APPENDIX 4E
RESULTS FOR ANNOUNCEMENT TO MARKET
UNDER LISTING RULE 4.3A

LIVETILES LIMITED
ABN 95 066 139 991

FINANCIAL YEAR ENDED
30 JUNE 2018

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Results for Announcement to the Market

Key Information	2018 $	2017 $	% Change
Revenue from ordinary activities	5,684,565	1,769,399	+ 221%
Loss after tax from ordinary activities attributable to members	(22,058,984)	(7,394,511)	- 198%
Net loss attributable to members	(22,058,984)	(7,394,511)	- 198%

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2018 interim (2017: nil)	Nil	Nil
2018 final (2017: nil)	Nil	Nil

Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation during the financial year.

Commentary on the Results for the Year

Refer to the commentary on the results for the year contained in the “Operating and financial review” included within the Directors’ Report.

Net Tangible Assets per Share

	2018 cents/share	2017 cents/share
Net tangible assets per share	2.64	0.90

Control Gained or Lost over Entities in the Year

On 8 June 2018, LiveTiles completed its acquisition of Hyperfish, Inc. Hyperfish, Inc has been consolidated into the Group’s financial statements from 8 June 2018. Refer to commentary on the acquisition in the “Highlights” included within the Directors’ Report.

Details of Associates and Joint Venture Entities

Not applicable

Status of Audit

The 30 June 2018 financial statements and accompanying notes for LiveTiles Limited have been audited and are not subject to any disputes or qualifications. Refer to page 52 of the 30 June 2018 financial report for a copy of the auditor’s report.

Attachments

The consolidated financial statements for LiveTiles Limited for the year ended 30 June 2018 are attached.

Signed

______________________________ Date: 27 August 2018

Matthew Brown
Executive Director
Sydney

LiveTiles Limited
ABN 95 066 139 991
Consolidated financial statements for the year ended 30 June 2018

Contents

Directors' Report	**2**
Remuneration Report	**11**
Auditor's Independence Declaration	**18**
Consolidated Financial Statements	**19**
Directors' Declaration	**51**
Independent Auditor's Report	**52**
Shareholder Information	**57**

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the consolidated group (the **Group**), being LiveTiles Limited (the **Company**) and its controlled entities for the year ended 30 June 2018.

Directors

The names of the directors in office at any time during the financial year and up to the date of this report (unless stated otherwise) are:

Cassandra Kelly	Non-Executive Chair (appointed 5 September 2017)
Karl Redenbach	Executive Director and Chief Executive Officer
Peter Nguyen-Brown	Executive Director and Chief eXperience Officer
Matthew Brown	Executive Director and Chief Financial Officer
Andrew McKeon	Non-Executive Director
Andrew Gray	Non-Executive Chair (resigned 22 November 2017)
Michael Hill	Non-Executive Director (resigned 5 September 2017)

Information on directors

Cassandra Kelly	**Non-Executive Chair**
Appointed	5 September 2017 and Chair from 22 November 2017
Experience and qualifications	Cassandra has over 22 years of experience in leadership and executive roles at global organisations, and is the founder of Pottinger, a global advisory firm with expertise in strategy, innovation, financial analysis, M&A advisory and big data analytics. Previously, Cassandra held senior positions at GMAC Commercial Mortgage, Deutsche Bank, HSBC and McKinsey. Cassandra was previously a non-executive director of ASX-listed Flight Centre Travel Group Limited. Cassandra is one of Australia's top 10 chairs as voted by The Australian in 2017 and is recognised for her significant expertise and leadership as an influential director and Chair.
Special responsibilities	Remuneration Committee (chair), Audit and Risk Committee (chair)

Karl Redenbach	**Executive Director and Chief Executive Officer**
Appointed	25 August 2015
Experience and qualifications	Karl Redenbach co-founded the LiveTiles concept, together with Peter Nguyen-Brown, in 2012. Karl was also a co-founder and the former CEO of the nSynergy Group, a global technology consulting business. Karl was awarded CEO of the year by the Australian Human Resources Institute in December 2014. Karl holds a Bachelor of Laws and a Bachelor of Arts from Monash University and completed the Owner/President Management program at Harvard Business School.
Special responsibilities	Remuneration Committee

Peter Nguyen-Brown	**Executive Director and Chief eXperience Officer**
Appointed	25 August 2015
Experience and qualifications	Peter Nguyen-Brown has 20 years' experience in technology consulting and software development. Peter co-founded the LiveTiles concept, together with Karl Redenbach, in 2012. Peter was formerly Chief Operating Officer and co-founder of the nSynergy Group, a global technology consulting business. Peter holds a Bachelor of Applied Science in Computer Science and Software Engineering from Swinburne University.
Special responsibilities	None

DIRECTORS' REPORT

Matthew Brown	**Executive Director and Chief Financial Officer**
Appointed	25 August 2015
Experience and qualifications	Matthew Brown joined LiveTiles in January 2015 as the Company's Chief Financial Officer. Matthew was previously a Division Director with Macquarie Capital in Sydney and New York. During his 12 years at Macquarie Capital, Matthew advised on over $10 billion of mergers, acquisitions, divestments and capital raising transactions. Matthew holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney.
Special responsibilities	Audit and Risk Committee

Andrew McKeon	**Non-Executive Director**
Appointed	1 April 2017
Experience and qualifications	Andrew McKeon has over 25 years of global marketing experience and is currently the Global Chief Creative Officer at Genero, a global video production marketplace. Prior to Genero, Andrew was the Global Accounts and Agencies Lead for Facebook and Instagram, where he managed relationships with Facebook's largest customers including Amazon, Nike and Apple. Prior to Facebook, Andrew was a creative director at Apple where he helped launch a number of Apple's most innovative products. Andrew holds a Bachelor of Economics degree from Monash University.
Special responsibilities	Audit and Risk Committee, Remuneration Committee

Andrew Gray	**Non-Executive Chairman**
Appointed	1 September 2014, resigned 22 November 2017
Experience and qualifications	Andrew Gray is the Managing Director of Potentia, a technology-focused investment firm. Prior to founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than $3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Prior to joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US$6 billion in capital under management.
Special responsibilities	Remuneration Committee (Chair) and Audit and Risk Committee

Michael Hill	**Non-Executive Director**
Appointed	1 September 2014, resigned 5 September 2017
Experience and qualifications	Michael is a former partner of Ernst & Young in the M&A advisory team and has worked as a principal investor with a large domestic private equity firm. Michael is a founder and Director of Bombora Group, a boutique investment house and is currently the Non-Executive Chairman of AHAlife Holdings Limited, rhipe Limited and Janison Education Group Limited. Michael has a Bachelor of Arts degree (Accountancy) from the University of South Australia and is a member of the Australian Institute of Chartered Accountants.
Special responsibilities	Audit and Risk Committee (Chair) and Remuneration Committee

Directors interests in shares and options

As at the date of this report, the interest of the directors in the shares (including shares held under the Management Incentive Plan) and options of the Company were:

	Number of ordinary shares	**Number of options over ordinary shares**
Cassandra Kelly	-	-
Karl Redenbach	110,622,082	-
Peter Nguyen-Brown	97,872,082	-
Matthew Brown	13,850,000	-
Andrew McKeon	277,778	-

Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' meetings		**Audit and Risk Committee**		**Remuneration Committee**	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Cassandra Kelly	10	10	1	1	2	2
Karl Redenbach	11	10	-	-	2	2
Peter Nguyen-Brown	11	10	-	-	-	-
Matthew Brown	11	11	2	2	-	-
Andrew McKeon	11	11	1	1	2	2
Andrew Gray	4	3	1	1	-	-
Michael Hill	1	1	1	1	-	-

Committee membership

As at the date of this report, the Company had the following committees:

- Audit and Risk Committee; and
- Remuneration Committee.

Members acting on the committees of the board during the year were:

Audit and Risk Committee	**Remuneration Committee**
Cassandra Kelly (Chair)	Cassandra Kelly (Chair)
Andrew McKeon	Andrew McKeon
Matthew Brown	Karl Redenbach
Andrew Gray (resigned 22 November 2017)	Andrew Gray (resigned 22 November 2017)
Michael Hill (resigned 5 September 2017)	Michael Hill (resigned 5 September 2017)

DIRECTORS' REPORT

Information on Company Secretary

Andrew Whitten has held the position as Company Secretary of the Company since 28 April 2015.

Andrew is an admitted solicitor with a specialty in Corporate Finance and Securities Law and is a Solicitor Director of Whittens & McKeough. Andrew is currently the company secretary of a number of listed and unlisted companies. He is a responsible officer of a Nominated Adviser to the National Stock Exchange of Australia Limited, and has been involved in a number of corporate and investment transactions including Initial Public Offerings on the ASX and the NSX, corporate reconstructions, reverse mergers and takeovers.

Andrew holds a Bachelor of Arts (Economics - UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law - UTS); Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia and is an elected Associate of that institute as well as being a Public Notary.

Principal activities

The Group's principal activity during the year was the development and sale of digital workplace software. LiveTiles' customers represent a diverse range of sectors and are spread throughout North America, United Kingdom, Europe, the Middle East and Asia-Pacific.

The Company is headquartered in New York, with operations in Seattle, Tri-Cities (Washington State), San Francisco, Los Angeles, Chicago, Minneapolis, North Carolina, London, Sligo, Zurich, Netherlands, Sydney, Melbourne, Geelong and Hobart.

Operating and financial review

For the 12 months to 30 June 2018, total revenue and other income was $6,437,264 (2017: $4,836,969), including subscription revenue of $5,684,565 (2017: $1,769,399) and accrued government grant revenue of $698,035 (2017: $3,058,195). In addition, unearned revenue (a balance within the Statement of Financial Position) was $5,090,339 (2017: $1,907,800).

Annualised Recurring Revenue (previously referred to as Annualised Subscription Revenue) grew to $15.0m (2017: $4.0m) as at 30 June 2018, comprising 536 paying customers. Annualised Recurring Revenue represents committed, recurring revenue on an annualised basis.

LiveTiles recorded a loss after tax of $22,058,984 (2017: $7,394,511) for the year. Included within this loss are non-cash share based payments expenses of $972,703 (2017: $884,736). Excluding non-cash share based payments expenses, the loss before tax was $20,822,577 (2017: $6,199,377).

The table below summarises the Company's statement of profit or loss and other comprehensive income for the year, including non-cash expenses:

	Notes	12 mths ended 30 Jun 18 ($'000)	12 mths ended 30 Jun 17 ($'000)
Subscription revenue		5,685	1,769
Government grant income		698	3,058
Other income		55	10
Total revenue and other income		6,437	4,837
Total operating expenses		(25,888)	(10,173)
Amortisation of development costs		(1,372)	(863)
Loss before income tax expense and non-recurring/non-cash items		(20,823)	(6,199)
Non-recurring expenses			
rhipe Shared Services agreement		-	(11)
Non-cash expenses			
Share based payments - post combination services for Hyperfish, Inc	(a)	(500)	-
Share based payments - Management Incentive Plan		(472)	(885)
Loss before income tax expense per statutory accounts		(21,795)	(7,095)
Income tax expense		(264)	(299)
Loss after income tax expense per statutory accounts		(22,059)	(7,395)

Notes:

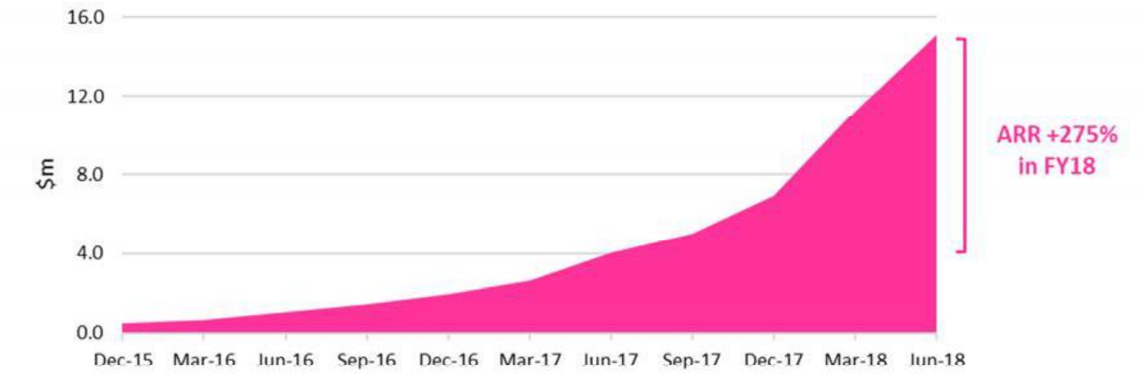
(a) Non cash contingent payment relating to the acquisition of Hyperfish, Inc., deemed to be a share based payment

The Group's cash balance as at 30 June 2018 was $17,848,223 (2017: $3,500,473).

Highlights

Annualised Recurring Revenue[1] (ARR) grew by 275% in the 2018 financial year to $15.0m (2017: $4.0m), with $11.0m of ARR added in the 2018 financial year. ARR growth was driven by the Company's growing sales and marketing footprint, development of the Company's partner channel, ongoing product innovation and strengthening brand awareness.

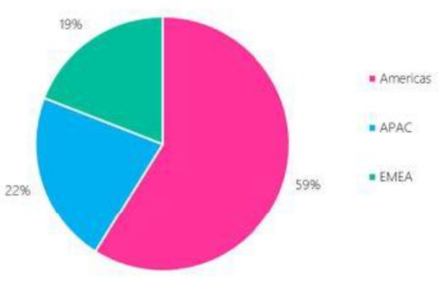
Annualised recurring revenue continued to grow rapidly in the 2018 financial year



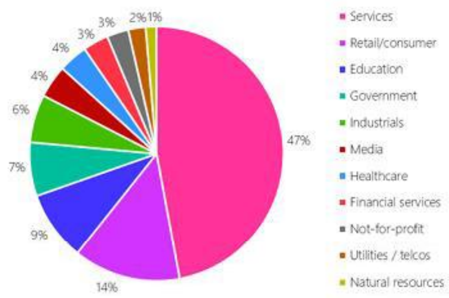
1. Annualised recurring revenue (ARR) represents committed, recurring revenue on an annualised basis

Customer numbers continued to increase strongly, with 536 paying customers as at 30 June 2018 (2017: 366), of which 170 were added in the last 12 months, representing an annual increase of 46%.

Annualised recurring revenue by region at 30 June 2018

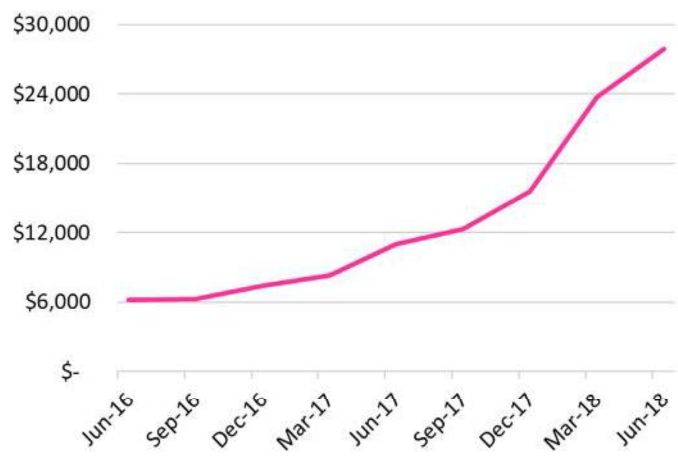


Annualised recurring revenue by industry at 30 June 2018



Average ARR per customer grew throughout the 2018 financial year, driven by strong enterprise customer growth and increased penetration of existing customers as part of the Company's 'land & expand' growth strategy. Average ARR per customer increased by 154% in the 2018 financial year.

Average annualised recurring revenue per customer up 154% in the 2018 financial year



Partner channel

In addition to the Company's direct sales channel, LiveTiles sells its software through partners to help scale and broaden the Company's reach. The number of transacting partners grew to 94 as at 30 June 2018 (up 40% since 30 June 2017).

Microsoft relationship

LiveTiles' strategic relationship with Microsoft continues to strengthen, with multiple co-marketing initiatives contributing to ARR and pipeline growth.

During the 2018 financial year, LiveTiles announced a joint initiative with Microsoft to promote the Company's recently launched artificial intelligence offering to Microsoft customers in the United States. The strategic partnership with Microsoft and ongoing joint promotional activities provide a strong endorsement of LiveTiles and its products.

In July 2018, LiveTiles was awarded the 2018 Microsoft US Partner Award for Modern Workplace Transformation at Microsoft Inspire (a major global conference for Microsoft partners). The award recognises LiveTiles for its leadership in customer impact, solution innovation, deployment and the exceptional use of advanced Microsoft features, highlighting the value placed on the Company's digital workplace and AI solutions, which are simple to build and deploy.

Strategic partnership with N3

During the financial year, LiveTiles entered a strategic partnership with N3, comprising:

- A sales and marketing execution agreement, for the promotion of LiveTiles' products by N3's sales and marketing resources; and
- A licensing agreement for the use of LiveTiles' SaaS products.

N3 is the leading outsourced sales and marketing execution vendor for Microsoft's Azure and Dynamics platforms. Based in Atlanta USA, N3 serves a global client base, which in addition to Microsoft, includes SAP, IBM and Cisco.

In the June 2018 quarter, a dedicated N3 team of 60 sales and marketing personnel were onboarded and trained.

N3's expert understanding of Microsoft's and LiveTiles' products combined with its sophisticated sales and marketing platform is expected to provide a strong contribution to LiveTiles' customer and revenue growth in the 2019 financial year.

Acquisition of Hyperfish

On 8 June 2018, LiveTiles completed its acquisition of Hyperfish, Inc, a recognised leader in next generation employee profile and directory management software based in Seattle.

The acquisition of Hyperfish will enable LiveTiles to achieve its strategic product vision more quickly, by combining the highly complementary products of two of the fastest growing software companies in the Microsoft ecosystem.

The addition of Hyperfish's artificial intelligence (AI) capabilities to LiveTiles' broadens the Company's AI-powered solution that will be jointly promoted to Microsoft customers and is expected to further enhance the Company's collaborative partnership with Microsoft.

The amount payable for the acquisition of Hyperfish comprised upfront consideration of 8.6 million LiveTiles shares (issued on 8 June 2018) and up to 12.6 million LiveTiles shares subject to the satisfaction of performance targets as at 31 December 2018 and 30 June 2019 (refer to the Company's ASX announcement dated 25 May 2018 for further details).

New Artificial Intelligence products

LiveTiles has continued to innovate and expand its product line, including the recent launch of two new artificial intelligence products - LiveTiles Bots and LiveTiles Intelligence.

LiveTiles Bots: allows non-programmers to build their own chatbots using a simple, visual process to define a chatbot's functionality and personality to meet a user's specific needs. The chatbots developed are able to perform a wide range of tasks, such as finding people and content, scheduling meetings, logging IT support tickets, reporting an employee's annual leave balance, running and distributing sales reports, and completing expense reports.

LiveTiles Intelligence: provides powerful analytics and highly visual insights on user interactions with an enterprise's digital workplace site and makes intelligent suggestions to drive improved user interaction and engagement. Over time, LiveTiles Intelligence will learn what drives higher levels of interaction on a digital workplace site, and will be able to incorporate these learnings to fully automate the re-design of a page.

Significant events since the end of the financial year

On 9 August 2018 LiveTiles announced that it had raised $25,000,000 via a share placement to sophisticated and professional investors. Under the placement, $25,000,000 was raised (before costs) via the issue of 42,372,882 fully paid ordinary shares at $0.59 per share.

In conjunction with the share placement, LiveTiles launched a share purchase plan, providing existing eligible shareholders an opportunity to increase their holding by up to $15,000. The share purchase plan is capped at $2,000,000 and the offer period closes on 10 September 2018.

There have been no other significant events affecting the Group since the end of the financial year.

Environmental regulation and performance

The Directors are not aware of any significant environmental issues affecting the Group or its compliance with relevant environmental agencies or regulatory authorities.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Share options

During the financial year, 4,500,000 options over ordinary shares were exercised at $0.10 per share.

As at the date of this report and as at the reporting date, there were no options on issue (2017: 4,500,000).

Indemnification and insurance of officers and directors

Under the Company's constitution, to the extent permitted by law and subject to the provisions of the Corporations Act 2001, the Company indemnifies every Director, executive officer and secretary of the Company against any liability incurred by that person as an officer of the Company. The Company has insured its Directors, executive officers and the Company Secretary for the 2018 financial year.

Under the Company's directors' and officers' liability insurance policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirements to disclose the nature of the liability insured against and the premium amount of the policy.

Indemnification of auditors

The Company's auditor, BDO East Coast Partnership, has not been indemnified under any circumstance.

Non-audit services

The Company's auditor, BDO East Coast Partnership, has not provided any non-audit services to the Group during the year ended 30 June 2018 (2017: nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

1. Introduction

This Remuneration Report for the year ended 30 June 2018 outlines the remuneration arrangements of LiveTiles Limited and its controlled entities in accordance with the requirements of the *Corporations Act 2001 (Cth), as amended* (**the Act**) and its regulations. This information has been audited as required by the Act.

This Remuneration Report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The following individuals were classified as KMP of the Group during the financial year ended 30 June 2018. Unless otherwise indicated, the individuals were KMP for the entire financial year.

Executive Directors	
Karl Redenbach	Chief Executive Officer
Peter Nguyen-Brown	Chief eXperience Officer
Matthew Brown	Chief Financial Officer
Non-Executive Directors	
Cassandra Kelly	Non-Executive Chair (appointed as a director on 5 September 2017 and appointed Chair on 22 November 2017)
Andrew McKeon	Non-Executive Director
Andrew Gray	Non-Executive Chair (resigned 22 November 2017)
Michael Hill	Non-Executive Director (resigned 5 September 2017)

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration governance

The Remuneration Committee is responsible for reviewing and recommending to the Board remuneration arrangements for the executive directors and executives reporting to the CEO. The Remuneration Committee also reviews and recommends to the Board the remuneration arrangements for the non-executive directors of the Board, including fees, travel and other benefits.

The Remuneration Committee consists of Cassandra Kelly (Chair), Andrew McKeon and Karl Redenbach. Non-committee members, including members of management, may attend all or part of the Remuneration Committee meetings by invitation of the chair.

Further information on the Remuneration Committee's role, responsibilities and membership can be seen in the Remuneration Committee's charter (schedule 4 of the Corporate Governance Statement) on the Company's website at www.livetiles.nyc/investors/.

3. Executive remuneration arrangements

Remuneration principles

The Group's approach to executive remuneration is based on the following objectives:

- Ensuring the Company's remuneration structures are equitable and aligned with long-term interests of the Company and its shareholders;
- Attracting and retaining skilled executives; and
- Structuring short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns.

Remuneration structure

The following table outlines how the Group's executive remuneration structure aligns remuneration with performance.

Component	Description	Purpose	Link to performance	Who participates?
Fixed remuneration	Base salary package including statutory superannuation contributions where applicable.	To provide competitive fixed remuneration determined with reference to role, experience and market.	Individual performance is considered during the annual remuneration review.	All executives.
Short term incentives (**STI**)	Paid in cash.	Rewards executives for their contribution to achievement of Group outcomes.	Discretionary bonus linked to specific financial and non-financial targets.	Executives and other key employees who have an impact on the Group's performance.
Long term incentives (**LTI**)	Shares issued under Management Incentive Plan (**MIP**).	Rewards executives for their contribution to the creation of shareholder value over the longer term.	Shares issued under the MIP to executives who are key management personnel have been issued with vesting prices in excess of market value such that executives are remunerated only when the Company's share price exceeds the vesting price.	Executives and other key employees.

See section 7 of the Remuneration Report for further details of the Management Incentive Plan.

Company performance

A key underlying principle of the Group's executive remuneration framework is that remuneration levels should be linked to Group performance. Due to the early-stage nature of the Group's business, it is not appropriate at this stage to assess the Group's performance on the basis of profitability.

The Group's key financial measures of performance are summarised in the table below:

	30 June 2018	30 June 2017
Annualised Recurring Revenue[1]	$15.0m	$4.0m
Cash balance	$17.8m	$3.5m
Share price	$0.48	$0.23
Loss before income tax expense and non-recurring and non-cash items	$(20.8)m	$(6.2)m
Dividends	nil	nil

1. Annualised Recurring Revenue represents committed, recurring revenue on an annualised basis

The Group's key financial measure of performance over the longer term is the increase in annualised recurring revenue and share price appreciation. Annualised recurring revenue has increased to $15.0 million at 30 June 2018 from $4.0 million at 30 June 2017. Since re-listing on the ASX on 17 September 2015, the Company's share price has appreciated from the re-listing price of $0.15 to $0.48 as at 30 June 2018. Share price appreciation drives value for executives through the increase in the value of shares issued under the Management Incentive Plan (refer to section 7 of the Remuneration Report).

During the 2018 financial year, LiveTiles engaged Farient Advisors to conduct an independent review of Director remuneration having regard to comparable Software-as-a-Service companies. The benchmarking analysis conducted by Farient Advisors was taken into account by the Remuneration Committee in determining Director remuneration. The Board confirms that Farient Advisors' review was conducted without influence from the Directors. Farient Advisors' fee for the review was US$17,500.

4. Executive contracts

Remuneration arrangements for executives are formalised in employment agreements. The table below sets out the key terms and conditions of the employment contracts of the CEO and senior executives. All contracts are for unlimited duration.

	Base salary	Superannuation	Bonus	Notice period
Karl Redenbach, CEO and Executive Director	US$350,000 plus US$150,000 cost of living adjustment	N/A	Discretionary bonus subject to meeting performance targets. Capped at 67% of base salary.	6 months
Peter Nguyen-Brown, CXO and Executive Director	$400,000	Statutory minimum	Discretionary bonus subject to meeting performance targets.	4 weeks
Matthew Brown, CFO and Executive Director	$380,000	Statutory minimum	Discretionary bonus subject to meeting performance targets. Capped at 67% of base salary.	6 months

Deferred salaries have been accrued in the statement of financial position as at 30 June 2018. Any deferred salaries accrued by Directors in the 2018 financial year are included in salaries and fee remuneration where applicable.

In the case of each of the executives above, the Company may terminate the employment agreement without notice for misconduct or material breach of contract.

5. Executive remuneration details

Details of the remuneration paid to the executives for the year are set out below:

	Financial year	Salary and fees $	Cash bonus[2] $	Annual leave entitlements $	Post-employment benefits $	Share based payments[1] $	Total $	Performance related %
Karl Redenbach	**2018**	**581,856**	**452,555**	**-**	**-**	**259,623**	**1,294,034**	**55%**
	2017	452,407	-	-	-	412,500	864,907	48%
Peter Nguyen-Brown	**2018**	**325,000**	**250,000**	**40,977**	**19,616**	**87,671**	**723,264**	**47%**
	2017	250,000	40,000	13,096	19,616	145,000	467,712	40%
Matthew Brown	**2018**	**380,000**	**200,000**	**36,509**	**19,616**	**50,171**	**686,296**	**36%**
	2017	380,000	150,000	9,660	19,616	107,500	666,776	39%
Total	**2018**	**1,286,856**	**902,555**	**77,486**	**39,232**	**397,465**	**2,703,594**	**48%**
	2017	1,082,407	190,000	22,756	39,232	665,000	1,999,395	43%

1. Represents shares issued under the Management Incentive Plan, as approved by the Company's shareholders on 3 July 2015 (refer to section 7 of the Remuneration Report and note 19 of the financial statements).
2. Cash bonuses for KMP were approved at Board meetings on 19 January 2018 and 6 March 2018.

6. Non-executive director fee arrangements

The Board seeks to set the fees for non-executive directors at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Under the Company's constitution and the ASX listing rules, the maximum aggregate amount of fees that can be paid to non-executive directors shall be determined from time to time by a general meeting of shareholders. The current aggregate fee pool for the non-executive directors is $500,000.

Each non-executive director receives a fee for being a director of the Company. In addition, a non-executive director may be paid fees or other amounts as the Board determines where a non-executive director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. Non-executive directors are also entitled to be reimbursed for reasonable expenses incurred in performing their duties as directors.

Non-executive letters of appointment are in place with Cassandra Kelly and Andrew McKeon.

For the period from 1 July 2017 to 5 September 2017, Mr Hill was entitled to remuneration of $80,000 per annum (including superannuation). Upon resignation, Mr Hill was paid an amount equal to his directors' fee for three months in recognition of Mr Hill's service as a director of the Company together with accrued directors fees owing.

For the period from 1 July 2017 to 22 November 2017, Mr Gray was entitled to remuneration of $100,000 per annum (including superannuation). On resignation, Mr Gray was paid an amount equal to his directors' fee for three months in recognition of Mr Gray's service as a director of the Company together with accrued directors fees owing.

For the year ended 30 June 2018, Mr McKeon was entitled to remuneration of $80,000 per annum (including superannuation). Mr McKeon has agreed to receive only 50% of his remuneration in cash (being $40,000) until such time as the Board resolves to pay the remuneration in full.

For the period from 5 September 2017 to 30 November 2017, Ms Kelly was entitled to remuneration of $80,000 per annum (including superannuation). Ms Kelly has agreed to receive only 50% of her remuneration in cash (being $40,000) until such time as the Board resolves to pay the remuneration in full.

For the period from 1 December 2017 to 30 June 2018, Ms Kelly was entitled to remuneration of $100,000 per annum (including superannuation). Ms Kelly has agreed to receive only 40% of her remuneration in cash (being $40,000) until such time as the Board resolves to pay the remuneration in full.

Deferred directors' fees have been accrued in the statement of financial position as at 30 June 2018. Deferred directors' fees accrued by Directors in the 2018 financial year are included as fee remuneration.

The table below outlines remuneration paid to non-executive directors for the year.

Non-executive director	Financial year	Fees	Cash bonus	Termination benefits	Post-employment benefits	Share based payments – MIP[2]	Other	Total
		$	$	$	$	$	$	$
Cassandra Kelly[1]	**2018**	**78,333**	**-**	**-**	**-**	**-**	**-**	**78,333**
	2017	-	-	-	-	-	-	-
Andrew McKeon[1]	**2018**	**80,000**	**-**	**-**	**-**	**-**	**-**	**80,000**
	2017	20,000	-	-	-	-	-	20,000
Andrew Gray	**2018**	**60,883**	**-**	**-**	**5,784**	**10,171**	**-**	**76,838**
	2017	97,397	-	-	2,603	67,500	-	167,500
Michael Hill	**2018**	**30,441**	**-**	**-**	**2,893**	**10,171**	**-**	**43,505**
	2017	77,397	-	-	2,603	67,500	-	147,500
Total	**2018**	**249,657**	**-**	**-**	**8,677**	**20,342**	**-**	**278,676**
	2017	194,794	-	-	5,206	135,000	-	335,000

1. The FY2018 non-executive directors' fees for Cassandra Kelly and Andrew McKeon include a deferred component of $45,000 and $40,000 respectively.
2. FY2017 and FY2018 share based payments represent shares issued under the Management Incentive Plan, as approved by the Company's shareholders o n 3 July 2015 (refer to section 7 of the Remuneration Report).

7. Equity instruments held by key management personnel

Options held by key management personnel during the year

The number of options over ordinary shares in the Company held during the financial year by each key management personnel, including their personally-related parties, is set out below:

	Balance at 1 July 2017	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2018	Vested and exercisable at 30 June 2018	Unvested and not exercisable at 30 June 2018
Executive directors							
Karl Redenbach	-	-	-	-	-	-	-
Peter Nguyen-Brown	-	-	-	-	-	-	-
Matthew Brown	-	-	-	-	-	-	-
Non-executive directors							
Cassandra Kelly	-	-	-	-	-	-	-
Andrew McKeon	-	-	-	-	-	-	-
Andrew Gray	1,500,000	-	1,500,000	-	-	-	-
Michael Hill	3,000,000	-	3,000,000	-	-	-	-

Management Incentive Plan

The purpose of the Management Incentive Plan (**MIP**) is to assist in the reward, retention and motivation of eligible directors and management and to align the interests of these persons more closely with the interests of the Company's shareholders.

The issue price of shares issued under the MIP is funded by an interest free loan from the Company. Vesting of shares issued under the MIP is subject to the satisfaction or waiver of vesting conditions determined by the Board. Subject to the MIP rules, any unvested shares lapse immediately and are forfeited if the relevant vesting conditions are not satisfied within the applicable vesting period. Once vested, shares issued under the MIP are treated in the same way as all other ordinary shares, subject to the full repayment of any outstanding loan.

The Board has the sole discretion to determine the directors and employees who are eligible to participate in the MIP and the terms upon which shares are issued under the MIP, including the issue price, loan amount and vesting conditions.

No shares were issued to key management personnel under the MIP in the 2018 financial year.

The following tranches of shares have been issued to key management personnel under the MIP:

	Tranche A	Tranche B	Tranche C
Number of shares	15,000,000	10,000,000	10,000,000
Date issued	25/08/2015	25/08/2015	25/08/2015
Vesting date	24/08/2017	24/08/2018	24/08/2019
Vesting price	$0.25	$0.35	$0.45
Fair value per share at grant date	$0.06	$0.06	$0.06

MIP shares held by key management personnel from the issue date (25 August 2015) until 30 June 2018 are as follows:

	Tranche A		**Tranche B**		**Tranche C**		**Total**	
	Number of shares	Fair value $	Number of shares	Fair value $	Number of shares	Fair value $	Number of shares	Fair value $
Executive directors								
Karl Redenbach	6,000,000	360,000	6,000,000	360,000	7,500,000	450,000	19,500,000	1,170,000
Peter Nguyen-Brown	2,250,000	135,000	2,000,000	120,000	2,500,000	150,000	6,750,000	405,000
Matthew Brown	2,250,000	135,000	2,000,000	120,000	-	-	4,250,000	255,000
Non-executive directors								
Cassandra Kelly	-	-	-	-	-	-	-	-
Andrew McKeon	-	-	-	-	-	-	-	-
Andrew Gray[1]	-	-	-	-	-	-	-	-
Michael Hill[2]	-	-	-	-	-	-	-	-
Total	**10,500,000**	**630,000**	**10,000,000**	**600,000**	**10,000,000**	**600,000**	**30,500,000**	**1,830,000**

1. Andrew Gray repaid the interest free loan relating to 2,250,000 fully-vested MIP shares on 5 February 2018. As at 30 June 2018, Andrew Gray did not hold any shares under the MIP.
2. Michael Hill repaid the interest free loan relating to 2,250,000 fully-vested MIP shares on 4 December 2017. As at 30 June 2018, Michael Hill did not hold any shares under the MIP.

Shareholdings of KMP

The following table outlines the ordinary shares held by key management personnel (excluding shares held under the Management Incentive Plan).

	Balance at 1 July 2017	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2018
Executive directors					
Karl Redenbach	90,427,638	-	-	694,444[1]	91,122,082
Peter Nguyen-Brown	90,427,638	-	-	694,444[1]	91,122,082
Matthew Brown	9,600,000	-	-	-	9,600,000
Non-executive directors		-			
Cassandra Kelly	-	-	-	-	-
Andrew McKeon	-	-	-	277,778	277,778
Andrew Gray[2]	4,573,334	-	1,500,000	(6,073,334)	-
Michael Hill[2]	1,166,667	-	3,000,000	(4,166,667)	-

1. Subscription for shares as part of the share placement announced by the Company on 2 August 2017 (approved by shareholders on 22 November 2017).
2. Andrew Gray and Michael Hill resigned as directors during the year. Their shares help upon resignation are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2018.

The following table represents shares issued to key management personnel under the Management Incentive Plan, as approved by the Company's shareholders on 3 July 2015 (as described in section 7 above).

	Balance at 1 July 2017	Issued during the year	Exercised during the year	Balance at 30 June 2018
Executive directors				
Karl Redenbach	19,500,000	-	-	19,500,000
Peter Nguyen-Brown	6,750,000	-	-	6,750,000
Matthew Brown	4,250,000	-	-	4,250,000
Non-executive directors				
Cassandra Kelly	-	-	-	-
Andrew McKeon	-	-	-	-
Andrew Gray	2,250,000	-	2,250,000	-
Michael Hill	2,250,000	-	2,250,000	-

Loans to KMP

The following non-recourse loans have been provided by the Company to key management personnel under the MIP (as approved by shareholders at a general meeting on 3 July 2015). The non-recourse loans are interest-free and the proceeds were used to subscribe for shares in the Company under the MIP.

	Balance at 1 July 2017	Loans repaid	Balance at 30 June 2018
Executive directors			
Karl Redenbach	2,925,000	-	2,925,000
Peter Nguyen-Brown	1,012,500	-	1,012,500
Matthew Brown	637,500	-	637,500
Non-executive directors			
Andrew Gray	337,500	(337,500)	-
Michael Hill	337,500	(337,500)	-

8. Other transactions with KMP

There were no other transactions with key management personnel.

End of Remuneration Report which has been audited.

This report is made in accordance with the resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Matthew Brown
Executive Director

27 August 2018
Sydney

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF LIVETILES LIMITED

As lead auditor of LiveTiles Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of LiveTiles Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 27 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue	3	5,684,565	1,769,399
Other income	3	752,699	3,067,570
		6,437,264	4,836,969
Expenses			
Employee benefits expense	5	(17,528,950)	(6,189,097)
Marketing expense		(2,983,985)	(581,545)
Travel and entertainment expense		(2,957,308)	(990,749)
Professional fees		(864,333)	(355,809)
Rent and other office costs		(1,397,925)	(732,585)
Information technology costs		(661,104)	(242,189)
Other expenses		(722,525)	(700,818)
Depreciation expense		(23,480)	-
Amortisation charge of intangibles	11	(1,391,336)	(862,905)
Share based payments expense	19	(972,703)	(884,736)
Unrealised currency gain / (loss)		1,271,105	(391,650)
		(28,232,544)	(11,932,083)
Loss before income tax		(21,795,280)	(7,095,114)
Income tax expense	4	(263,704)	(299,397)
Net loss for the year		(22,058,984)	(7,394,511)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(1,036,461)	347,820
Other comprehensive income for the year		(1,036,461)	347,820
Total comprehensive income for the year		(23,095,445)	(7,046,691)
Earnings per share for loss attributable to the owners of LiveTiles Limited			
Basic earnings per share (cents)	8	(5.20)	(2.16)
Diluted earnings per share (cents)	8	(5.20)	(2.16)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents		17,848,223	3,500,473
Trade and other receivables	9	4,368,176	3,981,404
Other current assets		172,138	3,905
TOTAL CURRENT ASSETS		22,388,537	7,485,782
NON-CURRENT ASSETS			
Property, plant and equipment		337,499	15,977
Intangible assets	11	4,510,411	-
Rental deposits		233,475	101,502
TOTAL NON-CURRENT ASSETS		5,081,385	117,479
TOTAL ASSETS		27,469,922	7,603,261
CURRENT LIABILITIES			
Trade and other payables	12	3,277,970	2,366,089
Income tax payable	4	257,999	48,000
Employee benefits provision	14	325,393	186,358
Provisions for contingent consideration	18	228,520	-
Other current liabilities	13	5,334,244	1,727,736
TOTAL CURRENT LIABILITIES		9,424,126	4,328,183
NON-CURRENT LIABILITIES			
Employee benefits provision	14	57,442	26,596
Deferred tax liability	18	448,500	-
Other non-current liabilities	13	538,757	180,064
TOTAL NON-CURRENT LIABILITIES		1,044,699	206,660
TOTAL LIABILITIES		10,468,825	4,534,843
NET ASSETS		17,001,097	3,068,418
EQUITY			
Issued capital	15	61,649,135	24,963,714
Reserves	16	1,659,384	2,353,142
Accumulated losses		(46,307,422)	(24,248,438)
TOTAL EQUITY		17,001,097	3,068,418

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued capital	Reserves	Accumulated losses	Total equity
		$	$	$	$
Balance at 1 July 2016		24,819,714	1,184,586	(16,853,927)	9,150,373
Loss for the year		-	-	(7,394,511)	(7,394,511)
Other comprehensive income for the year, net of tax		-	347,820	-	347,820
Total comprehensive income for the year		-	347,820	(7,394,511)	(7,046,691)
Transactions with owners, in their capacity as owners					
Share based payment expense		-	884,736	-	884,736
Options exercised	15(a)	144,000	(64,000)	-	80,000
Total transactions with owners		144,000	820,736	-	964,736
Balance at 30 June 2017		24,963,714	2,353,142	(24,248,438)	3,068,418
Balance at 1 July 2017		24,963,714	2,353,142	(24,248,438)	3,068,418
Loss for the year		-	-	(22,058,984)	(22,058,984)
Other comprehensive income for the year, net of tax		-	(1,036,461)	-	(1,036,461)
Total comprehensive income for the year		-	(1,036,461)	(22,058,984)	(23,095,445)
Transactions with owners, in their capacity as owners					
Contributions of equity	15(b)(c)(g)(i)(j)	32,667,000	-	-	32,667,000
Transaction costs		(1,595,775)	-	-	(1,595,775)
Shares issued for Hyperfish	15(k)	3,859,196	-	-	3,859,196
Share based payment expense	19	-	972,703	-	972,703
MIP shares exercised	15(f)(h)	945,000	(270,000)	-	675,000
Options exercised	15(d)(e)	810,000	(360,000)	-	450,000
Total transactions with owners		36,685,421	342,703	-	37,028,124
Balance at 30 June 2018		61,649,135	1,659,384	(46,307,422)	17,001,097

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		6,739,332	2,717,292
Payments to suppliers and employees (inclusive of GST)		(27,910,107)	(8,928,850)
		(21,170,775)	(6,211,558)
Interest received		46,881	11,033
Interest and other finance costs paid		-	(483)
Government grants received		3,033,969	1,743,690
Income tax paid		(53,705)	(38,956)
Net cash used in operating activities	20	(18,143,630)	(4,496,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition	18	193,296	-
Payments for plant and equipment		(306,119)	-
Net cash used in investing activities		(112,823)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		32,667,000	-
Share issue transaction costs		(1,595,775)	-
Proceeds from exercise of options		1,125,000	80,000
Net cash from financing activities		32,196,225	80,000
Net increase / (decrease) in cash held		13,939,772	(4,416,274)
Cash and cash equivalents at beginning of financial year		3,500,473	8,055,057
Effects of exchange rate changes on cash and cash equivalents		407,978	(138,310)
Cash and cash equivalents at end of financial year		17,848,223	3,500,473

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent LiveTiles Limited and its Controlled Entities (the "Consolidated Group" or "Group").

The financial statements were authorised for issue on 27 August 2018 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, 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.

a **Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent entity (LiveTiles Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

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

b. **Fair value of assets and liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. **Finance costs**

Finance costs are expensed in the period in which they are incurred except if they relate to a qualifying asset.

d. **Leases**

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

e. **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in 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.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

f. **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

LiveTiles Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Business combinations

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

A business combination will be accounted for from the date that control is attained whereby fair value of the identifiable assets acquired and liabilities assumed is recognised (with limited exceptions).

The consideration transferred the acquisition including any contingent consideration is generally measured at fair value. Where the fair value of the consideration is greater than the fair value of the identifiable assets and liabilities, goodwill is recognised. Goodwill is tested annually for impairment. Where fair value of the consideration is less than fair value of the identifiable assets and liabilities, a gain on a bargain purchase is recognised in the Income Statement.

Transaction costs are expensed as incurred unless except if they relate to the issue of debt or equity securities.

Contingent consideration is classified as a financial liability. Subsequent changes in the fair value of the contingent consideration are recognised in the Income Statement.

h. Research and development

Research costs are expensed in the period in which they are incurred.

Development costs are only capitalised when it is probable that the project will be a success, the Group will use or sell the asset, the Group has sufficient resources and intent to complete the asset and the development costs can be measured reliably. If one or more of these criteria are not met, development costs are expensed in the period in which they are incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected pattern of consumption, up to 5 years.

i. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. **Employee benefits**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation benefits

All employees of the Group who are based in Australia receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense in the period in which they are incurred.

k. **Share-based payments**

Equity-settled share-based compensation benefits are provided to employees and related parties. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and suppliers in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

l. **Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

m. **Cash and cash equivalents**

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. **Revenue and other income**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Software subscription revenue

Software is sold on a subscription basis and revenue is recognised over the term of the subscription once the users can use the system on a fully functional basis.

Research and development grant income

Research and development grant income is recognised when the Group is entitled to the research and development grant. The amount is treated as other income in the period in which the research and development costs were incurred.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

o. **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

p. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the reporting dates and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

q. **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 Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

s. **Intangible assets**

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. The Group tests goodwill annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

Intellectual property

Intellectual property acquired as part of a business combination is recognised separately from goodwill. The intellectual property assets are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination is recognised separately from goodwill. The customer contracts and relationships are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses.

t. **Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of LiveTiles Limited, 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 financial period.

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

u. **Critical accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. **Key estimates**

(i) *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(ii) *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(iii) *Research and development grant receivable*

The Group measures the research and development grant income and receivable taking into account the time spent by employees on eligible research and development activities. The research and development grant receivable is recognised as the Group considers it probable that the amount will be recovered in full through a future claim.

(iv) *Government grant income*

The Group measures government grant income over the period necessary to match the income with the costs that they are intended to compensate. The accounting estimates and assumptions relating to the recognition of government grant income include the project duration, value and forecast expenditure over the life of the project.

w. **New Accounting Standards not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. The standard introduces additional new disclosures.

The directors anticipate that the adoption of AASB 9 will not significantly impact the Group's financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Credit risk will be presented separately as an expense rather than adjusted to revenue. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

In assessing the impact of this standard on the Group's financial statements, the following revenue categories have been identified:

- Annual licence fees
- Perpetual licence fees

The Group has performed an initial review of each revenue category, including a combination of revenue categories, and, based on the preliminary assessment performed, the Directors anticipate that the adoption of AASB 15 will not significantly impact the Group's financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. **New Accounting Standards not yet mandatory or early adopted (continued)**

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The directors anticipate that the adoption of AASB 16 will not significantly impact the Group's financial statements.

x. **Going concern**

For the year ended 30 June 2018, the Group made a loss of $22,058,984 (2017: $7,394,511) and had net cash flows used in operating activities of $18,143,630 (2017: $4,496,274). At 30 June 2018, the Group had a cash balance of $17,848,223.

The Directors are of the opinion that the Group will be able to continue as a going concern, supported by the $25,000,000 share placement announced by the Group on 9 August 2018. Net proceeds from the share placement of $23,625,000 were received (net of costs) on 13 August 2018.

NOTE 2: PARENT INFORMATION

The following information has been extracted from the records of the parent, LiveTiles Limited.

	Parent entity	
Statement of Financial Position	**2018**	**2017**
	$	**$**
ASSETS		
Current assets	15,086,204	1,802,689
Non-current assets	750	1,311,554
TOTAL ASSETS	15,086,954	3,114,243
LIABILITIES		
Current liabilities	(927,915)	45,825
Non-current liabilities	-	-
TOTAL LIABILITIES	(927,915)	45,825
EQUITY		
Issued capital	386,828,434	350,278,937
Accumulated losses and reserves	(372,669,375)	(347,210,519)
TOTAL EQUITY	14,159,059	3,068,418
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(25,801,559)	(44,624,550)
Total comprehensive income	(25,801,559)	(44,650,550)

In the 2018 financial year, included within the parent entity loss of $25,801,559 is a provision against intercompany receivables from and investments in other entities within the Group of $25,080,316.

In the 2017 financial year, included within the parent entity loss of $44,624,55 is a provision against intercompany receivables from and investments in other entities within the Group of $44,353,069.

All intercompany balances within the Group are eliminated upon consolidation.

NOTE 3: REVENUE AND OTHER INCOME

	2018 $	2017 $
Revenue:		
– Software subscription revenue	5,684,565	1,769,399
Total revenue	5,684,565	1,769,399
Other income:		
– Interest income	17,267	8,957
– Research and development grant income	(317,511)	3,058,195
– Other grant income	1,015,547	-
– Other revenue	37,396	418
Total other income	752,699	3,067,570
Total revenue and other income	6,437,264	4,836,969

Research and development grant

The Group is entitled to a research and development grant on eligible research and development expenditure. The Group submitted an application to AusIndustry in order to claim eligible research and development expenditure incurred overseas incurred in the 2017 and 2018 financial years (Overseas Finding Application).

At 30 June 2018, the Group has accrued grant income related to eligible Australian research and development expenditure only.

In the prior financial year, the Group accrued grant income related to overseas research and development expenditure with the expectation that the Overseas Finding Application would be processed promptly. At 30 June 2018, the Overseas Finding Application is still being processed by AusIndustry. As a result of this extended processing time, management have taken a prudent view and reversed the accrued grant income relating to overseas research and development expenditure for the 2017 financial year. The Group has not accrued any grant income related to overseas research and development expenditure for the 2018 financial year.

A breakdown of research and development grant income is as follows:

	2018 $	2017 $
Current year research and development grant income	1,384,359	3,058,195
Reversal of research and development grant income related to overseas expenditure previously recognised	(1,701,870)	-
	(317,511)	3,058,195

NOTE 4: INCOME TAX

		2018 $	2017 $
a.	The components of tax expense comprise:		
	Current tax	154,983	(48,000)
	Deferred tax	-	(251,397)
	Under provision of prior year tax	108,721	-
		263,704	(299,397)
b.	The prima facie tax expense on loss from ordinary activities before income tax is reconciled to income tax as follows:		
	Net loss before tax	(21,795,280)	(7,095,114)
	Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2017: 27.5%)	5,993,702	1,951,156
	Adjust for:		
	tax effect of variance in overseas tax rates	1,214,968	279,723
	withholding tax expense	(154,983)	(48,000)
	tax effect of non-deductible research and development expenditure	(875,169)	(1,933,342)
	tax effect of other permanent differences	(267,493)	(243,302)
	under-provision of prior year tax	(106,983)	-
	current year losses not recognised	(6,067,746)	(54,235)
	de-recognition of deferred tax balances	-	(251,397)
	Income tax expense attributable to entity	(263,704)	(299,397)

The Group qualifies for the small business company tax rate of 27.5%.

		2018 $	2017 $
c.	Deferred tax liability relates to the following:		
	Intangible assets on acquisition of Hyperfish, Inc	448,500	-
d.	Carried forward losses not brought to account	6,636,033	4,930,980
e.	Income tax payable	257,999	48,000

The income tax payable reflects withholding tax payable at the end of the reporting period.

NOTE 5: EMPLOYEE BENEFIT EXPENSE

	2018 $	2017 $
Employee benefit expense		
Wages and salaries - staff	6,765,742	2,519,772
Wages and salaries - Directors	1,521,608	1,283,868
Contractor expenses	5,142,674	759,749
Commission and bonus expense	2,065,881	780,223
Payroll tax and other on costs	808,250	301,191
Employee insurance costs	667,939	233,712
Defined contributions superannuation expense	270,789	152,508
Annual leave and long service leave expense	169,881	88,547
Other employee benefits expense	116,186	69,527
Total employee benefit expense	17,528,950	6,189,097

NOTE 6: AUDITOR'S REMUNERATION

	2018 $	2017 $
Remuneration of the auditor for:		
– audit and review of the financial statements	98,500	75,000

The auditor, BDO East Coast Partnership, has not provided any non-audit services to the Group during the year ended 30 June 2018 (2017: nil).

NOTE 7: DIVIDENDS

LiveTiles Limited has not paid, or proposed to pay any dividends for the year ended 30 June 2018 (2017: nil).

NOTE 8: EARNINGS PER SHARE

	2018 $	2017 $
Reconciliation of earnings to loss:		
Earnings used to calculate basic earnings per share	(22,058,984)	(7,394,511)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	423,917,833	342,184,983
	Cents	**Cents**
Basic (loss) / earnings per share	(5.20)	(2.16)
Diluted (loss) / earnings per share	(5.20)	(2.16)

There are no options outstanding at 30 June 2018.

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	2018 $	2017 $
CURRENT			
Trade receivables		2,928,913	1,002,469
Accrued revenue		221,864	-
Provision for doubtful debts		(166,960)	(79,260)
		2,983,817	923,209
Research and development grant receivable	3	1,384,359	3,058,195
Total current trade and other receivables		4,368,176	3,981,404

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia, Asia, North America, Europe and the Middle East. The Group’s exposure to credit risk for trade receivables at the end of the reporting period in those regions is as follows:

AUD	2018 $	2017 $
Asia Pacific	1,114,756	438,768
North America	913,523	327,956
Europe	850,644	163,528
Middle East & Africa	49,990	72,217
Total receivables exposed to credit risk	2,928,913	1,002,469

The following table details the Group’s trade and other receivables exposed to credit with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past Due but Not Impaired (Days Overdue)				
$	**Gross Amount**	**Past Due and Impaired**	**< 30**	**31–60**	**61–90**	**> 90**	**Within Initial Trade Terms**
2018							
Trade and term receivables	2,928,913	166,960	357,307	145,737	165,512	82,175	2,011,222
2017							
Trade and term receivables	1,002,469	79,260	29,270	47,854	46,702	15,872	783,511

NOTE 10: INTERESTS IN SUBSIDIARIES

a. **Information about principal subsidiaries**

The wholly-owned subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal place of business	Ownership interest 2018 %	Ownership interest 2017 %
LiveTiles Limited	Australia		
LiveTiles Holdings Pty Ltd	Australia	100%	100%
LiveTiles APAC Pty Ltd	Australia	100%	100%
LiveTiles R and D Pty Ltd	Australia	100%	100%
LiveTiles Corporation	USA	100%	100%
Modun Resources Pte Ltd	Singapore	100%	100%
LiveTiles Ireland Limited	Ireland	100%	0%
Hyperfish, Inc	USA	100%	0%

b. **Significant restrictions**

There are no restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

c. **Acquisition of controlled entities**

On 8 June 2018, LiveTiles Limited acquired 100% of the shares in Hyperfish, Inc. (refer to note 18).

d. **Disposal of controlled entities**

There were no disposals of controlled entities.

NOTE 11: INTANGIBLE ASSETS

	Note	Balance at 1 July 2017	Additions	Disposals	Balance at 30 June 2018
At cost:					
Capitalised development costs		1,580,123	1,372,030	-	2,952,153
Software intellectual property	18	-	1,068,000	-	1,068,000
Customer contracts and relationships	18	-	427,000	-	427,000
Goodwill	18	-	3,034,717	-	3,034,717
Total costs		1,580,123	5,901,747	-	7,481,870

	Balance at 1 July 2017	Amortisation charge	Disposals	Balance at 30 June 2018
Accumulated amortisation:				
Capitalised development costs	(1,580,123)	(1,372,030)	-	(2,952,153)
Software intellectual property	-	(6,437)	-	(6,437)
Customer contracts and relationships	-	(12,869)	-	(12,869)
Total accumulated amortisation	(1,580,123)	(1,391,336)	-	(2,971,459)

Summary of net intangible assets

	Balance at 1 July 2017	Additions	Amortisation charge	Disposals	Balance at 30 June 2018
Net intangible assets	-	5,901,747	(1,391,336)	-	4,510,411

The estimated useful life of capitalised development costs is determined to be in line with the frequency at which our software is updated and replaced. During the 2018 financial year, development costs were fully amortised in the same financial year given the iterative nature and frequency of updates in the Group's product life cycle.

Other intangible assets have a finite life and are amortised on a straight line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

The useful life software intellectual property is 10 years.

The useful life of customer contracts and relationships is 2 years.

Goodwill is carried at cost less any accumulated impairment losses.

NOTE 12: TRADE AND OTHER PAYABLES

	Note	2018 $	2017 $
CURRENT			
Unsecured liabilities:			
Trade payables		1,387,664	544,066
Employee benefits accruals		1,154,152	1,047,059
Employee benefits accruals to related parties	21	679,840	627,505
Other payables and accruals		56,314	147,459
		3,277,970	2,366,089

NOTE 13: OTHER LIABILITIES

	2018 $	2017 $
CURRENT		
Unearned revenue	4,551,582	1,727,736
Lease liability	121,800	-
Unearned grant income	660,355	-
Other current liabilities	507	-
	5,334,244	1,727,736
NON-CURRENT		
Unearned revenue	538,757	180,064
	538,757	180,064

Unearned revenue represents the billed but unearned portion of existing contracts for services to be provided subsequent to year end.

NOTE 14: EMPLOYEE BENEFITS

	2018 $	2017 $
Current	325,393	186,358
Non-current	57,442	26,596
	382,835	212,954

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. It is expected that $139,100 will not be taken in the next 12 months.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	2018 No. of shares	2017 No. of shares	2018 $	2017 $
Ordinary shares – fully paid	473,209,472	342,982,675	61,649,135	24,963,714

Movements in ordinary share capital		**Date**	**Shares** No.	**Issue Price** $	**Total** $
Balance		30 June 2016	342,182,675		24,819,714
Issue of shares upon exercise of options	(a)	29 June 2017	800,000	-	144,000
Balance		30 June 2017	342,982,675		24,963,714
Share capital issued	(b)	8 August 2017	58,888,889	$0.18	10,600,000
Share capital issued	(c)	6 September 2017	5,226,354	$0.18	940,752
Share capital issued	(c)	7 September 2017	329,155	$0.18	59,248
Issue of shares upon exercise of options	(d)	7 September 2017	3,000,000		540,000
Issue of shares upon exercise of options	(e)	19 October 2017	1,500,000		270,000
Issue of shares upon exercise of Management Incentive Plan shares	(f)	4 December 2017	2,250,000		472,500
Share capital issued	(g)	19 December 2017	2,222,222	$0.18	400,000
Issue of shares upon exercise of Management Incentive Plan shares	(h)	5 February 2018	2,250,000		472,500
Share capital issued	(i)	21 February 2018	44,444,444	$0.45	20,000,000
Share capital issued	(j)	22 March 2018	1,482,185	$0.45	667,000
Share capital issued	(k)	8 June 2018	8,633,548	$0.45	3,859,196
Less: capital raising costs					(1,595,775)
Balance		30 June 2018	473,209,472		61,649,135
Restricted shares on issue	(l)		32,600,000		-
Total issued capital		30 June 2018	505,809,472		61,649,135

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: EQUITY – ISSUED CAPITAL (CONTINUED)

(a) On 29 June 2017, 800,000 pre-acquisition options in Modun Resources Limited were exercised at an exercise price of $0.10 per share. The movement in equity in relation to the options reflects the amount paid to exercise those options, being $80,000, and the modified value of the options at acquisition date, being $64,000.

(b) On 8 August 2017, LiveTiles Limited issued 58,888,889 shares at $0.18 per share to raise $10,600,000.

(c) On 6 and 7 September 2017, LiveTiles Limited issued 5,555,509 shares at $0.18 per share to raise $1,000,000.

(d) On 7 September 2017, 3,000,000 pre-acquisition options in Modun Resources Limited were exercised at an exercise price of $0.10 per share. The movement in equity in relation to the options reflects the amount paid to exercise those options, being $300,000, and the modified value of the options at acquisition date, being $240,000.

(e) On 19 October 2017, 1,500,000 pre-acquisition options in Modun Resources Limited were exercised at an exercise price of $0.10 per share. The movement in equity in relation to the options reflects the amount paid to exercise those options, being $150,000, and the modified value of the options at acquisition date, being $120,000.

(f) On 4 December 2017, 2,250,000 Tranche A Management Incentive Plan shares were exercised at an exercise price of $0.15 per share. The movement in equity in relation to the options reflects the amount paid to exercise those MIP shares, being $337,500, and the modified value of the MIP shares at issue date, being $135,000.

(g) On 19 December 2017, LiveTiles Limited issued 2,222,222 shares at $0.18 per share to raise $400,000.

(h) On 5 February 2018, 2,250,000 Tranche A Management Incentive Plan shares were exercised at an exercise price of $0.15 per share. The movement in equity in relation to the options reflects the amount paid to exercise those MIP shares, being $337,500, and the modified value of the MIP shares at issue date, being $135,000.

(i) On 21 February 2018, LiveTiles Limited issued 44,444,444 shares at $0.45 per share to raise $20,000,000.

(j) On 22 March 2018, LiveTiles Limited issued 1,482,185 shares at $0.45 per share to raise $667,000.

(k) On 8 June 2018, LiveTiles Limited issued 8,633,548 shares to Orange Fish Holdings LLC as consideration for 100% of the shares in Hyperfish, Inc. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.

(l) As at 30 June 2018, LiveTiles Limited had issued 32,600,000 shares under the Management Incentive Plan.

Tranches A, B and C – 30,500,000 shares were issued under the Management Incentive Plan on 25 August 2015

Tranches D, E and F – 1,200,000 shares were issued under the Management Incentive Plan on 5 April 2016

Tranches G, H and I – 300,000 shares were issued under the Management Incentive Plan on 2 June 2017

Tranches J, K and L – 600,000 shares were issued under the Management Incentive Plan on 20 November 2017

Refer to note 19(a).

Restricted shares on issue under the Management Incentive Plan are not included in the earnings per share calculation in note 8.

NOTE 16: RESERVES

	2018 $	2017 $
Share based payments reserve	2,277,138	1,934,435
Foreign currency translation reserve	(617,754)	418,707
Total	1,659,384	2,353,142

a. **Share based payments reserve**

The share based payments reserve records items recognised as expenses on valuation of share based payments.

Movements in share based payments reserve	**Note**	**2018 $**	**2017 $**
Opening balance		1,934,435	1,113,699
Share based payment expense – management incentive plan	19(a)	472,489	884,736
Share based payment expense – Hyperfish post combination services	18,19(a)	500,214	-
MIP shares exercised	15(f)(h)	(270,000)	-
Options exercised	15(d)(e)	(360,000)	(64,000)
Closing balance		2,277,138	1,934,435

b. **Foreign currency translation reserve**

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

Movements in foreign currency translation reserve	**2018 $**	**2017 $**
Opening balance	418,707	70,887
Foreign currency translation of subsidiaries within the Group	(1,036,461)	347,920
Closing balance	(617,754)	418,707

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2018 $	2017 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	1,005,309	214,353
– between 12 months and 5 years	3,548,088	-
	4,553,397	214,353

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2018 $	2017 $
Capital commitments		
Capital commitments contracted for but not recognised in the financial statements		
Payable – minimum capital commitments:		
– not later than 12 months	63,140	-
– between 12 months and 5 years	473,553	-
	536,693	-

Capital commitments represent minimum capital spend relating to ongoing government grants to be incurred by 31 December 2021.

There were no contingent liabilities or assets as at 30 June 2018 (2017: nil).

NOTE 18: ACQUISITION OF HYPERFISH, INC

On 8 June 2018, LiveTiles acquired 100% of the shares on issue in Hyperfish, Inc (Hyperfish) from Orange Fish Holdings LLC (Acquisition). Hyperfish is a recognised leader in next generation employee profile and directory management software based in Seattle, USA.

The acquisition of Hyperfish will enable LiveTiles to achieve its strategic product vision more quickly, by combining the highly complementary products of two of the fastest growing software companies in the Microsoft ecosystem.

The addition of Hyperfish's artificial intelligence (AI) capabilities to LiveTiles' broadens the Company's AI-powered solution that will be jointly promoted to Microsoft customers and is expected to further enhance the Company's collaborative partnership with Microsoft.

Under the Share Purchase Agreement, the total amount payable for the Acquisition comprises the following three components:

- Base consideration of 8,633,548 shares in LiveTiles Limited;
- An earn-out payment contingent upon performance hurdles being met as at 31 December 2018 and the continued employment of key Hyperfish staff; and
- An earn-out payment contingent upon performance hurdles being met as at 30 June 2019 and the continued employment of key Hyperfish staff.

The acquisition meets the requirements of AASB 3 Business Combinations therefore Hyperfish has been consolidated into the financial statements of the Group from the date of the acquisition, being 8 June 2018.

The fair value of the consideration has been determined using the market price of LiveTiles shares at the date of the Acquisition, probability of contingencies being met and an appropriate discount rate to reflect payment periods. The Group has assumed that the earn-out payments are paid in full. The portion of the earn-out payments that are not contingent on the continued employment of key Hyperfish employees is recognised as contingent consideration.

A valuation was undertaken in relation to acquired intangibles with respect to intellectual property and customer contracts. The relief from royalty method was used to value the intellectual property. This method considers the discounted estimated royalty payments that are expected to be avoided as a result of the intellectual property. The multi-period excess earnings method (MEEM) was used to derive the value of customer contracts. The MEEM considers the present value of net cash flows expected to be generated by the customer contracts.

Goodwill has been measured as the excess of consideration over the identifiable net assets of Hyperfish.

NOTE 18: ACQUISITION OF HYPERFISH, INC (CONTINUED)

The statement of financial position of the acquired entity, Hyperfish, Inc, upon completion of the Acquisition was as follows:

	Note	Fair value at acquisition date $
Cash and equivalents		193,296
Other assets		115,980
Trade and other payables		(302,777)
Deferred tax liability		(448,500)
Identifiable intangibles		
- Software intellectual property	11	1,068,000
- Customer contracts and relationships	11	427,000
Net identifiable assets acquired		1,052,999
Representing:		
Shares issued in LiveTiles Limited		3,859,196
Contingent consideration		228,520
Fair value of consideration transferred		4,087,716
Goodwill recognised on acquisition of Hyperfish, Inc		3,034,717

From the date of the Acquisition, Hyperfish contributed revenue of $34,054 and a net loss after tax of $122,136.

If the acquisition had occurred on 1 July 2017, the Group's consolidated revenue and loss for the year ended 30 June 2018 would have been $5,950,360 and $24,411,801 respectively.

Expenses related to the acquisition of Hyperfish, Inc

		2018 $
Share based payment expense for post combination services	(a)	500,214
Transaction costs	(b)	63,103

(a) Part of the total amount payable to Orange Fish Holdings LLC is contingent on the continued employment of key Hyperfish staff and is therefore deemed to be a share based payment for post combination services. The fair value of the share based payment has been determined using the market price of LiveTiles shares at the date of the Acquisition, probability of contingencies being met and an appropriate discount rate to reflect payment periods.

(b) The Group incurred costs of $74,838 in relation to the acquisition of Hyperfish, of which $11,375 related to the issue of equity securities and has therefore been recorded against contributed equity. The remainder of costs incurred, totalling $63,103, have been expensed in the Statement of Profit or Loss and Other Comprehensive Income as professional fees.

The Group has 12 months from the date of acquisition to finalise the accounting to reflect any new information.

NOTE 19: SHARE BASED PAYMENTS EXPENSE

		2018 $	2017 $
Non-cash share based payment expense			
– Management Incentive Plan shares	(a)	472,489	884,736
– Contingent payment on acquisition of Hyperfish, Inc	(b)	500,214	-
Total share based payments expense		972,703	884,736

(a) Management Incentive Plan shares

On 25 August 2015, LiveTiles Limited issued 35,000,000 shares to certain Directors via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the Directors an option to purchase the shares at $0.15. These shares were issued in Tranches A, B and C.

On 5 April 2016, LiveTiles Limited issued 1,200,000 shares to senior employees of the Company via a loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employees an option to purchase the shares at $0.285. These shares were issued in Tranches D, E and F.

On 2 June 2017, LiveTiles Limited issued 300,000 shares to a senior employee of the Company via a loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at $0.245. These shares were issued in Tranches G, H and I.

On 20 November 2017, LiveTiles Limited issued 600,000 shares to a senior employee of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at $0.25. These shares were issued in Tranches J, K and L.

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the term of the non-recourse loans, the share price at grant date and expected price volatility of the underlying share. An adjustment has also been made to the valuation to reflect the time and price based vesting conditions. The volatility is based on the volatility in the Company's share price since the date of the reverse acquisition. The assumptions used to value the Management Incentive Plan shares are set out below:

Tranche	A, B and C	D, E and F	G, H and I	J, K and L
Share price	$0.15	$0.25	$0.235	$0.27
Effective exercise price	$0.15	$0.285	$0.245	$0.25
Term of loan to fund acquisition of shares (years)	6	6	6	6
Compounded risk-free interest rate	3.1%	3.1%	3.1%	3.1%
Volatility	75%	75%	75%	75%
Discount to reflect vesting conditions	40%	40%	40%	40%
Discounted value per share	$0.06	$0.10	$0.09	$0.11

NOTE 19: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

The value of the loan shares issued under the Management Incentive Plan has been expensed as a share based payment for the period ended 30 June 2018 as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2018 $
Tranche A	15,000,000	25/8/2015	24/8/2017	$0.25	67,809
Tranche B	10,000,000	25/8/2015	24/8/2018	$0.35	200,000
Tranche C	10,000,000	25/8/2015	24/8/2019	$0.45	150,000
Tranche D	400,000	5/4/2016	6/4/2017	$0.285	-
Tranche E	400,000	5/4/2016	6/4/2018	$0.285	7,672
Tranche F	400,000	5/4/2016	6/4/2019	$0.285	6,667
Tranche G	100,000	2/6/2017	2/6/2018	$0.245	8,310
Tranche H	100,000	2/6/2017	2/6/2019	$0.245	4,500
Tranche I	100,000	2/6/2017	2/6/2020	$0.245	3,000
Tranche J	200,000	20/11/2017	20/11/2018	$0.25	13,381
Tranche K	200,000	20/11/2017	20/11/2019	$0.25	6,690
Tranche L	200,000	20/11/2017	20/11/2020	$0.25	4,460
Total					472,489

(b) Contingent payment on acquisition of Hyperfish, Inc

On 8 June 2018, LiveTiles acquired Hyperfish, Inc from Orange Fish Holdings LLC (refer to note 18). Because part of the total amount payable to Orange Fish Holdings LLC is contingent on the continued employment of key Hyperfish staff, such amount is deemed to be a share based payment for post combination services. The fair value has been determined using the market price of LiveTiles shares, probability of contingencies being met and an appropriate discount rate to reflect payment periods.

NOTE 20: CASH FLOW INFORMATION

		2018 $	2017 $
a.	**Reconciliation of cash flows from operating activities with loss after income tax expense**		
	Loss after income tax expense	(22,058,984)	(7,394,511)
	Cash flows excluded from profit attributable to operating activities:		
	Non-cash flows in loss:		
	– share based payments expense	972,703	884,736
	– foreign exchange differences	(1,273,783)	386,733
	Changes in assets and liabilities:		
	– increase in trade and other receivables	(386,772)	(1,747,937)
	– (increase) / decrease in other non-current assets	(300,205)	26,911
	– increase in trade and other payables	1,736,176	1,688,930
	– increase in other liabilities	2,957,236	1,349,972
	– decrease in deferred tax assets	-	251,397
	increase in provisions	209,999	57,495
	Cash flows used in operating activities	(18,143,630)	(4,496,274)

b. **Acquisition of entities**

LiveTiles acquired Hyperfish, Inc on 8 June 2018 (refer to note 18). Net cash acquired as part of this transaction was $193,296.

c. **Non-cash financing and investing activities**

A $360,000 non-cash contribution was recognised upon the exercise of 4,500,000 options during the year.

A $270,000 non-cash contribution was recognised upon the exercise of 4,500,000 MIP shares during the year.

NOTE 21. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

LiveTiles Limited is the legal parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 10.

Key management personnel

Key management personnel are limited to those named in the Directors' report. Those personnel have been determined to have authority and responsibility for planning, directing and controlling the activities of the entity and all payments related to their services have been included in the table below.

	Note	2018	2017
		$	$
Payments to key management personnel for services:			
Short term employee benefits		2,516,554	1,489,957
Post-employment benefits		47,908	44,438
Share based payments	(a)	417,807	800,000
		2,982,269	2,334,395

(a) Share based payments

The share based payments relate to the shares issued under the Management Incentive Plan (refer to note 19(a)).

	2018	2017
	$	$
Payables to key management personnel for services:		
Current payables:		
Accrued short term benefits to key management personnel	679,840	627,505
	679,840	627,505

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

rhipe Limited and its subsidiaries (rhipe) are considered to be related parties for the period from 1 July 2017 to 5 September 2017 due to Michael Hill being an executive director of rhipe and a director of the Company until 5 September 2017. During the 2017 financial year the Group paid rhipe for the temporary use of shared resources following the sale of the nSynergy Group to rhipe.

rhipe is also a reseller and distributor of LiveTiles software. For the period from 1 July 2017 to 5 September 2017 the Group received revenue from rhipe representing the pass through of subscription licence fees (net of reseller margin) payable by end users of LiveTiles software sold by rhipe.

	2018	2017
	$	$
Receipts and payments to rhipe		
Receipts from rhipe for sale of LiveTiles software	3,727	127,693
Payments to rhipe under Shared Service Agreement	-	(22,416)
Payments to rhipe for consulting services provided to LiveTiles customers	-	(25,988)
Payments to rhipe for marketing events	-	(5,500)
Net payment to rhipe	3,727	73,789
Receivables and payables to rhipe		
Receivable from rhipe	-	66,289
Payable to rhipe	-	-
	-	66,289

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 22: FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables and cash.

The Group manages its exposure to key financial risks, including interest rate, foreign currency, credit risk and liquidity risk, with the objective of providing support to the delivery of the Group's financial target while protecting financial security.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include analysis of aging reports to monitor and manage credit risk, analysis of future rolling cash flow forecasts to monitor and manage liquidity risk, monitoring levels of exposure to interest rate and foreign currency risk, and assessments of market forecasts for interest rate and foreign currency exchange rate movement.

The Board reviews and agrees risk management strategies for managing each of the risk identified above.

Primary responsibility for identification and control of financial risks rests with Management under authority of the Board.

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

Risks exposures and responses

(i) Interest rate risk

The Group's exposure to interest rate risk is minimal given the Group has no borrowings.

The Group does not enter into any interest rate swaps, interest rate options or similar derivatives.

At the balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2018	**2017**
	$	**$**
Financial assets		
Cash and cash equivalents	17,848,223	3,500,473
Net exposure	17,848,223	3,500,473

	(Loss) / profit Higher / (lower)		**Equity Higher / (lower)**	
Judgements of reasonable possible movements	**2018**	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
+0.50%	89,241	17,502	89,241	17,502
-0.50%	(89,241)	(17,502)	(89,241)	(17,502)

(ii) Foreign currency risk

The Group's functional currency is Australian dollars (AUD) and the Group is exposed to transactional currency exposures. Such exposures arise primarily as a result of sales and expenses of LiveTiles Corporation being made in USD in addition to bank accounts being held in US dollars (USD). Foreign currency risk is managed by holding the Group's cash in a combination of USD and AUD. Management also reviews the USD denominated product pricing structure on a quarterly basis.

At balance date, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

AUD	**2018**	**2017**
	$	**$**
Cash and cash equivalents	1,949,166	2,149,020
Trade and other receivables	1,962,174	488,322
Trade and other payables	(1,838,466)	(464,142)
Net exposure	2,072,874	2,173,200

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign currency risk (continued)

The following sensitivity analysis is based on the foreign exchange rate exposures in existence at the balance sheet date:

At 30 June 2018, had the Australian dollar moved, with all other variables held constant, the loss for the year and equity would have been affected as follows:

	Post tax profit		**Equity**	
	Higher / (lower)		**Higher / (lower)**	
Judgements of reasonable possible movements	**2018**	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
AUD/USD +10%	207,287	217,320	207,287	217,320
AUD/USD -10%	(207,287)	(217,320)	(207,287)	(217,320)

The judgement of reasonable possible rate movement is based upon management's current assessment of the possible change in foreign currency exchange rates. This is based on regular review of current trends and forecasts. There has been no change in assumptions and sensitivities from the previous year.

(iii) Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

	Less than 6 months	**6 to 12 months**	**1 to 5 years**	**Total**
2018				
Trade and other payables	3,535,969	-	-	3,535,969
Income tax payable	257,999	-	-	257,999
	3,793,968	-	-	3,793,968
2017				
Trade and other payables	2,414,089	-	-	2,414,089
Income tax payable	48,000	-	-	48,000
	2,462,089	-	-	2,462,089

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group assesses the credit worthiness of the counterparty before entering into a sales contract. Further mitigating this risk is the ability to turn off the customer's software if a customer begins to default on their contractual obligations. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment to those assets, as disclosed in the statement of financial position and notes to the financial statements.

(v) Fair value of financial instruments

Unless otherwise stated, the carrying value of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at their current market interest rate that is available for similar financial instruments.

NOTE 23: OPERATING SEGMENTS

The business reports results for the whole operation and does not report operating segments due to the size of the business. The information in this report is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

On 9 August 2018 LiveTiles Limited announced that it had raised $25,000,000 via a share placement to sophisticated and professional investors. Under the placement, $25,000,000 was raised (before costs) via the issue of 42,372,882 fully paid ordinary shares at $0.59 per share.

In conjunction with the share placement, LiveTiles launched a share purchase plan, providing existing eligible shareholders an opportunity to increase their holding by up to $15,000. The share purchase plan is capped at $2,000,000 and the offer period closes on 10 September 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly, or may significantly affect, the Group's operations, results or state of affairs.

NOTE 25: COMPANY DETAILS

The registered office of the company is:

LiveTiles Limited
2 Riverside Quay
Southbank VIC 3006

The principal places of business are:

- Australia:
  Suite 101
  6-8 Clarke Street
  Crows Nest NSW 2065
- USA:
  137 W 25th Street
  6th floor
  New York NY 10001

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LiveTiles Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 50, are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
    b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Director ……………………………………….

Matthew Brown

Dated this 27 day of August 2018

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of LiveTiles Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of LiveTiles 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 report, including a summary of significant accounting policies and the directors' declaration.

In our opinion 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 ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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.

Revenue recognition

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 3, the Group recognised software subscription revenue of $5,684,565 for the year ended 30 June 2018. Revenue was identified as a key audit matter as it is a key performance indicator to the users of the financials and because of the level of judgement involved in the recognition of revenue over the period the services were provided.	Our procedures, amongst others, included: • Considering whether the revenue recognition policies are in accordance with Australian Accounting Standards and the Group's accounting policies described in Note 1; • analysing the revenue trends for the year ended 30 June 2018 against our expectations; • selecting a sample of revenue transactions throughout the financial year and traced to supporting documentation, cash receipts and considered the deferral of revenues for the year ended 30 June 2018; • obtaining and inspecting the deferred revenue schedules in order to ensure that correct adjustments were recorded to recognise the revenue in the appropriate reporting period; and • reviewed management's reconciliation of Annualised Recurring Revenue (ARR) listing to the reported revenue per the financial statements.

Research and development (R&D) tax incentive

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 9, the Group recognised an R&D grant receivable of $1,384,359. The R&D grant receivable was identified as a key audit matter because of the extent of judgement involved in considering the recoverability of the receivable as at the reporting date and the complexities involved in the computation.	Our procedures, amongst others included: • obtaining and analysing the evidence provided by management to support the carrying value of the R&D tax incentive receivable; • evaluating the competence and objectivity of the independent expert used by management. This included understanding the independent expert's calculations, reviewing their correspondence with management and evaluating the accuracy of the underlying information used. • evaluating the underlying assumptions applied; and • discussing and analysing management's assessment of the recoverability of the R&D tax incentive receivable with reference to the tax legislation, discussions with internal tax specialists, management's historical accuracy in estimating these claims in prior periods and historical findings obtained.

Accounting for the acquisition of Hyperfish, Inc.

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 18 of the financial report, LiveTiles Limited acquired Hyperfish, Inc. (an entity incorporated in USA). The audit of the accounting for this acquisition is a key audit matter due to the significant judgment and complexity involved in assessing the determination of the fair value of identifiable intangible assets and the final purchase price which included contingent deferred consideration.	Our procedures, amongst others included: • Reviewing the acquisition agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Assessing the estimation of the contingent consideration by challenging the key assumptions including probability of achievement of future ARR; • Comparing the assets and liabilities recognised on acquisition against the historical financial information of the acquired businesses; • Evaluating the assumptions and methodology in management's determination of the fair value assets and liabilities acquired; • Obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition; and • Assessing the adequacy of the disclosures of the acquisition.

Other information

The directors are responsible for the other information. The other information comprises the information contained 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 (which we obtained prior to the date of this auditor's report) and the Letter from the Chairman and CEO and FY18 Financial and Business Highlights, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Letter from the Chairman and CEO, FY18 Financial and Business Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 preparing the financial report, the directors are responsible for assessing the ability of the group 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.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of LiveTiles Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 27 August 2018

The following information is current as at 20 August 2018:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding):	**Ordinary shares**	**% of shares listed**
1 – 1,000	362,643	.07
1,001 – 5,000	4,775,132	.87
5,001 – 10,000	7,200,811	1.31
10,001 – 100,000	48,390,590	8.83
100,001 and over	487,453,178	88.92
	548,182,354	100.00

b. The number of shareholdings held in less than marketable parcels is 977.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	**Ordinary shares**	**% of shares listed**
Karl Redenbach	110,622,082	20.18
Peter Nguyen-Brown	97,872,082	17.85
Regal Funds Management Pty Limited	34,533,044	6.30

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders – Ordinary Shares**

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1	ZTH TECH PTY LTD <TRITON DISCRETIONARY A/C>	91,122,082	16.62
2	NIA TECH PTY LTD <ODEON DISCRETIONARY A/C>	90,427,638	16.50
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,307,175	9.91
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,287,649	4.98
5	UBS NOMINEES PTY LTD	26,652,517	4.86
6	MR KARL REDENBACH	19,500,000	3.56
7	MR MATTHEW GRAHAME BROWN <ALLUVION DISCRETIONARY A/C>	13,850,000	2.53
8	CITICORP NOMINEES PTY LIMITED	13,184,044	2.41
9	ORANGE FISH HOLDINGS LLC	8,633,548	1.57
10	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	8,224,618	1.50
11	MR PETER NGUYEN-BROWN	6,750,000	1.23
12	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,704,277	1.04
13	MR ANTHONY SHANE KITTEL & MRS MICHELE THERESE KITTEL <KITTEL FAMILY SUPER FUND A/C>	5,651,355	1.03
14	MR ANDREW JAMES GRAY	5,305,556	.97
15	NATIONAL NOMINEES LIMITED	4,485,135	.82
16	HONNE INVESTMENTS PTY LIMITED	4,000,000	.73
17	ONMELL PTY LTD <ONM BPSF A/C>	3,771,388	.69
18	MR ANTHONY SHANE KITTEL & MRS MICHELE THERESE KITTEL <KITTEL FAMILY SUPER A/C>	3,724,255	.68
19	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	3,638,813	.66
20	ARRAKIS NOMINEES PTY LTD <ARRAKIS FAMILY CAPITAL A/C>	3,573,334	.65
		399,793,384	72.94

2. The name of the company secretary is Andrew Whitten.

3. The address of the principal registered office in Australia is:

   2 Riverside Quay

   Southbank VIC 3006

   Telephone +61 2 8072 1400

4. Registers of securities are held at the following addresses:

   Link Market Services Limited

   Central Park

   Level 4

   152 St Georges Terrace

   Perth 6000 WA

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

   Nil