 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 on 30 December 2019 prior to the adoption of AASB 16


## 4. Operating segments

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


## skyfiie

## Notes to the financial statements continued

For the year ended 30 June 2018
6. Expenses

## Employee

| Salaries and related expenses (including superannuation) | $2,369,222$ | $3,810,253$ |
| :--- | ---: | ---: |
| Other employment costs | 638,746 | 223,499 |
| Total employee benefits expense | $\mathbf{3 , 0 0 7 , 9 6 8}$ | $\mathbf{4 , 0 3 3 , 7 5 2}$ |

## Depreciation and amortisation

| Plant and equipment | 12 | 46,437 | 43,903 |
| :--- | :--- | ---: | ---: |
| Software development amortisation | 13 | $1,980,049$ | $1,095,876$ |
| Total depreciation and amortisation expenses |  | $\mathbf{2 , 0 2 6 , 4 8 6}$ | $\mathbf{1 , 1 3 9 , 7 8 0}$ |

## Rental expense relating to operating leases

| Minimum lease payments | 237,741 | 298,088 |
| :--- | ---: | :---: |
| Rent recovery from sub-lease agreements | $(131,517)$ | $(101,652)$ |
| Net rental expense relating to operating leases | $\mathbf{1 0 6 , 2 2 4}$ | $\mathbf{1 9 6 , 4 3 6}$ |
| Net foreign exchange losses | 142,778 | $\mathbf{2 0 , 0 9 3}$ |

Finance costs
Interest expense
7. Income tax

(1) Note $\quad$ 2018 $\quad$| 2017 |
| ---: | ---: | ---: |

(a) Income tax

| Current tax | 50,305 | 17,377 |
| :--- | :--- | :--- |
| Income tax (benefit) | $\mathbf{5 0 , 3 0 5}$ | $\mathbf{1 7 , 3 7 7}$ |

(b) Numerical reconciliation of income tax benefit to prima facie income tax payable

Loss from ordinary activities before income tax

| $(1,959,414)$ | $(3,390,876)$ |
| ---: | ---: |
| $(538,839)$ | $(932,491)$ |

Tax at the Australian rate of 27.5\%

Tax effect amounts which are not deductible / (taxable) in calculating taxable income:

| Difference in tax rates | $(18,067)$ | $(2,530)$ |
| :--- | :---: | :---: |
| Accounting for R\&D expenditure | 296,059 | 294,089 |
| Benefit of tax losses/ timing difference not recognised | 190,768 | 556,348 |
| Other non-allowable items | 120,384 | 101,961 |
| Income tax (benefit) | $\mathbf{5 0 , 3 0 5}$ | $\mathbf{1 7 , 3 7 7}$ |

## (c) Income tax receivable

R\&D tax incentive receivable
$(828,232)$
$(823,229)$

## 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: $\$ 2,486,491$ (2017: $(\$ 2,019,310)$
- tax losses: operating losses \$10,564,149 (2017: \$10,392,961)
- tax losses: capital losses \$16,911 (2017: \$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).

## skyfiite

## Notes to the financial statements continued

For the year ended 30 June 2018
8. Cash and cash equivalents

## Current

| Cash at bank and on hand | $\mathbf{1 , 4 6 4 , 9 0 7}$ | $2,280,860$ |
| :--- | ---: | ---: |
| Total cash and cash equivalents | $\mathbf{1 , 4 6 4 , 9 0 7}$ | $\mathbf{2 , 2 8 0 , 8 6 0}$ |
| 9. Trade and other receivables | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |

## Current

| Trade receivables | $1,146,853$ | 638,318 |
| :--- | ---: | ---: |
| R\&D tax incentive receivable | 828,593 | 765,983 |
| Other debtors (1) | $1,709,043$ | 834,855 |
| Total current trade and other receivables | $\mathbf{3 , 6 8 4 , 4 8 9}$ | $\mathbf{2 , 2 3 9 , 1 5 6}$ |

(a) Ageing of trade receivables

| $1-30$ days | $1,086,042$ | 568,626 |
| :--- | ---: | ---: |
| $31-60$ days | 29,272 | 23,766 |
| $61-90$ days | 6,916 | 40,361 |
| $90+$ days | 24,623 | 5,565 |
| Total trade receivables net of provision for impairment | $\mathbf{1 , 1 4 6 , 8 5 3}$ | $\mathbf{6 3 8 , 3 1 8}$ |

(1) Includes $\$ 1,210,000$ USD outstanding balance as part of $\$ 1,625,000$ USD profit guarantee payment receivable in accordance with the

Causley acquisition agreement. $\$ 415,000$ USD has been received as at 30 June 2018 with the remaining $\$ 1,210,000$ USD classified as deferred revenue see Note 16.
There was no impairment of trade receivables. Amounts past due but not impaired $\$ 31,539$ (2017: $\$ 45,926$ ).
10. Inventories
\$
\$

## Current

| Equipment - at cost | - | 1,901 |
| :--- | :---: | :---: |
| Total inventories | $\mathbf{1 , 9 0 1}$ |  |
| Inventories include servers and other networking equipment which the Group sells to its customers in order to deliver data analytics services. |  |  |

11. Other assets

|  | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |
| :--- | ---: | ---: |
| Current | $\mathbf{\$}$ | $\mathbf{\$}$ |
| Prepayments | 328,575 | 129,680 |
| Security deposits | - | 4,057 |
| Other | 48,874 | 8,868 |
| Total current other assets | $\mathbf{3 7 7 , 4 4 9}$ | $\mathbf{1 4 2 , 6 0 5}$ |

12. Plant and equipment

|  | $\begin{array}{r} 2018 \\ \$ \end{array}$ | $\begin{array}{r} 2017 \\ \$ \end{array}$ |
| :---: | :---: | :---: |
| Non-current |  |  |
| Office and computer equipment - at cost | 265,250 | 258,826 |
| Accumulated depreciation | $(127,427)$ | $(81,192)$ |
| Carrying value of office and computer equipment | 137,824 | 177,634 |
| (1) |  |  |
| Total carrying value of plant and equipment | 137,824 | 177,634 |

## Reconciliations

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

| $\square$ | Office and Computer equipment | Total \$ |
| :---: | :---: | :---: |
| Balance at 1 July 2016 | 164,374 | 164,374 |
| Additions | 57,054 | 57,054 |
| Depreciation | $(43,794)$ | $(43,794)$ |
| Balance at 30 June 2017 | 177,634 | 177,634 |
| Balance at 1 July 2017 | 177,634 | 177,634 |
| Additions | 6,627 | 6,627 |
| Depreciation | $(46,437)$ | $(46,437)$ |
| Balance at 30 June 2018 | 137,824 | 137,824 |

## skyfiie

## Notes to the financial statements continued

## For the year ended 30 June 2018

13. Intangible assets

|  | $\mathbf{2 0 1 8}$ |
| :--- | ---: |
| Non-current | $\mathbf{2 0 1 7}$ |
| Software development - at cost | $\mathbf{\$}$ |
| Accumulated amortisation | $6,442,136$ |
| Carrying value of software development | $4,820,384$ |
| Customer Contracts | $\mathbf{3 , 3 6 6 , 8 3 7}$ |
| Accumulated amortisation | $\mathbf{3 , 2 8 9 , 0 6 5}$ |
| Carrying value of customer contracts | 853,000 |
| Brand Names | $(138,736)$ |
| Accumulated amortisation | $\mathbf{7 1 4 , 2 6 4}$ |
| Carrying value of brand names | $\mathbf{1 9 8 , 0 0 0}$ |
| Software | $(16,500)$ |
| Accumulated amortisation | $\mathbf{1 8 1 , 5 0 0}$ |
| Carrying value of software | $\mathbf{2 , 6 9 6 , 0 0 0}$ |
| Total carrying value of intangible assets | $(280,833)$ |

Intangible assets excluding software development costs were acquired as follows:

1) On 26 July 2017 , the Company acquired customer contracts from Wicoms Wireless for an all scrip transaction of $3,800,000$ new ordinary shares issued at $\$ 0.065$ per share at a valuation of $\$ 247,000$.
2) On 5 February 2018, the Company acquired identifiable intangible assets from Causely for an all scrip transaction of 25,000,000 new ordinary shares issued at $\$ 0.14$ per share at a valuation of $\$ 3,500,000$. An independent valuation was conducted by Pitcher Partners for the acquisition of the Causely assets. Based on this valuation the $\$ 3,500,000$ was allocated as follows; customer contracts $\$ 606,000$, brand names \$198,000 and software \$2,696,000.

## 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 | Customer Contracts | Brand Names | Software \$ | Total \$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Balance at 1 July 2016 | 2,803,857 | - |  |  | 2,803,857 |
| Additions | 1,581,084 | - |  |  | 1,581,084 |
| Amortisation | $(1,095,876)$ | - |  | - | (1,095,876) |
| Balance at 30 June 2017 | 3,289,065 | - |  | - | 3,289,065 |
| Balance at 1 July 2017 | 3,289,065 | - |  | - | 3,289,065 |
| Additions | 1,621,752 | 853,000 | 198,000 | 2,696,000 | 5,368,752 |
| Amortisation | $(1,543,980)$ | $(138,736)$ | $(16,500)$ | $(280,833)$ | $(1,980,049)$ |
| Balance at 30 June 2018 | 3,366,837 | 714,264 | 181,500 | 2,415,167 | 6,677,768 |

## 14. Trade and other payables

|  | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |
| :--- | ---: | ---: |
| Current | $\mathbf{\$}$ | $\mathbf{\$}$ |
| Trade payables | 729,806 | 802,011 |
| Sundry payables and accruals | 81,829 | 22,498 |
| Total trade and other payables | $\mathbf{8 1 1 , 6 3 5}$ | $\mathbf{8 2 4 , 5 0 9}$ |
|  |  |  |
| 15. Provisions | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |

## Current

| Employee benefits | 233,981 | 181,246 |
| :---: | :---: | :---: |
| Total provisions | 233,981 | 181,246 |
| 16. Deferred Revenue |  |  |
|  | 2018 | 2017 |
|  | \$ | \$ |
| Current |  |  |
| Deferred Revenue | 1,781,683 | 771,262 |
| Non-Current |  |  |
| Deferred Revenue | 1,117,044 |  |
| Total Deferred Revenue | 2,898,727 | 771,262 |

Deferred revenue includes $\$ 1,210,000$ USD outstanding balance relating to the profit guarantee payment receivable in accordance with the
Causley acquisition agreement as disclosed in Note 9. The deferred revenue is split as follows; current deferred revenue of
$\$ 595,000$ USD and non-current deferred revenue of $\$ 615,000$ USD. Balances have been converted to Australian dollars using the spot rate as at 30 June 2018.

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## Notes to the financial statements continued

## For the year ended 30 June 2018

17. Contributed equity
(a) Share capital

|  | 30-Jun-18 <br> Number | 30-Jun-17 <br> Number | 30-Jun-18 <br> $\mathbf{N}$ | 30-Jun-17 <br> $\mathbf{N}$ |
| :--- | ---: | ---: | ---: | ---: |
| Ordinary shares | $264,618,194$ | $261,118,194$ | $26,739,453$ | $22,774,553$ |
|  |  |  |  |  |
|  | Date | Number | Unit price | $\$$ |

## Reconciliation to 30 June 2017:

Balance at 1 July 2016
168,265,551
17,987,101
Capitalised equity raising costs (net of tax)
$(159,315)$

## Movements in ordinary shares:

Issue of ESP shares
Issued in settlement of various liabilities
Issued in settlement of Directors Fees
Share placement
Share placement
Issue of ESP shares
Share purchase plan
Issued in settlement of various liabilities

## Balance at 30 June 2017

## Reconciliation to 30 June 2018:

Balance at 1 July 2017

| 21-Sep-16 | $1,825,000$ | $\$ 0.077$ | - |
| :--- | ---: | ---: | ---: |
| 21-Sep-16 | $1,685,065$ | $\$ 0.077$ | 129,750 |
| 20-Dec-16 | $1,587,301$ | $\$ 0.063$ | 100,000 |
| 20-Dec-16 | $40,043,922$ | $\$ 0.063$ | $2,522,767$ |
| 10-Feb-17 | $26,379,052$ | $\$ 0.063$ | $1,661,880$ |
| 10-Feb-17 | $13,000,000$ | $\$ 0.065$ | - |
| 14-Feb-17 | $7,793,643$ | $\$ 0.063$ | 491,000 |
| 16-May-17 | 538,660 | $\$ 0.077$ | 41,370 |

Equity raising costs (net of tax)
Movements in ordinary shares:
Issued for purchase of Wicoms Acquisition
Issued in settlement of various liabilities
Issue of ESP shares
Issued in settlement of Directors Fees
Issue of ESP shares
Issued for purchase of Causely Acquisition
Issued in settlement of various liabilities
Conversion of ESP shares to ordinary shares
Issue of ESP shares
Issue of ESP shares
Conversion of ESP shares to ordinary shares
Conversion of ESP shares to ordinary shares

| 1-Aug-17 | $3,800,000$ | $\$ 0.065$ | 247,000 |
| ---: | ---: | ---: | ---: |
| 25-Aug-17 | 289,857 | $\$ 0.069$ | 20,000 |
| 12-Oct-17 | 800,000 | $\$ 0.058$ | - |
| 24-Nov-17 | $1,428,572$ | $\$ 0.070$ | 100,000 |
| 11-Dec-17 | $6,000,000$ | $\$ 0.073$ | - |
| 7-Feb-18 | $25,000,000$ | $\$ 0.140$ | $3,500,000$ |
| 8-Feb-18 | 488,168 | $\$ 0.161$ | 78,595 |
| 22-Mar-18 | 115,500 | $\$ 0.065$ | 7,508 |
| 6-Apr-18 | $1,000,000$ | $\$ 0.156$ | - |
| 8-Jun-18 | $1,000,000$ | $\$ 0.147$ | - |
| 29-Jun-18 | 66,000 | $\$ 0.065$ | 4,290 |
| 29-Jun-18 | 115,500 | $\$ 0.065$ | 7,508 |

## (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 23.

## (d) Options over unissued ordinary shares

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

| 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.
18. Equity - reserves
(a) Movements

| 2018 | 2017 |
| ---: | ---: |
| $\$$ | $\$$ |

Share based payment reserve movements

| Balance at the beginning of the year | 244,437 | 60,492 |
| :--- | ---: | ---: |
| Share based payment expense | 203,928 | 183,945 |
| Baiance at the end of the year | $\mathbf{4 4 8 , 3 6 5}$ | $\mathbf{2 4 4 , 4 3 7}$ |

Share option reserve movements
Balance at the beginning of the year 60,627
Share option expense - 60,627
Balance at the end of the year
60,627
60,627

## Foreign currency translation reserve movements

| Balance at the beginning of the year | 15,884 |  |
| :--- | ---: | :---: |
| Currency translation differences arising during the year | $(115,220)$ | 12,296 |
| Balance at the end of the year | $\mathbf{( 9 9 , 3 3 6 )}$ | $\mathbf{1 5 , 8 8 4}$ |
| Total reserves | $\mathbf{4 0 9 , 6 5 6}$ | $\mathbf{3 2 0 , 9 4 8}$ |

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## Notes to the financial statements continued <br> For the year ended 30 June 2018

(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 trans/ation reserve

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

## 19. 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:

|  | 2018 | 2017 |
| :--- | ---: | ---: |
| Note | $\$$ | $\$$ |

## Financial Assets

| Cash and cash equivalents | 8 | $1,464,907$ | $2,280,860$ |
| :--- | :--- | :--- | :--- |
| Trade and other receivables | 9 | $3,684,489$ | $2,239,156$ |
| Total financial assets |  | $\mathbf{5 , 1 4 9 , 3 9 6}$ | $\mathbf{4 , 5 2 0 , 0 1 6}$ |
| Financial Liabilities | 14 | 811,635 | 8 |
| Trade and other payables |  | 824,509 |  |
| Total financial liabilities | $\mathbf{8 1 1 , 6 3 5}$ | $\mathbf{8 2 4 , 5 0 9}$ |  |

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

## (a) Market risk

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

## Interest rate risk

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

## (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.
Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, security deposits, other receivables and GST receivable from the ATO.
The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.
Credit risk is managed by a risk assessment process for all customers and counterparties, which takes into account past experience.
There have been no impairment losses recognised during the year (2017: 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.


## FY 2017

## Non-derivatives

Trade and other payables
824,509
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.

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## Notes to the financial statements continued

## For the year ended 30 June 2018

## 20. 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:
20182017
\$ \$

## Hall Chadwick

| Audit and review of financial reports | 62,198 | 55,500 |
| :--- | ---: | ---: | ---: |
| Tax compliance services | 7,663 | 18,506 |
| Total | $\mathbf{6 9 , 8 6 1}$ | $\mathbf{7 4 , 0 0 6}$ |

## 21.Contingent liabilities

There are no other contingent liabilities as at 30 June 2018:
22. 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 2018 are as follows:

| (a) Non-cancellable operating leases | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |
| :--- | ---: | ---: |
| Not later than one year | $\mathbf{\$}$ | $\mathbf{\$}$ |
| Later than one year | 308,498 | $\mathbf{7 9 , 7 6 2}$ |
| Total operating lease commitments | 267,905 | 46,363 |

## (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 2018 are as follows:
(b) Sub-lease arrangements 2018

|  | $\$$ | $\$$ |
| :--- | ---: | ---: |
| Not later than one year | 13,200 | 1,100 |
| Total sub-lease commitments | $\mathbf{1 3 , 2 0 0}$ | $\mathbf{1 , 1 0 0}$ |

## 23. 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;


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## Notes to the financial statements continued

## For the year ended 30 June 2018

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 | $\begin{array}{r} \text { Released } \\ \text { from } \\ \text { restrictions } \end{array}$ | Forfeited / cancelled | Balance at end of year | Balance of vested ESP shares | Balance of unvested ESP shares |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| FY 2018 |  |  |  |  |  |  |  |  |
| 23-Dec-15 | \$0.148 | 2,786,667 | - | - | - | 2,786,667 | 1,379,400 | 1,407,267 |
| 21-Sep-16 | \$0.077 | 1,525,000 | - | - | - | 1,525,000 | 503,250 | 1,021,750 |
| 10-Feb-17 | \$0.065 | 12,100,000 | - | $(297,000)$ | - | 11,803,000 | 3,894,990 | 7,908,010 |
| 12.Oct-17 | \$0.058 | - | 800,000 | - | - | 800,000 | - | 800,000 |
| 11-Dec-17 | \$0.073 | - | 6,000,000 | - | - | 6,000,000 | - | 6,000,000 |
| 6-Apr-18 | \$0.156 | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| 8-Jun-18 | \$0.147 | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| Total |  | 16,411,667 | 8,800,000 | $(297,000)$ | - | 24,914,667 | 5,777,640 | 19,137,027 |


| FY 2017 |  |  |  |  |  |  |  |  |
| :--- | :--- | ---: | :--- | :--- | :--- | :--- | ---: | ---: |
| 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 |  | $\mathbf{4 , 4 0 5 , 0 0 0}$ | $\mathbf{1 4 , 8 2 5 , 0 0 0}$ | - | $\mathbf{( 1 , 4 2 5 , 0 0 0 )}$ | $\mathbf{1 7 , 8 0 5 , 0 0 0}$ | $\mathbf{1 , 3 7 9 , 4 0 0}$ | $\mathbf{1 6 , 4 1 1 , 6 6 7}$ |

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 $\$ 0.09$ per option (2017: \$0.069). 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 2018 include:
        Weighted average exercise price: various 30 day VWAP at time of issue
        Weighted average life of the option: 5 years
        - Expected share price volatility: 61%
        - Risk-free interest rate: 1.90%
```

(c) Other share based payments


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## Notes to the financial statements continued

## For the year ended 30 June 2018

## 24. 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 26.
(c) Key management personnel compensation

2018
2017
\$

| Short-term benefits | $1,298,795$ | $1,171,918$ |
| :--- | ---: | ---: |
| Share based employee benefits | 381,473 | 358,156 |
| Other long term benefits | 114,963 | 109,897 |
| Total benefits | $\mathbf{1 , 7 9 5 , 2 3 1}$ | $\mathbf{1 , 6 3 9 , 9 7 1}$ |

## 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:

|  |  | Transaction value |  | Balance outstanding |  |  |
| :--- | :--- | :--- | ---: | ---: | ---: | ---: |
|  |  |  | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |
| KiviP | Related party entity | Transaction | $\mathbf{\$}$ | $\mathbf{\$}$ | $\mathbf{\$}$ | $\mathbf{\$}$ |
| Jason Martin | Simple Machines Pty Ltd | Outsourced sofware | 6,719 | 118,934 | - | - |
|  |  | development services |  |  |  |  |

Other payable transactions with directors and key management personnel

- At 30 June 2018 the payable balance outstanding with directors and key management personnel relating to expense reimbursements for supplier payments and business expenses was $\$ 0$ (2017: $\$ 8100$ ).
(e) Receivable transactions with directors and key management personnel

|  |  | Transaction value |  | Balance outstanding |  |  |
| :--- | :--- | :--- | ---: | ---: | ---: | ---: |
|  |  |  | Related party entity | Transaction | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |

Other receivable transactions with directors and key management personnel
At 30 June 2018, 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 \$16,706 (2017: \$42,242).
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.

## 25. Parent entity information

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

## Statement of comprehensive income

Loss after tax $\quad 97,382$ (104,275)

Total comprehensive income 97,382 (104,275)

## Statement of financial position

Current assets 17,918,752 15,326,356
Non-current assets 17,310,931 14,000,000
Total assets 35,229,683 29,326,356

| Current liabilities | $\mathbf{1 , 8 4 7 , 8 3 1}$ | 210,715 |
| :--- | ---: | ---: |
| Total liabilities | $\mathbf{1 , 8 4 7 , 8 3 1}$ | $\mathbf{2 1 0 , 7 1 5}$ |
| Net assets | $\mathbf{3 3 , 3 8 1 , 8 5 2}$ | $\mathbf{2 9 , 1 1 5 , 6 4 2}$ |
| Contributed equity | $\mathbf{7 0 , 5 2 6 , 0 4 1}$ | $66,561,141$ |
| Reserves | 742,992 | 539,064 |
| Accumulated losses | $(37,887,181)$ | $(37,984,563)$ |
| Total equity | $\mathbf{3 3 , 3 8 1 , 8 5 2}$ | $\mathbf{2 9 , 1 1 5 , 6 4 2}$ |

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2018 and 30 June 2017.
Capital commitments - plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2018 and 30 June 2017.
Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 3.

## 26. 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:

|  | Country of <br> incorporation | Ownership interest |  |
| :--- | :--- | :--- | :--- |
| Parent entity | Australia | $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |
| Skyfii Limited |  |  |  |
| Subsidiaries: | Australia | $100 \%$ | $100 \%$ |
| Skyfii Group Pty Ltd | Australia | $100 \%$ | $100 \%$ |
| Skyfii International Pty Ltd | Brazil | $100 \%$ | $100 \%$ |
| Skyfii Brasil Inteligência, Mídia e Tecnologia Mobile Ltda. | Republic of South Africa | $100 \%$ | $100 \%$ |
| Skyfii South Africa (Pty) Ltd | United Kingdom | $100 \%$ | $100 \%$ |
| Skyfii UK Operations Limited | United States of America | $100 \%$ | $100 \%$ |

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## Notes to the financial statements continued

## For the year ended 30 June 2018

27. Events occurring after the reporting date

There are no matters or circumstances that have arisen since 30 June 2018 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.

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

## Loss for the year

$(2,009,719)$
$(4,911,715)$

## Cash flows included in loss:

Non-cash items in operating loss:
Depreciation and amortisation
2,026,486
1,139,780
R\&D tax incentive receivable
$(828,593)$
Share based payments
282,523
455,064
Share option expense

Changes in operating assets and liabilities:

| Decrease / (increase) in trade and other receivables | $(1,394,349)$ | 72,546 |
| :--- | ---: | ---: |
| Decrease / (increase) in inventories | 1,901 | 8,543 |
| Decrease / (increase) in prepayments and other assets | $(100,787)$ | $(48,676)$ |
| Increase / (decrease) in trade and other payables | $(83,672)$ | 210,370 |
| Increase / (decrease) in provisions and employee benefits | 41,337 | 35,874 |
| increase / (decrease) in deferred revenue | $2,127,465$ | 604,337 |
| Net cash used in operating activities | $\mathbf{6 2 , 5 9 2}$ | $\mathbf{( 2 , 3 7 3 , 2 5 0 )}$ |
| 29. Earnings per share (EPS) |  |  |

(a) Basic earnings per share

Basic EPS attributable to ordinary equity holders of the Company
(0.72)
(b) Diluted earnings per share

Diluted EPS attributable to ordinary equity holders of the Company
(0.71)
(c) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used in calculating basic EPS
Weighted average number of dilutive options outstanding
Weighted average number of ordinary shares used in calculating diluted EPS
(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
$(2,009,719)$

| Number | Number |
| ---: | ---: |
| $279,869,553$ | $210,951,238$ |
| $5,000,000$ | $2,904,110$ |
| $284,869,553$ | $213,855,347$ |
| $\mathbf{\$}$ | $\mathbf{\$}$ |
| $(2,009,719)$ | $(4,911,715)$ |

## 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 2018 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 2018

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## Independent Auditor's report

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 92632600
Fx: (612) 92632800

## 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 2018, 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 2018 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.

## HALL CHADWICK $\overline{\mathrm{V}}^{-1}$ (NSW)

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

## 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 2018. 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 <br> Audit Matter |
| :--- | :--- |

Acquisition of Business assets from Causely
Refer to Note 13

During the year, the company acquired certain assets from Causely for a consideration of $25,000,000$ Skyfii ordinary shares at $\$ 0.14$ per share valuing the acquisition at $\$ 3,500,000$ This was a significant asset acquisition for the company.
Accounting for this transaction required management to determine whether this acquisition was considered to be an acquisition of assets or a Business under AASB3.
Due to the significance of the acquisition and the judgement involved, this transaction was considered to be a key audit matter.

Our procedures included, amongst others, the following:

- we obtained the Business purchase agreement between Skyfii Limited and Causely to understand the terms and conditions of the transaction.
- we obtained an understanding from management as to the basis for accounting for the acquisition as an asset acquisition.
- we obtained an Independent valuation report of the identifiable intangible assets acquired and assessed the purchase price allocation.
- we checked the amortisation calculation and verified the calculation was in accordance with company's accounting policy.


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## Independent Auditor's report continued

HALL CHADWICK $\boldsymbol{\pi}^{\boldsymbol{\pi}}$ (NSW)

## SKYFII LIMITED ABN 20009264699 <br> AND CONTROLLED ENTITIES

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

| Key Audit Matter |
| :--- |
| Acquisition of Business assets from Wicoms |
| Wireless Ltd ('Wicoms') |
| Refer to Note 13 |
| Audit Matter |

## HALL CHADWICK $\bar{V}^{\top}$ (NSW)

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
| :---: | :---: |
| Carrying Value of Software development <br> Refer to Note 13 'Intangible Assets' \$3,366,837; Accounting Policy Note 3(f) and Note 3(w) 'Critical Accounting Estimates and Judgements' |  |
| The intangibles balance includes the company's software development. The carrying value of software development expenditure is a key audit matter as: <br> - capitalised software development expenditure represents $27 \%$ of the Group's total assets. <br> - there is a significant level of judgement when considering management's assessment of the carrying value of software development expenditure. | Our procedures included, amongst others, the following: <br> - 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". <br> - we verified a sample of expenditure capitalised during the year to supporting documentation. <br> - we checked the amortisation calculation and verified the calculation was in accordance with the company's accounting policy. <br> - 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. |

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## Independent Auditor's report continued

# HALL CHADWICK $\boldsymbol{T}^{\top}$ (NSW) 

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

## Key Audit Matter

How Our Audit Addressed the Key Audit Matter

## Going Concern

Refer to Note 2(e) "Going Concern"

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business.
The Company incurred a net loss of $\$ 2,009,718$ for the year ended 30 June 2018 and has historically incurred losses and deficiencies in net cash from operations in prior years.
The Directors of the Company consider that the cash flow projections and assumptions provided support to the ability of the company to pay its debts as and when they fall due and that there is no requirement to raise additional capital to fund the company's daily operations.

Our procedures included amongst others the following:

- We obtained the cash flow forecast prepared by management for the period until 31 August 2019.
- We assessed the underlying assumptions and inputs to the cash flow forecast.
- We discussed the key assumptions used in the cash flow forecast with management.
- We reviewed the appropriateness of the going concern disclosures in the financial statements.


# HALL CHADWICK $\boldsymbol{\lambda}^{\top}$ (NSW) 

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

## Information Other than the Financial report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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.


## Independent Auditor's report continued

HALL CHADWICK $\bar{V}^{\boldsymbol{\top}}$ (NSW)

## SKYFII LIMITED ABN 20009264699 AND CONTROLLED ENTITIES

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

- 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.

## HALL CHADWICK $\bar{V}^{\top}$ (NSW)

## SKYFII LIMITED ABN 20009264699 <br> AND CONTROLLED ENTITIES

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

## Report on the Remuneration Report

We have audited the remuneration report included in page 16 to 20 of the directors' report for the year ended 30 June 2018. 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 2018, complies with s 300A of the Corporations Act 2001.
Ual Chodurich

## Hall Chadwick

Level 40, 2 Park Street
Sydney NSW 2000
Cubebs

Graham Webb
Partner
Dated: 31 August 2018

## skyfiite

## 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 2018.

## 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 20 August 2018.

## 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 <br> Notice |
| :--- | :--- |
| Socialbon Inc | Number of |
| shares |  |

Distribution of ordinary shareholders as at 20 August 2018

| Name | Number of <br> Shareholders | Number of <br> shares |
| :--- | ---: | ---: |
| $1-1,000$ | 639 | 9,630 |
| $1,001-5,000$ | 85 | 294,298 |
| $5,001-10,000$ | 75 | 620,938 |
| $10,001-100,000$ | 300 | $12,623,167$ |
| 100,001 and over | 172 | $259,729,486$ |
| Total | $\mathbf{1 , 2 7 1}$ | $\mathbf{2 7 3 , 2 7 7 , 5 1 9}$ |

At the closing market price of $\$ 0.18$ per share on 20 August 2018, there were 634 shareholders with less than a marketable parcel of shares (\$500).

Option holders as at 20 August 2018

| Rank | Name | Number of <br> options held | $\%$ of <br> options held |
| :--- | :--- | ---: | ---: |
| 1 | Mr James Scott | $3,250,000$ | $65.00 \%$ |
| 2 | Mr Andrew Johnson | $1,750,000$ | $35.00 \%$ |
|  | Total | $\mathbf{5 , 0 0 0 , 0 0 0}$ |  |

## Restricted securities as at 20 August 2018

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 <br> Nature of restriction <br> Number of shares

| Unquoted ESP shares | Various dates ending no later than 8-Jun-21 | $27,983,000$ |
| :--- | :--- | :--- |
| Total shares subject to escrow | $\mathbf{2 7 , 9 8 3 , 0 0 0}$ |  |

## 30. 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.

## 31. On-market Buy Back

There is no current on-market buy back.

## skyfiie

## Corporate directory

## Company Directors

MrJames Scott
Mr Wayne Arthur
Mr Andrew Johnson
Mr Shaun Bonett
Mr Lincoln Brown
Mr Roger Hatem

Chairman, Non-Executive Director<br>Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Alternate Non-Executive Director to Mr Shaun Bonett

## Company Secretary

Ms Koreen White

## Registered Office

Level 2
100 William Street
Woolloomooloo NSW 2011
Telephone: +61 281881188

## 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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[^0]:    A Member of Prime Global
    An Association of Independent Accounting Firms

[^1]:    The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

