LiveTiles

LIVETILES LIMITED
ABN 95 066 139 991

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

LiveTiles Limited
ABN 95 066 139 991
Consolidated financial statements for the year ended 30 June 2019

Contents

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 2019.

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
Andrew McKeon	Non-Executive Director
David Lemphers	Non-Executive Director (appointed 1 September 2018)
Matthew Brown	Executive Director and Chief Financial Officer (resigned 30 April 2019)

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

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

David Lemphers	**Non-Executive Director**
Appointed	1 September 2018
Experience and qualifications	David Lemphers has over 20 years of software engineering and technology strategy experience and is currently the CEO of Code Pilot, an AI acceleration platform. David is also a seasoned entrepreneur having completed multiple successful exits. David is currently CTO in Residence at Techstars, a global startup accelerator based out of the US. David's prior experience includes leading the National Cloud Computing practice for PwC and being a founding member of the Windows Azure team at Microsoft where he spent 5 years as an engineer. David holds a Bachelor of Computer Science from Swinburne University and a Bachelor of Laws from Monash University.
Special responsibilities	Remuneration Committee

Matthew Brown	**Executive Director and Chief Financial Officer**
Appointed	25 August 2015, resigned 30 April 2019
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

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	-
Andrew McKeon	277,778	-
David Lemphers	-	-

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	8	8	2	2	1	1
Karl Redenbach	8	8	-	-	1	-
Peter Nguyen-Brown	8	8	-	-	-	-
Andrew McKeon	8	8	2	2	1	1
David Lemphers	7	5	-	-	1	1
Matthew Brown[1]	5	5	2	2	-	-

Notes:
[1] Matthew Brown resigned as CFO and Executive Director on 30 April 2019

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 (resigned 30 April 2019)	David Lemphers
	Karl Redenbach

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 via subscription agreements. 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, Copenhagen, London, Sligo, Netherlands, Sydney, Melbourne, Geelong and Hobart.

Operating and financial review

For the 12 months to 30 June 2019, total revenue and other income was $22,485,849 (2018: $6,437,264), including subscription revenue of $16,510,743 (2018: $5,684,565) and accrued government grant income of $3,987,850 (2018: $698,035). The Company's total revenue includes $1,581,140 of services revenue generated by Wizdom A/S, which was acquired on 13 February 2019 (2018: nil). In addition, unearned revenue (a balance within the Statement of Financial Position) was $10,147,846 (2018: $5,090,339).

Annualised Recurring Revenue (previously referred to as Annualised Subscription Revenue) grew to $40.1m (2018: $15.0m) as at 30 June 2019, comprising 919 paying customers (2018: 536). Annualised Recurring Revenue represents committed, recurring revenue on an annualised basis.

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).

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 19 ($'000)	12 mths ended 30 Jun 18 ($'000)
Subscription revenue		16,511	5,685
Services revenue		1,581	-
Government grant income		3,988	698
Other income		406	55
Total revenue and other income		22,486	6,437
Total operating expenses		(52,627)	(25,888)
Amortisation of development costs		(2,090)	(1,372)
Loss before income tax expense and non-cash items		(32,231)	(20,823)
Non-cash expenses			
Amortisation of software IP and customer contracts	(a)	(1,698)	-
Share based payments - Management Incentive Plan		(228)	(472)
Share based payments - Long-Term Incentive Plan		(226)	-
Share based payments - post combination services for Hyperfish, Inc	(b)	(4,845)	(500)
Share based payments - post combination services for Wizdom A/S	(c)	(3,872)	-
Loss before income tax expense per statutory accounts		(43,099)	(21,795)
Income tax expense		333	(264)
Loss after income tax expense per statutory accounts		(42,766)	(22,059)

Notes:

(a) Relates to identifiable intangible assets resulting from the acquisitions of Hyperfish, Inc and Wizdom A/S
(b) Non cash contingent payment relating to the acquisition of Hyperfish, Inc., deemed to be a share based payment
(c) Non cash contingent payment relating to the acquisition of Wizdom A/S, deemed to be a share based payment

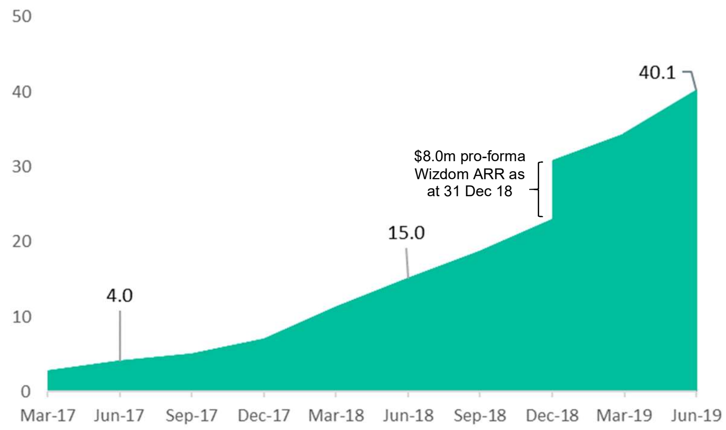
The Group's cash balance as at 30 June 2019 was $14,880,920 (2018: $17,848,223).

DIRECTORS' REPORT

Highlights

Annualised Recurring Revenue[1] (ARR) grew by 167% in the 2019 financial year to $40.1m (2018: $15.0m), with $25.1m of ARR added in the 2019 financial year. Excluding the impact of the Wizdom acquisition during the 2019 financial year, whereby the Company acquired $8.0m in ARR, significant organic ARR growth of 114% was achieved in the year. ARR growth was driven by the Company's internal sales and marketing channels, development of the Company's partner channel, strategic partnerships, ongoing product innovation and strengthening brand awareness.

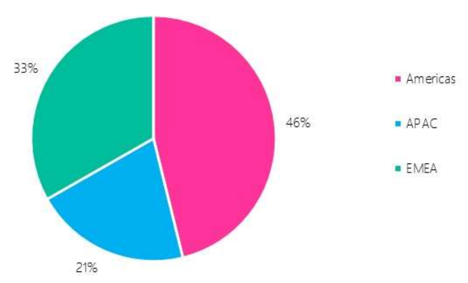
Annualised recurring revenue continued to grow rapidly in the 2019 financial year



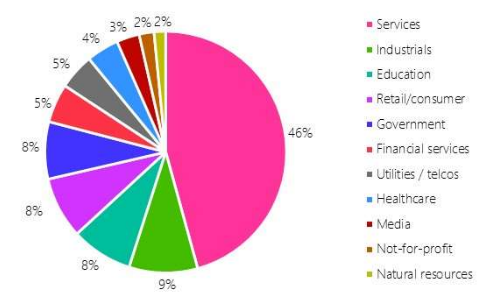
1. Annualised recurring revenue (ARR) represents committed, recurring revenue on an annualised basis

Customer numbers continued to grow strongly, with 919 paying customers as at 30 June 2019, up from 536 customers as at 30 June 2018. Excluding the impact of the Wizdom acquisition, paying customers grew by 140 from 30 June 2018. The Company is continuing to broaden its global base of enterprise customers, driven by LiveTiles' portfolio of products, its ongoing sales and marketing investments and co-marketing initiatives with Microsoft and other partners.

Annualised recurring revenue by region at 30 June 2019

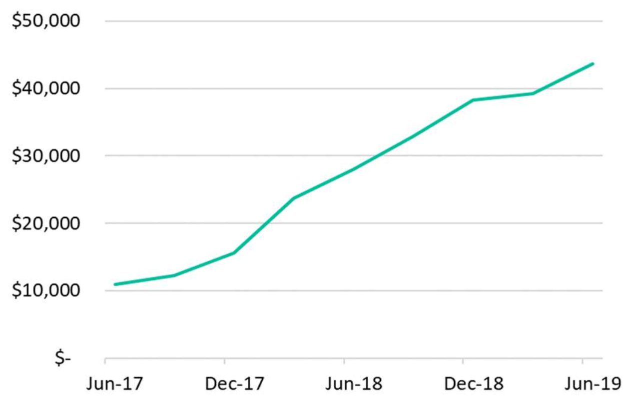


Annualised recurring revenue by industry at 30 June 2019



Average ARR per customer continued to trend higher in the 2019 financial year, up 56% in the 12 months to 30 June 2019, driven by ongoing growth in the Company's enterprise customer base, product cross-selling and bundling and increased penetration of existing customers.

Average annualised recurring revenue per customer up 56% in the 2019 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 178 as at 30 June 2019 (up 89% since 30 June 2018).

Microsoft relationship

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

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.

During the 2019 financial year, LiveTiles continued its 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 and co-selling activities provide a strong endorsement of LiveTiles and its products. In 2019, milestones included an airline AI solution to support staff at airport gates and inclusion in Microsoft's integrated P2P solutions program.

Further, in May 2019 the Company was announced as a launch partner for Microsoft's new SharePoint Modern product, with acquired products Hyperfish and Wizdom also named as launch partners, making the Company 3 of only 15 launch partners globally.

Strategic partnership with N3

During the financial year, LiveTiles continued its strategic partnership with N3, which comprises:

- 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' Software as a Service ('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.

A dedicated N3 team of sales and marketing personnel work closely with the LiveTiles sales and marketing team. Sales and marketing efforts continued to focus on the North American market in the 2019 financial year.

DIRECTORS' REPORT

Acquisition of Wizdom

On 13 February 2019, LiveTiles completed its acquisition of Wizdom A/S, a leading 'plug and play', Microsoft aligned digital workplace software business headquartered in Copenhagen, Denmark. Its software provides users with the tools needed to drive employee engagement, collaboration and compliance.

The acquisition of Wizdom will enable LiveTiles to deliver new capabilities in relation to new content publishing as part of its intelligent workplace platform. In addition, LiveTiles' leading AI capabilities provide a significant cross-sell opportunity to Wizdom's growing customer base across Europe.

The amount payable for the acquisition of Wizdom comprised upfront consideration of 49.7 million LiveTiles shares (issued on 13 February 2019) and a cash payment of $9 million. In addition, up to $20 million in cash and LiveTiles shares may be issued to the former owners of Wizdom A/S subject to the satisfaction of performance targets as at 31 January 2020 (refer to the Company's ASX announcement dated 5 February 2019 and note 20 of the attached financial statements for further details).

Strategic alliance partnerships

During the 2019 financial year LiveTiles continued to broaden its portfolio of strategic alliance partnerships, which typically provide:

- LiveTiles and its customers with access to market leading specialist technology that combines well with the LiveTiles portfolio of digital workplace software products; and
- Additional channels for the sale and use of both LiveTiles and alliance partner products.

During the year LiveTiles initiated and commenced partnerships with companies including Nucleus Cyber, Testfire Labs, Zegami, Search365, StarMind and UIPath.

Product innovation

LiveTiles has continued to invest in product innovation:

Intranet Products: In late June 2019 LiveTiles deployed version 5 of its flagship Page Designer product, with deeper integration to Modern SharePoint, whilst in April 2019 Wizdom deployed its Power Panel, a dashboard framework to support organisations manage content from different applications used within their enterprise.

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.

Significant events since the end of the financial year

On 30 July 2019, LiveTiles Limited issued 6,810,234 shares to Orange Fish Holdings LLC as consideration for Hyperfish exceeding performance targets relating to the second earn-out. This second, and final, earn-out was in respect to the 6 month period to 30 June 2019.

In August 2019, LiveTiles received $3.8m under the Australian federal government's research and development tax incentive scheme. These monies are related to the 2017 and 2018 financial years.

On 19 September 2019 LiveTiles announced that it had raised $50,000,000 via a share placement to sophisticated and professional investors. Under the placement, $50,000,000 was raised (before costs) via the issue of 142,857,143 fully paid ordinary shares at $0.35 per share.

In conjunction with finalising the share placement, LiveTiles launched a share purchase plan, providing existing eligible shareholders an opportunity to increase their holding by up to $30,000. The share purchase plan is capped at $5,000,000 and the offer period closes on 11 October 2019.

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

DIRECTORS' REPORT

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, no options were exercised.

As at the date of this report and as at the reporting date, there were 4,611,000 options on issue (2018: nil). Refer to note 21 of the financial statements for details on options issued during the financial year.

Significant changes in state of affairs

Other than as outlined in the Operating and financial review of the Directors' Report, there were no significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results

The Group expects to deliver another year of strong customer and revenue growth in the 2020 financial year, driven by the continued investment into our products, partners and sales and marketing channels.

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 2019 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 provided $15,700 in other audit assignments and $2,500 in non-audit services to the Group during the year ended 30 June 2019 (2018: 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 17.

REMUNERATION REPORT (AUDITED)

1. Introduction

This Remuneration Report for the year ended 30 June 2019 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 2019. Unless otherwise indicated, the individuals were KMP for the entire financial year.

Senior Executives	
Karl Redenbach	Chief Executive Officer and Executive Director
Peter Nguyen-Brown	Chief eXperience Officer and Executive Director
Rowan Wilkie	Chief Financial Officer (appointed 1 May 2019)
Matthew Brown	Chief Financial Officer and Executive Director (resigned 30 April 2019)
Non-Executive Directors	
Cassandra Kelly	Non-Executive Chair
Andrew McKeon	Non-Executive Director
David Lemphers	Non-Executive Director (appointed 1 September 2018)

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 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015[2]
Annualised Recurring Revenue[1]	$40.1m	$15.0m	$4.0m	$1.0m	$0.31m
Cash balance	$14.9m	$17.8m	$3.5m	$8.1m	n/a
Share price	$0.44	$0.48	$0.23	$0.22	n/a
Loss before income tax expense and non-recurring and non-cash items	$(32.2)m	$(20.8)m	$(6.2)m	$(4.9)m	n/a
Dividends	nil	nil	nil	nil	n/a

1. Annualised Recurring Revenue represents committed, recurring revenue on an annualised basis
2. LiveTiles re-listed on the ASX on 25 August 2015 following the reverse acquisition of Modun Resources Limited therefore data prior to this date is not applicable

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 $40.1 million at 30 June 2019 from $15.0 million at 30 June 2018. 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 $0.44 as at 30 June 2019. Shareholder alignment is driven by the structure of the Management Incentive Plan, where share price appreciation drives value for executives through the Plan (refer to section 7 of the Remuneration Report).

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 cash bonus, subject to meeting ARR and other performance targets.	6 months
Peter Nguyen-Brown, CXO and Executive Director	$400,000	Statutory minimum	Discretionary cash bonus, subject to meeting ARR and other performance targets.	4 weeks
Rowan Wilkie, CFO[1]	$310,000	Statutory minimum	Discretionary cash bonus, subject to meeting performance targets.	3 months
Matthew Brown, CFO and Executive Director[2]	$380,000	Statutory minimum	Discretionary bonus subject to meeting performance targets.	6 months

Notes:
[1]Rowan Wlikie joined as CFO on 1 May 2019
[2]Matthew Brown resigned as CFO and Executive Director on 30 April 2019

Unpaid deferred salaries have been accrued in the statement of financial position as at 30 June 2019.

Long term incentives for KMP are discussed in section 7 of the Remuneration Report.

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 and long service leave entitlements	Post-employment benefits	Share based payments[1]	Total	Performance related
		$	$	$	$	$	$	%
Karl Redenbach	**2019**	**699,189**	**839,026**	**-**	**-**	**130,582**	**1,668,797**	**58%**
	2018	581,856	452,555	-	-	259,623	1,294,034	55%
Peter Nguyen-Brown	**2019**	**400,000**	**660,000**	**57,315**	**20,531**	**43,528**	**1,181,374**	**60%**
	2018	325,000	250,000	40,977	19,616	87,671	723,264	47%
Matthew Brown[3]	**2019**	**316,667**	**110,000**	**24,292**	**17,110**	**6,028**	**474,097**	**24%**
	2018	380,000	200,000	36,509	19,616	50,171	686,296	36%
Rowan Wilkie[4]	**2019**	**51,667**	**-**	**4,596**	**3,422**	**8,103**	**67,788**	**12%**
	2018	-	-	-	-	-	-	-
Total	**2019**	**1,467,522**	**1,609,026**	**86,203**	**41,063**	**188,241**	**3,392,056**	**53%**
	2018	1,286,856	902,555	77,486	39,232	397,465	2,703,594	48%

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 21 of the financial statements).
2. Cash bonuses for KMP were approved at Board meetings on 31 October 2018 relating to targets set for the 2019 financial year
3. Matthew Brown resigned as CFO and Executive Director on 30 April 2019.
4. Rowan Wilkie joined as CFO on 1 May 2019.

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, Andrew McKeon and David Lemphers.

For the year ended 30 June 2019, Ms Kelly was entitled to remuneration of $135,000 per annum (including superannuation) (2018: $78,333). Ms Kelly's remuneration increase was approved by the Board of Directors on 23 August 2018 and made effective from 1 January 2018 therefore an additional $17,500 was paid in the financial year.

For the year ended 30 June 2019, Mr McKeon was entitled to remuneration of $100,000 per annum (including superannuation) (2018: $80,000). Mr McKeon remuneration increase was approved by the Board of Directors on 23 August 2018 and made effective from 1 January 2018 therefore an additional $10,000 was paid in the financial year.

For the period from 1 September 2018 to 30 June 2019, Mr Lemphers was entitled to remuneration of $100,000 per annum (including superannuation).

Deferred directors' fees have been accrued in the statement of financial position as at 30 June 2019.

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]	**2019**	**152,500**	**-**	**-**	**-**	**-**	**-**	**152,500**
	2018	78,333	-	-	-	-	-	78,333
Andrew McKeon[1]	**2019**	**110,000**	**-**	**-**	**-**	**-**	**-**	**110,000**
	2018	80,000	-	-	-	-	-	80,000
David Lemphers	**2019**	**83,333**	**-**	**-**	**-**	**-**	**-**	**83,333**
	2018	-	-	-	-	-	-	-
Andrew Gray[3]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	60,883	-	-	5,784	10,171	-	76,838
Michael Hill[4]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	30,441	-	-	2,893	10,171	-	43,505
Total	**2019**	**345,833**	**-**	**-**	**-**	**-**	**-**	**345,833**
	2018	249,657	-	-	8,677	20,342	-	278,676

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. FY2018 and FY2019 share based payments represent 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).
3. Andrew Gray resigned as Non-Executive Director on 22 November 2017.
4. Michael Hill resigned as Non-Executive Director on 5 September 2017.

7. Equity instruments held by key management personnel

Options held by key management personnel during the year

There were no options held by key management personnel at 30 June 2019 (2018: nil).

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.

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

	Tranche A	Tranche B	Tranche C	Tranche M	Tranche N	Tranche O
Number of shares	15,000,000	10,000,000	10,000,000	266,667	266,667	266,667
Date issued	25/08/2015	25/08/2015	25/08/2015	06/05/2019	06/05/2019	06/05/2019
Vesting date	24/08/2017	24/08/2018	24/08/2019	05/05/2020	05/05/2021	05/05/2022
Expiry date	24/08/2021	24/08/2021	24/08/2021	06/05/2025	06/05/2025	06/05/2025
Vesting price	$0.25	$0.35	$0.45	$0.57	$0.57	$0.57
Fair value per share at grant date	$0.06	$0.06	$0.06	$0.17	$0.17	$0.17

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 2018	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2019
Senior Executives					
Karl Redenbach	91,122,082	-	-	-	91,122,082
Peter Nguyen-Brown	91,122,082	-	-	-	91,122,082
Rowan Wilkie	-	-	-	-	-
Matthew Brown	9,600,000	-	-	(9,600,000)[1]	-
Non-executive directors					
Cassandra Kelly	-	-	-	-	-
Andrew McKeon	277,778	-	-	-	277,778

1. Matthew Brown resigned as Executive Director during the year. His shares held upon resignation are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2019.

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 2018	Issued during the year	Exercised during the year	Net change other	Balance at 30 June 2019	Fair value at 30 June 2019
Senior Executives						
Karl Redenbach	19,500,000	-	-	-	19,500,000	$1,170,000
Peter Nguyen-Brown	6,750,000	-	-	-	6,750,000	$405,000
Rowan Wilkie	-	800,001	-	-	800,001	$136,000
Matthew Brown[1]	4,250,000	-	-	(4,250,000)	-	-
Non-executive directors						
Cassandra Kelly	-	-	-	-	-	-
Andrew McKeon	-	-	-	-	-	-
David Lemphers	-	-	-	-	-	-

1. Matthew Brown resigned as Executive Director during the year. His MIP shares held upon resignation are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2019.

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 2018	Loans issued	Loans repaid	Balance at 30 June 2019
Executive directors				
Karl Redenbach	$2,925,000	-	-	$2,925,000
Peter Nguyen-Brown	$1,012,500	-	-	$1,012,500
Rowan Wilkie	-	$456,000	-	$456,000
Matthew Brown	$637,500	-	$(637,000)	-
Non-executive directors				
Cassandra Kelly	-	-	-	-
Andrew McKeon	-	-	-	-
David Lemphers	-	-	-	-

The following loans have been provided to executive directors by the Company. The loans have been provided at arm's length with a monthly cap of $40,000 and total capped amount of $950,000. Interest charged at 15% per annum and is capitalised annually.

	Balance at 1 July 2018	Loans issued	Interest charged	Loans repaid	Balance at 30 June 2019
Senior Executives					
Karl Redenbach	-	$110,536	$2,635	-	$113,171
Peter Nguyen-Brown	-	$110,536	$2,635	-	$113,171
Rowan Wilkie	-	-	-	-	-
Matthew Brown	-	-	-	-	-
Non-executive directors					
Cassandra Kelly	-	-	-	-	-
Andrew McKeon	-	-	-	-	-
David Lemphers		-	-	-	-

8. Other transactions with KMP

There were no other transactions with key management personnel.

9. Shareholder adoption of Remuneration Report

At the Group's most recent Annual General Meeting held on 16 October 2018, shareholders voted to adopt the 2018 Remuneration Report.

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

Karl Redenbach

Executive Director

26 September 2019

New York

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

As lead auditor of LiveTiles Limited for the year ended 30 June 2019, 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
Partner

BDO East Coast Partnership

Sydney, 26 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	3	18,091,882	5,684,565
Other income	3	4,393,967	752,699
		22,485,849	6,437,264
Expenses			
Employee benefits expense	5	(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	11	(3,788,432)	(1,391,336)
Share based payments expense	21	(9,169,722)	(972,703)
Unrealised currency gain / (loss)		1,944,508	1,271,105
		(65,584,829)	(28,232,544)
Loss before income tax		(43,098,980)	(21,795,280)
Income tax expense	4	333,391	(263,704)
Net loss for the year		(42,765,589)	(22,058,984)
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		(827,619)	(1,036,461)
Other comprehensive income for the year		(827,619)	(1,036,461)
Total comprehensive income for the year		(43,593,208)	(23,095,445)
Earnings per share for loss attributable to the owners of LiveTiles Limited			
Basic earnings per share (cents)	8	(7.75)	(5.20)
Diluted earnings per share (cents)	8	(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 $
CURRENT ASSETS			
Cash and cash equivalents		14,880,920	17,848,223
Trade and other receivables	9	12,198,027	4,368,176
Other current assets	10	1,036,328	172,138
TOTAL CURRENT ASSETS		28,115,275	22,388,537
NON-CURRENT ASSETS			
Property, plant and equipment		617,554	337,499
Intangible assets	11	45,164,127	4,510,411
Rental deposits		279,193	233,475
Other non-current assets	10	226,342	-
TOTAL NON-CURRENT ASSETS		46,287,216	5,081,385
TOTAL ASSETS		74,402,491	27,469,922
CURRENT LIABILITIES			
Trade and other payables	12	7,013,651	3,277,970
Income tax payable	4	406,872	257,999
Employee benefits provision	14	644,610	325,393
Provisions for contingent consideration	15	10,062,323	228,520
Other current liabilities	13	11,767,540	5,334,244
TOTAL CURRENT LIABILITIES		29,894,996	9,424,126
NON-CURRENT LIABILITIES			
Employee benefits provision	14	83,133	57,442
Deferred tax liability	4	3,192,972	448,500
Other non-current liabilities	13	387,992	538,757
TOTAL NON-CURRENT LIABILITIES		3,664,097	1,044,699
TOTAL LIABILITIES		33,559,093	10,468,825
NET ASSETS		40,843,398	17,001,097
EQUITY			
Issued capital	17	122,972,591	61,649,135
Reserves	18	7,073,919	1,659,384
Accumulated losses		(89,203,112)	(46,307,422)
TOTAL EQUITY		40,843,398	17,001,097

The accompanying notes form part of these financial statements.

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)
Transactions with owners, in their capacity as owners					
Contributions of equity	17(a)(b)(f)(h)(i)	32,667,000	-	-	32,667,000
Transaction costs		(1,595,775)	-	-	(1,595,775)
Shares issued for Hyperfish	17(j)	3,859,196	-	-	3,859,196
Share based payment expense		-	972,703	-	972,703
MIP shares exercised	17(e)(g)	945,000	(270,000)	-	675,000
Options exercised	17(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)
Transactions with owners, in their capacity as owners					
Contributions of equity	17(k)(l)(n)	42,300,013	-	-	42,300,013
Transaction costs		(2,483,898)	-	-	(2,483,898)
Shares issued for Hyperfish earn out	17(m)	2,786,828	(2,672,568)	-	114,260
Shares issued for Wizdom	17(o), 20	17,828,013	-	-	17,828,013
MIP shares exercised	17(p)	892,500	(255,000)	-	637,500
Share based payment expense	21	-	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.

LiveTiles Limited ABN 95 066 139 991
and Controlled Entities

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

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
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		(290)	-
Government grants received		1,402,366	3,033,969
Income tax paid		(240,847)	(53,705)
Net cash used in operating activities	22	(33,074,429)	(16,771,600)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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.

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 26 September 2019 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 16.

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 and balances 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 and Denmark receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently between 6% and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Subscription revenue is recognised when the Group's performance obligations are satisfied. For annual subscription licences, revenue is recognised evenly over the subscription period for which the customer has paid. For perpetual licences, where an upfront payment is made in addition to annual support fees, revenue related to the up front payment is recognised evenly over the estimated lifetime of the customer contract.

Where a customer pays their subscription in advance, that amount is recorded as a liability on the balance sheet until the Group provides the purchased software for that period.

Consultancy revenue

Revenue from consultancy services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

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 income

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. **Financial instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at the reporting date, the Group`s financial assets consisted of cash and cash equivalents and trade and other receivables which are measured at amortised cost in accordance with the above accounting policy.

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

As at the reporting date, the Group`s financial liabilities consisted of trade and other payables and borrowings which are measured at amortised cost in accordance with the above accounting policy.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

p. **Goods and Services Tax (GST), Value Added Tax (VAT) and other consumption taxes**

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the local tax office.

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

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

q. **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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. **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. Intellectual property assets are amortised over the period in which the benefits are expected to be obtained.

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. Customer contracts and relationship assets are amortised over the period in which the benefits are expected to be obtained.

s. **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.

t. **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)

u. **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.

(v) *Performance based payments for acquired entities*

The Group measures performance based payments (earn-out payments) for acquired entities estimating the probability of the targets being met and using an appropriate discount rate to reflect payment periods. Refer to note 21 for further details.

v. **New or amended Accounting Standards and Interpretations adopted**

A number of new or amended standards became applicable for the current reporting period:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 9 Financial Instruments

In December 2014, the Australian Accounting Standards Board (“AASB”) issued the final version of AASB9 Financial Instruments (“AASB 9”), and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

AASB 9 is the final version of a new principal standard that consolidates requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. AASB 9 supersedes all previously issued and amended versions of AASB 139 Financial Instruments: Recognition and Measurement.

In relation to the impairment of financial assets, the Group applies the simplified approach to recognise lifetime expected credit losses (“ECL”) for trade and other receivables. AASB 9 did not have a significant impact on the Group’s consolidated financial statements for the year, particularly given the short-term nature of the Group’s receivables.

The adoption resulted in an additional impairment expense of $166,338 for the year ended 30 June 2019.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policy of financial assets and liabilities – recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged or cancelled or has expired.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and characteristics of their contractual flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price when the right to consideration becomes unconditional in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised costs;
- Financial assets at fair value through profit or loss (“FVTPL”);
- Debt instruments at fair value through other comprehensive income (“FVTOCI”); or
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or finance costs, except for impairment of trade receivables. The entity does not have any debt instruments at FVTOCI or equity instruments at FVTOCI.

Financial assets at amortised cost

The Group’s trade and most other receivables fall into this category of financial instruments and are accounted for at amortised cost using the effective interest method.

Financial assets at FVTPL

Investments in equity instruments fall into this category unless the Group irrevocably elects at inception to account for them as equity instruments at FVTOCI. The Group has not made this election and will continue to account for its investments in equity instruments at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. The Group currently does not hold any derivative financial instruments.

Trade and other receivables and other current assets

The Group makes use of a simplified approach in accounting for the impairment of trade and other receivables as well as other current assets and records the loss allowance at the amount equal to the lifetime ECL. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. From this calculation, it was determined that the ECL in trade and other receivables was immaterial to be disclosed separately.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group’s financial liabilities were not impacted by the adopted of AASB 9.

The Group’s financial liabilities include trade and other payables, contract liabilities and employee benefit liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within other income or finance costs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 Revenue and related interpretations.

The core principle of AASB 15 is that an entity should 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. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: identify the contract(s) with a customer
- Step 2: identify the performance obligations in the contract;
- Step 3: determine the transaction price;
- Step 4: allocation the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Management of the Group reviewed the customer contracts, defined a relevant portfolio basis where applicable and assessed the impact on revenue recognition by the adoption of AASB 15.

The Group generates revenue (as reported in Note 3) through financial services fees and office and shared services revenue with related party entities. These services are rendered based on either a fixed price or an hourly rate. The revenue for these services are recognised over the service period which aligns with the delivery of the performance obligation (provision of services).

The Group has adopted AASB 15 from 1 July 2018, using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of application. Therefore, comparative prior periods have not been adjusted and continue to be reported under AASB 118.

Management have completed their evaluation of the contracts against the 5-step approach noted above, and based on this evaluation have determined that other than additional disclosures required, the implementation of AASB 15 has resulted in no material change and financial impact on the Group's revenue recognition.

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 2019. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

AASB 16 Leases was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $7,265,683, see note 19. At this stage, the Group does not intend to adopt the standard before its effective date. The standard is mandatory for financial years commencing on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On transition, it is estimated the Group will recognise the following items in the Statement of Financial Position:

1 July 2019:	
Right-to-use assets	3,933,027
Liability for future lease payments	(4,642,834)

It is estimated the following items will be recognised in the Statement of Profit or Loss and Other Comprehensive Income for the 2020 financial year:

Depreciation expense on right-to-use assets	(764,476)
Interest on lease liability	(398,659)

y. **Going concern**

For the year ended 30 June 2019, the Group made a loss of $42,765,589 (2018: $22,058,984) and had net cash flows used in operating activities of $33,074,429 (2018: $18,143,630). At 30 June 2019, the Group had a cash balance of $14,880,920.

The Directors are of the opinion that the Group will be able to continue as a going concern, supported by the $50,000,000 share placement announced by the Group on 19 September 2019. Net proceeds from the share placement of $47,311,771 were received (net of costs) on 23 September 2019.

NOTE 2: PARENT INFORMATION

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

	Parent entity	
Statement of Financial Position	**2019** **$**	**2018** **$**
ASSETS		
Current assets	6,846,058	15,086,204
Non-current assets	42,466,012	750
TOTAL ASSETS	49,312,070	15,086,954
LIABILITIES		
Current liabilities	(10,285,180)	(927,915)
Non-current liabilities	-	-
TOTAL LIABILITIES	(10,285,180)	(927,915)
EQUITY		
Issued capital	448,437,814	386,828,434
Accumulated losses and reserves	(409,260,924)	(372,669,375)
TOTAL EQUITY	39,176,890	14,159,059
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(42,855,527)	(25,801,559)
Total comprehensive income	(42,855,527)	(25,801,559)

In the 2019 financial year, included within the parent entity loss of $42,855,527 is a provision against intercompany receivables from and investments in other entities within the Group of $32,575,339.

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.

All intercompany balances within the Group are eliminated upon consolidation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: REVENUE AND OTHER INCOME

		2019 $	2018 $
Revenue:			
– Software subscription revenue		16,510,742	5,684,565
– Services revenue		1,581,140	-
Total revenue		18,091,882	5,684,565
Other income:			
– Interest income		201,651	17,267
– Research and development grant income	9	3,504,621	(317,511)
– Other grant income		483,229	1,015,547
– Other revenue		204,466	37,396
Total other income		4,393,967	752,699
Total revenue and other income		22,485,849	6,437,264

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: INCOME TAX

		2019 $	2018 $
a.	The components of tax expense comprise:		
	Current tax	(160,672)	154,983
	Deferred tax	494,062	-
	Under provision of prior year tax	-	108,721
		333,391	263,704
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	(43,098,980)	(21,795,280)
	Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	11,852,220	5,993,702
	Adjust for:		
	tax effect of variance in overseas tax rates	(744,731)	1,214,968
	withholding tax expense	(160,672)	(154,983)
	tax effect of non-deductible research and development expenditure	(739,982)	(875,169)
	tax effect of other permanent differences	637,230	(267,493)
	current year losses not recognised	(11,004,736)	(6,067,746)
	underprovision of prior year tax	-	(106,983)
	de-recognition of deferred tax balances	494,062	-
	Income tax expense attributable to entity	333,391	(263,704)

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

		2019 $	2018 $
c.	Deferred tax liability relates to the following:		
	Intangible assets on acquisition of Hyperfish, Inc	264,000	448,500
	Intangible assets on acquisition of Wizdom A/S	2,928,972	-
	Total deferred tax liability	3,192,972	448,500
d.	Net tax effect of carried forward losses not brought to account	10,529,179	6,636,033
e.	Income tax payable	406,872	257,999

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: EMPLOYEE BENEFIT EXPENSE

	2019 $	2018 $
Employee benefit expense		
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
Total employee benefit expense	23,229,637	12,386,276

NOTE 6: AUDITOR'S REMUNERATION

	2019 $	2018 $
Remuneration of the auditor for:		
(a) BDO East Coast Partnership:		
– audit and review of the financial statements	125,500	98,500
– other assurance services	34,000	-
Total remuneration for audit and other assurance services	159,500	98,500
(b) Network firms of BDO East Coast Partnership:		
– audit and review of the financial statements	23,200	-
– other assurance services	15,700	-
	38,900	-
– taxation services	2,500	-
Total remuneration of network firms of BDO	41,400	

NOTE 7: DIVIDENDS

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

NOTE 8: EARNINGS PER SHARE

	2019 $	2018 $
Reconciliation of earnings to loss:		
Earnings used to calculate basic earnings per share	(42,765,589)	(22,058,984)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	552,104,149	423,917,833

NOTE 8: EARNINGS PER SHARE (CONTINUED)

	2019 $ Cents	2018 $ Cents
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.

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	2019 $	2018 $
CURRENT			
Trade receivables		7,445,358	2,928,913
Accrued revenue		126,990	221,864
Provision for doubtful debts		(538,339)	(166,960)
		7,034,009	2,983,817
Research and development grant receivable		4,888,980	1,384,359
Other government grants receivable		275,038	-
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.

In respect of grants related to the 2018 financial year, the Company received additional grant monies related to eligible overseas expenditure that were not accrued (in line with the Company's policy). This more than offset a reduction in the Company's estimate of eligible Australian expenditure incurred during the 2018 financial year.

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

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

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	2019 $	2018 $
Asia Pacific	1,773,169	1,114,756
North America	1,747,347	913,523
Europe	3,803,211	850,644
Middle East & Africa	121,631	49,990
Total receivables exposed to credit risk	7,445,358	2,928,913

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.

$	Gross Amount	Within Initial Trade Terms	Past Due but Not Impaired (Days Overdue) < 30	31–60	61–90	> 90	Past Due and Impaired
2019							
Trade and term receivables	7,445,358	4,722,302	1,506,825	214,475	598,345	281,781	121,630
2018							
Trade and term receivables	2,928,913	2,011,222	357,307	145,737	165,512	82,175	166,960

NOTE 10: OTHER ASSETS

	Note	2019 $	2018 $
CURRENT			
Deposits paid		960,997	-
Prepaid expenses		75,331	172,138
		1,036,328	172,138
NON-CURRENT			
Loans to related parties	23	226,342	-

NOTE 11: INTANGIBLE ASSETS

2018 financial year	**Note**	**Balance at 1 July 2017**	**Additions**	**Disposals**	**Foreign exchange[1]**	**Balance at 30 June 2018**
At cost:						
Capitalised development costs		1,580,123	1,372,030	-	-	2,952,153
Software intellectual property		-	1,068,000	-	-	1,068,000
Customer contracts and relationships		-	427,000	-	-	427,000
Goodwill		-	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**	**Foreign exchange[1]**	**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**	**Foreign exchange[1]**	**Balance at 30 June 2018**
Net intangible assets	-	5,901,747	(1,391,336)	-	-	4,510,411
Deferred tax liability	-	(448,500)	-	-	-	(448,500)

2019 financial year	**Note**	**Balance at 1 July 2018**	**Additions**	**Disposals**	**Foreign exchange[1]**	**Balance at 30 June 2019**
At cost:						
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**	**Foreign exchange[1]**	**Balance at 30 June 2019**
Accumulated amortisation:					
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)

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

Summary of net intangible assets

	Balance at 1 July 2018	Additions	Amortisation charge	Disposals	Foreign exchange[1]	Balance at 30 June 2019
Net intangible assets	4,510,411	43,432,025	(3,788,432)	-	1,010,123	45,164,127
Deferred tax liability	(448,500)	(3,188,475)	504,768	-	(60,765)	(3,192,972)

[1] Represents the effect of movements in foreign exchange rates on intangible assets and liabilities held in foreign currencies

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 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	2019 $	2018 $
CURRENT			
Trade payables		4,503,056	1,387,664
Employee benefits accruals		1,092,220	1,154,152
Employee benefits accruals to related parties	23	1,290,633	679,840
Other payables and accruals		127,742	56,314
		7,013,651	3,277,970

NOTE 13: OTHER LIABILITIES

	2019 $	2018 $
CURRENT		
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
	11,767,540	5,334,244
NON-CURRENT		
Unearned revenue	387,992	538,757
	387,992	538,757

Unearned income is carried at amortised cost and represents amounts billed to customers in advance of the revenue being recognised in accordance with the revenue recognition policy outlined in note 1. Unearned income is presented as a current liability unless the performance obligations associated with the revenue will be satisfied in greater than 12 months.

NOTE 14: EMPLOYEE BENEFITS PROVISION

	2019 $	2018 $
Current	644,610	325,393
Non-current	83,133	57,442
	727,743	382,835

NOTE 14: EMPLOYEE BENEFITS PROVISION (CONTINUED)

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 $180,401 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. Refer to note 1 for the measurement and recognition criteria relating to employee benefits.

NOTE 15: PROVISIONS FOR CONTINGENT CONSIDERATION

	Note	2019 $	2018 $
CURRENT			
Provision for contingent consideration - Hyperfish		114,260	228,520
Provision for contingent consideration - Wizdom	20	9,948,063	-
		10,062,323	228,520

NOTE 16: 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 2019 %	Ownership interest 2018 %
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%	100%
Hyperfish, Inc	USA	100%	100%
Wizdom A/S	Denmark	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 13 February 2019, LiveTiles Limited acquired 100% of the shares in Wizdom A/S (refer to note 20).

d. **Disposal of controlled entities**

There were no disposals of controlled entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: 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

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
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
Restricted shares on issue	(q)		29,150,001		-
Total issued capital		30-Jun-2019	653,857,228		122,972,591

NOTE 17: 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

Refer to note 19(a).

Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in note 8.

NOTE 18: RESERVES

	2019 $	2018 $
Share based payments reserve	8,519,292	2,277,138
Foreign currency translation reserve	(1,445,373)	(617,754)
Total	7,073,919	1,659,384

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**	**2019** **$**	**2018** **$**
Opening balance		2,277,138	1,934,435
Share based payment expense – management incentive plan	19(a)	227,462	472,489
Share based payment expense – long-term incentive plan	19(b)	225,506	-
Share based payment expense – Hyperfish post combination services	19(c)	4,844,923	500,214
Share based payment expense – Wizdom post combination services	18, 19(d)	3,871,831	-
Shares issued for Hyperfish earn-out		(2,672,568)	
MIP shares exercised	15(e)(g)(p)	(255,000)	(270,000)
Options exercised	15(c)(d)	-	(360,000)
Closing balance		8,519,292	2,277,138

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	**2019** **$**	**2018** **$**
Opening balance	(617,754)	418,707
Foreign currency translation of subsidiaries within the Group	(827,619)	(1,036,461)
Closing balance	(1,445,373)	(617,754)

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	2019 $	2018 $
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	1,073,822	1,005,309
– between 12 months and 5 years	3,110,984	3,548,088
– later than 5 years	2,068,827	-
	7,265,683	4,553,397

NOTE 19: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

	2019 $	2018 $
Capital commitments		
Capital commitments contracted for but not recognised in the financial statements		
Payable – minimum capital commitments:		
– not later than 12 months	64,676	63,140
– between 12 months and 5 years	460,726	473,553
	525,402	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 2019 (2018: nil).

NOTE 20: 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 will enable LiveTiles to achieve its strategic product vision more quickly, by the LiveTiles intelligent workplace platform in the Microsoft ecosystem. Wizdom will allow LiveTiles to deliver new capabilities to current and existing customers. At the same time, LiveTiles' leading 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; 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.

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 Wizdom.

NOTE 20: 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	11	8,723,000
- Customer contracts and relationships	11	5,448,000
Net identifiable assets acquired		10,980,261
Representing:		
Shares issued in LiveTiles Limited		17,828,013
Up front cash consideration		9,000,000
Working capital adjustment		1,375,127
Contingent consideration		9,948,063
Fair value of consideration transferred		38,151,203
Goodwill recognised on acquisition of Wizdom		27,170,943

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.

NOTE 21: 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			9,169,722	972,703

(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	$0.06	$0.10	$0.09	$0.11	$0.17

NOTE 21: 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					227,462

(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				225,506

NOTE 21: 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 (refer to note 20). 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 22: CASH FLOW INFORMATION

		2019 $	2018 $
a.	**Reconciliation of cash flows from operating activities with loss after income tax expense**		
	Loss after income tax expense	(42,765,589)	(22,058,984)
	Cash flows excluded from profit attributable to operating activities:		
	Non-cash flows in loss:		
	– share based payments expense	9,169,722	972,703
	– foreign exchange differences	(2,283,926)	(1,273,783)
	– depreciation and amortisation	3,911,926	1,372,030
	– deferred tax	(504,768)	-
	Changes in assets and liabilities:		
	– increase in trade and other receivables	(7,829,851)	(386,772)
	– increase in other non-current assets	(909,907)	(300,205)
	– increase in trade and other payables	3,884,554	1,736,176
	– increase in other liabilities	6,433,296	2,957,236
	– increase in provisions	194,143	209,999
	– net current assets of acquired entities	(2,374,513)	-
	Cash flows used in operating activities	(33,074,429)	(16,771,600)

NOTE 23. 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 16.

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	2019	2018
		$	$
Payments to key management personnel for services:			
Short term employee benefits		3,503,521	2,516,554
Post-employment benefits		41,063	47,908
Share based payments	(a)	188,241	417,807
		3,732,825	2,982,269

(a) Share based payments

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

		2019	2018
		$	$
Receivables and payables to key management personnel for services:			
Current receivables:			
- Loans to key management personnel	(b)	226,342	-
Current payables:			
- Accrued short term benefits to key management personnel		(1,290,633)	(679,840)
Net receivables to key management personnel		(1,064,291)	(679,840)

(b) Loans to key management personnel

The loans have been provided to key management personnel of the Company at arm's length with a monthly cap of $40,000 and total capped amount of $950,000. Interest charged at 15% per annum and is capitalised annually.

NOTE 23. 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. rhipe Limited is no longer a related party.

	2019	2018
	$	$
Receipts and payments to rhipe		
Receipts from rhipe for sale of LiveTiles software	-	3,727
Payments to rhipe under Shared Service Agreement	-	-
Payments to rhipe for consulting services provided to LiveTiles customers	-	-
Payments to rhipe for marketing events	-	-
Net payment to rhipe	-	3,727
Receivables and payables to rhipe		
Receivable from rhipe	-	-
Payable to rhipe	-	-
	-	-

Terms and conditions

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

NOTE 24: 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 24: 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:

	2019	2018
	$	$
Financial assets		
Cash and cash equivalents	14,880,920	17,848,223
Net exposure	14,880,920	17,848,223

	(Loss) / profit Higher / (lower)		Equity Higher / (lower)	
Judgements of reasonable possible movements	2019	2018	2019	2018
	$	$	$	$
+0.50%	74,405	89,241	74,405	89,241
-0.50%	(74,405)	(89,241)	(74,405)	(89,241)

(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 foreign currencies in addition to bank accounts being held in foreign entities. Foreign currency risk is managed by holding the Group's cash in a combination of USD, DKK, EUR and AUD. Management also reviews the foreign currency product pricing structure on a quarterly basis.

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

AUD	2019	2018
	$	$
Cash and cash equivalents - USD	5,462,747	1,949,166
Cash and cash equivalents - EUR	201,002	-
Cash and cash equivalents - DKK	1,544,086	-
Trade and other receivables - USD	2,439,301	1,962,174
Trade and other receivables - EUR	57,550	-
Trade and other receivables - DKK	3,561,466	-
Trade and other payables - USD	(3,212,450)	(1,838,466)
Trade and other payables - EUR	(42,672)	-
Trade and other payables - DKK	(2,034,139)	-
Net exposure	7,976,891	2,072,874

NOTE 24: 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 the balance date, 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	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
AUD/USD +10%	468,970	207,287	468,970	207,287
AUD/USD -10%	(468,970)	(207,287)	(468,970)	(207,287)
AUD/EUR +10%	21,588	-	21,588	-
AUD/EUR -10%	(21,588)	-	(21,588)	-
AUD/DKK +10%	307,141	-	307,141	-
AUD/DKK -10%	(307,141)	-	(307,141)	-

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**
2019				
Trade and other payables	7,013,651	-	-	7,013,651
Income tax payable	406,872	-	-	406,872
	7,420,523	-	-	7,420,523
2018				
Trade and other payables	3,535,969	-	-	3,535,969
Income tax payable	257,999	-	-	257,999
	3,793,968	-	-	3,793,968

(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.

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 25: 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 26: CONTINGENT LIABILITIES

As per ASX announcements of 2 May 2018 and 1 June 2018, four subsidiaries of LiveTiles have been added to proceedings (among a total of 12 defendants) concerning a shareholder dispute in respect of companies unrelated to LiveTiles and involving the co-founders of LiveTiles. The proceedings are ongoing.

NOTE 27: EVENTS AFTER THE REPORTING PERIOD

On 30 July 2019, LiveTiles Limited issued 6,810,234 shares to Orange Fish Holdings LLC as consideration for Hyperfish exceeding performance targets relating to the second earn-out. This second, and final, earn-out was in respect to the 6 month period to 30 June 2019.

In August 2019, LiveTiles received $3.8m under the Australian federal government's research and development tax incentive scheme. These monies are related to the 2017 and 2018 financial years.

On 19 September 2019 LiveTiles announced that it had raised $50,000,000 via a share placement to sophisticated and professional investors. Under the placement, $50,000,000 was raised (before costs) via the issue of 142,857,143 fully paid ordinary shares at $0.35 per share.

In conjunction with finalising the share placement, LiveTiles launched a share purchase plan, providing existing eligible shareholders an opportunity to increase their holding by up to $30,000. The share purchase plan is capped at $5,000,000 and the offer period closes on 11 October 2019.

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

NOTE 28: COMPANY DETAILS

The registered office of the company is:

LiveTiles Limited
2 Riverside Quay
Southbank VIC 3006

The principal places of business are:

–	Australia:	Level 14 77 King Street Sydney, NSW 2000
–	USA:	137 W 25th Street 6th floor New York NY 10001
–	Denmark:	Horkaer 18 Herlev 2730

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 18 to 53, 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 2019 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 ………………………………………

Karl Redenbach

Dated this 26th day of September 2019

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Fax: +61 7 3221 9227
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 2019, 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 2019 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 and services revenue of $18,091,882 for the year ended 30 June 2019. Revenue was identified as a key audit matter as it is a key performance indicator to the users of the financial report and because of the high level of judgement involved in determining the timing and amounts recognised in revenue over the period the services and subscriptions 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 for the year ended 30 June 2019 against our expectations; • Selecting a sample of revenue transactions throughout the financial year and traced to supporting documentation, cash receipts and considered the judgement used in determining the deferral of revenues for the year ended 30 June 2019; and • 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.

Research and development (R&D) grant receivable

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 $4,888,980 as at 30 June 2019. 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 grant receivable; • Evaluating the competence and objectivity of the independent expert used by management to review and submit the R&D grant receivable claim. 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 grant receivable with reference to the tax legislation, management's historical accuracy in estimating these claims in prior periods and historical findings obtained.

Accounting for the acquisition of Wizdom A/S.

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 20 of the financial report, on 13 February 2019 LiveTiles Limited acquired 100% of the shares on issue in Wizdom A/S (an entity incorporated in Denmark). The accounting for this acquisition is a key audit matter due to the significant judgment and complexity involved in assessing the fair value of identifiable assets and liabilities 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 Annualised Recurring Revenue; • 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 in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In 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 directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of LiveTiles Limited, for the year ended 30 June 2019, 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, 26 September 2019

The following information is current as at 11 September 2019:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding):	**Ordinary shares**	**% of shares listed**
1 – 1,000	483,925	.07
1,001 – 5,000	10,898,835	1.65
5,001 – 10,000	15,868,369	2.40
10,001 – 100,000	105,250,089	15.93
100,001 and over	528,166,244	79.94
	660,667,462	100.00

b. The number of shareholdings held in less than marketable parcels is 1,895.

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	16.74
Peter Nguyen-Brown	97,872,082	14.81
Webtop Holding APS	49,715,598	7.53
HSBC Custody Nominees (Australia) Limited	38,013,664	5.75

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	13.79
2	NIA TECH PTY LTD <ODEON DISCRETIONARY A/C>	90,427,638	13.69
3	WEBTOP HOLDING APS	49,715,598	7.53
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	38,013,664	5.75
5	CITICORP NOMINEES PTY LIMITED	30,882,072	4.67
6	ORANGE FISH HOLDINGS LLC	22,213,204	3.36
7	MR KARL REDENBACH	19,500,000	2.95
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,122,599	1.23
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,765,322	1.18
10	MR PETER NGUYEN-BROWN	6,750,000	1.02
11	UBS NOMINEES PTY LTD	6,172,437	0.93
12	MR MATTHEW GRAHAME BROWN <ALLUVION DISCRETIONARY A/C>	6,135,087	0.93
13	MR ANTHONY SHANE KITTEL & MRS MICHELE THERESE KITTEL <KITTEL FAMILY SUPER FUND A/C>	5,705,355	0.86
14	MR ANDREW JAMES GRAY	5,305,556	.80
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,766,520	.72
16	HONNE INVESTMENTS PTY LIMITED	4,000,000	.61
17	MR ANTHONY SHANE KITTEL & MRS MICHELE THERESE KITTEL <KITTEL FAMILY SUPER A/C>	3,900,347	.59
18	NATIONAL NOMINEES LIMITED	3,896,258	.59
19	ONMELL PTY LTD <ONM BPSF A/C>	3,883,243	.59
20	ARRAKIS NOMINEES PTY LTD <ARRAKIS FAMILY CAPITAL A/C>	3,573,334	.54
		411,850,316	62.34

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:

   Automic Pty Ltd

   Level 5, 126 Phillip Street

   Sydney NSW 2000

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