



**APPENDIX 4E  
PRELIMINARY FINAL REPORT**

**UNAUDITED RESULTS FOR ANNOUNCEMENT TO MARKET  
UNDER LISTING RULE 4.3A**

**LIVETILES LIMITED  
ABN 95 066 139 991**

**FINANCIAL YEAR ENDED  
30 JUNE 2019**

# LiveTiles Limited ABN 95 066 139 991 and Controlled Entities

## Unaudited financial report for the year ended 30 June 2019

### APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

#### Results for Announcement to the Market

Key Information	2019 \$	2018 \$	% Change
Revenue from ordinary activities	18,091,882	5,684,565	+ 218%
Loss after tax from ordinary activities attributable to members	(42,765,589)	(22,058,984)	- 93%
Net loss attributable to members	(42,765,589)	(22,058,984)	- 93%

#### Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security
<b>Ordinary shares:</b>		
2019 interim (2018: nil)	Nil	Nil
2019 final (2018: 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

For the 12 months to 30 June 2019, total revenue and other income was \$22,485,849, representing growth of 249% on 2018 (\$6,437,264). Total revenue and other income included subscription revenue of \$16,510,743 (2018: \$5,684,565), services revenue of \$1,581,140 (2018: nil) and accrued government grant revenue of \$3,987,850 (2018: \$698,035).

LiveTiles recorded a loss after tax of \$42,765,589 (2018: \$22,058,984) for the year. Included within this loss are non-cash expenses of \$10,868,072 (2018: \$972,703). Excluding non-cash expenses, the loss before tax was \$32,230,979 (2018: \$20,822,577). Increased expenditure in support of the Company's stated growth strategy during the year was focused on software product development, as well as sales and marketing resources and initiatives. Cash receipts from customers rose to \$19,124,567, reflecting growth of 184% on 2018 (\$6,739,332).

On 13 February 2019, LiveTiles completed its acquisition of Wizdom A/S, the leading European intranet software provider. The financial impact of the acquisition is outlined in this report.

Unearned revenue (a balance within the Statement of Financial Position related to amounts billed to customers in advance of software subscription being entitled to be booked as revenue) was \$10,147,846 (2018: \$5,090,339).

Annualised Recurring Revenue (ARR, representing committed, recurring revenue on an annualised basis) grew to \$40.1m as at 30 June 2019, reflecting 167% growth on 2018 ARR of \$15.0m, including organic growth of 114%. The Company had 919 paying customers at 30 June 2019 (2018: 536). Average ARR per customer rose 56% year on year to approximately \$43,600. The number of transacting partners (LiveTiles resellers that have closed at least one LiveTiles software licencing transaction) grew to 178 in 2019, up 89% year on year.

The Group's cash balance as at 30 June 2019 was \$14,880,920 (2018: \$17,848,223).

#### Net Tangible Assets per Share

	2019 cents/share	2018 cents/share
Net tangible assets per share	(0.18)	2.64

#### Control Gained or Lost over Entities in the Year

On 13 February 2019, LiveTiles completed its acquisition of Wizdom A/S. Wizdom A/S has been consolidated into the Group's financial statements from 13 February 2019. Refer to note 10 of the attached Notes to the Financial Statements.

**Details of Associates and Joint Venture Entities**

Not applicable.

**Status of Audit**

The accounts for the year ended 30 June 2019 are in the process of being audited. It is expected the Group will be issued with an unmodified opinion at the completion of the audit, which will be finalised in coming weeks.

**Attachments**

The consolidated unaudited Appendix 4E financial report and accompanying notes for LiveTiles Limited for the year ended 30 June 2019 are attached.

**Signed**A handwritten signature in black ink, appearing to read 'Karl Redenbach', with a stylized flourish at the end.

Date: 26 August 2019

Karl Redenbach  
Executive Director  
New York

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
Revenue	1	18,091,882	5,684,565
Other income	1	4,393,967	752,699
		<u>22,485,849</u>	<u>6,437,264</u>
<b>Expenses</b>			
Employee benefits expense	2	(23,229,637)	(12,386,276)
Contractors		(16,546,673)	(5,142,674)
Marketing expense		(3,492,437)	(2,983,985)
Travel and entertainment expense		(3,718,675)	(2,957,308)
Professional fees		(1,980,990)	(864,333)
Rent and other office costs		(2,340,742)	(1,397,925)
Information technology costs		(880,302)	(661,104)
Other expenses		(2,258,233)	(722,525)
Depreciation expense		(123,494)	(23,480)
Amortisation charge of intangibles	6	(3,788,432)	(1,391,336)
Share based payments expense	11	(9,169,722)	(972,703)
Unrealised currency gain / (loss)		1,944,508	1,271,105
		<u>(65,584,829)</u>	<u>(28,232,544)</u>
<b>Loss before income tax</b>		<u>(43,098,980)</u>	<u>(21,795,280)</u>
Income tax expense		333,391	(263,704)
<b>Net loss for the year</b>		<u>(42,765,589)</u>	<u>(22,058,984)</u>
<b>Other comprehensive income:</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign operations, net of tax		(827,619)	(1,036,461)
<b>Other comprehensive income for the year</b>		<u>(827,619)</u>	<u>(1,036,461)</u>
<b>Total comprehensive income for the year</b>		<u>(43,593,208)</u>	<u>(23,095,445)</u>
<b>Earnings per share for loss attributable to the owners of LiveTiles Limited</b>			
Basic earnings per share (cents)	4	(7.75)	(5.20)
Diluted earnings per share (cents)	4	(7.75)	(5.20)

The accompanying notes form part of these financial statements.

LiveTiles Limited ABN 95 066 139 991  
and Controlled Entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		14,880,920	17,848,223
Trade and other receivables	5	12,198,027	4,368,176
Other current assets		1,036,328	172,138
<b>TOTAL CURRENT ASSETS</b>		<b>28,115,275</b>	<b>22,388,537</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		617,554	337,499
Intangible assets	6	45,164,128	4,510,411
Rental deposits		279,192	233,475
Other non-current assets		226,342	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>46,287,217</b>	<b>5,081,385</b>
<b>TOTAL ASSETS</b>		<b>74,402,491</b>	<b>27,469,922</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	7,013,651	3,277,970
Income tax payable		406,872	257,999
Employee benefits provision		644,610	325,393
Provisions for contingent consideration		10,062,323	228,520
Other current liabilities	8	11,767,540	5,334,244
<b>TOTAL CURRENT LIABILITIES</b>		<b>29,894,996</b>	<b>9,424,126</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits provision		83,133	57,442
Deferred tax liability	6	3,192,972	448,500
Other non-current liabilities	8	387,992	538,757
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,664,097</b>	<b>1,044,699</b>
<b>TOTAL LIABILITIES</b>		<b>33,559,093</b>	<b>10,468,825</b>
<b>NET ASSETS</b>		<b>40,843,398</b>	<b>17,001,097</b>
<b>EQUITY</b>			
Issued capital	9	122,972,591	61,649,135
Reserves		7,073,919	1,659,384
Accumulated losses		(89,203,112)	(46,307,422)
<b>TOTAL EQUITY</b>		<b>40,843,398</b>	<b>17,001,097</b>

The accompanying notes form part of these financial statements.

LiveTiles Limited ABN 95 066 139 991  
and Controlled Entities

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Issued capital	Reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
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)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity	9(a)(b)(f)(h)(i)	32,667,000	-	-	32,667,000
Transaction costs		(1,595,775)	-	-	(1,595,775)
Shares issued for Hyperfish	9(j)	3,859,196	-	-	3,859,196
Share based payment expense	11	-	972,703	-	972,703
MIP shares exercised	9(e)(g)	945,000	(270,000)	-	675,000
Options exercised	9(c)(d)	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
Balance at 1 July 2018		61,649,135	1,659,384	(46,307,422)	17,001,097
Loss for the year		-	-	(42,765,589)	(42,765,589)
Other comprehensive income for the year, net of tax		-	(827,619)	-	(827,619)
Impact of the application of AASB 9 on retained earnings at 1 July 2018		-	-	(130,101)	(130,101)
Total comprehensive income for the year		-	(827,619)	(42,895,690)	(43,723,309)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity	9(k)(l)(n)	42,300,013	-	-	42,300,013
Transaction costs		(2,483,898)	-	-	(2,483,898)
Shares issued for Hyperfish earn out	9(m)	2,786,828	(2,672,568)	-	114,260
Shares issued for Wizdom	9(o), 10	17,828,013	-	-	17,828,013
MIP shares exercised	9(p)	892,500	(255,000)	-	637,500
Share based payment expense	11	-	9,169,722	-	9,169,722
Total transactions with owners		61,323,456	6,242,154	-	67,565,610
Balance at 30 June 2019		122,972,591	7,073,919	(89,203,112)	40,843,398

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		19,124,567	6,739,332
Payments to suppliers and employees (inclusive of GST)		(53,554,488)	(26,538,077)
		(34,429,921)	(19,798,745)
Interest received		194,264	46,881
Interest and other finance costs paid		(291)	-
Government grants received		1,402,366	3,033,969
Income tax paid		(240,847)	(53,705)
Net cash used in operating activities		(33,074,429)	(16,771,600)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for development costs		(2,090,082)	(1,372,030)
Payments for plant and equipment		(285,286)	(306,119)
Net cash acquired as part of acquisition of subsidiaries		2,319,875	193,296
Payments for acquisition of subsidiaries		(10,375,127)	-
Loans to related parties		(226,342)	-
Net cash used in investing activities		(10,656,962)	(1,484,853)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		42,300,014	32,667,000
Share issue transaction costs		(2,502,077)	(1,595,775)
Proceeds from exercise of options		637,500	1,125,000
Net cash from financing activities		40,435,437	32,196,225
Net increase / (decrease) in cash held		(3,295,954)	13,939,772
Cash and cash equivalents at beginning of financial year		17,848,223	3,500,473
Effects of exchange rate changes on cash and cash equivalents		328,651	407,978
Cash and cash equivalents at end of financial year		14,880,920	17,848,223

The accompanying notes form part of these financial statements.

**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: REVENUE AND OTHER INCOME**

		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
Revenue:			
– Software subscription revenue		16,510,742	5,684,565
– Services revenue		1,581,140	-
Total revenue		<u>18,091,882</u>	<u>5,684,565</u>
Other income:			
– Interest income		201,651	17,267
– Research and development grant income	5	3,504,621	(317,511)
– Other grant income		483,229	1,015,547
– Other revenue		204,465	37,396
Total other income		<u>4,393,967</u>	<u>752,699</u>
Total revenue and other income		<u>22,485,849</u>	<u>6,437,264</u>



**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 2: EMPLOYEE BENEFIT EXPENSE**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Employee benefit expense</b>		
Wages and salaries - staff	15,010,613	6,765,742
Wages and salaries - Directors	1,900,241	1,521,608
Commission and bonus expense	2,743,205	2,065,881
Payroll tax and other on costs	1,267,069	808,250
Employee insurance costs	994,317	667,939
Defined contributions superannuation expense	825,138	270,789
Annual leave and long service leave expense	342,092	169,881
Other employee benefits expense	146,962	116,186
	<hr/>	<hr/>
Total employee benefit expense	23,229,637	12,386,276
	<hr/>	<hr/>

**NOTE 3: DIVIDENDS**

LiveTiles Limited has not paid, or proposed to pay any dividends for the year ended 30 June 2019 (2018: nil).

**NOTE 4: EARNINGS PER SHARE**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of earnings to loss:</b>		
Earnings used to calculate basic earnings per share	(42,765,589)	(22,058,984)
	<hr/>	<hr/>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	552,104,149	423,917,833
	<hr/>	<hr/>
	<b>Cents</b>	<b>Cents</b>
Basic (loss) / earnings per share	(7.75)	(5.20)
Diluted (loss) / earnings per share	(7.75)	(5.20)

There are 4,611,000 options outstanding at 30 June 2019. The options on issue have not been considered in the diluted earnings per share as their effect is anti-dilutive.

NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: TRADE AND OTHER RECEIVABLES

	Note	2019 \$	2018 \$
<b>CURRENT</b>			
Trade receivables		7,445,358	2,928,913
Accrued revenue		126,990	221,864
Provision for doubtful debts		(538,339)	(166,960)
		7,034,008	2,983,817
Research and development grant receivable		4,888,980	1,384,359
Other government grants receivable		275,039	-
Total current trade and other receivables		12,198,027	4,368,176

*Research and development grant receivable*

The Group is entitled to claim eligible research and development expenditure (grant income) with the Australian Federal Government.

The Group has taken a prudent view of only accruing estimated grant income on Australian expenditure. Grant income on eligible overseas expenditure is recognised when received.

In August 2019, LiveTiles received \$0.9m and \$2.9m for the 2017 and 2018 financial years, respectively, in relation to eligible expenditure claimed under the research and development tax incentive scheme. The amounts received represent eligible expenditure incurred in Australia and the USA. Amounts received post year end have been included as a receivable at 30 June 2019. Only eligible expenditure incurred in Australia for the 2019 financial year has been recorded as a receivable at 30 June 2019.

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

	2019 \$	2018 \$
Research and development grant receivable related to 2017 expenditure	930,054	-
Research and development grant receivable related to 2018 expenditure	2,862,604	1,384,359
Research and development grant receivable related to 2019 expenditure	1,096,322	-
	4,888,980	1,384,359

NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: INTANGIBLE ASSETS

	Note	Balance at 1 July 2018	Additions	Disposals	Effects of changes in FX rates	Balance at 30 June 2019
<i>At cost:</i>						
Capitalised development costs		2,952,153	2,090,082	-	-	5,042,235
Software intellectual property	18	1,068,000	8,723,000	-	227,741	10,018,741
Customer contracts and relationships	18	427,000	5,448,000	-	121,099	5,996,099
Goodwill	18	3,034,717	27,170,943	-	683,672	30,889,332
Total costs		7,481,870	43,432,025	-	1,032,512	51,946,407

		Balance at 1 July 2018	Amortisation charge	Disposals	Effects of changes in FX rates	Balance at 30 June 2019
<i>Accumulated amortisation:</i>						
Capitalised development costs		(2,952,153)	(2,090,082)	-	-	(5,042,235)
Software intellectual property		(6,437)	(443,050)	-	(6,152)	(455,639)
Customer contracts and relationships		(12,869)	(1,255,300)	-	(16,237)	(1,284,406)
Total accumulated amortisation		(2,971,459)	(3,788,432)	-	(22,389)	(6,782,280)

*Summary of net intangible assets*

	Balance at 1 July 2018	Additions	Amortisation charge	Disposals	Effects of changes in FX rates	Balance at 30 June 2019
Net intangible assets	4,510,411	43,432,025	(3,788,432)	-	1,010,123	45,164,128
Deferred tax liability	(448,500)	(3,188,475)	504,768	-	(60,765)	(3,192,972)

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 2019 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 estimated useful life of software intellectual property is 10 years.

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

Goodwill is carried at cost less any accumulated impairment losses.

NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7: TRADE AND OTHER PAYABLES

	Note	2019 \$	2018 \$
<b>CURRENT</b>			
Trade payables		4,503,056	1,387,664
Employee benefits accruals		1,121,312	1,154,152
Employee benefits accruals to related parties		1,261,541	679,840
Other payables and accruals		127,742	56,314
Total current trade and other payables		<u>7,013,651</u>	<u>3,277,970</u>

NOTE 8: OTHER LIABILITIES

	2019 \$	2018 \$
<b>CURRENT</b>		
Unearned revenue	9,759,854	4,551,582
Lease liability	124,755	121,800
Unearned grant income	1,881,194	660,355
Other current liabilities	1,737	507
Total current other liabilities	<u>11,767,540</u>	<u>5,334,244</u>
<b>NON-CURRENT</b>		
Unearned revenue	<u>387,992</u>	<u>538,757</u>
Total non-current other liabilities	<u>387,992</u>	<u>538,757</u>

Unearned revenue is carried at amortised cost and represents amounts billed to customers in advance of the revenue being recognised. Unearned revenue is presented as a current liability unless the performance obligations associated with the revenue will be satisfied in greater than 12 months.

NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	624,707,227	473,209,472	122,972,591	61,649,135
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Movements in ordinary share capital	Date	Shares No.	Issue Price \$	Total \$
Balance	01-Jul-2017	342,982,675		24,963,714
Share capital issued	(a) 8-Aug-2017	58,888,889	\$0.18	10,600,000
Share capital issued	(b) 6-Sep-2017	5,226,354	\$0.18	940,752
Share capital issued	(b) 7-Sep-2017	329,155	\$0.18	59,248
Issue of shares upon exercise of options	(c) 7-Sep-2017	3,000,000		540,000
Issue of shares upon exercise of options	(d) 19-Oct-2017	1,500,000		270,000
Issue of shares upon exercise of Management Incentive Plan shares	(e) 4-Dec-2017	2,250,000		472,500
Share capital issued	(f) 19-Dec-2017	2,222,222	\$0.18	400,000
Issue of shares upon exercise of Management Incentive Plan shares	(g) 5-Feb-2018	2,250,000		472,500
Share capital issued	(h) 21-Feb-2018	44,444,444	\$0.45	20,000,000
Share capital issued	(i) 22-Mar-2018	1,482,185	\$0.45	667,000
Share capital issued	(j) 8-Jun-2018	8,633,548	\$0.45	3,859,196
Less: capital raising costs				(1,595,775)
Balance	30-Jun-2018	473,209,472		61,649,135
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Share capital issued	(k) 14-Aug-2018	42,372,882	\$0.59	25,000,000
Share capital issued	(l) 17-Sep-2018	3,389,853	\$0.59	2,000,013
Share capital issued	(m) 29-Jan-2019	6,769,422	\$0.41	2,786,828
Share capital issued	(n) 11-Feb-2019	45,000,000	\$0.34	15,300,000
Share capital issued	(o) 13-Feb-2019	49,715,598	\$0.36	17,828,013
Issue of shares upon exercise of Management Incentive Plan shares	(p) 25-Jun-2019	4,250,000		892,500
Less: capital raising costs				(2,483,898)
Balance	30-Jun-2019	624,707,227		122,972,591
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Restricted shares on issue	(q)	29,150,001		-
Total issued capital	30-Jun-2019	653,857,228		122,972,591
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**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 9: EQUITY – ISSUED CAPITAL (CONTINUED)**

- (a) On 8 August 2017, LiveTiles Limited issued 58,888,889 shares at \$0.18 per share to raise \$10,600,000.
- (b) On 6 and 7 September 2017, LiveTiles Limited issued 5,555,509 shares at \$0.18 per share to raise \$1,000,000.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) On 19 December 2017, LiveTiles Limited issued 2,222,222 shares at \$0.18 per share to raise \$400,000.
- (g) 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.
- (h) On 21 February 2018, LiveTiles Limited issued 44,444,444 shares at \$0.45 per share to raise \$20,000,000.
- (i) On 22 March 2018, LiveTiles Limited issued 1,482,185 shares at \$0.45 per share to raise \$667,000.
- (j) 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.
- (k) On 14 August 2018, LiveTiles Limited issued 42,372,882 shares at \$0.59 per share to raise \$25,000,000.
- (l) On 17 September 2018, LiveTiles Limited issued 3,389,853 shares at \$0.59 per share to raise \$2,000,013.
- (m) On 29 January 2019, LiveTiles Limited issued 6,769,422 shares to Orange Fish Holdings LLC as payment for Hyperfish satisfying the performance targets of its first earn out. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.
- (n) On 11 February 2019, LiveTiles Limited issued 45,000,000 shares at \$0.34 per share to raise \$15,300,000.
- (o) On 13 February 2019, LiveTiles Limited issued 49,715,598 shares to Webtop Holding ApS as consideration for 100% of the shares in Wizdom A/S. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.
- (p) On 25 June 2019, 4,250,000 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 \$637,500, and the modified value of the MIP shares at issue date, being \$255,000.
- (q) As at 30 June 2019, LiveTiles Limited had issued 29,150,001 shares under the Management Incentive Plan.  
Tranches A, B and C – 26,250,000 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  
Tranches M, N and O - 800,001 shares were issued under the Management Incentive Plan on 6 May 2019  
Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in note 4.

**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 10: ACQUISITION OF WIZDOM A/S**

On 13 February 2019, LiveTiles acquired 100% of the shares on issue in Wizdom A/S (Wizdom) from Webtop Holding ApS (Acquisition). Wizdom is a Microsoft-aligned, recognised leader in digital workplace software based in Copenhagen, Denmark.

The acquisition of Wizdom enables LiveTiles to achieve its strategic product vision more quickly, offering new product features and capabilities to current and existing LiveTiles customers. At the same time, LiveTiles' leading artificial intelligence (AI) capabilities provide a significant cross-sell opportunity to Wizdom's growing customer base across Europe.

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

- Base consideration of 49,715,598 shares in LiveTiles Limited and cash consideration of A\$9,000,000;
- A working capital payment of A\$1,375,127; and
- An earn-out payment contingent upon performance hurdles being met as at 31 January 2020 and the continued employment of key Wizdom staff.

The acquisition meets the requirements of AASB 3 Business Combinations therefore Wizdom has been consolidated into the financial statements of the Group from the date of the acquisition, being 13 February 2019.

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 Wizdom employees is recognised as contingent consideration.

An independent 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 Wizdom.

**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 10: ACQUISITION OF WIZDOM A/S (CONTINUED)**

The statement of financial position of the acquired entity, Wizdom A/S, upon completion of the Acquisition was as follows:

	Note	Fair value at acquisition date \$
Cash and equivalents		2,309,220
Trade and other receivables		2,308,778
Other assets		681,984
Trade and other payables		(1,700,505)
Unearned revenue		(3,601,741)
Deferred tax liability		(3,188,475)
Identifiable intangibles		
- Software intellectual property	6	8,723,000
- Customer contracts and relationships	6	5,448,000
Net identifiable assets acquired		<u>10,980,261</u>
Representing:		
Shares issued in LiveTiles Limited		17,828,013
Upfront cash consideration		9,000,000
Working capital adjustment		1,375,127
Contingent consideration		9,948,063
Fair value of consideration transferred		<u>38,151,203</u>
Goodwill recognised on acquisition of Wizdom		<u>27,170,943</u>

From the date of the Acquisition, Wizdom contributed revenue of \$4,543,034 and a net profit after tax of \$126,281. If the Acquisition had occurred on 1 July 2018, the Group's consolidated revenue and profit for the year ended 30 June 2019 would have been \$11,880,158 and \$299,004 respectively.

*Expenses related to the acquisition of Wizdom*

		2019 \$
Share based payment expense for post combination services	(a)	3,871,831
Transaction costs	(b)	98,965

(a) Part of the total amount payable to Webtop Holding ApS is contingent on the continued employment of key Wizdom 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 \$98,965 in relation to the acquisition of Wizdom which 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.



**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 11: SHARE BASED PAYMENTS EXPENSE**

		2019	2018
		\$	\$
Non-cash share based payment expense			
– Management Incentive Plan shares	(a)	227,462	472,489
– Long Term Incentive Plan shares	(b)	225,506	-
– Contingent payment on acquisition of Hyperfish, Inc	(c)	4,844,923	500,214
– Contingent payment on acquisition of Wizdom A/S	(d)	3,871,831	-
Total share based payments expense		<u>9,169,722</u>	<u>972,703</u>

**(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.

On 6 May 2019, LiveTiles Limited issued 800,001 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 \$0.57. These shares were issued in Tranches M, N and O.

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, C	D, E, F	G, H, I	J, K, L	M, N, O
Share price	\$0.15	\$0.25	\$0.235	\$0.27	\$0.445
Effective exercise price	\$0.15	\$0.285	\$0.245	\$0.25	\$0.57
Term of loan to fund acquisition of shares (years)	6	6	6	6	6
Compounded risk-free interest rate	3.1%	3.1%	3.1%	3.1%	3.1
Volatility	75%	75%	75%	75%	75%
Discount to reflect vesting conditions	40%	40%	40%	40%	40%
Discounted value per share	<u>\$0.06</u>	<u>\$0.10</u>	<u>\$0.09</u>	<u>\$0.11</u>	<u>\$0.17</u>

NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: 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 2019 as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2019 \$
Tranche A	15,000,000	25/8/2015	24/8/2017	\$0.25	-
Tranche B	10,000,000	25/8/2015	24/8/2018	\$0.35	30,138
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	-
Tranche F	400,000	5/4/2016	6/4/2019	\$0.285	5,114
Tranche G	100,000	2/6/2017	2/6/2018	\$0.245	-
Tranche H	100,000	2/6/2017	2/6/2019	\$0.245	4,155
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	8,619
Tranche K	200,000	20/11/2017	20/11/2019	\$0.25	11,000
Tranche L	200,000	20/11/2017	20/11/2020	\$0.25	7,333
Tranche M	266,667	6/5/2019	5/5/2020	\$0.57	4,420
Tranche N	266,667	6/5/2019	5/5/2020	\$0.57	2,210
Tranche O	266,667	6/5/2019	5/5/2020	\$0.57	1,473
Total					<u>227,462</u>

(b) Long Term Incentive Plan shares

On 16 November 2018, LiveTiles Limited issued 4,056,000 options to certain employees under the Long-Term Incentive Plan.

On 16 January 2019, LiveTiles Limited issued 555,000 options to certain employees under the Long-Term Incentive Plan.

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share. 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 2019 as follows:

Number of options	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2019 \$
200,000	16/11/2019	16/11/2019	\$0.41	20,850
200,000	16/11/2019	16/11/2020	\$0.41	10,425
940,000	16/11/2019	16/11/2020	\$0.41	66,394
940,000	16/11/2019	16/11/2021	\$0.41	52,691
888,000	16/11/2019	16/11/2020	\$0.59	33,870
888,000	16/11/2019	16/11/2021	\$0.59	22,601
185,000	16/1/2019	16/1/2020	\$0.52	10,192
185,000	16/1/2019	16/1/2021	\$0.52	5,089
185,000	16/1/2019	16/1/2022	\$0.52	3,394
Total				<u>225,506</u>

**NOTES TO THE APPENDIX 4E FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 11: SHARE BASED PAYMENTS EXPENSE (CONTINUED)**

**(c) Contingent payment on acquisition of Hyperfish, Inc**

On 8 June 2018, LiveTiles acquired Hyperfish, Inc from Orange Fish Holdings LLC. 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.

**(d) Contingent payment on acquisition of Wizdom A/S**

On 13 February 2019, LiveTiles acquired Wizdom A/S from Webtop Holding ApS. Because part of the total amount payable to Webtop Holding ApS is contingent on the continued employment of key Wizdom 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 12: OPERATING SEGMENTS**

The business reports results for the whole operation and does not report operating segments due to the size and nature 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 areas of the business and assessing performance.