



SKY AND SPACE GLOBAL LTD AND CONTROLLED ENTITIES  
ABN 73 117 770 475

APPENDIX 4E-PRELIMINARY FINAL FINANCIAL REPORT

**1. REPORTING PERIOD**

Financial period end 30 June 2018

**PREVIOUS REPORTING PERIOD**

Financial period end 30 June 2017

**2. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	<b>30 June 2018</b>	<b>30 June 2017</b>
Income	71,454	54,376
(Loss) after income tax attributable to members <sup>1</sup>	(8,346,206)	(14,859,991)
Net (Loss) for the period attributable to members <sup>1</sup>	(8,346,206)	(14,859,991)

<sup>1</sup>Includes one-off share based payment expense of \$2,202,433 (2017: \$11,443,599). Further details relating to the recognition of these items are disclosed in note 22 of the Financial Report.

**Dividends Paid or Recommended**

No dividends have been paid or declared for payment during the financial year.

**3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Refer 'Consolidated Statement of Comprehensive Income' per the Financial Report.

**4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Refer 'Consolidated Statement of Financial Position' per the Financial Report.

**5. CONSOLIDATED STATEMENT OF CASHFLOWS**

Refer 'Consolidated Statement of Cashflows' per the Financial Report.

**6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Refer 'Consolidated Statement of Changes in Equity' per the Financial Report.

**7. DIVIDENDS AND DISTRIBUTIONS**

N/A

**8. DIVIDEND AND DISTRIBUTION PLANS**

N/A

**9. NET TANGIBLE ASSETS PER SHARE**

	<b>2018</b> <b>cents/share</b>	<b>2017</b> <b>cents/share</b>
Net tangible assets per share	1.10	1.02

**10. DETAILS OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**

There were no acquisitions or disposals during the year.



## APPENDIX 4E-PRELIMINARY FINAL FINANCIAL REPORT

### 11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

N/A

### 12. OTHER SIGNIFICANT INFORMATION

There were no other significant matters to report other than those disclosed in the Financial Report.

### 13. FOREIGN ENTITY REPORTING

Subsidiaries are incorporated in the UK, Poland and Israel where International Financial Reporting Standards are applied to compile local Financial Reports. Refer to note 14 for details on foreign entities controlled by the Company.

### 14. COMMENT ON RESULTS

#### Review of Operations

Refer to page 5 in the Financial Report.

#### Operating Results

	2018 cents/share	2017 cents/share
Earnings per share	(0.49)	(1.10)
Net (Loss) for the period attributable to members	(8,346,206)	(14,859,991)

The net loss after tax for the period includes one-off non-cash accounting adjustments relating to the recognition of share based payments in relation to performance rights and performance shares of \$2,202,433 (2017: \$11,443,599). Further details relating to the recognition of these items are disclosed in note 22 of the Financial Report.

#### Segment Analysis

Refer to note 23 of the notes to the financial statements.

#### Discussion of Trends on Performance

Refer to the Review of Operations at page 5 of the Financial Report.

### 15. AUDIT STATUS

This report is based on Financial Statements that have been audited.

### 16. UNAUDITED FINANCIAL STATEMENTS

N/A

### 17. AUDIT OPINION

Not subject to a modified opinion, however an emphasis of matter has been raised in relation to the Group's going concern assessment (refer note 2b of the financial report for full details).



**Sky and Space Global Ltd**

ABN 73 117 770 475

**FINANCIAL REPORT  
30 JUNE 2018**

**Contents**

Corporate Directory .....	3
Directors' Report .....	4
Auditor's Independence Declaration .....	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	18
Consolidated Statement of Financial Position .....	19
Consolidated Statement of Changes in Equity .....	20
Consolidated Statement of Cash Flows .....	21
Notes to the Financial Statements.....	22
Directors' Declaration .....	47
Independent Auditor's Report to Members .....	48

## **Corporate Directory**

### **Directors**

**Meir Moalem**

CEO & Managing Director

**Brett Mitchell**

Executive Director

**Peter Wall**

Non-Executive Chairman

**Maya Glickman-Pariente**

Non-Executive Director

**Yonatan Shrama**

Non-Executive Director

### **Joint Company Secretary**

Rachel Kerr

Steven Wood

### **Registered Office and Principal Place of Business**

1202 Hay Street

West Perth WA 6005

Tel: +61 8 6556 2400

### **Solicitors**

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

Perth WA 6000

### **Auditors**

Bentleys Audit and Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

Perth WA 6000

### **Securities Exchange Listing**

Sky and Space Global Ltd securities are listed on the Australian Securities Exchange (ASX)

ASX Code 'SAS' for ordinary shares

### **Share Registry**

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace

Perth WA 6000

### **Website**

skyandspace.global

**Directors' Report**

The Directors present their report on Sky and Space Global Limited ("the Company") and its controlled entities ("Group") for the financial period ended 30 June 2018.

**Directors**

The names of Directors in office at any time during or since the end of the period are:

<b>Director</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Resignation Date</b>
Meir Moalem	Managing Director	12 May 2016	-
Brett Mitchell	Executive Director	12 May 2016	-
Peter Wall	Non-Executive Chairman	27 October 2015	-
Maya Glickman-Pariente	Non-Executive Director	12 May 2016	-
Yonatan Shrama	Non-Executive Director	12 May 2016	-

Directors have been in office since the start of the financial period to the date of this report.

**Company Secretary**

Rachel Kerr held the position of Company Secretary from the start of the financial year until 1 January 2018. On 1 January 2018 Steven Wood was appointed as Joint Company Secretary with Ms Kerr, and they have held the role together up until the date of this report.

**Principal Activities**

Sky and Space Global Ltd is an ASX listed (SAS) nano-satellite, space technology company with European and Israeli centres of aerospace, satellite and software industry experts.

The Company's core business is to construct and operate a communications infrastructure based on nano-satellite technology and develop highly sophisticated software systems that will deploy, maintain orbit control and handle the communication network in space to provide global coverage. The Company successfully launched its first three nano-satellites, the '3 Diamonds', into space in June 2017 and achieved a number of technological milestones during the 2018 financial year, including successful in-orbit testing of the 3 Diamonds and 'Bringing into Use' (BIU) classification from UK regulator Ofcom. The Company is preparing for the launch of a constellation of 200 nano-satellites by 2020.

The Company's vision is to provide low cost, nano-satellite communication coverage to anyone, anywhere in the Equatorial Belt with relatively low maintenance costs. This will enable Sky and Space Global to deliver cost-effective communications infrastructure and services to the telecommunications and international transport industries. Sky and Space Global Ltd owns 100% of its operating subsidiary Sky and Space Global (UK) Limited.

**Operating Results**

The consolidated loss of the group amounted to \$8,323,983 (2017: \$14,859,991), which includes non-cash based one-off expense of \$2,202,433 (2017: 11,443,599) in relation to share based payments.

**Dividends Paid or Recommended**

No dividends have been paid or declared for payment during, or since, the end of the financial period.

## **Directors' Report**

### **Review of Operations**

#### **Corporate**

In May 2018, Sky and Space Global reached two years since listing on the ASX and a number of shares were released from escrow. The founders and executive management confirmed their commitment to not sell the equity holdings they own or control (directly or indirectly) about to be released from escrow whilst Directors or Executives of the Company, unless to help facilitate a major investment in the Company by a key strategic investor at a time in the future.

#### **Capital Raising**

During March 2018, SAS raised \$10 million in an oversubscribed placement and completed a fully underwritten SPP of \$5 million at \$0.12 per share. The Capital Raising was jointly managed by Merchant Corporate Advisory Pty Ltd and Chieftain Securities Pty Ltd, who were also the Underwriters of the SPP.

The Company had cash at bank of approximately \$8.9m as at 30 June 2018 (2017: \$9.94m).

#### **2018 In Review – Major Operations and Technological Milestones**

##### **In-Orbit testing completed by Gomspace**

The 3 Diamonds were fully certified by GomSpace following the successful completion of the Launch and Early Operations Phase (LEOP). Receipt of this certification signified the completion of the In Orbit Acceptance Review (IOAR) and the next phase of testing commenced.

##### **World first phone call using nano-satellite communications**

In September 2017, Sky and Space Global successfully completed and demonstrated full capability tests for phone calls, instant message, voice recording and image transfers through its 3 Diamonds commercial demonstration nano-satellites. This technology will enable the delivery of low cost satellite connectivity in remote locations and emerging markets that have no access to a communications network infrastructure. It is an important step towards realizing the SAS vision.

##### **Integration of Chatellite app onto \$1 smartphone**

SAS successfully integrated and tested its Android application called "Chatellite" on the Social Finance Systems Humanity (SF) \$1 smartphone and results were positive. The new SFS Humanity \$1 Smartphone is developed to enable digital financial inclusion of the four billion people living on less than \$8 per day throughout the developing world

##### **World first Transaction**

During October 2017, the Company worked in conjunction with BeepTool to demonstrate the world's first financial transaction using nano-satellites. The tests demonstrated that financial transactions could be made from one phone to another using bandwidth from Sky and Space Global's first three nanosatellites, the 3 Diamonds. Africa-based BeepTool is a mobile payments, messaging and voice app that is used by over 800,000 customers across the African region and globally.

##### **BIU (Bringing into Use) classification received from Ofcom**

SAS received formal approval from the United Kingdom communications regulator, Ofcom, confirming the 'bringing into use' classification of its 3 Diamonds nanosatellites. BIU is a critical regulatory classification step that confirms the existence of an actual satellite in space by proving the capability of transmitting or receiving signals from a space station.

##### **M2M & IoT testing commences with Globalsat**

In February 2018, SAS began testing its M2M and IoT services in Central and South America via Globalsat Groups and its network infrastructure. The partnership will potentially provide Sky and Space Global with access to a new market while enabling Globalsat Group to expand its connectivity services.

##### **PSTN connectivity incorporated into the network**

SAS successfully tested a Public Switched Telephone Network (PSTN) gateway - a proprietary product developed by its team of software developers to help broaden the SAS service portfolio and capabilities. The tests have been conducted via "Chatellite", the SAS satellite connectivity app which can now generate and receive calls from any landline or mobile number.

## **Directors' Report**

### **Completion of Globalsat commercial systems testing**

This full operational testing phase of the Globalsat systems was performed through the Company's 3 Diamonds nano-satellites. The testing, performed in South America, demonstrated SAS system capabilities to the full satisfaction of Globalsat Group, under the SAS /Globalsat Evaluation Agreement.

### **Completion of D-Orbit Critical Design Review**

Sky and Space Global has successfully conducted a Critical Design Review (CDR) with Italian space system company, D-Orbit, to provide launch canister systems for the upcoming roll-out of the Pearls Equatorial nanosatellite constellation. D-Orbit have now entered the manufacturing stage of all required system components to help ensure a successful deployment of SAS Pearls in space.

### **World first Spectrum Monitoring**

The 3 Diamonds completed the world's first Spectrum Monitoring using its on-board software defined radio capabilities. The 3 Diamonds were able to detect and identify the source of the interference providing valuable information for the satellite operator to remediate the issue.

## **Key Contracts Signed and Strategic Partnerships**

### **Checkpoint Cyber Security**

SAS executed a non-binding MoU with Check Point Software Technologies (NASDAQ:CHKP) to partner and integrate cyber security into the SAS communication platform. This will be done with a view to setting a new global standard for space assets and space systems cyber security pending formal agreements. With the intention to later expand into more regions, this partnership marks a step to bring cyber security to a new era – an era with global coverage from space

### **Sat-Space Africa**

In August 2017, SAS signed a binding commercial contract for provision of narrow-band services. The first SAS wholesale customer with potential revenues being between US\$10 – US\$35 million. Sat-Space Africa is a Pan-African communications company that has existing operations and infrastructure in 27 African countries. Using fibre optic, satellites and wireless networks, they are able to supply fast and dependable IP connectivity solutions.

### **D-Orbit to provide launch and deployment services**

The Company signed binding agreement with D-Orbit, an Italian space system company, to provide launch and deployment services for the upcoming roll-out of the SAS nanosatellite constellation. D-Orbit offers a unique launch and deployment service specifically tailored for nanosatellites which will allow SAS to maximize the operational capabilities and potential revenue generation for their upcoming constellation.

### **Procurement agreement signed with GomSpace**

SAS and GomSpace have expanded their partnership by signing an amendment to the procurement contract dated February 2017. The additional order includes further development requirements to increase the capabilities of the Sky and Space Global nanosatellites.

### **SCISYS selected for constellation simulator**

SAS selected UK software and services company SCISYS PLC to build the system simulator for the SAS 'Pearls' Constellation of nanosatellites. The simulator is designed as a high-fidelity, high performance solution which will enable SAS to validate and fine tune operations quickly and effectively, maximising service provision.

### **5 year binding contract signed with BeepTool**

Sky and Space Global has signed a 5-year binding network contract with BeepTool with an approximate US\$30 million minimum contract value over this term. The agreement comes following the announcement in October that SAS and BeepTool had together performed the world's first financial transaction using nanosatellites. Following the successful outcome of this pilot, BeepTool has agreed to purchase from SAS all the available communications bandwidth that is required by BeepTool to fill its commercial demand.



## Directors' Report

### **Field trial for point-of-sale devices signed with Paratus Group**

Sky and Space Global has signed its first field trial for POS devices with the Paratus Group. This agreement has the potential to open the door for SAS supplying narrow band communication to thousands of POS devices on the Paratus network across Africa.

POS is a Multi-Billion USD global target market and is growing at a fast rate. Deployment of POS is becoming widespread in Africa with a rate of 450 devices per 100,000 people in some countries.

### **Binding contract signed with Universal Cyberlinks**

SAS has signed a 5-year binding contract with Universal Cyberlinks, a telecoms service provider based in Ghana. Universal Cyberlinks provide voice, data and machine to machine services to clients in Ghana including government funded agriculture and public service projects. The deal, a first for SAS in this major African country, validates the SAS commercial offering to telecommunication and communication infrastructure companies and confirms UCL's confidence in the SAS technological capabilities.

### **Operational Evaluation Agreement with Globalsat**

SAS and Globalsat Group signed an Operational Evaluation Agreement to formalise the final step towards providing commercial M2M and IoT services in Central and South America. Under this agreement, Globalsat Group and SAS have agreed the framework and detailed procedures for the operational evaluation of the SAS services compatibility with Globalsat Group's technology towards a commercial narrowband communication offering.

### **Binding agreement signed with Air Traffic Automation Systems (IATAS)**

SAS signed a binding agreement with the International IATAS - an aviation solution and service provider to explore future commercial opportunities. This agreement represents the first of its kind to be signed within the commercial aviation service sector. IATAS will also be responsible for conducting a demonstration of the way it has incorporated the SAS network within a commercial aeroplane as well as an Air Navigation Service Provider (ANSP). Once underway, the Company will be able to capitalise on further commercial relationships within the aviation sector.

### **MOU signed with Chinese satellite communication company**

An MoU with Beijing Commsat Technology Development Co., Ltd. ("Commsat"), has been signed to test and explore how the SAS network can be incorporated into the Commsat IoT offering. Commsat is a Beijing based satellite communications company that is developing a Low Earth Orbit (LEO) constellation to provide IoT services to users and corporations mainly in the Chinese geographical region.

SAS will also explore with Commsat the possibility of joint provision of IoT and additional narrowband communication services in China and cooperate to further the business of SAS in Greater China.

**Directors' Report**

**After Reporting Date Events**

10 July 2018	The company signed an MOU with Chinese launch services provider, China Great Wall Industry Corporation, to explore the provision of nano-satellite launch services to the Company.
13 July 2018	The Company successfully completed a demonstration of the 3 Diamonds telecommunications network capabilities at the Information and Communication Technologies (ICT) conference in Guyana.
20 July 2018	The Company converted 5,500,000 vested performance rights to shares.

Apart from these matters, no other matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial periods other than those already disclosed by the Company.

**Change in Nature and Scale of Operations**

There was no change in the nature and scale of the Company during the financial year.

**Environmental Issues**

The group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the group during the financial period.

**Future Developments, Prospects and Business Strategies**

The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial period. Further information about likely developments in the operations of the group and the expected results of those operations in future financial periods has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the group.

**Information on Directors and Secretary**

Names, qualifications, experience, and special responsibilities of current directors and company secretary.

**Meir Moalem**

CEO & Managing Director

**Qualifications and Experience** A jet fighter pilot, Lt. Col (Res.) of the IAF, has over 20 years of experience in management, R&D and operation of state-of-the-art projects in Space Systems and Unmanned Aerial Systems, among those acting as a deputy sq. commander and leading the MEIDEX experiment on Space Shuttle Columbia (STS-107) as the project manager for Israel's first astronaut flight, Managing Israel's satellite projects (such as Ofeq, Tecsar) and more.

Meir has a B.Sc. in Physics and computer sciences (with honours) and an M.A. from the Diplomacy and National Security executive program (with honours). Currently he is working on his PhD in national security and space programs in Tel Aviv University, Israel. Meir has also received the Israel National Defence award in 2009.

**Interest in Shares and Options** 300,000,000 Ordinary Shares

MultiModis M.M. Ltd. (IL).  
19,000,000 Ordinary Shares

**Directorships held in other listed entities within the past three years** None

## Directors' Report

### Brett Mitchell

Executive Director

**Qualifications and Experience** Mr Mitchell is an experienced corporate finance executive with over 25 years of experience in the finance, technology and resources industries. He has been the co-founder of a number of ASX and private companies across these sectors, and holds executive and non-executive directorship roles with his key business interests. His executive management responsibilities cover capital markets, corporate finance, new business strategy and treasury for these companies.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is also a member of the Australian Institute of Company Directors (AICD).

**Interest in Shares and Options** Platypus Investments Limited  
10,000,000 Ordinary Shares

Brett and Michelle Mitchell <Mitchell Spring Family A/C>  
6,750,000 Ordinary Shares

Brett and Michelle Mitchell <Leffhandlers Super Fund A/C>  
6,750,000 Ordinary Shares

**Directorships held in other listed entities within the past three years**

MGC Pharmaceuticals Limited (4 April 2013 – current)  
TNT Mines Ltd (27 June 2017 – current)  
Acacia Coal Limited (18 December 2015 – 2 August 2016)  
Digital CC Limited (5 September 2014 – 24 July 2016)  
Citation Resources Ltd (24 November 2011 – 1 December 2015)

### Peter Wall

Non-Executive Chairman / Independent

### LLB BComm MAppFin FFin

**Qualifications and Experience** Mr Wall is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on technology companies, resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.

**Interest in Shares and Options** Pheakes Pty Ltd <Senate A/C>  
7,000,000 Ordinary Shares

**Directorships held in other listed entities within the past three years**

Non-Executive Chairman of MMJ PhytoTech Ltd (appointed 14 August 2014)  
Non-Executive Chairman of Minbos Resources Ltd (appointed 21 February 2014)  
Non-Executive Chairman of Zyber Holdings Limited (resigned 22 January 2018)  
Non-Executive Chairman of MyFiziq Ltd (appointed 25 May 2015)  
Non-Executive Chairman of Activistic Ltd (resigned 23 April 2018)  
Non-Executive Chairman of Transcendence Technologies Limited (appointed 6 October 2015)  
Director of Ookami Limited (resigned 16 February 2018)  
Non-Executive Chairman of Pursuit Minerals Ltd (formerly known as Burrabulla Corporation Limited (appointed 13 January 2016)  
Non-Executive Chairman of Bronson Group Ltd (appointed 2 June 2017)  
TV2U International Limited (resigned 9 February 2016)  
Cossack Investments Pty Ltd (resigned 11 March 2016)  
Zinc of Ireland NL (resigned 21 July 2016)

**Directors' Report**

**Maya Glickman-Pariente** Non-Executive Director

**Qualifications and Experience** Highly experienced and regarded as a global industry leader, Maya Glickman-Pariente is Sky and Space Global (UK) Ltd's Chief Constellation Officer and will lead the team on satellite mission analysis, mission control software development, and operations management. Maya is MASTER STK certified and was a Senior Satellite Engineer of communications satellite with wide experience in satellite operations.

Maya was part of the AMOS-3 development team, LEOP and IOT missions as well as the AMOS-1 end of life mission team. She designed and optimized several large scale constellations for earth observation and communication use, and was involved in the assembly, integration and testing of "Duchifat-1", the first Israeli Nano-satellites. Maya has a B.Sc. in Aerospace Engineering and M.E in System Engineering, both from the Technion University, Aerospace faculty, and is also a graduate of the 2004 ISU summer session program in Adelaide, Australia. Recently, Maya was nominated Associate Chair of the space engineering department in the International Space University summer session program 2016.

**Interest in Shares and Options** Nil held beneficially

Meidad Pariente (Husband)  
300,000,000 Ordinary Shares

Spacecialist Ltd (Husband's Company)  
18,000,000 Ordinary Shares

**Directorships held in other listed entities within the past three years** None

**Yonatan Shrama** Non-Executive Director

**Qualifications and Experience** Yonatan has over 13 years of experience in business development and entrepreneurship in automotive technology systems, medical equipment and high technology security equipment. Yonatan has extensive experience in managing teams and processes. Yonatan is currently the chairman of Enigmo, a Cyber company, and VP Bizdev at Spacecialist.

**Interest in Shares and Options** 300,000,000 Ordinary

Yonatan Shanan Ltd  
17,000,000 Ordinary Shares

**Directorships held in other listed entities within the past three years** None

## **Directors' Report**

### **Remuneration Report (Audited)**

This report details the nature and amount of remuneration for each key management person of Sky and Space Global Limited, and for the executives receiving the highest remuneration.

#### **Remuneration Policy**

The remuneration policy of Sky and Space Global Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Sky and Space Global Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

#### **Performance-based Remuneration**

As part of each member of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel are involved in and have a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

**Directors' Report****Remuneration Report (continued)**

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following period.

**Company Performance, Shareholder Wealth and Director and Executive Remuneration****Key Management Personnel Remuneration Policy**

The Board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

All directors had contracts in place with the Group during the financial period as detailed below:

**Mr Meir Moalem, Managing Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee was A\$120,000 per annum with no payment on termination; this fee was increased to A\$216,000 per annum from 1 January 2017
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee was US\$1,500 per month with no payment on termination; this fee was increased to US\$2,750 per month from 1 January 2017
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee was US\$11,000 per month, increased to US\$13,000 plus a US\$2,000 vehicle allowance per month, effective 1 January 2017; and thereafter further increased to US\$16,500 per month, effective 1 January 2017.
  - Upon termination by the Company US\$132,000 will be paid

**Mr Brett Mitchell, Executive Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee was A\$180,000 per annum; this fee was increased to A\$216,000 per annum from 1 January 2017
  - Upon termination by the Company A\$180,000 will be paid

**Mr Peter Wall, Non-Executive Chairman**

- Letter of Appointment dated 24 August 2016 effective from 27 October 2015
  - Fee was A\$36,000 per annum; this fee was increased to A\$48,000 per annum from 1 January 2017
  - No payment on termination

**Mrs Maya Glickman-Pariente, Non-Executive Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee was A\$36,000 per annum with no payment on termination; this fee was increased to A\$48,000 per annum from 1 January 2017
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee was US\$11,000 per month, increased to US\$13,000 plus a US\$2,000 vehicle allowance per month effective 1 January 2017; and thereafter further increased to US\$16,500 per month, effective 1 January 2017.
  - Upon termination by the Company US\$132,000 will be paid

**Mr Yonatan Shrama, Non-Executive Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee was A\$36,000 per annum with no payment on termination; this fee was increased to A\$48,000 per annum from 1 January 2017
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee was US\$1,500 per month with no payment on termination; this fee was increased to US\$2,750 per month from 1 January 2017

## Directors' Report

### Remuneration Report (continued)

- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee was US\$11,000 per month, increased to US\$13,000 plus a US\$2,000 vehicle allowance per month effective 1 January 2017; and thereafter further increased to US\$16,500 per month, effective 1 January 2017.
  - Upon termination by the Company US\$105,600 will be paid

### Details of Remuneration

#### 2018 - Compensation of Key Management Personnel Remuneration

Directors	Cash				Non-Cash		Total	
	Short-term Benefits			Post-employment benefits				
	Cash, salary and commission	Other	Super-annuation	Termination benefits	Equity	Share based Payments		
Meir Moalem	260,911	269,464	-	-	1,689,333	-	2,219,708	
Brett Mitchell	216,000	-	-	-	387,000	188,881	791,881	
Peter Wall	50,000	-	-	-	86,000	41,973	177,973	
Yonatan Sharma	88,997	265,540	-	-	1,574,667	-	1,929,204	
Maya Glickman-Pariente	48,000	270,036	-	-	-	-	318,036	
<b>KMP</b>								
Meidad Pariente	42,790	270,036	-	-	2,700,000	-	3,012,826	
<b>Total</b>	<b>706,698</b>	<b>1,075,076</b>	-	-	<b>6,437,000</b>	<b>230,854</b>	<b>8,449,628</b>	

#### 2017 - Compensation of Key Management Personnel Remuneration

Directors	Cash				Non-Cash		Total	
	Short-term Benefits			Post-employment benefits				
	Cash, salary and commissions	Other	Super-annuation	Termination benefits	Equity	Share based Payments		
Meir Moalem	199,814	206,264	-	-	1,558,000	1,236,216	3,200,294	
Brett Mitchell	198,000	133,333	-	-	387,000	547,143	1,265,476	
Peter Wall	42,000	-	-	-	86,000	121,587	249,587	
Yonatan Sharma	73,911	190,264	-	-	1,500,667	1,155,157	2,919,999	
Maya Glickman-Pariente	42,000	206,510	-	-	-	-	248,510	
<b>KMP</b>								
Meidad Pariente	31,804	206,696	-	-	2,063,333	1,699,727	4,001,560	
<b>Total</b>	<b>587,529</b>	<b>943,067</b>	-	-	<b>5,595,000</b>	<b>4,759,830</b>	<b>11,885,426</b>	

All Directors have contracts with the Company.

### Shareholdings of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by KMP and their parties are as follows.

#### 2018

Directors	Opening Balance 1 July 17	Granted as Compensation	Performance Shares/Rights Converted	Net Other Changes <sup>1</sup>	Closing Balance 30 June 18
Meir Moalem	276,333,333	-	42,666,667	-	319,000,000
Brett Mitchell	14,500,000	-	4,500,000 <sup>3</sup>	-	19,000,000
Peter Wall	5,000,000	-	1,000,000 <sup>3</sup>	-	6,000,000
Yonatan Shrama	275,666,667	-	41,333,333	-	317,000,000
Maya Glickman-Pariente <sup>i</sup>	-	-	-	-	-
<b>KMP</b>					
Meidad Pariente	276,000,000	-	42,000,000	-	318,000,000
<b>Total</b>	<b>847,500,000</b>	-	<b>131,500,000</b>	-	<b>979,000,000</b>

<sup>1</sup> Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.

## Directors' Report

### Remuneration Report (continued)

<sup>i</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

3. Note Brett Mitchell and Peter Wall converted 4,500,000 and 1,000,000 performance rights respectively after 30 June 2018 balance date.

#### 2017

Directors	Opening Balance 1 July 16	Granted as Compensation	Performance Shares/Rights Converted	Net Other Changes <sup>1</sup>	Closing Balance 30 June 17
Meir Moalem	219,333,334	-	56,999,999	-	276,333,333
Brett Mitchell	10,000,000	-	4,500,000	-	14,500,000
Peter Wall	4,000,000	-	1,000,000	-	5,000,000
Yonatan Shrama	219,333,333	-	56,333,334	-	275,666,667
Maya Glickman- Pariente <sup>i</sup>	-	-	-	-	-
<b>KMP</b>					
Meidad Pariente	219,333,333	-	56,666,667	-	276,000,000
<b>Total</b>	<b>672,000,000</b>	<b>-</b>	<b>175,500,000</b>	<b>-</b>	<b>847,500,000</b>

<sup>1</sup> Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.

<sup>i</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

### Performance Shareholdings of Key Management Personnel

Details of performance shareholdings and rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

#### 2018

Directors	Opening Balance 1 July 17	Granted as Compensation	Performance Shares Converted	Net Other Changes	Closing Balance 30 June 18
Meir Moalem	30,000,000	-	(30,000,000)	-	-
Brett Mitchell	-	-	-	-	-
Peter Wall	-	-	-	-	-
Maya Glickman- Pariente	-	-	-	-	-
Yonatan Shrama	30,000,000	-	(30,000,000)	-	-
<b>KMP</b>					
Meidad Pariente	30,000,000	-	(30,000,000)	-	-
<b>Total</b>	<b>90,000,000</b>	<b>-</b>	<b>(90,000,000)</b>	<b>-</b>	<b>-</b>

#### 2017

Directors	Opening Balance 1 July 16	Granted as Compensation	Performance Shares Converted	Net Other Changes	Closing Balance 30 June 17
Meir Moalem	80,666,666	-	(50,666,666)	-	30,000,000
Brett Mitchell	-	-	-	-	-
Peter Wall	-	-	-	-	-
Maya Glickman- Pariente	-	-	-	-	-
Yonatan Shrama	80,666,667	-	(50,666,667)	-	30,000,000
<b>KMP</b>					
Meidad Pariente	80,666,667	-	(50,666,667)	-	30,000,000
<b>Total</b>	<b>242,000,000</b>	<b>-</b>	<b>(152,000,000)</b>	<b>-</b>	<b>90,000,000</b>



## Directors' Report

### Remuneration Report (continued)

#### Performance Rights of Key Management Personnel

Details of performance right and rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

#### 2018

Directors	Opening Balance 1 July 17	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance 30 June 18
Meir Moalem	12,666,667	-	-	(12,666,667)	-
Brett Mitchell	9,000,000	-	-	(4,500,000)	4,500,000
Peter Wall	2,000,000	-	-	(1,000,000)	1,000,000
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	11,333,333	-	-	(11,333,333)	-
<b>KMP</b>					
Meidad Pariente	12,000,000	-	-	(12,000,000)	-
<b>Total</b>	<b>47,000,000</b>	<b>-</b>	<b>-</b>	<b>(41,500,000)</b>	<b>5,500,000</b>

#### 2017

Directors	Opening Balance 1 July 16	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance 30 June 17
Meir Moalem	-	-	-	12,666,667	12,666,667
Brett Mitchell	-	-	-	9,000,000	9,000,000
Peter Wall	-	-	-	2,000,000	2,000,000
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	-	-	-	11,333,333	11,333,333
<b>KMP</b>					
Meidad Pariente	-	-	-	12,000,000	12,000,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,000,000</b>	<b>47,000,000</b>

#### Options Holdings of Key Management Personnel

Details of options held directly, indirectly or beneficially by KMP and their related parties are as follows:

#### 2018

There were no options held by the Board or Key Management Personnel during the 2018 financial year.

#### 2017

There were no options held by the Board or Key Management Personnel during the 2017 financial year.

### End of Remuneration Report

#### Meetings of Directors

The Directors attendances at Board meetings held during the period were:

	Board Meetings	
	Number eligible to attend	Number attended
Meir Moalem	5	5
Brett Mitchell	5	5
Peter Wall	5	4
Maya Glickman-Pariente	5	5
Yonatan Shrama	5	3

The Company does not have any remuneration, nomination or audit committees, these functions are performed by the Board.

## Directors' Report

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Sky and Space Global Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation. During the financial period, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Corporate Governance Policies are available on the Company's website <https://www.skyandspace.global/corporate/corporate-governance/>

### Options

At the date of this report the Company has no options on issue.

### Indemnifying Officers or Auditor

During or since the end of the financial period, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors of the Company as named above, the Company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium.

The Company has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

### Proceedings on behalf of Company

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

### Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the service provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the period, there were no fees paid or payable for non-audit services by Bentleys and its related practices.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2018 has been received and can be found on page 17 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue on 30 August by the Directors of the Company.

  
Meir Mezer  
Managing Director  
Dated 30 August 2018

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

[bentleys.com.au](http://bentleys.com.au)

To The Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit director for the audit of the financial statements of Sky and Space Global Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**CHRIS NICOLOFF CA**  
**Partner**

Dated at Perth this 30<sup>th</sup> day of August 2018

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 30 June 2018

	Note	30 June 18 \$	30 June 2017 \$
Revenue		649	-
Other income	5	71,454	54,376
Research and development rebate	11	502,002	-
Professional and consultancy fees	6a)	(1,739,213)	(1,313,023)
Marketing expenses	6b)	(757,960)	(387,438)
Travel and subsistence costs		(685,761)	(410,941)
Corporate expenses		(145,421)	(111,984)
Directors' fees		(704,066)	(721,618)
Employee benefits expense		(415,125)	(155,429)
Office and administration costs	6c)	(923,245)	(283,332)
Share based payments	22c)	(2,202,433)	(11,443,599)
Depreciation	12	(1,137,614)	(2,112)
Finance costs		(24,271)	14,051
Other expenses		(136,118)	(98,942)
<b>Loss before income tax</b>		<b>(8,297,122)</b>	<b>(14,859,991)</b>
Income tax expense	7	(26,861)	-
<b>Loss after income tax</b>		<b>(8,323,983)</b>	<b>(14,859,991)</b>
<b>Loss after income tax for the year attributable to:</b>			
Member of the parent entity		(8,346,206)	(14,859,991)
Non-controlling interest		22,223	-
		<b>(8,323,983)</b>	<b>(14,859,991)</b>
<b>Other comprehensive income for the year/period</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on the translation of foreign operations		311,285	(79,768)
<b>Other comprehensive income (net of tax) for the year/period</b>		<b>311,285</b>	<b>(79,768)</b>
<b>Total comprehensive loss for the year/period</b>		<b>(8,012,698)</b>	<b>(14,939,759)</b>
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		(8,034,150)	(14,939,800)
Non-controlling interest		21,452	41
		<b>(8,012,698)</b>	<b>(14,939,759)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the parent:</b>			
<b>From continuing and discontinued operations</b>			
Basic loss per share (cents)	9	(0.49)	(1.10)
Diluted loss per share (cents)	9	(0.49)	(1.10)

The accompanying notes form part of these financial statements

**Consolidated Statement of Financial Position**

As at 30 June 2018

	Note	30 June 18 \$	30 June 2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	8,888,289	9,939,636
Other receivables	11	1,232,513	371,502
<b>Total Current Assets</b>		<b>10,120,802</b>	<b>10,311,138</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	12	10,323,869	4,089,749
Goodwill	13a)	7	7
Intangible asset – Development expenditure	13b)	4,211,057	1,100,905
<b>Total Non-Current Assets</b>		<b>14,534,933</b>	<b>5,190,661</b>
<b>TOTAL ASSETS</b>		<b>24,655,735</b>	<b>15,501,799</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	1,632,079	601,772
Provision		113,307	38,222
<b>Total Current Liabilities</b>		<b>1,745,386</b>	<b>639,994</b>
<b>TOTAL LIABILITIES</b>		<b>1,745,386</b>	<b>639,994</b>
<b>NET ASSETS</b>		<b>22,910,349</b>	<b>14,861,805</b>
<b>EQUITY</b>			
Contributed equity	16	51,252,611	30,580,628
Performance shares	17a)	-	1,648,484
Share based payment reserve	17b)	473,000	3,435,257
Foreign currency translation reserve	17c)	133,555	(178,501)
Retained earnings		(28,970,731)	(20,624,525)
<b>Equity attributable to equity holders of the parent</b>		<b>22,888,435</b>	<b>14,861,343</b>
Non-controlling interest	21	21,914	462
<b>TOTAL EQUITY</b>		<b>22,910,349</b>	<b>14,861,805</b>

The accompanying notes form part of these financial statements

**SKY AND SPACE GLOBAL LIMITED**
**Financial Report for the year to 30 June 2018**
**Consolidated Statement of Changes in Equity**

For the year ended 30 June 2018

CONSOLIDATED GROUP	Contributed Equity	Performance Shares	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2017</b>	<b>30,580,628</b>	<b>1,648,484</b>	<b>3,435,257</b>	<b>(178,501)</b>	<b>(20,624,525)</b>	<b>462</b>	<b>14,861,805</b>
Other comprehensive income for the year	-	-	-	312,056	-	(771)	311,285
<b>Loss after income tax expense for the year</b>	-	-	-	-	(8,346,206)	22,223	<b>(8,323,983)</b>
<b>Total comprehensive loss for the year</b>	-	-	-	<b>312,056</b>	<b>(8,346,206)</b>	<b>21,452</b>	<b>(8,012,698)</b>
Shares issued during the year (net of share issue costs)	13,858,808	-	-	-	-	-	13,858,808
Issue of performance shares	-	351,516	-	-	-	-	351,516
Share based payment	-	-	1,850,918	-	-	-	1,850,918
Transfer to issued capital	6,813,175	(2,000,000)	(4,813,175)	-	-	-	-
Recognition of non-controlling interest	-	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>51,252,611</b>	-	<b>473,000</b>	<b>133,555</b>	<b>(28,970,731)</b>	<b>21,914</b>	<b>22,910,349</b>
<b>Balance at 30 June 2016</b>	<b>9,490,935</b>	<b>371,318</b>	-	<b>(98,733)</b>	<b>(5,764,534)</b>	<b>421</b>	<b>3,999,407</b>
Other comprehensive income for the year	-	-	-	(79,768)	-	41	(79,727)
<b>Loss after income tax expense for the year</b>	-	-	-	-	(14,859,991)	-	<b>(14,859,991)</b>
<b>Total comprehensive loss for the year</b>	-	-	-	<b>(79,768)</b>	<b>(14,859,991)</b>	<b>41</b>	<b>(14,939,718)</b>
Shares issued during the year (net of share issue costs)	14,358,518	-	-	-	-	-	14,358,518
Issue of performance shares	-	5,277,166	-	-	-	-	5,277,166
Share based payment	-	-	6,166,432	-	-	-	6,166,432
Transfer to issued capital	6,731,175	(4,000,000)	(2,731,175)	-	-	-	-
Recognition of non-controlling interest	-	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>30,580,628</b>	<b>1,648,484</b>	<b>3,435,257</b>	<b>(178,501)</b>	<b>(20,624,525)</b>	<b>462</b>	<b>14,861,805</b>

The accompanying notes form part of these financial statements

**Consolidated Statement of Cash Flows**

For the year ended 30 June 2018

	Note	30 June 18 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Revenue		649	-
Interest received		72,239	53,591
Payments to suppliers and employees		(4,761,168)	(3,318,943)
Income tax paid		(21,926)	-
<b>Net cash used in operating activities</b>	24	<b>(4,710,206)</b>	<b>(3,265,352)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(6,971,077)	(3,965,202)
Payments for development expenditure		(2,977,288)	(974,907)
<b>Net cash used in investing activities</b>		<b>(9,948,365)</b>	<b>(4,940,109)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		15,000,000	15,528,500
Capital raising costs		(1,141,192)	(1,169,982)
<b>Net cash provided by financing activities</b>		<b>13,858,808</b>	<b>14,358,518</b>
<b>Net increase in cash and cash equivalents held</b>		<b>(799,763)</b>	<b>6,153,057</b>
Cash and cash equivalents at beginning of year		9,939,636	3,852,255
Foreign exchange movement in cash		(251,584)	(65,676)
<b>Cash and cash equivalents at end of year</b>	10	<b>8,888,289</b>	<b>9,939,636</b>

The accompanying notes form part of these financial statements

**Notes to the Financial Statements****Notes to the Financial Statements****1. CORPORATE INFORMATION**

The consolidated financial statements of Sky and Space Global Limited and its controlled entities (collectively, the "Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of Directors on 30 August 2018.

Sky and Space Global Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 14. Information on other related party relationships is provided in Note 19.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of Compliance**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 as appropriate for 'for-profit' orientated entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

**b) Basis of Preparation**

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

As Sky and Space Global (UK) Ltd is considered to be the parent of the Group for accounting purposes the consolidated financial statements represent the continuation of the financial statements of SSG UK from its incorporation on 25 November 2015, with the exception of the capital structure, and present only the details for SAS from the date the Acquisition completed. The amount recognised as issued equity instruments in these consolidated financial statements represents the issued equity interests of SAS adjusted to reflect the equity issued by SAS on acquisition. Refer to Note 16 for information on issued capital and Note 20 for information on the accounting for the Acquisition of the prior year financial report.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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.

The financial report is presented in Australian dollars except where otherwise indicated.

**Financial report prepared on a going concern basis**

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss for the year ended 30 June 2018 of \$8,323,983 (2017: \$14,859,991), attributed by share based payments expense of \$2,202,433 (2017: \$11,443,599) and cash outflows from operating and investing activities of \$14,658,571 (2017: \$8,205,461). As at 30 June 2018, the Group has a cash at bank balance of \$8,888,289 (2017: \$9,939,636) and a positive working capital position of \$8,375,416 (2017: \$9,671,144).

The Group is required to meet contractual commitments of approximately AUD\$31 million over the next 12 months, as disclosed in Note 18 to the financial report. The ability of the Group to meet these contractual commitments, and therefore continue as a going concern, is dependent upon the ability of the Group to raise additional funds. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.



## **Directors' Report**

Based on the cash flow forecast prepared to 31 August 2019, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements of the Group do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

### **c) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of Sky and Space Global Ltd ("the Company") and its subsidiaries as at 30 June 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: de-recognises the assets (including goodwill) and liabilities of the subsidiary; de-recognises the carrying amount of any non-controlling interests; de-recognises the cumulative translation differences recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss; and reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

### **d) Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

## **Directors' Report**

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **e) Current and Non-Current classification**

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **f) Investments in Associates and Joint Ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence, or joint control, are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is

**Directors' Report**

included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**g) Intangible Assets**

Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains and losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset where the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is assessed for impairment annually.

The estimated useful lives range as follows

Licences	- 1-5 years
Development expenditure	- 3-5 years

**h) 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 income tax rate for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

## Directors' Report

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 and associates operate and generate taxable income.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and are recognised for all taxable temporary differences,

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

### **i) Impairment of Non-Financial Assets**

At 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 expensed to the statement of profit or loss.

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.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (refer 2(v)). When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (refer 2(u)).

**Directors' Report****j) Employee Benefits**

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

The Group has an auto-enrolment pension scheme for UK employees. Contributions are charged to the statement of comprehensive income in the period they are payable.

**k) Foreign Currency Translation*****Functional and Presentation Currency***

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

***Transactions and Balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transaction differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

***Group companies***

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**l) Segment Reporting**

An operating segment is a component of the consolidated group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

**m) Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**n) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each type of revenue.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**Directors' Report****o) 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. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**p) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

**q) Share Based Payments**

Share based compensation relating to share options are recognised at fair value.

The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

**r) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial period, which remain unpaid at period end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost, using the effective interest rate method.

**s) Trade and Other Receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

**t) Plant and Equipment**

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Office equipment	3-5 years
Nano-Satellite equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

## Directors' Report

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### u) Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through the statement of profit or loss. Fair value movements are recognised in the profit or loss.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in the profit or loss when the asset is derecognised or impaired.

#### **Impairment of financial assets**

The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

#### **De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 where the related obligations are discharged, cancelled or expired. The difference between the carrying value 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.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

### v) Fair value measurement

The group measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

## **Directors' Report**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **w) Government Grants**

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

### **x) Rounding of Amounts**

The Company is a kind referred to in class order 98/100 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

### **y) Earnings per Share**

#### ***Basic earnings per share***

Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders 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 period, adjusted for bonus elements in ordinary shares issued during the period.

#### ***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 share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **z) Parent entity financial information**

The financial information for the parent entity, Sky and Space Global Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below:

#### ***Investments in subsidiaries, associates and joint venture entities***

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sky and Space Global Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss when its right to receive the dividend is established.



## Directors' Report

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

#### a) Income Taxes

The group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

#### b) Share Based Payments

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk-free rate and expected dividend payout and any applicable vesting conditions.

Management are required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model, where applicable.

#### c) Development expenditure

Work performed by certain consultants relates specifically to the development and design of the nano-satellite technology and is therefore capitalised once the criteria set out in Note 2(g) is met. Management continue to review and assess the work performed by these consultants and review the asset for impairment annually.

### 4. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

#### a) New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### b) Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ending 30 June 2018, are set out below.

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial year end
AASB 9	Financial Instruments	<p>The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The Group has performed a preliminary assessment of the requirements of the new standard and expect that there will be no material impact on the Group's financial assets or financial liabilities following adoption on 1 July 2018.</p>	1 January 2018	30 June 2019

Directors' Report

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial year end
AASB 15	Revenue from Contracts with Customers	AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services. The core principle is that an entity recognises 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 those goods or services. The Group has performed a preliminary assessment of the requirements of the new standard and expect that there will be no material impact on the financial statements following adoption on 1 July 2018.	1 January 2018	30 June 2019
AASB 16	Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Group are currently undergoing an assessment of the adoption of AASB 16 and its impact on the Group's financial instruments and intends to apply the standard from 1 July 2019	1 January 2019	30 June 2020

The group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2018:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based payment transactions
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current period or future periods.

5. OTHER INCOME

	30 June 18 \$	30 June 17 \$
Interest received	71,454	54,376
	<b>71,454</b>	<b>54,376</b>

Directors' Report

6. EXPENSES

	30 June 18 \$	30 June 17 \$
<b>a) Professional and Consultancy fees</b>		
Professional fees	222,798	357,917
Legal fees	250,829	86,366
Consulting costs	1,265,586	868,740
	<b>1,739,213</b>	<b>1,313,023</b>
<b>b) Marketing expenses</b>		
Advertising and promotional costs	492,521	387,438
Conference and seminar costs	265,439	-
	<b>757,960</b>	<b>387,438</b>
<b>c) Office and administrative costs</b>		
Rental and office costs	238,369	86,601
IT costs	160,579	83,238
General administrative costs	524,297	113,493
	<b>923,245</b>	<b>283,332</b>

7. INCOME TAX EXPENSE

	30 June 18 \$	30 June 17 \$
<b>The major components of income tax expense comprise:</b>		
a) Current income tax charge	(2,485,965)	(410,032)
Adjustments in respect of current income tax of previous year:		
DTA not recognised (losses)	2,497,854	379,958
DTA not recognised (temporary)	14,972	30,074
<b>Income tax expense reported in the statement of profit or loss</b>	<b>26,861</b>	-
Capital raising cost on equity	36,780	52,096
Deferred tax charged to other comprehensive income	<b>36,780</b>	<b>52,096</b>
<b>b) The prima facie tax on (loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:</b>		
Accounting loss before tax from continuing operations	(8,297,122)	(14,859,991)
At Australia's statutory income tax rate of 27.5%	(2,281,709)	(4,086,498)
Add: Tax effect of:		
Other non-allowable items	(561,314)	2,642,899
Other assessable items	-	(36,835)
Less: Tax effect of:		
Non-assessable items / PY adjustment	27,528	-
Foreign exchange tax difference	436,224	154,912
Tax benefit through equity not recognised	(36,780)	(52,096)
DTA not recognised (losses)	2,411,935	1,338,508
DTA not recognised (temporary)	30,977	39,110
At the effective income tax rate of 27.5%	26,861	-
<b>c) Deferred tax</b>		
Deferred Tax Assets Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(h) occur		
Tax Losses	6,250,310	3,724,765
Temporary Differences	120,146	89,221
Total	<b>6,370,456</b>	<b>3,813,985</b>

## Directors' Report

The Group has tax losses that arose in Australia of \$11,436,154 (2017: \$9,901,743) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

### 8. AUDITORS' REMUNERATION

	30 June 18 \$	30 June 17 \$
<b>Remuneration of the auditors of the group:</b>		
Audit fees and review of financial reports – Bentleys	49,000	33,402
Audit fees and review of financial reports – subsidiaries' auditor	27,781	-
	<b>76,781</b>	<b>33,402</b>

### 9. EARNINGS PER SHARE

	30 June 18 \$	30 June 17 \$
Basic loss per share (cents)	(0.49)	(1.10)
Diluted loss per share (cents)	(0.49)	(1.10)
<b>Reconciliation of earnings to profit or loss</b>		
(Loss) used in calculating basic and diluted EPS	(8,346,206)	(14,859,991)
	Number	Number
<b>Weighted average number of ordinary shares and potential ordinary shares</b>		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	1,706,378,535	1,354,567,196

### 10. CASH AND CASH EQUIVALENTS

	30 June 18 \$	30 June 17 \$
Cash at bank	8,888,289	3,428,150
Term deposit	-	6,511,486
	<b>8,888,289</b>	<b>9,939,636</b>

### 11. TRADE AND OTHER RECEIVABLES

	30 June 18 \$	30 June 17 \$
Other receivables	22,096	30,385
Prepayments	457,255	241,182
Deposit paid	83,570	-
Accrued income	515,523	-
GST receivable	154,069	99,485
	<b>1,232,513</b>	<b>371,502</b>

Other receivables are non-interest bearing and are generally on terms of 30 days.

Accrued income relates to the research and development tax credit submitted to HM Revenue and Customs ("HMRC") for the 2017 financial year and received in July 2018.

The A\$515,523 above relates to the full A\$502,002 research and development rebate from the Consolidated Statement of Profit or Loss and Other Comprehensive Income once retranslated from GBP to AUD at 30 June 2018.

Please see Note 18 for details of the research and development tax credit for the 2018 financial year.

Directors' Report

12. PLANT AND EQUIPMENT

	30 June 18 \$	30 June 17 \$
<b>Plant and equipment</b>		
- at cost	378,310	57,408
- accumulated depreciation	(79,665)	(15,057)
- foreign currency translation	9,169	(853)
	<b>307,814</b>	<b>41,498</b>
<b>3 Diamonds Nano-Satellites</b>		
- at cost	3,478,579	4,062,171
- accumulated depreciation	(1,051,009)	(90)
- foreign currency translation	175,078	(13,830)
	<b>2,602,648</b>	<b>4,048,251</b>
<b>Pearl Constellation Nano-Satellites</b>		
- at cost	7,218,959	-
- accumulated depreciation	-	-
- foreign currency translation	194,448	-
	<b>7,413,407</b>	-
<b>Plant and equipment movement:</b>	<b>30 June 18 \$</b>	<b>30 June 17 \$</b>
Opening balance	4,089,749	137,876
Additions	6,993,039	3,968,668
Depreciation	(1,137,614)	(2,112)
Foreign currency translation	378,695	(14,683)
	<b>10,323,869</b>	<b>4,089,749</b>

13. INTANGIBLE ASSETS

	30 June 18 \$	30 June 17 \$
<b>a) Goodwill</b>		
- opening balance	7	7
- foreign exchange currency translations	-	-
	<b>7</b>	<b>7</b>
<b>b) Intangible asset - Development expenditure</b>		
- opening balance	1,100,905	125,997
- additions	2,970,652	984,176
- foreign exchange currency translations	139,500	(9,268)
	<b>4,211,057</b>	<b>1,100,905</b>

During the year, consultancy services were performed for the design, construction and testing of the nano-satellites, the orbit systems and in-house software development. These development activities meet the relevant accounting principles as noted in Note 3(c) and were capitalised accordingly.

Directors' Report

14. CONTROLLED ENTITIES

	Percentage Owned %*		
	Country of Incorporation	30 June 18	30 June 17
<b>Parent Entity:</b>			
Sky and Space Global Limited	Australia		
<b>Subsidiaries of Sky and Space Global Limited</b>			
Sky and Space Global (UK) Limited	UK	100	100
Burleson Energy Holding Inc	USA	100	100
Burleson Energy Inc	USA	100	100
Burleson Energy General LLC	USA	100	100
Burleson Energy Limited LLC	USA	100	100
Burleson Energy Limited Partnership	USA	100	100
<b>Subsidiaries of Sky and Space Global (UK) Limited</b>			
Sky and Space (Poland) Software Ltd	Poland	75	75
Sky and Space (Israel) Ltd <sup>1</sup>	Israel	100	100

\* Percentage of voting power in proportion to ownership  
<sup>1</sup> Refer note 20 for further details

15. TRADE AND OTHER PAYABLES

	30 June 18 \$	30 June 17 \$
<b>Current</b>		
Trade payables	1,060,437	314,549
Accruals	464,956	287,223
Other payables	106,686	-
	<b>1,632,079</b>	<b>601,772</b>

Refer to Note 25 for details on management of financial risk.

16. CONTRIBUTED EQUITY

	30 June 2018		30 June 2017	
	NUMBER	\$	NUMBER	\$
Ordinary shares on issue, fully paid	1,840,439,128	51,252,611	1,571,914,128	30,580,628
	<b>1,840,439,128</b>	<b>51,252,611</b>	<b>1,571,914,128</b>	<b>30,580,628</b>

## Directors' Report

### Reconciliation of movement in share capital

Date		No. Of Shares	Issue Price \$	Amount \$
<b>1-July-17</b>	<b>Opening balance</b>	<b>1,571,914,128</b>		<b>30,580,628</b>
21-July-17	Conversion of Milestone 2 Performance Rights (note 22b)	17,500,000	0.086	1,505,000
21-July-17	Conversion of Milestone 2 Performance Rights (note 22b)	6,000,000	0.175	1,050,000
10-Oct-17	Conversion of Class C Performance Shares(note 22a)	100,000,000	0.020	2,000,000
16-Feb-18	Conversion of Milestone 3 Performance Rights for Employees (note 22b)	2,025,000	0.087	176,175
16-Feb-18	Conversion of Milestone 3 Performance Rights for the Board (note 22b)	12,000,000	0.086	1,032,000
16-Feb-18	Conversion of Milestone 3 Performance Rights Key Management Personnel (note 22b)	6,000,000	0.175	1,050,000
20-Mar-18	Placement to institutional and sophisticated investors <sup>1</sup>	83,333,333	0.120	10,000,000
09-Apr-18	Share Purchase Plan <sup>1</sup>	22,180,363	0.120	2,661,644
11-Apr-18	Share Purchase Plan – shortfall <sup>1</sup>	19,486,304	0.120	2,338,356
	Less: Costs of issue			(1,141,192)
<b>30-Jun-18</b>	<b>Closing balance</b>	<b>1,840,439,128</b>		<b>51,252,611</b>

<sup>1</sup>Pursuant to the Capital Raising announcement on 13 March 2018 for a committed and oversubscribed placement and fully underwritten share purchase plan of \$15m, the Company completed its placement of 83,333,333 shares at \$0.12 per share to raise \$10m on 20 March 2018 and thereafter completing its Share Purchase Plan (SPP) for a total of 41,666,667 shares at \$0.12/share to raise \$5m on 9 April 2018 and 11 April 2018.

Date		No. Of Shares	Issue Price \$	Amount \$
<b>1-July-16</b>	<b>Opening balance</b>	<b>1,228,716,371</b>		<b>9,490,935</b>
05-Dec-16	Placement	60,000,000	0.085	5,100,000
19-Dec-16	Conversion of Milestone 1 Performance Rights for the Board	17,500,000	0.086	1,505,000
24-Jan-17	Placement – Priority Offer	5,041,178	0.085	428,500
03-Feb-17	Conversion of Class A Performance Shares	100,000,000	0.020	2,000,000
10-Mar-17	Conversion of Class B Performance Shares	100,000,000	0.020	2,000,000
23-Mar-17	Conversion of Milestone 1 Performance Rights for Key Management Personnel	6,000,000	0.175	1,050,000
10-May-17	Placement to institutional and sophisticated investors	52,631,579	0.190	10,000,000
09-Jun-17	Conversion of Milestone 1 Performance Rights for Employees	2,025,000	0.087	176,175
	Less: Costs of issue		-	(1,169,982)
<b>30-Jun-17</b>	<b>Closing balance</b>	<b>1,571,914,128</b>		<b>30,580,628</b>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

### Capital risk management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## Directors' Report

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior period.

The group is not subject to any externally imposed capital requirements.

### 17. RESERVES

	30 June 18 \$	30 June 2017 \$
<b>a) Performance shares</b>		
Opening balance	1,648,484	371,318
Performance share movement (note 22)	(1,648,484)	1,277,166
	<b>-</b>	<b>1,648,484</b>
<b>b) Share based payment reserve</b>		
Opening balance	3,435,257	-
Share based payments in the year (note 22)	(2,962,257)	3,435,257
	<b>473,000</b>	<b>3,435,257</b>
<b>c) Foreign currency translation</b>		
Opening balance	(178,501)	(98,733)
Currency translation differences arising	312,056	(79,768)
	<b>133,555</b>	<b>(178,501)</b>

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in Note 2(k). The reserve is recognised in profit and loss when the net investment is disposed of.

### 18. COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Commitments for which no provisions were included in the financial statements are as follows:

	30 June 18 \$	30 June 17 \$
> 1 year	31,302,366	13,774,738
1 - 5 years	68,837,111	66,424,004
< 5 years	-	-
	<b>100,139,477</b>	<b>80,198,742</b>

The above commitments relate to the completion of the design, engineering, construction and supply of the Pearl Constellation Nano-satellites by GomSpace for the full Equatorial Constellation as previously announced by the Company, with the first scheduled for Q1 2019, and the launch services for deployment of the Pearl Constellation nano-satellites using Virgin Orbit's LauncherOne Vehicle. The commitments also relate to office leases, the completion of a network management simulator and launch and deployment services to be provided by D-Orbit.

The Group is currently in the process of completing its R&D claim in relation to the 2018 financial year with HMRC. The Group anticipates the return to be a minimum of A\$700,000 based on an initial assessment of qualifying costs and expects to lodge the claim in September 2018. The inflow of these economic benefits is contingent on the successful lodgement and return of the claim from HMRC.

Other than disclosed there are no further commitments, contingent assets or contingent liabilities to disclose.



Directors' Report

19. RELATED PARTY TRANSACTIONS

a) Key Management Personnel Remuneration

Disclosures relating to key management personnel are in the Directors Report.

b) Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Details of the transactions including amounts accrued but unpaid at the end of the period are as follows:

Entity	Relationship	Nature of transactions	Transactions Full Year 30 June 18 \$	Balances at 30 June 18 \$	Transactions Full Period 30 June 17 \$	Balances at 30 June 17 \$
Sibella Capital Pty Ltd	(i)	Reimbursements made to Sibella for corporate administration costs	689	-	-	-
MGC Pharmaceuticals Ltd	(ii)	Reimbursents made to /(Amounts owing to) MXC for corporate administration costs	15,450	(2,044)	44,743	(2,571)
Steinepreis Paganin Lawyers and Consultants	(iii)	Reimbursents made to /(Amounts owing to) Steinepreis Paganin for corporate legal costs	15,855	(1,183)	54,329	(11,596)
Multimodis M.M. Ltd	(iv)	Reimbursents made to /(Amounts owing to) Multimodis for corporate travel costs	17,392	(594)	21,244	-
Spacecialist Ltd	(v)	Reimbursements made to /(Amounts owing to) Spacecialist for corporate administration and travel costs	35,189	(3,009)	8,940	-
Chieftain Securities Pty Ltd	(vi)	Charges from Chieftain Securities for corporate and capital raising fees	526,680	-	23,980	-
Regeneration Pharma Ltd	(vii)	Recharges owing from Regen for corporate administrative costs	(3,097)	-	-	-
TNT Mines Ltd	(viii)	Recharges owing from TNT for corporate administrative costs	(662)	-	-	-
Yonatan Shanan Ltd	(ix)	Reimbursements made to /(Amounts owing to) Yonatan for corporate travel costs.	11,863	(1,188)	-	-

- i) Sibella Capital Pty Ltd ('Sibella') is a company associated with Mr Brett Mitchell.
- ii) MGC Pharmaceuticals ('MXC') is a company associated with Mr Brett Mitchell.
- iii) Steinepreis Paganin ('Steinpag') is a company associated with Mr Peter Wall.
- iv) Multimodis M.M. Ltd ('Multimodis') is a company associated with Mr Meir Moalem.
- v) Spacecialist Ltd ('Spacecialist') is a company associated with Ms Maya Glickman-Pariente.
- vi) Chieftain Securities Pty Ltd ('Chieftain') is a company associated with Mr Brett Mitchell.
- vii) Regeneration Pharma Ltd ('Regen') is a company associated with Mr Brett Mitchell.
- viii) TNT Mines Ltd ('TNT') is a company associated with Mr Brett Mitchell.
- ix) Yonatan Shanan Ltd ('Yonatan') is a company associated with Mr Yonatan Shrama.

**Directors' Report**

**c) Transactions with related subsidiaries**

At the end of the period the following loans were owed by wholly owned subsidiaries of the Company:

<b>Entity</b>	<b>Relationship</b>	<b>Amount owed 30 June 18 \$</b>	<b>Amount owed 30 June 17 \$</b>
<i>Subsidiaries of Sky and Space Global Limited:</i>			
Sky and Space Global (UK) Ltd	A wholly owned subsidiary	21,716,085	8,873,171
Burleson Energy Holding Inc	A wholly owned subsidiary	13,945,846	13,932,483
<i>Subsidiaries of Sky and Space Global (UK) Limited:</i>			
Sky and Space (Poland) Software Ltd	A 75% owned subsidiary	151,326	1,648
Sky and Space (Israel) Ltd	A wholly owned subsidiary	341,190	275,665

Details of interests in wholly owned controlled entities are set out in note 14.

Loans between SAS UK and SAS Poland and SAS Israel are denominated in USD (\$) and GBP (£); they are non-interest bearing (except between SAS UK and SAS Poland which incurs an interest rate of 6% compounded semi-annually), unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company. The loan between SAS and SAS UK is denominated in AUD (\$) and incurs an interest rate of 8% compounded annually, unsecured and repayable as agreed by the two parties.

**d) Other related party transactions**

There were no other related party transactions during the year.

**20. ACQUISITION OF CONTROLLED ENTITY**

**30 June 2018**

There were no acquisitions or disposals during the year.

**30 June 2017**

**Acquisition of Sky and Space Global (Israel) Ltd**

With reference to note 14, the Company wholly acquired a newly incorporated entity, Sky and Space (Israel) Ltd for the purposes of recognising local Israeli administrative costs. There were limited transactions in the entity from incorporation date to 30 June 2017.

There were no disposals during the year.

**21. NON-CONTROLLING INTEREST**

	<b>30 June 18 \$</b>	<b>30 June 17 \$</b>
<b>Opening balance</b>	462	-
Non-controlling interest arising on the acquisition of SAS Poland	(770)	421
Share of loss for the year	22,222	41
	<b>21,914</b>	<b>462</b>

**22. SHARE BASED PAYMENTS**

**a) Performance Shares**

The Company issued 300,000,000 performance shares to the Sky and Space Global vendors as per the Heads of Agreement dated 30 November 2015 for its acquisition. The performance shares are divided into three classes of 100,000,000 shares each, where each class will convert into one ordinary share upon satisfaction of the relevant milestone as set out below and in accordance with the terms and conditions. Where the relevant milestone is not met, the performance shares on issue will convert into one share.

Directors' Report

Class of Performance Share	Number of Performance Shares issued	Performance conditions	Milestone Date
Class A <sup>2</sup>	100,000,000	SSG UK executes a launch contract for at least two nano-satellites within 18 months of Settlement <sup>1</sup>	13/11/2017
Class B <sup>2</sup>	100,000,000	SSG UK completes the design and manufacture of a working nano-satellite together with the integration of requisites systems and communication capability, including a Launch Readiness Review and of the nano-satellite by its manufacturer to prove that the nano-satellite is fully validated and tested for launch within 24 months of Settlement <sup>1</sup>	13/05/2018
Class C <sup>2</sup>	100,000,000	SSG UK successfully launches at least 2 nano-satellites and completes successful full-service testing of operating system to confirm delivery of voice and messaging data, including an In-Orbit Acceptance Review (IOAR) conducted by the nano-satellite manufacturer or a qualified independent third party to demonstrate that a communication payload is operating according to specifications, within 30 months of Settlement <sup>1</sup>	13/11/2018

<sup>1</sup>Settlement being the date that the acquisition completed, on 13 May 2016.

<sup>2</sup>The Class A, B and C Performance shares converted to ordinary shares on 3 February 2017, 10 March 2017 and 10 October 2017 respectively (note 16).

Reconciliation of Performance Shares to the SAS vendors

Class of Performance Share	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 30 June 2018 \$	Performance Share Based Payment Reserve at 30 June 2018 \$	Share Based Payment Expense at 30 June 2017 \$	Performance Share Based Payment Reserve at 30 June 2017 \$
Class A	18-May-16	03-Feb-17 <sup>1</sup>	0.02	-	-	1,841,912	-
Class B	18-May-16	10-Mar-17 <sup>1</sup>	0.02	-	-	1,881,379	-
Class C	18-May-16	25-Sep-17 <sup>1</sup>	0.02	351,515	-	1,553,875	1,648,484
<b>Total Share Based Payment</b>				<b>351,515</b>	<b>-</b>	<b>5,277,166</b>	<b>1,648,484</b>

<sup>1</sup>Re-assessed expected vesting date during prior year.

b) Performance Rights

Issued to Board of Directors

The Company issued 52,500,000 performance rights on 19 December 2016, following shareholder approval at the Annual General Meeting on 30 November 2016.

The principal terms and conditions of the performance rights include, continuous service in their capacity as Director or Executive of the Company, within set milestones as follows:

Milestone	Number of Performance Rights issued	Performance conditions	Milestone Date
1 <sup>1</sup>	17,500,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company from the date the Company successfully re-listed on the ASX to 15 December 2016	15/12/2016
2	17,500,000	To vest upon successful launch and operation of the Company's initial 3 nano-satellites the "3 Diamonds"	30/04/2017
3	17,500,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Related Party Performance Rights to 31 December 2017	31/12/2017

## Directors' Report

### Reconciliation of Performance Rights to Board of Directors

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 30 June 18 \$	Share Based Payment Reserve at 30 June 18 \$	Share Based Payment Expense at 30 June 2017 \$	Performance Share Based Payment Reserve at 30 June 2017 \$
1 <sup>1</sup>	19-Dec-16	15-Dec-16	0.0086	-	-	1,505,000	-
2 <sup>2</sup>	19-Dec-16	21-Jul-17	0.0086	147,687	-	1,357,313	1,357,313
3 <sup>3</sup>	19-Dec-16	31-Dec-17	0.0086	734,536	473,000	770,464	770,464
<b>Total Share Based Payment</b>				<b>882,223</b>	<b>473,000</b>	<b>3,632,777</b>	<b>2,127,777</b>

<sup>1</sup>Milestone 1 completed on 15 December 2016 and 17,500,000 performance rights converted to ordinary shares.

<sup>2</sup>Milestone 2 completed on 21 July 2017 and 17,500,000 performance rights converted to ordinary shares.

<sup>3</sup>Milestone 3 vested on 31 December 2017 and 12,000,000 performance rights were converted to ordinary shares on 16 February 2018; the remaining 5,500,000 rights converted on 20 July 2018.

### Issued to Key Management Personnel

As detailed in the Company's Notice of General Meeting on 15 February 2017, 18,000,000 performance rights were issued to key management personnel.

The principal terms and conditions of the performance rights include, continuous service as Director or Executive of the Company, within set milestones as follows:

Milestone	Number of Performance Rights issued	Performance Conditions	Milestone Date
1 <sup>1</sup>	6,000,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company from the date the Company successfully re-listed on the ASX to 15 December 2016	19/12/2016
2	6,000,000	To vest upon successful launch and operation of the Company's initial 3 nano-satellites the "3 Diamonds"	21/07/2017
3	6,000,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Related Party Performance Rights to 31 December 2017	31/12/2017

### Reconciliation of Performance Rights to Key Management Personnel

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 30 June 18 \$	Share Based Payment Reserve at 30 June 18 \$	Share Based Payment Expense at 30 June 2017 \$	Performance Share Based Payment Reserve at 30 June 2017 \$
1 <sup>1</sup>	23-Mar-17	19-Dec-16	0.175	-	-	1,050,000	-
2 <sup>2</sup>	23-Mar-17	21-July-17	0.175	183,750	-	866,250	866,250
3 <sup>3</sup>	23-Mar-17	31-Dec-17	0.175	682,686	-	367,314	367,314
<b>Total Share Based Payment</b>				<b>866,436</b>	<b>-</b>	<b>2,283,564</b>	<b>1,233,564</b>

<sup>1</sup>Milestone 1 completed on 23 March 2017 and 6,000,000 performance rights were issued and converted to ordinary shares.

<sup>2</sup>Milestone 2 completed on 21 July 2017 and 6,000,000 performance rights converted to ordinary shares.

<sup>3</sup>Milestone 3 vested on 31 December 2017 and 6,000,000 performance rights converted to ordinary shares on 16 February 2018.

## Directors' Report

### Issued to Key Employees

As approved by shareholders on 1 April 2016, 4,050,000 performance rights were issued to key employees on 17 February 2017.

The principal terms and conditions of the performance rights include, continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company, within set timeframes as follows:

Milestone	Number of Performance Rights issued	Performance Conditions	Milestone Date
1 <sup>1</sup>	2,025,000	To vest on continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company to 1 June 2017	01/06/2017
2	2,025,000	To vest on continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company to 31 December 2017	31/12/2017

### Reconciliation of Performance Rights to Key Employees

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 30 June 18 \$	Share Based Payment Reserve at 30 June 18 \$	Share Based Payment Expense at 30 June 2017 \$	Performance Share Based Payment Reserve at 30 June 2017 \$
1 <sup>1</sup>	17-Feb-17	01-Jun-17	0.087	-	-	176,175	-
2 <sup>2</sup>	17-Feb-17	31-Dec-17	0.087	102,259	-	73,917	73,916
<b>Total Share Based Payment</b>				<b>102,259</b>	<b>-</b>	<b>250,092</b>	<b>73,916</b>

<sup>1</sup>Milestone 1 completed on 1 June 2017 and 2,025,000 performance rights were issued and converted to ordinary shares.

<sup>2</sup>Milestone 2 completed on 31 December 2017 and 2,025,000 performance rights were issued and converted to ordinary shares on 16 February 2018.

	Share Based Payments Expense at 30 June 2018 \$	Performance Share and Share Based Payments Reserves at 30 June 2018 \$	Share Based Payments Expense at 30 June 2017 \$	Performance Share and Share Based Payments Reserves at 30 June 2017 \$
<b>c) Summary of Performance Shares and Rights</b>				
Total Performance Share expense/reserve (22a)	351,515	-	5,277,166	1,648,484
Total Performance Rights expense/reserve (22b)	1,850,918	473,000	6,166,433	3,435,257
<b>Total Share Based Payments Expense/Reserves</b>	<b>2,202,433</b>	<b>473,000</b>	<b>11,443,599</b>	<b>5,083,741</b>

## 23. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services, and it has been determined that for the year ended 30 June 2018 the Group has one reportable segment, being that of the deployment of nano-satellite constellations for global communication infrastructure as carried out by the Sky and Space Global UK Group.

Directors' Report

24. CASH FLOW INFORMATION

	30 June 18 \$	30 June 17 \$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
(Loss) after income tax	(8,323,983)	(14,859,991)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation and amortisation	1,137,614	2,112
Share based payment expense	2,202,433	11,443,599
Foreign currency translation expense	29,348	(14,051)
Reclassification of plant equipment	-	11,217
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in trade and other receivables	(861,011)	(314,055)
Increase in trade payables and accruals	1,105,393	465,817
<b>Cash flow from operations</b>	<b>(4,710,206)</b>	<b>(3,265,352)</b>

25. FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of cash at bank, payables and receivables.

The group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result the group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Company's current exposure to the risk of changes in the market is managed by the Board of Directors.

**Market risks**

The group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, as well as foreign currency risk.

*Interest rate risk*

At reporting date, the group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The risk monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

	Floating interest rate	1 Period or less	Over 1 to 5 periods	Non- interest bearing	Remaining contractual maturities	Weighted average interest rate
	\$	\$	\$	\$	\$	%
<b>30 June 2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8,178,477	8,178,477	-	709,812	8,888,289	<b>0.80</b>
	<b>8,178,477</b>	<b>8,178,477</b>	<b>-</b>	<b>709,812</b>	<b>8,888,289</b>	
<b>Financial liabilities</b>						
Other payables and sundry accruals	-	-	-	1,700,032	1,700,032	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,700,032</b>	<b>1,700,032</b>	
<b>30 June 2017</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8,886,545	8,886,545	-	1,053,091	9,939,636	<b>0.55</b>
	<b>8,886,545</b>	<b>8,886,545</b>	<b>-</b>	<b>1,053,091</b>	<b>9,939,636</b>	

Directors' Report

	Floating interest rate	1 Period or less	Over 1 to 5 periods	Non-interest bearing	Remaining contractual maturities	Weighted average interest rate
	\$	\$	\$	\$	\$	%
<b>Financial liabilities</b>						
Other payables and sundry accruals	-	-	-	639,994	639,994	
	-	-	-	<b>639,994</b>	<b>639,994</b>	

At 30 June 2018, if interest rates had changed by +/-100 basis points from the period-end rates with all other variables held constant, post-tax profit for the year would have been \$8,178 (2017: \$8,886) lower/higher.

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, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. The group monitors forecast cash flows on a regular basis to manage its liquidity risk.

Credit risk

Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to customers and deposits with banks. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound (GBP £), the United States Dollars (USD \$), the Polish Zloty (PLN zł) and the Israeli Shekel (ILS₪) .

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidate entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 18 \$	30 June 17 \$
<b>Trade payables in denomination currency</b>		
Trade payables – GBP	747,655	68,833
Trade payables – USD	3,605	2,942
Trade payables – PLN	86,707	26,756
Trade payables – ILS	13,435	885
<b>Cash and cash equivalents held in denomination currency</b>		
Cash and cash equivalents – GBP	261,699	241,986
Cash and cash equivalents – USD	389,054	613,579
Cash and cash equivalents – PLN	11,121	29,119
Cash and cash equivalents – ILS	54,185	180,943
	<b>716,059</b>	<b>1,065,627</b>
<b>Consolidated entity sensitivity</b>		
Exchange rates per AUD as at 30 June		
GBP	0.5608	0.5911
USD	0.7407	0.7686
PLN	2.7711	2.8488
ILS	2.7086	2.6832

A 10% increase or decrease in value of Australia dollar against the above currencies at 30 June would have the following effect:



## Directors' Report

	30 June 2018		30 June 2017	
	Profit/(loss)	Profit/(loss)	Profit/(loss)	Profit/(loss)
	10% increase	10% decrease	10% increase	10% decrease
Great British Pound (GBP £)	(48,596)	48,596	17,315	(17,315)
United States Dollar (USD \$)	38,545	(38,545)	61,064	(61,064)
Polish Zloty (PLN zł)	(7,559)	7,559	236	(236)
Israeli New Shekel (ILS ₪)	4,075	(4,075)	18,006	(18,006)
	<b>(13,535)</b>	<b>13,535</b>	<b>96,621</b>	<b>(96,621)</b>

### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 26. PARENT COMPANY DISCLOSURES

### a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 18	30 June 17
	\$	\$
Current assets	8,388,588	8,920,405
Non-current assets	14,788,220	5,338,220
<b>Total Assets</b>	<b>23,176,808</b>	<b>14,258,625</b>
Current liabilities	297,790	244,701
<b>Total Liabilities</b>	<b>297,790</b>	<b>244,701</b>
Contributed equity	82,574,464	61,902,481
Share based payment reserve	2,755,930	5,718,187
Performance shares	-	1,648,485
Accumulated losses	(62,451,376)	(55,255,229)
<b>Total Equity</b>	<b>22,879,018</b>	<b>14,013,924</b>
<b>Loss for the period</b>	<b>(7,196,147)</b>	<b>(35,895,405)</b>
<b>Total comprehensive loss for the period</b>	<b>(7,196,147)</b>	<b>(35,895,405)</b>

### b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2018 other than as already disclosed in the financial report (30 June 2017: nil).

### c) Guarantees entered into by the parent entity

There were no guarantees entered into by the parent entity.

## 27. EVENTS AFTER THE REPORTING DATE

10 July 2018	The company signed an MOU with Chinese launch services provider, China Great Wall Industry Corporation, to explore the provision of nano-satellite launch services to the Company.
13 July 2018	The Company successfully completed a demonstration of the 3 Diamonds telecommunications network capabilities at the Information and Communication Technologies (ICT) conference in Guyana.
20 July 2018	The Company converted 5,500,000 vested performance rights to shares.

Apart from these matters, no other matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial periods other than those already disclosed by the Company.

## 28. DIVIDENDS

No dividends have been paid or provided during the period.




## Directors' Declaration

The Directors' of the Company declare that in their opinion:

1. The financial statements and notes, as set out in pages 18 to 46, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards and the Corporations Regulations 2001;
  - b) are in accordance with International Financial Reporting Standards, as stated in Note 2(a) to the financial statements; and
  - c) give a true and fair view of the Company's and consolidated group's financial position as at 30 June 2018 and their performance for the period ended on that date.
2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.
3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
4. In the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

  
Meir Modest  
Managing Director  
Dated 30 August 2018

# Independent Auditor's Report

## To the Members of Sky and Space Global Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Sky and Space Global Limited ("the Company") and its subsidiaries ("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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Group 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 financial performance for the year then ended; 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 for 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 Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (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.



Bentleys Audit & Corporate  
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

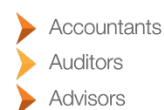
T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.



# Independent Auditor's Report

To the Members of Sky and Space Global Limited (Continued)



## Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) of the financial report which indicates that the Consolidated Entity incurred a net loss of \$8,323,983 during the year ended 30 June 2018. This condition, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## 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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Intangible Asset – Development Expenditure - \$4,211,057</b></p> <p>(refer to Note 13(b))</p> <p>The capitalized development costs of \$4,211,057 as disclosed in Note 13(b) of the consolidated financial statements is considered to be a key audit matter due to the significance to the consolidated statement of financial position and the specific criteria that are required to be met for capitalization.</p> <p>This involves significant management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably. In addition, management judgement is also required to estimate the useful lives of the completed satellites.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"><li>▶ Assessing the recognition criteria for development costs</li><li>▶ Evaluating the key assumptions used for estimates made in capitalizing development costs, including whether capitalized costs related to the development of the nano-satellites, the generation of probable future economic benefits and the useful economic life attributed to the asset.</li><li>▶ We performed substantive test of detail on a sample basis on costs capitalised during the period;</li><li>▶ We considered whether there were any impairment triggers during the year or subsequent to year end.</li><li>▶ We assessed the adequacy of the disclosures in Notes 13(b).</li></ul>
<p><b>Capital commitments and contingencies</b></p> <p>(refer to Notes 18)</p> <p>The Group has a number of significant supplier and service contracts in relation to the construction and launch of its nano-satellites.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"><li>▶ Assessing the contracts and agreeing calculation of the total commitment amount over the term of the contract.</li></ul>

# Independent Auditor's Report

To the Members of Sky and Space Global Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<p>We have identified this as a key audit matter as these are material contracts that the Group has entered in to and present significant capital commitments the Group is required to meet.</p>	<ul style="list-style-type: none"> <li>➤ Agreeing the calculation and ensuring amounts payable for the year ended 30 June 2018 were accounted for appropriately at the reporting date.</li> <li>➤ Ensuring no breaches of the contracts occurred during the period. Based on procedures performed no termination fee's or penalties are payable as at 30 June 2018.</li> <li>➤ Assessed the disclosure requirements with respect to these contracts are in accordance with the requirements with the relevant Accounting Standards.</li> </ul>
<p><b>Share Based Payments - \$2,202,433</b></p> <p>(Refer to Note 22)</p> <p>As disclosed in Note 22, the Group has various performance rights on issue to related parties which are subject to various performance and service conditions.</p> <p>These are subject to the measurement and recognition criteria of <i>AASB 2 "Share-based payments</i>.</p> <p>We have identified this as a key audit matter as it involves significant assumptions made by Management in determining the probability of certain performance conditions being met and the significant amount of share based payments during the year.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>➤ Reconciliation of Performance Shares and Rights obtained;</li> <li>➤ Assessing the underlying terms and conditions of the Performance Shares and Rights on issue;</li> <li>➤ Ascertain whether Performance Shares and Rights have been valued correctly in accordance with <i>AASB 2</i> based on the terms and conditions of the Performance Shares and Rights;</li> <li>➤ Assessed Management's assumptions made on the probabilities of the performance conditions being satisfied to ensure that they are reasonable;</li> <li>➤ We assessed the adequacy of the disclosure in Note 22.</li> </ul>
<p><b>Carrying value of property, plant and equipment - \$10,323,869</b></p> <p>(Refer to Note 12)</p> <p>Property, plant and equipment totaling \$10,323,869 as disclosed in Note 12 represents significant balances recorded in the consolidated statement of financial position.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>➤ Obtained a schedule of property, plant and equipment capitalised as at balance date;</li> <li>➤ Performing mathematical checks on the schedule to ensure it has been accurately prepared;</li> </ul>

# Independent Auditor's Report

To the Members of Sky and Space Global Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<p>Given the significant nature of the balance and the nature of the property plant and equipment, being predominantly costs recognised in relation to the Group's nano-satellites. These are subject to the measurement and recognition criteria of AASB 116 - "Property, Plant and Equipment".</p> <p>We have identified this as a key audit matter due to the significant costs that have been capitalized under AASB 116 in relation to the nano-satellites.</p>	<ul style="list-style-type: none"><li>▶ We performed substantive test of detail on a sample basis on costs capitalised during the period;</li><li>▶ We assessed the recognition, measurement and subsequent measurement criteria under AASB 116;</li><li>▶ We confirmed existence of the nano-satellites;</li><li>▶ We considered whether there were any impairment triggers during the year or subsequent to year end.</li><li>▶ We assessed the adequacy of the disclosures in Note 12.</li></ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 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 the 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 Note 2, the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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 has no realistic alternative but to do so.

# Independent Auditor's Report

To the Members of Sky and Space Global Limited (Continued)



## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 the 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 the 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.
- 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 directors' 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, among 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.

## Independent Auditor's Report

To the Members of Sky and Space Global Limited (Continued)



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 the 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.

### Report on the Remuneration Report

We have audited the Remuneration Report included in 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 Sky and Space Global Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**CHRIS NICOLOFF CA**  
Partner

Dated at Perth this 30<sup>th</sup> day of August 2018