LiveTiles

# LIVETILES LIMITED
# ABN 95 066 139 991

# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

# LiveTiles Limited
# ABN 95 066 139 991
# Consolidated financial statements for the year ended 30 June 2022

**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 2022.

### 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:

| | |
|---|---|
| Dr Marc Stigter | Non-executive Chair |
| Karl Redenbach | Executive Director and Chief Executive Officer |
| Peter Nguyen-Brown | Executive Director and Chief eXperience Officer |
| Jesse Todd | Non-Executive Director |
| Fiona Le Brocq | Non-Executive Director (resigned 1 June 2022) |

### Information on directors

| **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 | None |

| **Peter Nguyen-Brown** | **Executive Director and Chief eXperience Officer** |
|---|---|
| Appointed | 25 August 2015 |
| Experience and qualifications | Peter Nguyen-Brown has over 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 | Remuneration Committee |

| **Marc Stigter** | **Non-Executive Chair** |
|---|---|
| Appointed | 11 September 2020 |
| Experience and qualifications | Dr Marc Stigter is a global expert in creating high value boards, and driving strong leadership and performance in organisations. Marc is a former Shell Country Chairman in the Middle East and worked for other blue-chip companies around the world. He earned a PhD at Lancaster University Management School (UK) and also has three Masters degrees. He is an Honorary Senior Fellow at the University of Melbourne and an Associate Director at Melbourne Business School. His books on rethinking governance, strategy and culture are published by Bloomsbury and Palgrave Macmillan. |
| Special responsibilities | Remuneration Committee, Audit and Risk Committee |

**DIRECTORS' REPORT**

**Information on directors (continued)**

| **Jesse Todd** | **Non-Executive Director** |
|---|---|
| Appointed | 15 April 2021 |
| Experience and qualifications | Jesse Todd is a global technology leader specialising in governance technology solution for enterprise companies and public sector organisations across the world. Mr Todd is the co-founder and current CEO of compliance software consultancy firm Informotion and SaaS compliance platform EncompaaS. Prior to that Jesse served as Head of Group Technology for the Royal Bank of Scotland where he was responsible for technology across all the non-trading functions. In addition, Jesse has as worked for some of the largest financial companies including BT, Deutsche Bank and ABN AMRO. |
| Special responsibilities | Audit and Risk Committee (chair), Remuneration Committee |

| **Fiona Le Brocq** | **Non-Executive Director** |
|---|---|
| Appointed | 15 April 2021, resigned 1 June 2022 |
| Experience and qualifications | Fiona Le Brocq has more than 25 years' experience in marketing, building and growing brands across industries including health insurance and healthcare, digital marketplace and finance. She is passionate about customer-centricity, and the role that brands play to drive long-term growth. She spent 15 years agency-side working with ANZ, Transurban, Qantas and ABC before more moving to NAB, followed by SEEK, then moving to Medibank in 2015. Fiona's current role is Senior Executive, Brand, Marketing & CX, responsible for customer growth, brand strategy and management, digital marketing & automation and lifecycle strategy. |
| Special responsibilities | Audit and Risk Committee, Remuneration Committee (chair) |

**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** |
|---|---|---|
| Karl Redenbach | 90,982,547 | - |
| Peter Nguyen-Brown | 78,232,547 | - |
| Dr Marc Stigter | 405,145 | - |
| Jesse Todd | 733,677 | - |
| Fiona Le Brocq | 302,325 | - |

**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 |
| Karl Redenbach | 4 | 4 | - | - | - | - |
| Peter Nguyen-Brown | 4 | 4 | - | - | 2 | 2 |
| Dr Marc Stigter | 4 | 4 | 3 | 3 | - | - |
| Jesse Todd | 4 | 4 | 3 | 3 | 2 | 2 |
| Fiona Le Brocq[1] | 3 | 3 | 3 | 3 | 2 | 2 |

Notes:
1. Fiona Le Brocq resigned as Non-Executive Director on 1 June 2022

**Committees and membership**

During the year, the Company had the following committees:
- Audit and Risk Committee; and
- Remuneration Committee.

The Remuneration Committee was in place from 1 July 2021 for the entire FY22; the Remuneration Committee consisted of the following Board Members through the period:

| | |
|---|---|
| Peter Nguyen-Brown | 1 July 2021 – 30 June 2022 |
| Marc Stigter | 1 July 2021 – 30 June 2022 |
| Fiona Le Brocq (Chair) | 1 July 2021 –1 June 2022 |
| Jesse Todd | 1 July 2021 – 30 June 2022 |

**Committees and membership (continued)**

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

| Audit and Risk Committee | Remuneration Committee |
|---|---|
| Jesse Todd (Chair) | Fiona Le Brocq (Chair) (resigned 1 June 2022) |
| Fiona Le Brocq (resigned 1 June 2022) | Jesse Todd |
| Dr Marc Stigter | Dr Marc Stigter |
| | Peter Nguyen-Brown |

Jesse Todd was appointed chair of the remuneration committee on 1 July 2022.

**Information on Company Secretary**

David Hwang has held the position as Company Secretary of the Company since 7 April 2021. Prior to that, Andrew Whitten held the position as Company Secretary of the Company since 28 April 2015.

David is a Principal of Automic Legal and Chief Compliance Officer of Automic Group. He is an experienced executive, corporate lawyer and company secretary specialising in listings on ASX (IPOs and reverse listings), equity capital markets and providing advice on corporate governance and compliance issues. David currently serves as outsourced company secretary and non-executive director to a number of ASX listed entities. David holds a Bachelor of Laws from UNSW.

David resigned as company secretary on 12 August 2022 and was relaced by Elizabeth Spooner, a Company Secretary who also works at Automic Group. Refer to ASX announcement dated 12 August 2022.

**Principal activities**

The Group's principal continuing activities during the year was being a Software as a Service (SaaS) provider, specialising in the development and sale of Employee Experience software via cloud-based platform offerings. LiveTiles is a global leader in the Employee Experience workplace software market, creating and delivering solutions that drives engaged employee communication and collaboration in the modern workplace. LiveTiles has over 1,000 enterprise customers representing a diverse range of sectors across North America, Europe and Asia Pacific.

**Operating and Financial review**

Certain financial information in the review of business operations below referencing Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been derived from the financial statements. The Annual Recurring Revenue (ARR[1]), EBITDA and Underlying EBITDA positions are non-IFRS financial information used by Directors and Management to assess the underlying performance of the business and as such have not been reviewed in accordance with Australian Auditing Standards.

During the year ended 30 June 2022, LiveTiles achieved another year of strong growth across its key business metrics of ARR, Revenues, EBITDA and Cash.

- **EBITDA improved by +131% to $5.1m** (2021: $(16.2)m). On an Underlying EBITDA basis, there was a +362% improvement year over year to $2.97m.
- **Operating Revenues grew +17% to $52.8m** (2021: $44.98m)
- **ARR[1] grew +4% to $65.6m** (2021: $62.8m), comprising 1,087 customers (2021: 1,078). On a constant currency basis when compared with 30 June 2021 FX rates, ARR grew 4% to $65.0m as at 30 June 2022.
- **Receipts from customers grew +10% to $56.7m** (2021: $51.9m).
- **Net Operating Cash Flows improved +93% to $(0.9)m** (2021: $(12.3)m), leaving **cash balance at 30 June 2022 at $13.2m** (2021: $16.8m).

1. LiveTiles defines ARR as revenue, normalised on an annual basis at the reporting end date, that LiveTiles has a reasonable expectation it will continue to receive from its customers for providing them with products and services. This definition includes committed recurring subscriptions for products and services, and includes service types where there is a demonstrable track record of repeat revenues such as support. It excludes revenue deemed unlikely to be recurring in nature.

## COMMENTARY ON THE RESULTS FOR THE YEAR

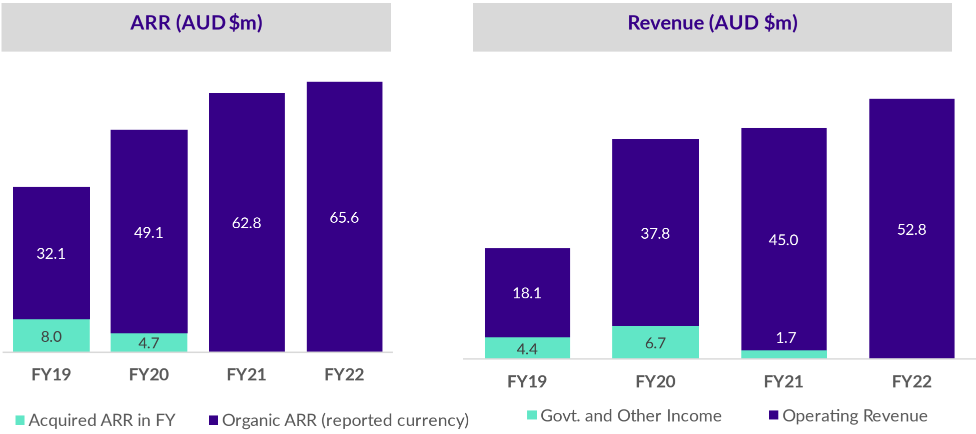
The table below summarises the Group's statement of profit or loss and other comprehensive income for the year, as well as the EBITDA and Underlying EBITDA positions, which are used as key management reporting metrics.

| | Notes | Jun-22 ($000s) | Jun-21 ($000s) | Movement |
|---|---|---|---|---|
| Software subscription revenue | | 42,575 | 34,403 | 24 % |
| Software related services revenue | | 9,349 | 10,574 | (12)% |
| EX services revenue | | 906 | - | 100 % |
| **Total operating revenue** | | **52,830** | **44,977** | **17%** |
| Other income | | 400 | 1,745 | (77)% |
| **Total Revenue** | | **53,230** | **46,722** | **14%** |
| Cost of revenues | | (12,191) | (12,155) | (0)% |
| **Gross Profit** | (a) | **40,638** | **32,822** | **24%** |
| *Gross Profit Margin* | | *76.9%* | *73.0%* | *39 pp* |
| Product research and development | (b) | (12,486) | (12,158) | (3)% |
| Sales and marketing | | (14,031) | (15,399) | 9 % |
| General and administration | | (12,470) | (13,856) | 10 % |
| **Total operating expenses** | | **(38,987)** | **(41,413)** | **6 %** |
| One off costs | (c) | - | (14,030) | - |
| Depreciation and amortisation | | (4,112) | (5,950) | 31 % |
| Change in fair value of CYCL earn out | (c) | 3,977 | - | - |
| Human Link acquisition earn out expenses | (d) | (1,013) | - | - |
| Other non cash expenses | (e) | (839) | (2,737) | 69 % |
| **Net Operating Profit / (Loss)** | | **64** | **(29,563)** | **100%** |
| **EBITDA** | | **5,095** | **(16,206)** | **131%** |
| *EBITDA Margin* | | *9.6 %* | *(36.3)%* | *459 pp* |
| **Underlying EBITDA** | (f) | **2,970** | **(1,134)** | **362%** |
| *Underlying EBITDA Margin* | | *5.6 %* | *(2.8)%* | *84 pp* |
| **Net Profit / (Loss) after tax** | | **(818)** | **(30,141)** | **97%** |

Notes
(a) Gross Profit excludes Other Income.
(b) Includes amortisation of capitalised software development costs of $614k during the period.
(c) Prior period relates to litigation and redundancy costs. Current period relates to the fair value movement in contingent consideration, due to the decrease in the value of expected payment to the sellers of CYCL AG under the earn out arrangement of the acquisition contract.
(d) Relates to professional fees incurred and share based payment expenses & employee benefits payments expenses accrued during the period with respect to payments owed to Human Link sellers under earn out arrangement of the acquisition contract, see Note 26.
(e) Non-cash expense items include $0.3m unrealised foreign currency movements, $0.5m share based payments expenses, excluding those related to Human Link acquisition which are included per (d).
(f) Underlying EBITDA excludes non-cash expenses (e) and one-off non-recurring items (c)(d).

## Financial Year 2022 Highlights

### ARR and Revenues




During the year, LiveTiles successfully grew its Operating Revenues (Subscription and Services related to software revenues) by +17% in FY22 when compared to FY21. This growth highlights the strength of the LiveTiles product offering across the Employee Experience market. The results were driven by the Company's strong subscription revenue performance at 24% compared to the prior corresponding period, driven from sales in both direct and indirect channels with key partners, as well as the evolving sales motion of cross-selling LiveTiles products and upselling into existing customers. Services revenue declined 12% compared to FY21 with less professional service requirements with a drop in complex intranet deployments in the period.

For the 12 months to 30 June 2022, total revenue and other income was $53.2m (2021: $46.7m), including subscription revenue of $42.6m (2021: $34.4m), Software related services revenue of $9.3m (2021: $10.6m) and EX services revenue of $0.9m (2021 $0m) and other revenue $0.4m (2021: $1.7m). In addition, unearned revenue (a balance within the Statement of Financial Position) was $13.2m (2021: $13.5m); a result of invoicing customers their full fees in advance of their subscription period, a feature of Software as a Service (SaaS) business models.

ARR grew by +4% to $65.6m as at 30 June 2022 (2021: $62.8m) comprising 1,087 paying customers (2021: 1,078) with an average ARR per customer of $60.4k. On a constant currency basis, ARR was $65.0m. Net ARR $ Retention[2] through the 12-month period was 91%.

During the past 12-18 months LiveTiles, its customers and partners have continued to experienced various challenges from the impact of the COVID-19 pandemic and more recent economic environment challenges. This is highlighted through the variance between the Company's reported Annual Recurring Revenue (ARR) of $62.8m disclosed in the FY21 annual report and the FY22 operating revenues of $52.8m which have been realised.

LiveTiles defines ARR as revenue, normalised on an annual basis, that LiveTiles has a reasonable expectation it will continue to receive from its customers for providing them with products and services. This definition includes committed recurring subscriptions for products and services, and includes service types where there is a demonstrable track record of repeat revenues such as support. It excludes revenue deemed unlikely to be recurring in nature.

The variance in reported ARR in FY21 to FY22 operating revenue has arisen as a result of the following:

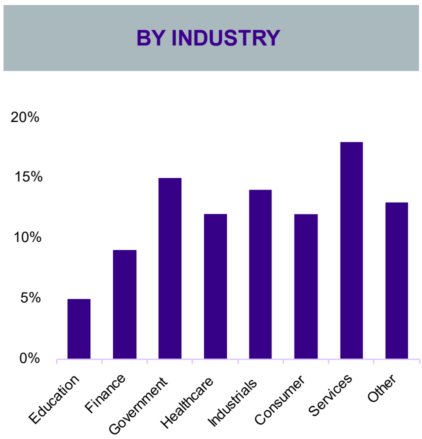
- Alliance Partnerships. These contracted partnerships provide channels for the re-sale and use of LiveTiles and alliance partner products to the partner's end-customers each year. During the FY22 period there were existing contracted partnership arrangements which contributed to the ARR from prior periods that had approx. $5.5m which did not convert into revenue throughout FY22. This was due to the lack of sales by Partners to their end-users and uncertainty on any potential billing and collection efforts on the Partner itself.
- Customers pending contract renewal: a number of customers have provided notice of termination, or have contracts which do not automatically renew, where ongoing renewal discussions are being held between the parties the value of the renewal contract has been retained in the calculation of ARR, this has contributed approx. $2.3m of the ARR and Revenue variance across both partner and customer channels

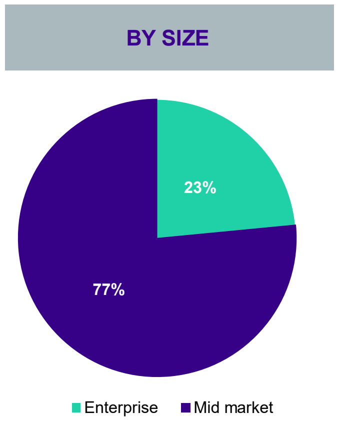
[2] Net Retention is ARR expansion from existing customers less any down sells or cancellations in the period / ARR at the beginning of the period

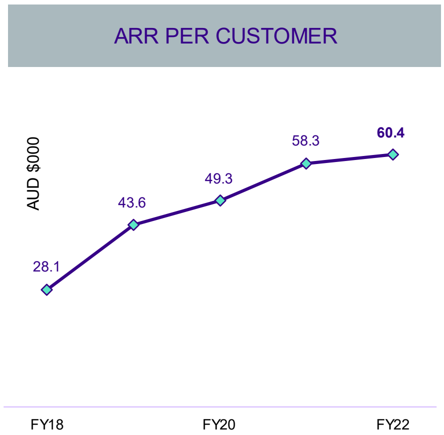
## ARR and Revenues (continued)

- Adverse FX movements: over the past 12 months throughout COVID-19 the global markets have been exposed to large currency fluctuations and with the majority of LiveTiles revenues coming from outside Australia, the company has been impacted with adverse FX rate movements when converting signed contracts to AUD, with an adverse impact of approximately $1.1m.
- Partner Margin: a cohort of partners acquired through the Group acquisitions historically had their gross contracted amounts reported in ARR, whilst accounting revenue was reported as net of partner discount margins, this has contributed approx. $1.1m of the ARR and Revenue variance.

## Customers




As a leader in the EX market, LiveTiles continues to broaden its global base of enterprise customers. The ongoing development of the Company's products and EX program capabilities coupled with the five acquisitions made this financial year has strengthened the Company's offering.

During the year, Average ARR per Customer over the year grew +4% to $60.4k (2021: $58.3k), on a constant currency basis, average ARR per Customer was $59.8k. This reflects the shift in focus towards a greater mix of our customer base towards larger Mid-market and Enterprise customers with 23% of customers now considered Enterprise.

Operationally, during the year the Company completed its largest customer deployment project, with the solution successfully deployed and now live across the customers business. Other key customer projects delivered include 10,000 users across a Catholic schools network which went live on the LiveTiles intranet providing capability to drive personalised content and integration capabilities with ServiceNow a core business system for the network. LiveTiles Reach was successfully deployed into a large Australian Hospitality business with +160 venues to service its frontline hospitality workforce using their personal email or phone number to access communications and content.

## Operating Expenses and EBITDA Performance

### Product Research and Development

| AUD $000s | | Jun-22 | Jun-21 | Movement |
|---|---|---|---|---|
| Product research and development | | (12,486) | (12,158) | 3 % |
| *% of Total Revenue* | | *23.5%* | *26.0%* | *(26 pp)* |

R&D spend for the period, including amortisation of capitalised development costs, increased as a result of the continued investments with third party R&D partners that commenced in FY21 and outlined as a key initiative within the company's Strategic focuses. During the period there were also external parties involved in development effort required for customer deliverables, not previously used. With the launch of the integrated product solutions at the start of the period, being mobile and desktop, it was determined that the capitalised software development costs had a useful life of three years (2021: one year). In the 12 months to 30 June 2022, $3.9m of software development costs were capitalised, of which $0.6m was amortised during the period and reported in the above Product and R&D costs, refer to Note 14 of the financial statements for more details.

### Sales and Marketing

| AUD $000s | | Jun-22 | Jun-21 | Movement |
|---|---|---|---|---|
| Sales and Marketing | | (14,031) | (15,399) | (9)% |
| *% of Total Revenue* | | *26.6%* | *34.2%* | *(77 pp)* |

Sales & Marketing improved by +9% with $1.4m savings. A contributing factor to this improvement was driven from a reduction in the go-to-market team headcount post the Company's July 2021 restructure, offset by extra investment in Marketing initiatives and events.

### General and Administration

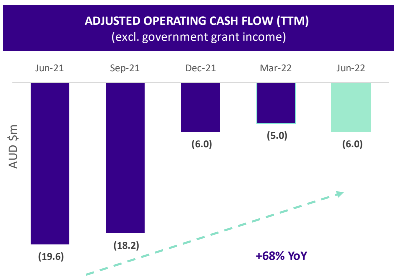
| AUD $000s | | Jun-22 | Jun-21 | Movement |
|---|---|---|---|---|
| General and Administration | | (12,470) | (13,856) | (10)% |
| *% of Total Revenue* | | *23.4%* | *29.7%* | *(62 pp)* |

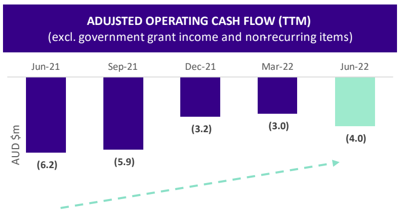
General & administration improved by 10% and $1.4m compared to 2021. Savings were realised through a reduction in headcount from the Company's July 2021 restructure, a continued reduction in office locations and lease costs and a focused effort to consolidate variable overhead spend (e.g. IT and subscription costs).

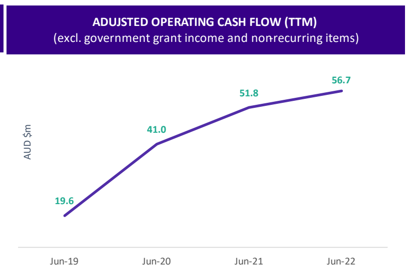
### Other Items

- A **$3.97m change in fair value of CYCL earn out,** this movement represents a change in preliminary estimate of the amounts due under the purchase terms, if all earn out conditions are satisfied. The determination of whether conditions for payment were satisfied and the final calculation will be determined in future reporting periods.
- **$1m in costs associated with Human Link acquisition**, including $0.1m in professional fees, $0.45m in share based payment expenses and $0.45m in employee benefits expense related to the earn out arrangements of the purchase acquisition, these payments will fall due for payment in January 2023 and January 2024.
- **Non-cash expense $0.8m** items including $0.5m expense relating to employee share plan, excluding share based payments related to the Human Link acquisition earn out arrangements and $0.3m of unrealised foreign currency loss movement

**Cash Flows**




**Customer Receipts of $56.75m** for the Group in financial year 2022 was a record and saw 10% increase on the prior year and a 43% 3 year CAGR.

**Cash Flows:** Net Operating Cash Flows on a Trailing Twelve Month (TTM) basis of $(0.9)m, improved +93%, compared to FY21. It is noted that this result was stated differently in the Appendix 4C, for the period ending 30 June 2022, due to the classification of payments for salary and wage developments costs as investing activities ($3.9m) and repayment of lease liability as financing activities ($1.1m) in the Consolidated Statement of Cash Flows. Adjusted operating cash flows for the trailing twelve months were $(6.0m), representing a 68% improvement year on year. The net operating cash flow improvement was off the back of growing customer receipts, improved cost management practices and better operating leverage.

**Debt Facility:** The Company announced on 27 September 2021 that it secured a 3.5 year, $10.0m secured loan facility with OneVentures to assist with future investment strategies, deliver on new product developments and support ongoing working capital needs. As at 30 June 2022, $6.0m of the facility had been drawn down.

**Cash and cash equivalents $13.2m** as at 30 June 2022, with additional $4.0m available to draw from the OneVentures debt facility, **providing a total available cash of $17.2m.**

## Significant activities during the financial year

### Strategic EX Investments and expanding EX capabilities

As LiveTiles moves towards becoming a global leader in the Employee Experience (EX) market as part of its renewed strategy, the Company made the following investments during the financial year. These investments are facilitating the acceleration of the Company's EX offering::

- **The Human Link** a leading EX business that works with many of Australia's largest blue-chip organisations and is a leading provider of EX programs. The integration of this acquisition was completed successfully during the final quarter of the financial year with the operations, employment teams and the EX programs now embedded within the wider LiveTiles global business and its go- to-market offerings. Since acquisition, the Human Link team successfully expanded its team and operations into the US market and generated $0.9M in customer billings and positive operating cash flow. LiveTiles acquired 100% of issued capital in the Human Link Group for an upfront consideration of AUD$0.5m in cash, $0.25m of which remains payable and 4.45m LVT shares (valued at AUD$0.5m) and a founders performance based earn-out incentive scheme, capped at $3m over two years, targeting revenue and margin performance.
- **BindTuning** a Portugal based, leading Digital Workplace software company which builds technology to transform intranets into a modern and collaborative, intelligent digital workplace to improve employee experience. Since the investment, there has been integration of BlindTuning's work practises across European teams and the integration has been supporting the process of establishing LiveTiles' Portuguese development team. BindTuning has won a major deal with a large US school system. The investment was made in December with LiveTiles acquiring 100% of BindTuning over a 24 month period with an initial payment of USD$540k (50:50 cash and LVT stock) for a 19.99% stake. LiveTiles will purchase the remaining 80.01% equity after certain milestones are met, per Note 13.

**Strategic EX Investments and expanding EX capabilities (continued)**

- **My Net Zero** a leading carbon reduction and climate change platform. The My Net Zero platform leverages LiveTiles' Reach Technology "Reach Zero" providing organisations and employees a global platform to help tackle Scope 4 emissions. Reach Zero provides employees an ability to build out and commit to a net-zero pledge, capture data about the net zero plans and choices to help manage, whilst also creating a communication and collaboration tool for users to receive progress dashboards and engage and receive advice from other users on how to progress their net-zero journey. LiveTiles signed a strategic partnership in December 2021 and took a 19.97% minority investment for AUD$985k.
- **BrainPac** a leading Australian based Cognitive AI development company. The business is developing a tool that assesses and provides rich insights into cognitive performance, mental health, psychological traits, and engagement in human behaviour. LiveTiles took a 19.9% minority investment for AUD$900k
- **Hide & Seek** is a Canberra based digital design and consulting business. The investment, along with a key sales and reseller partnership, strategically positions LiveTiles with a footprint in the Canberra market alongside Hide & Seek, who is a trusted advisor to many Government departments and agencies. The Company took a minority 10% stake for AUD$250k.

**Cost saving initiatives and synergies creating efficiencies for scale**

Following the company wide strategic review, there was a focus on operational efficiencies across the entire business during the year, particularly in marketing and engineering which will expand to other departments in FY 2023.

LiveTiles expanded into low-cost jurisdiction Portugal to increase its engineering capacity and focus on bringing core capabilities into the platform. The consolidation of the company's engineering teams following the LiveTiles recent acquisitions, has allowed better support and has released velocity across the Company's product suite. The new product structure separates out Platform, Engineering and Product Management to provide better governance and accountability, while also providing a structure that supports scale.

The Company has realised marketing and operational efficiencies by expanding to the Philippines to support back office and scale operations. LiveTiles revised its regional operating model after a reduction in headcount in FY 2021, to allow for greater accountability and ownership of growth targets and cost saving exercises.

**The Employee Experience (EX) Academy launch**

LiveTiles officially launched the EX Academy in the final quarter of 2022, providing access to events with EX experts, on-demand virtual learning and insights from academic research and industry case studies, live thought leadership workshops, secret events, focus groups and exclusive events for members. The EX Academy is an integral part of LiveTiles becoming recognised as the world leader in EX, whilst also providing a new lead-generation engine for the Company.

**App strategy evolution**

As part of the Company's renewed go-to-market strategy, LiveTiles completed the Employee App Strategy engagement to define its next evolution, with Engineering commencing the first sprints. The product developed will focus on features desired by enterprise buyers, thus further increasing enterprise customer base. LiveTiles continued to see growth of its Employee App in organisations that have complex work structures and diverse roles, especially those with frontline workers who may not have access to a PC at work.

The Company has seen particular interest in MNZ + Employee App into large organisations with sustainability initiatives, with the Employee App Product supporting the communication needs for such initiatives.

**Microsoft relationship**

Microsoft and LiveTiles continue to strengthen their partnership across the globe. In addition to Microsoft being a source of LiveTiles leads for large enterprises that are high value and complex in nature, Microsoft is also a customer of LiveTiles leveraging the LiveTiles Reach platform as a marketplace for their suppliers in the APAC region.

**Marketing**

During the first half of the year, LiveTiles hosted its largest ever customer marketing event, running a virtual global Employee Experience event with Simon Sinek and attracting over 4,300 global attendees. During the campaign, there were approx. 20,000 event website visits to view the EX Thought Leadership materials, with the global sales team accessing over 500 qualified leads across EMEA, APAC and USA – many of these are now active pursuits in the current sales pipeline.

Towards the back end of FY22 the Company was pleased to see physical events returning, which have always been a core part of demand generation for Product & Programs.

The LiveTiles branding underwent a re-launch during the period, including a redesign of the LiveTiles website, and a dedicated LiveTiles Reach website (reach.livetilesglobal.com).

**Significant events since the end of the financial year**

On 5 September 2022, the Extraordinary General Meeting of shareholders was held, to vote on the resolution for the removal of the Company from the ASX Official List. 57.36% of votes cast were against the resolution and therefore the motion did not pass.

On 21 September 2022, it was announced that Peter Nguyen-Brown will be finishing his roles as CXO and Executive Director in October 2022.

On the 27 September 2022, the Company drew the available second tranche of the One Ventures facility, comprising $2.4m loan and $1.6m convertible notes. Refer to Note 20.

**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 18,111,550 options on issue (2021: 18,111,550). Refer to note 27(b) 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.

**Outlook and likely developments**

The Group has decided not to provide guidance in respect to 2023 financial year at this time, other than to reiterate its continued focus on disciplined cost management strategies, to continue to reduce its cash burn towards breakeven and look for opportunities to invest in further strategic growth initiatives. The Directors continue to expect the business to remain focused on execution of its Strategic Goals, whilst continuing to deliver a growing sales pipeline to achieve another strong revenue growth half, as demonstrated this period, as employers recognise a need for improved Employee Experience offering in a post pandemic work environment.

**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 2022 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 Audit Pty Ltd, has not been indemnified under any circumstance.

**Non-audit services**

Details of the amounts paid or payable to the Company's auditors for non-audit services provided during the financial year are outlined in Note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditors (or by another person or firm on the auditors' behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 6 to the financial statements do not compromise the external auditors' independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**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 22.

## 1. Introduction

This Remuneration Report for the year ended 30 June 2022 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 2022. 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 |
| Jarrod Magee | Chief Financial Officer |
| **Non-Executive Directors** | |
| Dr Marc Stigter | Non-Executive Chair |
| Jesse Todd | Non-Executive Director |
| Fiona Le Brocq | Non-Executive Director (resigned 1 June 2022) |

[1]Jarrod Magee resigned on the 29th July 2022.

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 was in place from 1 July 2021 for the entire FY22; the Remuneration Committee consisted of the following Board Members through the period:

| | |
|---|---|
| Peter Nguyen-Brown | 1 July 2021 – 30 June 2022 |
| Marc Stigter | 1 July 2021 – 30 June 2022 |
| Fiona Le Brocq (Chair) | 1 July 2021 –1 June 2022 |
| Jesse Todd | 1 July 2021 – 30 June 2022 |

Jesse Todd was appointed chair of the Remuneration Committee on 1 July 2022.

The Remuneration Committee is responsible for reviewing and approving remuneration arrangements for the executive directors and reviewing remuneration arrangements for executives reporting to the CEO. Executive directors are not present during board meetings when their remuneration arrangements are reviewed by the non-executive directors.

The Remuneration Committee also reviews the remuneration arrangements for the non-executive directors of the Board, including fees, travel and other benefits.

Non-director members, including members of management, may attend all or part of Remuneration Committee meetings.

Further information on Remuneration can be seen in the Corporate Governance Statement on the Company's website at www.livetilesglobal.com/company/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 or shares. | 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 structured 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. As the Group's strategy is focused on investing in growth to drive recurring revenues and set up for future profitability, it has not been appropriate, to date, 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 2022 | 30 June 2021 | 30 June 2020 | 30 June 2019 | 30 June 2018 |
|---|---|---|---|---|---|
| Annualised Recurring Revenue | $65.6m | $62.8m | $53.8m | $40.1m | $15.0m |
| Cash balance | $13.1m | $16.8m | $37.8m | $14.9m | $17.8m |
| Share price | $0.04 | $0.15 | $0.23 | $0.44 | $0.48 |
| Loss before income tax expense and non-recurring and non-cash items | $0.1m | $(9.8)m | $(21.3)m | $(34.2)m | $(20.8)m |
| Dividends | Nil | nil | nil | nil | nil |

The Group's key financial measure of performance over the longer term includes the increase in annualised recurring revenue which has increased to $65.6 million at 30 June 2022 from $62.8 million at 30 June 2021. 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** | $977,160 | Statutory minimum | Discretionary cash bonus capped at 100% of base salary, subject to meeting ARR and other performance targets. | 6 months |
| **Peter Nguyen-Brown, CXO and Executive Director** | $700,000 | Statutory minimum | Discretionary cash bonus capped at 100% of base salary, subject to meeting ARR and other performance targets. | 6 months |
| **Jarrod Magee, CFO** | $300,000 | Statutory minimum | Discretionary cash bonus capped at 30% of base salary, subject to meeting performance targets. | 3 months |

Section 5 of the Remuneration Report outlines the voluntary reduction in Executive Director remuneration in the 2022 financial year. This includes reduction in fixed remuneration (Base Salary) for Executive Directors by non-payment of one month's salary as well as the election to forgo the STI (Bonus) by Executive Directors.

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

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

## 5. Executive remuneration details

In 2019, the Board implemented the outcomes of an independent review of the Company's executive director remuneration. Details of the remuneration paid to KMP executives for the year are set out below.

*Fixed remuneration*

In the 2022 financial year, Executive Directors base salary was reduced by non-payment of one month's salary, representing a decrease of 8.3% for the period.

*Short-Term Incentive (STI)*

Targets for Executive Director STI for financial year 2022 related to ARR and revenue growth, balancing the operating investments that drive growth with disciplined cash efficiencies as stated above and other qualitative metrics aligned to strategy. The cash measures have been adopted in light of recent macro-environment pressures and a view by the Board to drive disciplined cost initiatives. For financial year 2022, the Group achieved +4% ARR growth and realised a +68% improvement in its Adjusted Net Operating Cash Flow on a trailing 12-month basis. The Company also achieved its maiden profit with underlying EBITDA of $3.0m, an improvement of 362% (2021: $(1.1m)). The Remuneration Committee assessed the Executive Directors to have achieved their financial year 2022 STI targets. However, the Executive Directors offered to forego their financial year 2022 STI considering the current macro environment and that it is ultimately in the best interests of the Company and shareholders to do so, reducing their total earnable income by 50% in the process. This is in addition to the Executive Directors foregoing financial year 2021 STI despite achieving targets, also reducing their total earnable income by 50% in that year.

*Long-Term Incentive (LTI)*

No Executive Directors were awarded LTI. In financial year 2022 the CEO and CXO, respectively, remain the single largest shareholders in the Group, providing strong alignment with shareholder interests.

*Summary*

- Fixed remuneration for Executive Directors decreased by non-payment of one month's salary in financial year 2022, representing a decrease of 8.3% for the period.
- Financial year 2022 STIs for Executive Directors voluntary foregone, a reduction of 50% on total earnable income.
- (STIs for Executive Directors in financial year 2021 also voluntary foregone).
- Cash payments to Executive Directors down approximately 40% compared to financial year 2019 when independent review concluded.
- No LTIs awarded to Executive Directors in financial year 2022.

## 5. Executive remuneration details (continued)

| | Financial year | Salary and fees $ | STI bonus $ | Annual leave and long service leave entitlements $ | Post-employment benefits $ | Share based payments[1] $ | Total $ | Performance related % |
|---|---|---|---|---|---|---|---|---|
| **Karl Redenbach** | **2022** | **895,730** | **-** | **36,372** | **21,604** | **-** | **953,706** | **0%** |
| | **2021** | **993,554** | **-** | **-** | **7,231** | **-** | **1,000,785** | **0%** |
| **Peter Nguyen-Brown** | **2022** | **641,667** | **-** | **76,914** | **21,604** | **-** | **740,185** | **0%** |
| | **2021** | **700,000** | **-** | **111,934** | **21,694** | **-** | **833,628** | **0%** |
| **Jarrod Magee** | **2022** | **300,000** | **-** | **8,686** | **23,568** | **18,297** | **350,551** | **5%** |
| | **2021** | **214,773** | **35,000** | **13,150** | **15,866** | **46,172** | **324,961** | **25%** |
| **Rowan Wilkie[2]** | **2022** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | **2021** | **109,375** | **153,875** | **6,001** | **6,327** | **11,075** | **286,653** | **58%** |
| **Total** | **2022** | **1,837,397** | **-** | **121,972** | **66,776** | **18,297** | **2,044,442** | **1%** |
| | **2021** | **2,017,702** | **188,875** | **131,085** | **51,118** | **57,247** | **2,446,027** | **10%** |

1. Represents shares issued under the Management Incentive Plan and options under the Long Term Incentive Plan (as detailed in Section 7 of the Remuneration Report and Note 27 of the financial statements), and shares issued in lieu of cash STI.
2. Mr Wilkie ceased being a KMP on 14 October 2020 therefore the table reflects remuneration up to that date.

## 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 director letters of appointment are in place with Marc Stigter, Jesse Todd and Fiona Le Brocq.

For the period from 1 July 2021 to 30 June 2022, Dr Stigter was entitled to remuneration of $165,000 per annum (including superannuation, if applicable).

For the period from 1 July 2021 to 30 June 2022, Mr Todd was entitled to remuneration of $110,000 per annum (including superannuation, if applicable).

For the period from 1 July 2021 to 1 June 2022, Ms Le Brocq was entitled to remuneration of $110,000 per annum (including superannuation, if applicable). Ms Le Brocq resigned as Non-Executive Director on 1 June 2022.

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 | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | $ |
| Dr Marc Stigter[1] | 2022 | 165,000 | - | - | - | - | - | 165,000 |
| | 2021 | 131,875 | - | - | - | - | - | 131,875 |
| Jesse Todd[2] | 2022 | 110,000 | - | - | - | - | - | 110,000 |
| | 2021 | 23,333 | - | - | - | - | - | 23,333 |
| Fiona Le Brocq[3] | 2022 | 89,642 | - | - | 8,964 | - | - | 98,606 |
| | 2021 | 23,333 | - | - | 2,216 | - | - | 25,549 |
| Andrew McKeon[4] | 2022 | - | - | - | - | - | - | - |
| | 2021 | 87,083 | - | - | - | - | - | 87,083 |
| David Lemphers[5] | 2022 | - | - | - | - | - | - | - |
| | 2021 | 20,076 | - | - | - | - | - | 20,076 |
| Dana Rasmussen[6] | 2022 | - | - | - | - | - | - | - |
| | 2021 | 87,083 | - | - | - | - | - | 87,083 |
| Total | 2022 | 364,642 | - | - | 8,964 | - | - | 373,606 |
| | 2021 | 372,783 | - | - | 2,216 | - | - | 375,000 |

1. Dr Marc Stigter was appointed as Non-Executive Chair on 11 September 2020.
2. Jesse Todd was appointed as Non-Executive Director on 15 April 2021.
3. Fiona Le Brocq was appointed as Non-Executive Director on 15 April 2021 and resigned as Non-Executive Director on 1 June 2022.
4. Andrew McKeon resigned as Non-Executive Director on 15 April 2021.
5. David Lemphers resigned as Non-Executive Director on 11 September 2020.
6. Dana Rasmussen resigned as Non-Executive Director on 15 April 2021.

## 7. Equity instruments held by key management personnel

*Long Term Incentive Plan*

The purpose of the Long Term Incentive Plan (LTIP) is to assist in the reward, retention and motivation of eligible management and employees and to align the interests of these persons more closely with the interests of the Company’s shareholders. Options issued under the LTIP to key management personnel have been structured such that KMPs are remunerated only when the Company’s share price exceeds the vesting price.

No options have been issued to key management personnel under the LTIP during the period.

*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. Shares issued under the MIP to executives who are key management personnel have been structured such that executives are remunerated only when the Company’s share price exceeds the vesting price.

The issue price of shares issued under the MIP is funded by a non-recourse interest free loan from the Company. The issue price and loan value is set with reference to the closing share price on the date prior to issue. 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 by the relevant executive.

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:

| | No. of shares | Date issued | Vesting date | Expiry date | Vesting price | Fair value[1] |
|---|---|---|---|---|---|---|
| Tranche A | 15,000,000 | 25/08/2015 | 24/08/2017 | 24/08/2024 | $0.25 | $0.06 |
| Tranche B | 10,000,000 | 25/08/2015 | 24/08/2018 | 24/08/2024 | $0.35 | $0.06 |
| Tranche C | 10,000,000 | 25/08/2015 | 24/08/2019 | 24/08/2024 | $0.45 | $0.06 |
| Tranche M | 266,667 | 06/05/2019 | 05/05/2020 | 06/05/2025 | $0.57 | $0.17 |
| Tranche N | 266,667 | 06/05/2019 | 05/05/2021 | 06/05/2025 | $0.57 | $0.17 |
| Tranche O | 266,667 | 06/05/2019 | 05/05/2022 | 06/05/2025 | $0.57 | $0.17 |
| Tranche S | 100,000 | 15/01/2021 | 15/10/2021 | 15/01/2027 | $0.23 | $0.09 |
| Tranche T | 100,000 | 15/01/2021 | 15/10/2022 | 15/01/2027 | $0.23 | $0.09 |
| Tranche U | 100,000 | 15/01/2021 | 15/10/2023 | 15/01/2027 | $0.23 | $0.09 |
| Tranche V | 467,000 | 01/03/2021 | 01/03/2022 | 01/03/2027 | $0.25 | $0.10 |
| Tranche W | 467,000 | 01/03/2021 | 01/03/2023 | 01/03/2027 | $0.25 | $0.10 |
| Tranche X | 466,000 | 01/03/2021 | 01/03/2024 | 01/03/2027 | $0.25 | $0.10 |

[1] Fair value per share at grant date

Note: under a takeover scenario, the legal framework for both options and MIPS allows for Board discretion to disallow or allow unvested securities to vest.

*Shareholdings of Key Management Personnel (KMP)*

The table below outlines the ordinary shares held by KMP (excluding shares held under the MIP).

| | Balance at 1 July 2021 | Granted as remuneration | Options exercised | Net change other | Balance at 30 June 2022 |
|---|---|---|---|---|---|
| **Senior Executives** | | | | | |
| Karl Redenbach[1] | 71,482,547 | - | - | - | 71,482,547 |
| Peter Nguyen-Brown[1] | 71,482,547 | - | - | - | 71,482,547 |
| Jarrod Magee | - | - | - | - | - |
| **Non-executive directors** | | | | | |
| Marc Stigter | 118,105 | - | - | 287,040[1] | 405,145 |
| Jesse Todd | 175,900 | - | - | 557,777[1] | 733,677 |
| Fiona Le Brocq | - | - | - | 302,325[1] | 302,325 |

[1]As per ASX disclosure, Appendix 3Y, dated 4th January 2022

The following table represents shares issued to key management personnel under the Management Incentive Plan, as approved by the Company's shareholders on 30 November 2020 (as described in section 7 above).

| | Balance at 1 July 2021 | Issued during the year | Exercised during the year | Net change other | Balance at 30 June 2022 | Fair value at 30 June 2022 |
|---|---|---|---|---|---|---|
| **Senior Executives** | | | | | | |
| Karl Redenbach | 19,500,000 | - | - | - | 19,500,000 | $819,000 |
| Peter Nguyen-Brown | 6,750,000 | - | - | - | 6,750,000 | $283,500 |
| Jarrod Magee | 300,000 | - | - | - | 300,000 | $12,600 |
| **Non-executive directors** | | | | | | |
| Marc Stigter | - | - | - | - | - | - |
| Jesse Todd | - | - | - | - | - | - |
| Fiona Le Brocq | - | - | - | - | - | - |

*Loans to Key Management Personnel*

The following non-recourse loans have been provided by the Company to KMP under the MIP (as approved by shareholders at a general meeting on 30 November 2020). The non-recourse loans are interest-free and the proceeds are used to subscribe for shares in the Company under the MIP. The non-recourse loans are treated as off-balance sheet due to the inherent uncertainty that they will crystallise. Under the terms of the MIP, there is no obligation to settle the loan, which is dependent on the satisfaction of the vesting conditions and the recipient's option to exercise. The shares remain restricted until funds are received in settlement of the prescribed loan balance, providing the Company security over the receivable.

| | Balance at 1 July 2021 | Loans issued | Loans repaid | Net change other | Balance at 30 June 2022 |
|---|---|---|---|---|---|
| **Senior Executives** | | | | | |
| Karl Redenbach | $2,925,000 | - | - | - | $2,925,000 |
| Peter Nguyen-Brown | $1,012,500 | - | - | - | $1,012,500 |
| Jarrod Magee | $51,000 | - | - | - | $51,000 |
| **Non-executive directors** | | | | | |
| Marc Stigter | - | - | - | - | - |
| Jesse Todd | - | - | - | - | - |
| Fiona Le Brocq | - | - | - | - | - |

The following loans have been provided to key management personnel by the Company.

| | Balance at 1 July 2021 | Loans increase | Interest accrued | Loans repaid | Balance at 30 June 2022 |
|---|---|---|---|---|---|
| **Senior Executives** | | | | | |
| Karl Redenbach | $582,987 | - | $87,448 | - | $670,435 |
| Peter Nguyen-Brown | $582,987 | - | $87,448 | - | $670,435 |
| Jarrod Magee | - | - | - | - | - |
| **Non-executive directors** | | | | | |
| Marc Stigter | - | - | - | - | - |
| Jesse Todd | - | - | - | - | - |
| Fiona Le Brocq | - | - | - | - | - |

The loans in the above table, first raised in April 2019, have been provided to the co-founders to assist with their defence of litigation brought against them, as advised to ASX on 1 June 2018. While the Group has engaged its own lawyers to represent the four Group entities named in the litigation, instructed by the independent non-executive directors, the loans above solely relate to legal advice sought by co-founders.

The loans have been provided at arm's length with a total capped amount of $475,000 per person (excluding accrued interest). Interest charged at 15% per annum and is capitalised annually, current capitalised balance equals $195,435 per person. There have been no write-downs of balances owed during the period. No provision is held in relation to the collection of these balances.

The loan is repayable, including interest, 180 days after the later of 1) the case is settled, 2) findings determined against the defendants or 3) receipt of cost assessors certificate but no later than 31 December 2022. The cost assessors certificate was received on 2 September 2022.

**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 30 November 2021, 39.33% percent of shareholders voted against the approval of the Company's FY21 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

**Signed**

Dr Marc Stigter
Date: 30 September 2022

Chairman
Melbourne

**Signed**

Karl Redenbach
Date: 30 September 2022

CEO and Executive Director
Melbourne

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**DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF LIVETILES LIMITED**

As lead auditor of LiveTiles Limited for the year ended 30 June 2022, 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.

**Martin Coyle**
**Director**

**BDO Audit Pty Ltd**

Sydney, 30 September 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Revenue | 3 | 52,829,539 | 44,976,600 |
| Other income | 3 | 400,481 | 1,745,588 |
| | | 53,230,020 | 46,722,188 |
| **Expenses** | | | |
| Employee benefits expense | 5 | (19,830,906) | (24,523,730) |
| Contractors | | (13,776,401) | (8,628,277) |
| Marketing expense | | (4,580,817) | (1,926,189) |
| Travel and entertainment expense | | (1,024,393) | (423,748) |
| Professional fees | | (2,369,408) | (2,168,657) |
| Rent and other office costs | | (1,447,475) | (1,540,402) |
| Information technology costs | | (2,671,674) | (3,411,363) |
| Other expenses | | (5,116,989) | (5,234,104) |
| Depreciation expense | | (1,087,494) | (1,157,735) |
| Amortisation charge of intangibles | 14 | (3,024,904) | (10,128,638) |
| Share based payments expense | 27 | (921,680) | (711,498) |
| Litigation costs | | - | (12,408,256) |
| Restructuring costs | | - | (1,621,780) |
| Unrealised currency loss | | (372,635) | (330,020) |
| Finance costs | | (918,649) | (2,069,475) |
| Fair value movement contingent consideration | | 3,976,929 | - |
| | | (53,166,496) | (76,283,872) |
| **Profit / (loss) before income tax** | | 63,524 | (29,561,684) |
| Income tax expense | 4 | (881,931) | (579,266) |
| **Net profit / (loss) for the year** | | (818,407) | (30,140,950) |
| **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 | | (637,469) | (3,480,916) |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Actuarial gain on remeasurement of defined benefit pension schemes, net of tax | | 4,334,109 | 883,720 |
| **Other comprehensive (loss) / income for the year** | | 3,696,640 | (2,597,196) |
| **Total comprehensive income / (loss) for the year** | | 2,878,233 | (32,738,146) |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **Earnings per share for loss attributable to the owners of LiveTiles Limited** | | | |
| Basic earnings per share (cents) | 8 | (0.09) | (3.45) |
| Diluted earnings per share (cents) | 8 | (0.09) | (3.45) |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 13,177,071 | 16,804,924 |
| Trade and other receivables | 9 | 8,139,446 | 8,589,999 |
| Other current assets | 10 | 2,127,579 | 1,749,806 |
| TOTAL CURRENT ASSETS | | 23,444,096 | 27,144,729 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 780,765 | 828,945 |
| Right-of-use assets | 11 | 2,083,704 | 2,504,394 |
| Intangible assets | 14 | 74,741,937 | 72,508,993 |
| Financial assets | 12 | 2,135,000 | - |
| Investments in associates | 13 | 6,567,019 | - |
| Other non-current assets | 10 | 292,283 | 251,956 |
| TOTAL NON-CURRENT ASSETS | | 86,600,708 | 76,094,288 |
| **TOTAL ASSETS** | | 110,044,804 | 103,239,017 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 8,088,797 | 7,863,233 |
| Income tax payable | 4 | 657,296 | 1,885,287 |
| Lease liabilities | 16 | 605,254 | 861,978 |
| Employee benefits provision | 18 | 2,442,300 | 2,924,288 |
| Provisions for business combinations | 19 | 7,111,201 | 10,822,951 |
| Borrowings | 20 | 502,393 | - |
| Other current liabilities | 17 | 13,996,707 | 14,274,368 |
| TOTAL CURRENT LIABILITIES | | 33,403,948 | 38,632,105 |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefits provision | 18 | 199,608 | 161,366 |
| Income tax payable | 4 | 871,251 | 541,798 |
| Deferred tax liability | 4 | 1,984,875 | 2,079,508 |
| Provisions for business combinations | 19 | 5,814,780 | - |
| Lease liabilities | 16 | 2,186,974 | 2,365,036 |
| Pension liabilities | 21 | 1,224,467 | 5,085,636 |
| Borrowings | 20 | 4,976,300 | 301,851 |
| Other non-current liabilities | 17 | 276,633 | 188,157 |
| TOTAL NON-CURRENT LIABILITIES | | 17,534,888 | 10,723,352 |
| **TOTAL LIABILITIES** | | 50,938,836 | 49,355,457 |
| **NET ASSETS** | | 59,105,968 | 53,883,560 |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

| | Note | 2022 $ | 2021 $ |
|---|---|---|---|
| **EQUITY** | | | |
| Issued capital | 23 | 206,466,565 | 205,044,070 |
| Reserves | 24 | 4,968,232 | 349,912 |
| Accumulated losses | | (152,328,829) | (151,510,422) |
| **TOTAL EQUITY** | | 59,105,968 | 53,883,560 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

| | Note | Issued capital | Reserves | Accumulated losses | Total equity |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Balance at 1 July 2020 | | 202,831,116 | 2,235,610 | (121,369,472) | 83,697,254 |
| Loss for the year | | - | - | (30,140,950) | (30,140,950) |
| Other comprehensive income for the year, net of tax | | - | (3,480,916) | - | (3,480,916) |
| Remeasurements of the defined benefit asset, net of tax | | - | 883,720 | - | 883,720 |
| Total comprehensive loss for the year | | - | (2,597,196) | (30,140,950) | (32,738,146) |
| *Transactions with owners, in their capacity as owners* | | | | | |
| Shares issued for earn outs | 23(a) | 2,212,954 | - | - | 2,212,954 |
| Share based payment expense | 27 | - | 711,498 | - | 711,498 |
| Total transactions with owners | | 2,212,954 | 711,498 | - | 2,924,452 |
| Balance at 30 June 2021 | | 205,044,070 | 349,912 | (151,510,422) | 53,883,560 |
| Balance at 1 July 2021 | | 205,044,070 | 349,912 | (151,510,422) | 53,883,560 |
| Loss for the year | | - | - | (818,407) | (818,407) |
| Other comprehensive income for the year, net of tax | | - | (637,469) | - | (637,469) |
| Remeasurements of the defined benefit asset, net of tax | | - | 4,334,109 | - | 4,334,109 |
| Total comprehensive loss for the year | | - | 3,696,640 | (818,407) | 2,878,233 |
| *Transactions with owners, in their capacity as owners* | | | | | |
| Share based payment expense | 27(a)(b) | - | 466,694 | - | 466,694 |
| Share capital issued | 23(b) | 269,309 | - | - | 269,309 |
| Share capital issued | 23(c) | 52,155 | - | - | 52,155 |
| Share capital issued | 23(d) | 378,929 | - | - | 378,929 |
| Compound equity instrument issued | 23(e) | 245,202 | - | - | 245,202 |
| Share capital issued | 23(f) | 467,300 | - | - | 467,300 |
| Share based payment expense | 27(c) | - | 454,986 | - | 454,986 |
| Share capital issued | 23(g) | 9,600 | - | - | 9,600 |
| Total transactions with owners | | 1,422,495 | 921,680 | - | 2,344,175 |
| Balance at 30 June 2022 | | 206,466,565 | 4,968,232 | (152,328,829) | 59,105,968 |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers (inclusive of GST) | | 56,745,948 | 51,883,609 |
| Payments to suppliers and employees (inclusive of GST) | | (55,609,344) | (56,472,307) |
| Net cash used in ordinary operating activities | | 1,136,604 | (4,588,698) |
| Litigation settlement payment | | - | (8,445,000) |
| Interest received | | 76 | 28,243 |
| Interest and other finance costs paid | | (444,554) | (388,177) |
| Government grants received | | 123,168 | 1,053,865 |
| Income tax paid | | (1,698,504) | (9,540) |
| Net cash used in operating activities | 28 | (883,210) | (12,349,307) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for acquisition of Human Link | | (405,286) | - |
| Payments for investment in BindTuning | | (328,842) | - |
| Payments for investment in financial assets | | (2,135,000) | - |
| Transaction costs related to investing activities | | (464,806) | - |
| Payments for development costs | | (3,902,094) | (5,336,652) |
| Payments for plant and equipment | | (310,273) | (173,872) |
| Loans to related parties | | - | (306,813) |
| Net cash used in investing activities | | (7,546,301) | (5,817,337) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 20 | 6,000,000 | - |
| Transaction costs related to borrowings | | (578,454) | - |
| Repayment of lease liability | | (1,083,059) | (842,078) |
| Net cash (used in) / from financing activities | | 4,338,487 | (842,078) |
| Net (decrease) / increase in cash held | | (4,091,024) | (19,008,722) |
| Cash and cash equivalents at beginning of financial year | | 16,804,924 | 37,791,314 |
| Effects of exchange rate changes on cash and cash equivalents | | 463,171 | (1,977,668) |
| Cash and cash equivalents at end of financial year | | 13,177,071 | 16,804,924 |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

These consolidated financial statements and notes represent LiveTiles Limited and controlled entities (the "Consolidated Group" or "Group").

The financial statements were authorised for issue on 30 September 2022 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.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

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 22.

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.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions are eliminated in full. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 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**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises:

- a right-of-use asset representing its right to use the underlying asset; and
- a lease liability representing its obligation to make lease payments.

*Right-of-use assets*

Right-of-use assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent to initial recognition, right-of-use assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

*Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Payments related to short-term leases or leases of low-value asset not included in the measurement of lease liabilities are recognised as an expense when incurred. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f. **Income tax (continued)**

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.

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 a maximum of 5 years or shorter dependant on their deemed useful life.

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 related to the translation of intercompany monetary balances are recognised in the profit and loss to the extent that they loans are expected to be repaid. Exchange differences on permanent loans are recognised in other comprehensive income.

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.

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.

j. **Employee benefits (continued)**

*Defined contribution pension benefits*

All employees of the Group who are based in Australia and Denmark receive defined contribution pension entitlements, for which the Group pays the fixed pension guarantee contribution (currently between 6% and 10% of the employee's average ordinary salary) to the employee's pension 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.

*Defined benefit pension benefits*

All employees of the Group who are based in Switzerland, as required by Swiss law, become members of the Groups defined benefit pension plans. The plans are co-funded by the Group with equal co-contributions required by the employees ranging from 4% - 10% of the employee's salary. Contributions in respect of employees' defined benefit entitlements are recognised as an expense in the period in which they are incurred.

k. **Defined benefit pension obligations**

Upon retirement, members of the Group's defined benefit pension plans are entitled to either receive a lump sum payment to the value of their accumulated retirement balance, or receive an ongoing annual annuity calculated as a percentage (conversion rate) of their accumulated balance.

Assets and obligations of the fund are valued in accordance with an actuarial valuation, using the projected unit credit method. Under this method, where the fair value of plan assets differs from the projected benefit obligation of a pension plan must be recorded on the Consolidated Balance Sheet as an asset, in the case of an overfunded plan, or as a liability, in the case of an underfunded plan.

The gains or losses and prior service costs or credits that arise but are not recognised as components of pension cost are recorded as a component of other comprehensive income. The service costs related to defined benefits are included in operating income. The other components of net benefit cost are presented in the consolidated profit and loss separately from the service cost component and outside operating income.

l. **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.

m. **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.

n. **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.

o. **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 contracts, revenue is recognised evenly over the subscription period for which the customer is contracted. For perpetual licences, where an upfront payment is made in addition to annual support fees, revenue related to the upfront 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 subscription for that period.

*Services revenue*

Revenue from services are recognised by reference to service hours delivered, for contractual arrangements billed on a time and materials basis or by reference to the stage of completion for contractual arrangements billed on a fixed price basis. 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.

p. **Partnership agreements**

Revenue derived from partnerships are recognised when the Group's performance obligations are satisfied. For annual partnership contracts, revenue is recognised evenly over the subscription period for which the customer is contracted. Revenue is measured at the fair value of the consideration received or receivable.

Costs related to partnerships are expensed in the period in which they are incurred.

Revenue and costs related to partnerships are classified separately given that they are distinct from each other.

q. **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.

*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.
- Financial assets comprising equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant

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 amortised cost 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. As at the reporting date, the Group`s other financial assets consisted of the Group’s investments in BrainPac, My Net Zero and Hide and Seek which are measured at FVTOCI 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, lease liabilities 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

r. **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.

s. **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.

t. **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.

u. **Investments in associates**

Associates are entities over which LiveTiles Limited has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. The share of the profit or loss of the associate is recognised in the statement of profit or loss and the share of the movements in equity is recognised in the statement of other comprehensive income. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

In the event that LiveTiles Limited’s share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, LiveTiles Limited will not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

LiveTiles Limited will discontinue the use of the equity method upon the loss of significant influence over the associate and recognise any retained investment at fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

v. **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.

w. **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.

x. **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) *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.

(iv) *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. These performance based payments are disclosed within provisions for business combinations in the statement of financial position.

(v) *Valuation of goodwill and other intangible assets*

In determining the recoverable value of goodwill and other intangible assets the Group makes estimates pertaining to the future cash flows of each of the Cash Generating Units (CGUs). Refer to Note 14 for details of current year assumptions.

(vi) *Capitalisation of development costs and useful life of intangible assets*

The Group has made judgements when assessing whether internal development projects meet the criteria to be capitalised, and measuring the costs and useful life attributed to such projects. On acquisition, specific intangible assets are recognised separately from goodwill and then amortised over their useful lives. The capitalisation of these assets and related amortisation charges are based on judgements about the value and useful life of such items. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Refer to Note 14 for details of current year assumptions.

(vii) *Valuation of financial assets and investment in associates*

In determining the fair value of financial assets and investments in associates the Group makes estimates pertaining to the fair value and value in use, with respect to the expected future cash flows of each of each financial asset and investments in associates. Refer to Note 12 and Note 13 for details of current year assumptions.

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

The Directors have reviewed all of the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board for annual reporting periods beginning or after 1 July 2021. It has been determined that there is no impact, material or otherwise, of any other new or revised accounting standards and interpretations.

z. **Going concern**

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. For the year ended 30 June 2022, the Group made a loss of $818,407 (2021: $30,140,950) and had net cash flows outflows from operating activities of $883,210 (2021: $12,349,307). At 30 June 2022, the Group had a cash balance of $13,177,071 (2021: $16,804,924). Furthermore, a major component of the Group's current liabilities relate to unearned revenue, deferred share liabilities recognised within provisions for business combinations of $17,716,183 (2021: $21,034,114) which is not expected to be paid in cash.

The Group has prepared a detailed cash flow forecast which estimates a positive cash position over the 12-month period from the date of authorisation of this financial report. However, if certain revenue targets do not eventuate and additional costs are incurred (resulting in a higher than anticipated cash burn) additional equity and/or debt financing could be required. This condition indicates a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. To address uncertainty over the Group's future cash position, an operation review is being conducted, which will seek to realise cost savings and headcount reductions. Should these initiatives be unsuccessful, the Group will need to source additional capital. To date, the Directors have been successful in obtaining additional capital through the issuance of convertible notes, borrowings and ordinary shares and therefore there is a reasonable expectation that alternate sources of funding can be sourced. As such, the financial report has been prepared on a going concern basis.

Should the Group not be able to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 2: PARENT INFORMATION**

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

| | Parent entity | |
|---|---|---|
| **Statement of Financial Position** | **2022** | **2021** |
| | **$** | **$** |
| **ASSETS** | | |
| Current assets | 3,973,926 | 1,866,568 |
| Non-current assets | 66,645,303 | 65,128,028 |
| TOTAL ASSETS | 70,619,229 | 66,994,596 |
| **LIABILITIES** | | |
| Current liabilities | (9,113,121) | (13,111,036) |
| Non-current liabilities | (4,854,671) | - |
| TOTAL LIABILITIES | (13,967,792) | (13,111,036) |
| **EQUITY** | | |
| Issued capital | (531,781,789) | (530,359,293) |
| Accumulated losses and reserves | 475,130,351 | 476,475,733 |
| **TOTAL EQUITY** | (56,651,438) | (53,883,560) |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit / (loss) | 206,702 | (28,430,206) |
| Total comprehensive loss | 206,702 | (28,430,206) |

In the 2021 financial year, included within the parent entity loss of $28,430,206 is a provision against intercompany receivables from and investments in other entities within the Group of $13,648,280. No provision recorded in the 2022 financial year.

Equity balances of the parent include those relating to Modun Resources Limited, which were eliminated upon consolidation of the Group following the completion of the reverse acquisition on 25 August 2015.

All intercompany balances within the Group are eliminated upon consolidation.

**NOTE 3: REVENUE AND OTHER INCOME**

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Revenue: | | |
| – Software subscription revenue | 42,574,553 | 34,402,311 |
| – Software related services revenue | 9,349,197 | 10,574,289 |
| – EX services revenue | 905,789 | - |
| Total revenue | 52,829,539 | 44,976,600 |
| Other income: | | |
| – Interest income | 175,337 | 174,607 |
| – Research and development grant income | - | - |
| – Other grant income | 173,778 | 1,540,767 |
| – Other income | 51,366 | 30,214 |
| Total other income | 400,481 | 1,745,588 |
| Total revenue and other income | 53,230,020 | 46,722,188 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 4: INCOME TAX**

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| a. | The components of tax benefit / (expense) comprise: | | |
| | Current tax | (901,673) | (1,102,847) |
| | Deferred tax | 19,742 | 523,581 |
| | | (881,931) | (579,266) |
| b. | The prima facie tax expense on loss from ordinary activities before income tax is reconciled to income tax as follows: | | |
| | Net profit / (loss) before tax | 63,524 | (29,561,684) |
| | Prima facie tax (expense) / benefit on loss from ordinary activities before income tax at 30% (2021: 26%) | (19,057) | 7,686,038 |
| | Adjust for: | | |
| | tax effect of variance in overseas tax rates | (21,156) | (300,641) |
| | withholding tax expense | (270,096) | (410,752) |
| | tax effect of non-deductible research and development expenditure | - | (1,261,431) |
| | tax effect of other permanent differences | (427,761) | (3,345,738) |
| | tax effect of other temporary differences | (428,200) | (1,931,890) |
| | current year losses not recognised | (2,927,702) | (2,425,842) |
| | de-recognition of deferred tax balances | - | (257,483) |
| | utilisation of prior period losses | 3,212,041 | 1,668,473 |
| | Income tax (expense) / benefit attributable to entity | (881,931) | (579,266) |

The Groups turnover in financial year 2022 exceeds the threshold for the small business company tax rate of 26%.

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| d. | Net deferred tax liability relates to the following: | | |
| | Intangible assets on acquisition of Hyperfish, Inc | (147,582) | (158,603) |
| | Intangible assets on acquisition of Wizdom A/S | (1,234,620) | (1,529,390) |
| | Intangible assets on acquisition of CYCL AG | (1,160,669) | (1,135,504) |
| | Defined benefit pension liabilities of CYCL AG | 197,996 | 743,989 |
| | Carry forward losses of CYCL AG | 360,000 | - |
| | Total deferred tax liability | (1,984,875) | (2,079,508) |
| e. | Net tax effect of carried forward losses not brought to account | 65,487,708 | 65,772,047 |
| f. | Income tax payable | 1,528,547 | 2,427,085 |

The income tax payable reflects income tax payable and withholding tax payable at the end of the reporting period. Of the total above, $871,251 is classified as a non-current liability, related to income tax owed to Danish taxation authorities not payable within the next 12 months. Further details on timing of income tax payments are detailed in Note 30 (iii).

## NOTE 5: EMPLOYEE BENEFIT EXPENSE

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Employee benefit expense** | | |
| Wages and salaries - staff | 13,612,228 | 16,568,617 |
| Wages and salaries - Directors | 1,902,039 | 2,072,694 |
| Commission and bonus expense | 741,619 | 1,305,537 |
| Payroll tax and other on costs | 1,050,045 | 1,109,925 |
| Employee insurance costs | 658,691 | 761,939 |
| Pension and superannuation expense | 1,251,474 | 1,363,161 |
| Annual leave and long service leave expense | 540,434 | 1,256,573 |
| Other employee benefits expense | 74,376 | 85,284 |
| Total employee benefit expense | 19,830,906 | 24,523,730 |

## NOTE 6: AUDITOR’S REMUNERATION

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Remuneration of the auditor for:** | | |
| (a) Auditors of the Group – BDO and related network firms: | | |
| – audit and review of the financial statements | 223,400 | 187,800 |
| – other assurance services | - | - |
| Total remuneration for audit and other assurance services | 223,400 | 187,800 |
| | | |
| (b) Other auditors and their related network firms: | | |
| – audit and review of the financial statements | 97,816 | 94,304 |
| – other assurance services | - | - |
| | 97,816 | 94,304 |
| – taxation services | 3,321 | 18,468 |
| Total remuneration of network firms of other auditors | 101,137 | 112,772 |

## NOTE 7: DIVIDENDS

LiveTiles Limited has not paid or proposed to pay any dividends for the year ended 30 June 2022 (2021: nil).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 8: EARNINGS PER SHARE

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Reconciliation of earnings to loss:** | | |
| Earnings used to calculate basic earnings per share | (818,407) | (30,140,950) |
| | **No.** | **No.** |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share | 883,264,387 | 873,549,070 |

| | 2022<br>$<br>Cents | 2021<br>$<br>Cents |
|---|---|---|
| Basic (loss) / earnings per share | (0.09) | (3.45) |
| Diluted (loss) / earnings per share | (0.09) | (3.45) |

There are 32,530,001 restricted shares outstanding at 30 June 2022, see Note 23(h). 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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **CURRENT** | | |
| Trade receivables | 7,133,724 | 7,191,130 |
| Accrued revenue | 1,390,509 | 1,988,978 |
| Provision for doubtful debts | (384,787) | (590,109) |
| | 8,139,446 | 8,589,999 |

*Provision for doubtful debts*

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 expected credit loss (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.

During the period, the Group recognised a doubtful debt expense of $276,195 (2021: $360,397). This is shown within Other Expenses of $5,116,989 (2021: $5,234,104) and includes balances written off during the period.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**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 | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Asia Pacific | 2,621,086 | 2,415,960 |
| North America | 982,076 | 1,899,618 |
| Europe, Middle East & Africa | 3,530,562 | 2,875,552 |
| Total receivables exposed to credit risk | 7,133,724 | 7,191,130 |

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 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Trade and term receivables | 7,133,724 | 4,647,995 | 1,490,471 | 112,303 | 496,016 | 301,281 | 85,658 |
| **2021** | | | | | | | |
| Trade and term receivables | 7,191,130 | 4,736,257 | 1,506,293 | 102,728 | 381,304 | 198,417 | 266,131 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 10: OTHER ASSETS**

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **CURRENT** | | | |
| Deposits paid | | 96,189 | 98,080 |
| Prepaid expenses | | 690,520 | 485,752 |
| Loans to related parties | 29 | 1,340,870 | 1,165,974 |
| | | 2,127,579 | 1,749,806 |
| **NON-CURRENT** | | | |
| Rental Deposits | | 292,283 | 251,956 |
| | | 292,283 | 251,956 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 11: NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

| | Balance at 1 July 2020 | Additions | Depreciation | Foreign Exchange[1] | Balance at 30 June 2021 |
|---|---|---|---|---|---|
| Properties | 3,490,226 | 107,787 | (818,850) | (300,377) | 2,478,786 |
| Equipment | 72,764 | - | (44,052) | (3,104) | 25,608 |
| Total right-of-use asset | 3,562,990 | 107,787 | (862,902) | (303,481) | 2,504,394 |

| | Balance at 1 July 2021 | Additions | Depreciation | Foreign Exchange[1] | Balance at 30 June 2022 |
|---|---|---|---|---|---|
| Properties | 2,478,786 | 234,451 | (732,940) | 103,407 | 2,083,704 |
| Equipment | 25,608 | - | (22,937) | (2,671) | - |
| Total right-of-use asset | 2,504,394 | 234,451 | (755,877) | 100,736 | 2,083,704 |

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

### NOTE 12: NON-CURRENT ASSETS – FINANCIAL ASSETS

| | Consolidated Group | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $ | $ |
| Investment in BrainPac | 900,000 | - |
| Investment in My Net Zero | 985,000 | - |
| Investment in Hide and Seek | 250,000 | - |
| | 2,135,000 | - |

The Directors have determined that the Group does not have significant influence over the companies designated financial assets as at 30 June 2022. The Group holds an ownership interest of less than 20% in the companies. The Directors' determination is on the basis that the Group does not participate in the financial and operating policy decisions of these entities.

A fair value assessment of these investment was performed as at 30 June 2022. It was noted that given the short tenure since acquisition and early stage of the businesses, no change to the current carrying value was deemed necessary.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 13: NON CURRENT ASSETS – INVESTMENT IN ASSOCIATES**

LiveTiles Limited acquired a 19.99% interest in Bind Soluções Informáticas, Design Web e Gráfico, Lda (BindTuning), a digital workplace software company based in Portugal on 14 December 2021 for $757,204, 50% cash and 50% shares. BindTuning's software helps transform intranets into collaborative, intelligent and modern digital workplaces to improve the employee experience.

LiveTiles will purchase the remaining 80.01% interest in BindTuning on the following terms:

- After 12 months, where Annualised Recurring Revenue reaches USD $4,000,000; or
- After 24 months, from the date of the initial purchase i.e 14 December 2023.

The purchase price payable will equate to 2.5x Annualised Recurring Revenue, adjusted for the initial purchase amount and the cash on hand at the date of purchase. Refer to Note 19.

LiveTiles Limited's interest in BindTuning has been accounted for using the equity method of accounting. Information relating to BindTuning is set out below:

| | | **Ownership interest held by Group** | |
|---|---|---|---|
| **Name of subsidiary** | **Principal place of business** | **30 June 2022** | **30 June 2021** |
| Bind Soluções Informáticas, Design Web e Gráfico, Lda | Portugal | 19.99% | - |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 13: NON CURRENT ASSETS – INVESTMENT IN ASSOCIATES (CONTINUED)**

| Summarised statement of financial position | Note | 30 June 2022 |
|---|---|---|
| Current assets | | 1,265,150 |
| Non current assets | | 141,614 |
| Total assets | | 1,406,764 |
| | | |
| Current liabilities | | 186,518 |
| Non current liabilities | | - |
| Total liabilities | | 186,518 |
| | | |
| Net assets | | 1,220,246 |

| Summarised statement of profit or loss and other comprehensive income | Note | 30 June 2022 |
|---|---|---|
| Revenue | | 895,393 |
| Expenses | | (745,352) |
| | | |
| Profit before income tax expense | | 150,041 |
| Income tax expense | | (25,496) |
| Profit after income tax expense | | 124,545 |
| | | |
| Other comprehensive income | | - |
| | | |
| Total comprehensive income | | 124,545 |
| Share of comprehensive income | | 24,897 |

| *Reconciliation of consolidated entity's carrying amount* | Note | 30 June 2022 |
|---|---|---|
| Acquisition of interest in BindTuning | | 6,552,492 |
| LiveTiles Limited's aggregate share of associate's profit / (loss) | | 24,897 |
| Foreign exchange movements | | (10,370) |
| Closing carrying amount | | 6,567,019 |

BindTuning has no contingent liabilities as at 30 June 2022.

The Directors have determined that Group has significant influence over BindTuning as at 30 June 2022 despite holding an ownership interest of less than 20%. The Directors' determination is due to the Group's right to participate in the financial and operating policy decisions through the appointment of a director to the board of BindTuning, further the Group is not able to exercise its right to acquire the remaining 80.01% of the share capital in BindTining. Therefore, the investment in BindTuning has been accounted for as an associate.

## NOTE 14: INTANGIBLE ASSETS

| 2021 financial year | Note | Balance at 1 July 2020 | Additions | Disposals | Foreign exchange | Balance at 30 June 2021 |
|---|---|---|---|---|---|---|
| *At cost:* | | | | | | |
| Capitalised development costs | | 9,958,244 | 5,336,652 | - | - | 15,294,896 |
| Software intellectual property | | 19,876,090 | - | - | (941,217) | 18,934,873 |
| Customer contracts and relationships | | 8,504,626 | - | - | (346,963) | 8,157,663 |
| Goodwill | | 59,743,858 | - | - | (2,812,599) | 56,931,259 |
| Total costs | | 98,082,818 | 5,336,652 | - | (4,100,779) | 99,318,691 |

| | Balance at 1 July 2020 | Amortisation charge | Disposals | Foreign exchange | Balance at 30 June 2021 |
|---|---|---|---|---|---|
| *Accumulated amortisation:* | | | | | |
| Capitalised development costs | (9,958,244) | (5,336,652) | - | - | (15,294,896) |
| Software intellectual property | (2,039,577) | (1,919,876) | - | 116,263 | (3,843,190) |
| Customer contracts and relationships | (5,030,673) | (2,872,110) | - | 231,171 | (7,671,612) |
| Total accumulated amortisation | (17,028,494) | (10,128,638) | - | 347,434 | (26,809,698) |

*Summary of net intangible assets*

| | Balance at 1 July 2020 | Additions | Amortisation charge | Disposals | Foreign exchange | Balance at 30 June 2021 |
|---|---|---|---|---|---|---|
| Net intangible assets | 81,054,324 | 5,336,652 | (10,128,638) | - | (3,753,345) | 72,508,993 |
| Deferred tax liability | (4,042,421) | - | 1,053,145 | - | 165,779 | (2,823,497) |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 14: INTANGIBLE ASSETS (CONTINUED)**

| **2022 financial year** | **Balance at 1 July 2021** | **Additions** | **Disposals** | **Foreign exchange** | **Balance at 30 June 2022** |
|---|---|---|---|---|---|
| *At cost:* | | | | | |
| Capitalised development costs | 15,294,896 | 3,902,094 | - | - | 19,196,990 |
| Software intellectual property | 18,934,873 | - | - | 114,003 | 19,048,876 |
| Customer contracts and relationships | 8,157,663 | - | - | (111,931) | 8,045,732 |
| Goodwill | 56,931,259 | 923,754 | - | 299,092 | 58,154,105 |
| Total costs | 99,318,691 | 4,825,848 | - | 301,164 | 104,445,703 |

| | **Balance at 1 July 2021** | **Amortisation charge** | **Disposals** | **Foreign exchange** | **Balance at 30 June 2022** |
|---|---|---|---|---|---|
| *Accumulated amortisation:* | | | | | |
| Capitalised development costs | (15,294,896) | (613,744) | - | - | (15,908,640) |
| Software intellectual property | (3,843,190) | (1,909,618) | - | 3,413 | (5,749,395) |
| Customer contracts and relationships | (7,671,612) | (501,542) | - | 127,423 | (8,045,731) |
| Total accumulated amortisation | (26,809,698) | (3,024,904) | - | 130,836 | (29,703,766) |

*Summary of net intangible assets*

| | **Balance at 1 July 2021** | **Additions** | **Amortisation charge** | **Disposals** | **Foreign exchange** | **Balance at 30 June 2022** |
|---|---|---|---|---|---|---|
| Net intangible assets | 72,508,993 | 4,825,848 | (3,024,904) | - | 432,200 | 74,741,937 |
| Deferred tax liability | (2,823,497) | - | 241,757 | - | 251 | (2,581,489) |

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. In prior periods 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. In line with the launch of the integrated solutions product go-to-market, mobile and desktop, the useful life of capitalised development costs during the period were assessed as 3 years.

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 of 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.

The Group tests annually whether goodwill has suffered any impairment. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period.

During the period, in line with the changes in Operating Segments, per Note 31, it was noted that the lowest level of aggregation for CGUs, following successful integration of the legacy businesses and products were:

| | |
|---|---|
| Employee Experience ("EX") Platform | Represents the revenue and operating expenses attributable to sale of software and software related services. |
| Employee Experience ("EX") Programs | Represents the revenue and operating expenses attributable to employee experience related services. |

## NOTE 14: INTANGIBLE ASSETS (CONTINUED)

The assumptions used for the current reporting period may differ from the assumptions in the next reporting period as internal and external circumstances and expectations change. The Group has used the following assumptions in the calculation of value-in-use, based on conservative expectations for the future:

| 2021 Intangible Assets Impairment Testing Assumptions | Annual Revenue Growth Rate | Compound Annual Growth Rate | Terminal Growth Rate | Pre-tax discount Rate | Carrying Value of Intangible Assets |
|---|---|---|---|---|---|
| Hyperfish Inc. | 10% - 17% | 13.87% | 2.00% | 17.10% | 3,848,872 |
| Wizdom A/S | 10% - 17% | 13.12% | 2.00% | 17.10% | 33,727,866 |
| CYCL AG | 10% - 17% | 15.73% | 2.00% | 17.10% | 34,932,255 |

| 2022 Intangible Assets Impairment Testing Assumptions | Annual Revenue Growth Rate | Compound Annual Growth Rate | Terminal Growth Rate | Post-tax Discount Rate | Carrying Value of Intangible Assets |
|---|---|---|---|---|---|
| Employee Experience Platform[1] | 5% - 16% | 11.57% | 2.00% | 14.60% | 73,818,182 |
| Employee Experience Programs | 5% - 41% | 20.47% | 2.00% | 14.60% | 923,755 |

Assumptions for gross margin, other operating costs and annual capital expenditure are based on past performance and management's expectations for the future.

Should these assumptions not occur the resulting goodwill carrying value may decrease. Management has performed sensitivity analysis and assessed reasonable changes for key assumptions and has not identified any instances that could cause the carrying amount of the group of CGUs, over which goodwill is monitored, to exceed its recoverable amount. Analysis performed as follows:

| 2022 Goodwill Impairment Testing Sensitivities | Annual Revenue Growth Rate | Operating Expenses Assumptions | Post-tax Discount Rate |
|---|---|---|---|
| Employee Experience Platform[1] | Lower by 5% | No EBITDA improvement after 24 months[2] | 5% increase[3] |
| Employee Experience Programs | No growth | 20% increase | 5% increase[3] |

[1]Include the historical CGU of Hyperfish Inc., Wizdom A/S and CYCL AG.

[2]Software-as-a-Service operating expenses expected to decrease as a percentage of revenue given high gross profit margins. Therefore, as a sensitivity assumed no improvement outside of 24 month management forecast period.

[3]Being 19.6% post tax.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount is based would not cause the CGUs carry amount to exceed its recoverable amount.

## NOTE 15: TRADE AND OTHER PAYABLES

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **CURRENT** | | | |
| Trade payables | | 6,234,088 | 5,160,988 |
| Employee benefits accruals | | 1,362,004 | 2,037,605 |
| Employee benefits accruals to related parties | | 59,450 | 132,004 |
| Other payables and accruals | | 433,255 | 532,636 |
| | | 8,088,797 | 7,863,233 |

## NOTE 16: LEASE LIABILITIES

| | Balance at 1 July 2020 | Finance Cost | Additions | Payments | Foreign Exchange | Balance at 30 June 2021 |
|---|---|---|---|---|---|---|
| *At net present value:* | | | | | | |
| Properties | 4,258,304 | 335,376 | 107,787 | (1,135,336) | (365,091) | 3,201,040 |
| Equipment | 73,575 | 1,944 | - | (44,062) | (5,483) | 25,974 |
| Total lease liabilities | 4,331,879 | 337,320 | 107,787 | (1,179,398) | (370,574) | 3,227,014 |

| | Balance at 1 July 2021 | Finance Cost | Additions | Payments | Foreign Exchange | Balance at 30 June 2022 |
|---|---|---|---|---|---|---|
| *At net present value:* | | | | | | |
| Properties | 3,201,040 | 263,666 | 234,451 | (1,060,768) | 153,839 | 2,792,228 |
| Equipment | 25,974 | 333 | - | (22,291) | (4,016) | - |
| Total lease liabilities | 3,227,014 | 263,999 | 234,451 | (1,083,059) | 149,823 | 2,792,228 |

| | Consolidated Group | |
|---|---|---|
| | 30 June 2022 | 30 June 2021 |
| | $ | $ |
| **CURRENT** | | |
| Properties | 605,254 | 836,004 |
| Equipment | - | 25,974 |
| | 605,254 | 861,978 |
| **NON-CURRENT** | | |
| Properties | 2,186,974 | 2,365,036 |
| Equipment | - | - |
| | 2,186,974 | 2,365,036 |

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 17: OTHER LIABILITIES**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **CURRENT** | | |
| Unearned revenue | 12,950,664 | 13,319,659 |
| Unearned grant income | 1,046,043 | 954,709 |
| | 13,996,707 | 14,274,368 |
| **NON-CURRENT** | | |
| Unearned revenue | 276,633 | 188,157 |
| | 276,633 | 188,157 |

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 18: EMPLOYEE BENEFITS PROVISION**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Current | 2,442,300 | 2,924,288 |
| Non-current | 199,608 | 161,366 |
| | 2,641,908 | 3,085,654 |

**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 $488,460 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 19: PROVISIONS FOR BUSINESS COMBINATIONS

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **CURRENT** | | |
| Provision for contingent consideration - CYCL | 6,861,201 | 10,822,951 |
| Provision for contingent consideration – Human Link | 250,000 | - |
| | 7,111,201 | 10,822,951 |
| **NON-CURRENT** | | |
| Provision for contingent consideration - BindTuning | 5,814,780 | - |
| | 5,814,780 | - |

Movements between periods relate to the movement in fair value liability of cash and shares owed to the former shareholders of CYCL AG, recognition of the fair value liability for contingent considerations owed to BindTuning and foreign exchange movements between reporting periods.

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. Management continually evaluates its judgements and estimates, which are based on various factors including historical experience and expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates seldom equal the related actual results. The provisions for business combinations are considered to be a key estimate.

*Provision for contingent consideration – CYCL AG*

The provision for contingent consideration owed to the former shareholders of CYCL AG represents the preliminary estimate of amounts payable under the Share Purchase Agreement if all payment conditions are satisfied. The determination of whether conditions for payment have been satisfied and the final calculation will be determined in future reporting periods. The change in fair value assessment of the amounts owed resulted in a $3,976,929 benefit to the Statement of Profit & Loss during the period.

Of the amounts included in current provisions, $2,095,681 is expected to be settled in cash, the remaining balance of $4,765,519 is expected to be settled in stock. The second earn out test date was 31 December 2021, however this amount remains unpaid pending the outcome of ongoing commercial discussions between the parties. The number of shares to be issued will be calculated using the Volume Weighted Average Price calculated over the 20 trading days prior to (but excluding) the second earn out test date.

*Provision for contingent consideration – Human Link*

The provision for contingent consideration owed to Human Link represents remaining two base consideration instalments owed under the Share Purchase Agreement, representing $125,000 that was paid in July 2022, and $125,000 that is payable in October 2022. Refer to Note 26.

*Provision for contingent consideration – BindTuning*

The provision for contingent consideration owed to BindTuning represents preliminary estimates of amounts payable under the Shareholders Agreement. The amount owed will be reassessed at each reporting period and will be revalued in line with updated performance expectations. The amount stated is discounted to net present value based on payment falling due after the completion of the 24 month staged acquisition period which ends 14 December 2023. Per the terms of the contract, where performance milestones are achieved, the timing of the deferred payment may fall due after 12 months, being after 14 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 20: BORROWINGS**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **NON-CURRENT** | | |
| Government program repayable | 63,732 | - |
| Loans | 438,661 | - |
| | 502,393 | - |
| **NON-CURRENT** | | |
| Government program repayable | 121,629 | 301,851 |
| Loans | 2,813,848 | - |
| Convertible notes | 2,040,823 | - |
| | 4,976,300 | 301,851 |

*Loan / convertible notes*

In September 2021, the Group entered into a new facility agreement to provide funds to finance growth and strategic activities. The total available amount under the facility is $10,000,000 of which $6,000,000 was drawn as on 27 September 2021. The facility is interest only for the first 18 months, following each drawdown, principal is then repayable in monthly instalments over a further 24 months. The total term of each drawdown being 42 months. The interest only period for the first drawdown ends 31 March 2023, with full repayment due by 31 March 2025.

The first drawdown of $6,000,000 is comprised of two components, a loan, of $3,600,000 and a convertible note, of $2,400,000. The convertible note includes a fixed for fixed conversion feature at 20 cents per ordinary share equating to 12m ordinary shares. The terms of the convertible note agreement include a cash settlement requirement which cannot be avoided, therefore the convertible note is accounted for as a compound instrument. $245,203 was therefore designated as equity (see Note 23(e)).

The facility agreement contains an early redemption clause, which is considered to be a derivative asset. However an assessment over the value concluded that this was immaterial and therefore the balance has not been recognised.

The loan is a fixed rate, Australian dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk.

Arrangement fees of $150,000 were paid to the lender upon signing the facility agreement. Total transaction costs, including the arrangement fees were $578,454, which were debited proportionally to the loan and convertible note accounts.

## NOTE 20: BORROWINGS CONTINUED

*Loan / convertible notes (continued)*

No loan covenants exist.

*Government program repayable*

US government program repayable relates to amounts owed to the United States (US) Federal Government for monies loaned to the Group on a 1% annual interest loan under the US Small Business Administration (SBA) Paycheck Protection Program (PPP) (the program). Monies under this program were distributed by US commercial banks in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted on 27 March 2020.

The balance owed is repayable in monthly instalments, the term of the loan ending April 2025. Total interest payable over the term is equal to $2,245.

| **Undrawn borrowings** | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| Loans | 2,400,000 | - |
| Convertible notes | 1,600,000 | - |
| | 4,000,000 | - |

The undrawn amounts were drawn on the 27 September 2022. Refer to Note 33.

**NOTE 21: NON-CURRENT LIABILITIES – PENSION LIABILITIES**

The Group's pension liabilities relate to the defined benefit plans in Switzerland, which were acquired in December 2019 upon the completion of the acquisition of CYCL AG. As at 30 June 2022, the fund has a funding ratio of 105%. As required under Swiss law, the plans are co-funded by the Group with equal co-contributions required by the employees ranging from 4% - 10% of the employee's salary. Upon retirement, employees are entitled to either receive a lump sum payment to the value of their accumulated retirement balance; or receive an ongoing annual annuity calculated as a percentage (conversion rate) of their accumulated balance – as at 30 June 2022 this conversion rate is 6.00%.

The defined benefit plans are legally separate from the Group and administered by a separate fund. The pension plans of the Group are managed by Swiss pension fund 'Profond Pension Fund' (the fund), which is a collective pension fund, which is common in Switzerland. Under this structure, members own a proportionate share of the aggregated collective investments, rather than an individual share of the underlying assets, as is common in Australia. The Group's members consist of 31 of the total 58,784 members as at 30 June 2022.

The board of the fund is made up of independent trustees/directors. By law, the board is required to act in the best interests of participants to the schemes and has the responsibility of setting investment, contribution, benefit levels and other relevant policies.

The plans are exposed to a number of risks, including:

- Investment risk: movement of discount rate used against the return from plan assets;
- Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation;
- Longevity risk: changes in the estimation of mortality rates of current and former employees; and
- Salary risk: increases in future salaries increase the gross defined benefit obligation.

As the fund is a collective fund, return on assets are distributed to participants at a rate agreed by the pension board and any surplus/(deficit) is held in reserve. The effect of this is to provide consistency of returns and to enable the fund to have sufficient reserves to fund any future payment obligations.

In the event of a funding shortfall, the pension plan regulations outline that the following provisions will be made, in sequence:

1. Make changes to the way the fund is administered, including:
   - Adjustments to the calculation of future benefit entitlements (conversion rate);
   - Adjustments to the investment strategy;
   - Adjustments to financing/benefits; and
   - Restrictions on early withdrawals of benefits.
2. If a shortfall persists, for the duration of the cover shortfall, the pension plan may levy (non-returnable) contributions from employees, employers or pensioners.

In the event that a funding shortfall does occur, separately to the pension plan regulations, the Swiss Government has established a scheme, the LOB Guarantee Fund, by which pension funds may be entitled to subsidies to enable equalisation. The fund may act to provide subsidies in the following circumstances:

- benefit schemes with an unfavourable age structure; or
- where a pension fund has become insolvent.

**NOTE 21: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)**

AASB 119 requires that the assets and obligations of the fund are valued in accordance with an actuarial valuation, using the projected unit credit method. Under this method, where the fair value of plan assets differs from the projected benefit obligation of a pension plan must be recorded on the Consolidated Balance Sheet as an asset, in the case of an overfunded plan, or as a liability, in the case of an underfunded plan.

The gains or losses and prior service costs or credits that arise but are not recognised as components of pension cost are recorded as a component of other comprehensive income. The service costs related to defined benefits are included in operating income. The other components of net benefit cost are presented in the consolidated profit and loss separately from the service cost component and outside operating income.

The following tables summarise the components of net benefit expense recognised in profit and loss, actuarial gains and losses recognised in other comprehensive income, and funded status and amounts recognised in the consolidated statement of financial position.

| | **Present value of obligations** | **Fair value of plan assets** | **Balance** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Balance at 30 June 2020 | (25,434,944) | 18,622,893 | (6,812,051) |
| Current service cost | (767,878) | - | (767,878) |
| Interest income / (expense) | (59,013) | 25,292 | (33,721) |
| Defined benefit pension expense recognised in profit or loss | (826,891) | 25,292 | (801,599) |
| Contributions by fund participants: | | | |
| Employer | - | 517,065 | 517,065 |
| Plan participants | (528,324) | 528,324 | - |
| Total contributions | (528,324) | 1,045,389 | 517,065 |
| Remeasurements: | | | |
| Return on plan assets, excluding amounts included in interest income | - | 70,595 | 70,595 |
| Gain from change in experience | 240,998 | - | 240,998 |
| Gain from change in demographic assumptions | 1,170,389 | - | 1,170,389 |
| Gain from change in financial assumptions | 145,079 | - | 145,079 |
| Defined benefit pension actuarial losses/(gains) recognised in other comprehensive income | 1,556,466 | 70,595 | 1,627,061 |
| Benefits paid | 2,014,415 | (2,014,415) | - |
| Foreign exchange rate changes | 1,483,542 | (1,099,654) | 383,888 |
| Balance at 30 June 2021 | (21,735,736) | 16,650,100 | (5,085,636) |

## NOTE 21: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

| | Present value of obligations | Fair value of plan assets | Balance |
|---|---|---|---|
| | $ | $ | $ |
| Balance as at 30 June 2021 | (21,735,736) | 16,650,100 | (5,085,636) |
| Current service cost | (825,032) | - | (825,032) |
| Interest income / (expense) | (60,568) | 45,190 | (15,378) |
| Defined benefit pension expense recognised in profit or loss | (885,600) | 45,190 | (840,410) |
| Contributions by fund participants: | | | |
| Employer | - | 422,063 | 422,063 |
| Plan participants | (422,063) | 422,063 | - |
| Total contributions | (422,063) | 844,126 | 422,063 |
| Remeasurements: | | | |
| Return on plan assets, excluding amounts included in interest income | - | 75,057 | 75,057 |
| Gain from change in experience | 707,298 | - | 707,298 |
| Gain from change in demographic assumptions | - | - | - |
| Gain from change in financial assumptions | 3,748,401 | - | 3,748,401 |
| Defined benefit pension actuarial losses/(gains) recognised in other comprehensive income | 4,455,699 | 75,057 | 4,530,756 |
| Benefits paid | 5,662,682 | (5,662,682) | - |
| Foreign exchange rate changes | (1,073,788) | 822,548 | (251,240) |
| Balance at 30 June 2022 | (13,998,806) | 12,774,339 | (1,224,467) |

The projected unit credit method, requires management make certain assumptions relating to the long-term rate of return on plan assets, discount rates used to determine the present value of future obligations and expenses, salary inflation rates, mortality rates and other assumptions. The accounting estimates related to our pension plans are highly susceptible to change from period to period based on the performance of plan assets, actuarial valuations, market conditions and contracted benefit changes.

The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation, as well as independent studies of trends performed by our actuarial advisors. However, actual results may differ substantially from the estimates that were based on the critical assumptions.

## NOTE 21: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

The reconciliation to the fair value of plan assets and projected benefit obligation under the projected unit method are shown over page.

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| **Plan assets** | | |
| Plan assets | 9,335,697 | 12,133,929 |
| *Adjustments for AASB 119* | | |
| Estimation of the value of Pensions in Payment | 3,438,642 | 4,516,171 |
| **Fair value of plan assets** | **12,774,339** | **16,650,100** |
| | | |
| **Plan obligations** | | |
| Plan obligations | 9,335,697 | 12,133,929 |
| *Adjustments for AASB 119* | | |
| Estimation of the obligation of Pensions in Payment | 3,438,642 | 4,516,171 |
| Projected unit credit method actuarial adjustment | 1,224,467 | 5,085,636 |
| **Projected plan obligations** | **13,998,806** | **21,735,736** |
| | | |
| **Net Pension Liabilities** | **1,224,467** | **5,085,636** |

The Group reviews annually the discount rate used to calculate the present value of pension plan liabilities. The discount rate used at each measurement date is set based on a high-quality corporate bond yield curve, derived based on bond universe information sourced from reputable third-party indexes, data providers, and rating agencies. Additionally, the expected long term rate of return on plan assets is derived for each benefit plan by considering the expected future long-term return assumption for each individual asset class. A single long-term return assumption is then derived for each plan based upon the plan's target asset allocation.

The actuarial assumption used in determining the present value of the defined benefit obligation of the pension plans include:

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| **Actuarial assumptions** | | |
| Discount Rate | 2.15% | 0.30% |
| Growth in future salaries | 1.00% | 1.00% |
| Pension increase rate | 0.00% | 0.00% |
| Longevity at retirement | 20 – 22 years | 20 – 22 years |

The following table depicts the sensitivity of estimated fiscal year 2022 pension expense to incremental changes in the discount rate and the expected long-term rate of return on assets.

| | | Defined benefit obligation | |
|---|---|---|---|
| **Actuarial assumptions** | **Reasonably Possible Change** | **Increase** | **Decrease** |
| Discount Rate | (+/- 0.50%) | 13,236,196 | 14,853,370 |
| Growth in future salaries | (+/- 0.50%) | 14,135,615 | 13,869,043 |

## NOTE 22: 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 | |
|---|---|---|---|
| | | 2022 | 2021 |
| | | % | % |
| 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% |
| LiveTiles Europe A/S (formerly Wizdom A/S) | Denmark | 100% | 100% |
| LiveTiles Switzerland (formerly CYCL AG) | Switzerland | 100% | 100% |
| LiveTiles Portugal, Unipessoal LDA | Portugal | 100% | - |
| Human Link Consulting Pty Ltd | Australia | 100% | - |
| Human Link Programs Pty Ltd | Australia | 100% | - |
| Cordis Digital Pty Ltd | Australia | 100% | - |

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 7 April 2022, LiveTiles Limited acquired 100% of the shares of Human Link Consulting Pty Ltd, Human Link Programs Pty Ltd and Cordis Digital Pty Ltd (refer to Note 26).

d. **Disposal of controlled entities**

There were no disposals of controlled entities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 23: EQUITY – ISSUED CAPITAL

| | Consolidated Group | | | |
|---|---|---|---|---|
| | 30 June 2022 | 30 June 2021 | 30 June 2022 | 30 June 2021 |
| | Shares | Shares | $ | $ |
| Ordinary shares - fully paid | 890,691,305 | 879,859,403 | 206,466,565 | 205,044,070 |

| Movements in ordinary share capital | | Date | Shares No. | Issue Price $ | Total $ |
|---|---|---|---|---|---|
| Balance | | 30-Jun-2020 | 871,393,902 | | 202,831,116 |
| Share capital issued | (a) | 26-Feb-2021 | 8,465,501 | $0.26 | 2,212,954 |
| Balance | | 30-Jun-2021 | 879,859,403 | | 205,044,070 |
| Share capital issued | (b) | 22-Nov-2021 | 2,564,847 | $0.105 | 269,309 |
| Share capital issued | (c) | 1-Dec-2021 | 508,834 | $0.1025 | 52,155 |
| Share capital issued | (d) | 16-Dec-2021 | 3,157,740 | $0.12 | 378,929 |
| Compound equity instrument issued | (e) | 24-Dec-2021 | - | - | 245,202 |
| Share capital issued | (f) | 7-Apr-2022 | 4,450,481 | $0.105 | 467,300 |
| Share capital issued | (g) | 18-April-2022 | 150,000 | $0.064 | 9,600 |
| Balance | | 30-Jun-2022 | 890,691,305 | | 206,466,565 |
| Restricted shares on issue | (h) | | 32,530,001 | | - |
| Total issued capital | | 30-Jun-2022 | 923,221,306 | | 206,466,565 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

## NOTE 23: EQUITY – ISSUED CAPITAL (CONTINUED)

(a) On 26 February 2021, LiveTiles Limited issued 8,465,501 shares to the former owners of CYCL AG as payment for CYCL 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 acquisition date.

(b) On 22 November 2021, LiveTiles Limited issued 2,564,847 shares at $0.105 per share at $nil consideration under the Employee Share Plan in lieu of cash bonuses.

(c) On 1 December 2021, LiveTiles Limited issued 508,834 options issued under the Long Term Incentive Plan at $0.1025 per share which were exercised at $nil consideration in lieu of cash bonuses.

(d) On 16 December 2021, LiveTiles Limited issued 3,157,740 shares as consideration for 19.99% of the shares in Bind Soluções Informáticas, Design Web e Gráfico, Lda. The fair value of the shares issued is based on a floor price of $0.12 per share of LiveTiles Limited at the date of the acquisition.

(e) On 24 December 2021, LiveTiles Limited issued 2,400,000 unlisted convertible notes to shares to 1V Venture Credit Trusco Pty Ltd under the terms of the facility agreement, refer to Note 20.

(f) On 7 April 2022, LiveTiles Limited issued 4,450,481 shares as consideration for 100% of the shares in Human Link Consulting Pty Ltd, Human Link Programs Pty Ltd and Cordis Digital Pty Ltd. The fair value of the shares issued is based on a floor price of $0.105 per share of LiveTiles Limited at the date of the acquisition.

(g) On 18 May 2022, LiveTiles Limited issued 150,000 options issued under the Long Term Incentive Plan at $0.064 per share which were exercised at $nil consideration in lieu of cash bonuses.

(h) As at 30 June 2022, LiveTiles Limited had issued 32,530,001 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

Tranches P, Q and R – 1,680,000 shares were issued under the Management Incentive Plan on 16 March 2020

Tranches S, T and U – 300,000 shares were issued under the Management Incentive Plan on 25 January 2021

Tranches V, X and W – 1,400,000 shares were issued under the Management Incentive Plan on 8 March 2021

Refer to Note 27(a).

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

## NOTE 24: RESERVES

| | 2022 $ | 2021 $ |
|---|---|---|
| Share based payments reserve | 4,295,847 | 3,374,167 |
| Foreign currency translation reserve | (4,991,052) | (4,353,583) |
| Pension revaluation reserve | 5,663,437 | 1,329,328 |
| Total | 4,968,232 | 349,912 |

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** | **2022 $** | **2021 $** |
|---|---|---|---|
| Opening balance | | 3,374,167 | 2,662,669 |
| Share based payment expense – management incentive plan | 27(a) | 122,083 | 130,768 |
| Share based payment expense – long-term incentive plan | 27(b) | 344,611 | 580,730 |
| Share based payment expense – contingent payment on acquisition of Human Link | 27(c) | 454,986 | - |
| Closing balance | | 4,295,847 | 3,374,167 |

b. **Foreign currency translation reserve**

This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars and the effect of permanent loans with foreign operations within the Group. Foreign currency translation reserves relate to the translation of foreign operations with functional currencies other than Australian dollars. Exchange differences arising on translation are recognised in other comprehensive income. Current period movement predominately relates to the translation of intercompany balances domiciled in the USA and denominated in AUD that are considered permanent in nature. Intercompany balances fully eliminate upon consolidation.

| **Movements in foreign currency translation reserve** | **2022 $** | **2021 $** |
|---|---|---|
| Opening balance | (4,353,583) | (872,667) |
| Foreign currency translation of subsidiaries within the Group | (637,469) | (3,480,916) |
| Closing balance | (4,991,052) | (4,353,583) |

c. **Pension revaluation reserve**

The pension revaluation reserve records movements arising from actuarial gain or loss on the revaluation of the Group's defined benefit pension plan assets, net of tax.

| **Movements in pension revaluation reserve** | **2022 $** | **2021 $** |
|---|---|---|
| Opening balance | 1,329,328 | 445,608 |
| Actuarial (gain)/loss, net of tax | 4,334,109 | 883,720 |
| Closing balance | 5,663,437 | 1,329,328 |

**NOTE 25: CAPITAL AND LEASING COMMITMENTS**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Capital commitments | | |
| Capital commitments contracted for but not recognised in the financial statements | | |
| Payable – minimum capital commitments: | | |
| – not later than 12 months | 62,147 | 63,992 |
| – between 12 months and 5 years | 349,617 | 410,442 |
| | 411,764 | 474,434 |

Capital commitments represent minimum capital spend relating to ongoing government grants as at 30 June 2022.

There were no material contingent liabilities or assets as at 30 June 2022 (2021: nil).

**NOTE 26: ACQUISITION OF HUMAN LINK GROUP**

On 7 April 2022, LiveTiles acquired 100% of the shares on issue in Human Link Consulting Pty Ltd, Human Link Programs Pty Ltd and Cordis Digital Pty Ltd (together 'Human Link'), a leading Employee-Experience business based in Perth, Australia. Human Link delivers modular, repeatable and scalable programs across a range of areas including organisational culture, diversity and inclusion, wellbeing, leadership development and communications strategies.

The combination of joint capabilities between LiveTiles platform and Human Link's programs, create a unique offering for customers, for which there is expected to be significant opportunity for new business and existing account growth through cross-sell and up-sell efforts.

The acquisition of Human Link will enable LiveTiles to achieve its strategic vision more quickly, and allow LiveTiles to deliver new capabilities to market.

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

- Base consideration of 4,450,481 shares in LiveTiles Limited (based on a 10-day VWAP) and cash consideration of A$500,000, paid in four instalments, of which $250k remains payable at 30 June 2022 and the final instalment due in October 2022.
- Earn-out payments contingent upon performance hurdles being met as at 31 December 2022 and as at 31 December 2023 and the continued employment of key staff.
- Performance rights

The Acquisition meets the requirements of AASB 3 Business Combinations therefore Human Link has been consolidated into the financial statements of the Group from the date of the acquisition, being 7 April 2022.

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. Management has assessed that it is probable that the performance hurdles will be met and have therefore recorded a probability weighted value of the earn-out as a provision for business combination.

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

*Expenses related to the acquisition of Human Link*

| | | **2022** **$** |
|---|---|---|
| Share based payment expense for post combination services | (a) | 454,986 |
| Bonus expense for post combination services | (b) | 463,728 |
| Transaction costs | (c) | 94,337 |

(a) Part of the total amount payable to Human Link is contingent on the continued employment of key 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) Part of the total amount payable to Human Link is contingent on the continued employment of key staff and is therefore deemed to be remuneration payments for post combination services, which have been expensed in the Statement of Profit or Loss and Other Comprehensive Income as employee benefits. The remuneration payments are payable in cash and are stated at fair value, weighted for the probability of contingencies being met and an appropriate discount rate to reflect payment periods.

(c) The Group incurred costs of $94,337 in relation to the acquisition of Human Link 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 26: ACQUISITION OF HUMAN LINK GROUP (CONTINUED)**

*The statement of financial position of the acquired entity, Human Link, upon completion of the Acquisition was as follows:*

| | Note | Fair value at acquisition date $ |
|---|---|---|
| Cash and equivalents | | 71,600 |
| Trade and other receivables | | 212,637 |
| Other assets | | 396,307 |
| Trade and other payables | | (399,962) |
| Unearned revenue | | (15,375) |
| Other liabilities | | (66,375) |
| Net identifiable assets acquired | | 198,832 |
| | | |
| Representing: | | |
| Shares issued in LiveTiles Limited | | 467,300 |
| Cash consideration | | 250,000 |
| Working capital adjustment | | 155,286 |
| Deferred cash consideration | | 250,000 |
| Fair value of consideration transferred | | 1,122,586 |
| | | |
| Goodwill recognised on acquisition of Human Link | | 923,754 |

From the date of the Acquisition, Human Link contributed revenue of $905,789 and a profit after tax of $271,591. If the Acquisition had occurred on 1 July 2021, the Human Link would have contributed revenue and net profit after tax for the financial year ended 30 June 2022 would have been $2,227,440 and $197,354 respectively.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 27: SHARE BASED PAYMENTS EXPENSE

| | | | 2022<br>$ | 2021<br>$ |
|---|---|---|---|---|
| Non-cash share based payment expense | | | | |
| – | Management Incentive Plan shares | (a) | 122,083 | 130,768 |
| – | Long Term Incentive Plan shares | (b) | 344,611 | 580,730 |
| – | Contingent payment on acquisition of Human Link | (c) | 454,986 | - |
| Total share based payments expense | | | 921,680 | 711,498 |

**(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.

On 3 March 2020, LiveTiles Limited issued 1,680,000 shares to senior employees 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 $0.15. These shares were issued in Tranches P, Q and R.

On 25 January 2021, LiveTiles Limited issued 300,000 shares to senior employees 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 $0.23. These shares were issued in Tranches S, T and U.

On 1 March 2021, LiveTiles Limited issued 1,400,000 shares to senior employees 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 V, X and W.

**NOTE 27: SHARE BASED PAYMENTS EXPENSE (CONTINUED)**

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 | Share price | Effective exercise price | Term of loan to fund acquisition of shares (yrs) | Compounded risk-free interest rate | Volatility | Discount to reflect vesting conditions | Discounted value per share |
|---|---|---|---|---|---|---|---|
| A, B, C | $0.15 | $0.15 | 9 | 3.1% | 75% | 40% | $0.06 |
| D, E, F | $0.25 | $0.285 | 6 | 3.1% | 75% | 40% | $0.10 |
| G, H, I | $0.235 | $0.245 | 6 | 3.1% | 75% | 40% | $0.09 |
| J, K, L | $0.27 | $0.25 | 6 | 3.1% | 75% | 40% | $0.11 |
| M, N, O | $0.445 | $0.57 | 6 | 3.1% | 75% | 40% | $0.17 |
| P, Q, R | $0.15 | $0.15 | 6 | 3.1% | 75% | 40% | $0.06 |
| S, T, U | $0.23 | $0.23 | 6 | 3.1% | 75% | 40% | $0.09 |
| V, W, X | $0.25 | $0.25 | 6 | 3.1% | 75% | 40% | $0.10 |

## NOTE 27: 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 2022 as follows:

| | Number of shares | Date issued | Vesting date | Vesting price | Expense for 12 months ended 30 June 2022 $ |
|---|---|---|---|---|---|
| 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 | - |
| Tranche C | 10,000,000 | 25/8/2015 | 24/8/2019 | $0.45 | - |
| 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 | - |
| Tranche G | 100,000 | 2/6/2017 | 2/6/2018 | $0.245 | - |
| Tranche H | 100,000 | 2/6/2017 | 2/6/2019 | $0.245 | - |
| Tranche I | 100,000 | 2/6/2017 | 2/6/2020 | $0.245 | - |
| Tranche J | 200,000 | 20/11/2017 | 20/11/2018 | $0.25 | - |
| Tranche K | 200,000 | 20/11/2017 | 20/11/2019 | $0.25 | - |
| Tranche L | 200,000 | 20/11/2017 | 20/11/2020 | $0.25 | - |
| Tranche M | 266,667 | 6/5/2019 | 5/5/2020 | $0.57 | - |
| Tranche N | 266,667 | 6/5/2019 | 5/5/2021 | $0.57 | - |
| Tranche O | 266,667 | 6/5/2019 | 5/5/2022 | $0.57 | 12,793 |
| Tranche P | 560,000 | 16/3/2020 | 16/3/2021 | $0.15 | - |
| Tranche Q | 560,000 | 16/3/2020 | 16/12/2022 | $0.15 | 8,974 |
| Tranche R | 560,000 | 16/3/2020 | 16/12/2023 | $0.15 | 12,343 |
| Tranche S | 100,000 | 15/1/2021 | 15/10/2021 | $0.23 | 3,647 |
| Tranche T | 100,000 | 15/1/2021 | 15/10/2022 | $0.23 | 6,884 |
| Tranche U | 100,000 | 15/1/2021 | 15/10/2023 | $0.23 | 7,766 |
| Tranche V | 467,000 | 1/3/2021 | 1/3/2022 | $0.25 | 30,361 |
| Tranche X | 467,000 | 1/3/2021 | 1/3/2023 | $0.25 | 23,618 |
| Tranche W | 467,000 | 1/3/2021 | 1/3/2024 | $0.25 | 15,697 |
| Total | | | | | 122,083 |

## NOTE 27: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

### (b) Long Term Incentive Plan Options

On 16 November 2018, LiveTiles Limited issued 4,056,200 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.

On 25 November 2019, LiveTiles Limited issued 4,521,650 options to certain employees under the Long-Term Incentive Plan.

On 16 March 2020, LiveTiles Limited issued 900,000 options to certain employees under the Long-Term Incentive Plan.

On 1 March 2021, LiveTiles Limited issued 7,818,700 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 2022 as follows:

| Number of options | Date issued | Vesting date | Vesting price | Expense for 12 months ended 30 June 2022 $ |
|---|---|---|---|---|
| 200,000 | 16/11/2018 | 16/11/2019 | $0.41 | - |
| 200,000 | 16/11/2018 | 16/11/2020 | $0.41 | - |
| 940,000 | 16/11/2018 | 16/11/2020 | $0.41 | - |
| 940,000 | 16/11/2018 | 16/11/2021 | $0.41 | 8,626 |
| 888,100 | 16/11/2018 | 16/11/2020 | $0.59 | - |
| 888,100 | 16/11/2018 | 16/11/2021 | $0.59 | 6,560 |
| 185,000 | 16/1/2018 | 16/1/2020 | $0.52 | - |
| 185,000 | 16/1/2018 | 16/1/2021 | $0.52 | - |
| 185,000 | 16/1/2018 | 16/1/2022 | $0.52 | - |
| 611,325 | 25/11/2019 | 25/11/2021 | $0.43 | 4,943 |
| 611,325 | 25/11/2019 | 25/11/2022 | $0.43 | 8,130 |
| 1,468,500 | 25/11/2019 | 25/11/2021 | $0.30 | 14,156 |
| 1,468,500 | 25/11/2019 | 25/11/2022 | $0.30 | 23,286 |
| 181,000 | 25/11/2019 | 25/11/2021 | $0.30 | 3,835 |
| 181,000 | 25/11/2019 | 25/11/2022 | $0.30 | 6,308 |
| 450,000 | 16/3/2020 | 16/12/2021 | $0.15 | - |
| 450,000 | 16/3/2020 | 16/12/2022 | $0.15 | - |
| 2,735,000 | 1/3/2021 | 1/3/2023 | $0.25 | 125,297 |
| 2,735,000 | 1/3/2021 | 1/3/2024 | $0.25 | 83,455 |
| 1,304,350 | 1/3/2021 | 1/3/2023 | $0.36 | 36,022 |
| 1,304,350 | 1/3/2021 | 1/3/2024 | $0.36 | 23,993 |
| Total | | | | 344,611 |

### (c) Contingent payment on acquisition of Human Link

On 7 April 2022, LiveTiles acquired Human Link. Because part of the total amount payable is contingent on the continued employment of key 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 28: CASH FLOW INFORMATION**

| | | | 2022<br>$ | 2021<br>$ |
|---|---|---|---|---|
| a. | **Reconciliation of cash flows used in operating activities with after tax loss** | | | |
| | Loss after income tax expense | | (818,407) | (30,140,950) |
| | Cash flows excluded from loss attributable to operating activities: | | | |
| | Non-cash flows in loss: | | | |
| | – | share based payments expense | 921,680 | 711,498 |
| | – | foreign exchange differences | 372,635 | 1,889,297 |
| | – | depreciation and amortisation | 4,112,397 | 11,286,373 |
| | | Fair value movement in contingent consideration liability | (3,976,929) | - |
| | – | deferred tax | 94,633 | 523,581 |
| | Changes in assets and liabilities: | | | |
| | – | (increase) / decrease in trade and other receivables | 450,553 | (838,056) |
| | – | (increase) / decrease in other non-current assets | (418,100) | 1,128,142 |
| | – | increase / (decrease) in trade and other payables | (225,564) | 2,689,712 |
| | – | Increase / (decrease) in other liabilities | (1,684,568) | (286,369) |
| | – | increase in provisions | 443,746 | 687,465 |
| | – | net current assets of acquired entities | (155,286) | - |
| | **Cash flows used in operating activities** | | (883,210) | (12,349,307) |

## NOTE 29. 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 22.

*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 | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| *Payments to key management personnel for services:* | | | |
| Short term employee benefits | | 2,324,011 | 2,745,446 |
| Post-employment benefits | | 75,740 | 53,334 |
| Share based payments | (a) | 18,297 | 22,247 |
| | | 2,418,048 | 2,821,027 |

(a) Share based payments

The share based payments relate to the shares issued under the Management Incentive Plan (refer to Note 27 (a)).

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| *Receivables and payables to key management personnel for services:* | | | |
| Current receivables: | | | |
| - Loans to key management personnel | (b) | 1,340,870 | 1,165,974 |
| Current payables: | | | |
| - Accrued short term benefits to key management personnel | | (359,249) | (368,823) |
| Net receivables to key management personnel | | 981,621 | 797,151 |

(b) Loans to key management personnel

The loans in the above table, first raised in April 2019, have been provided to the co-founders to assist with their defence of litigation brought against them, as advised to ASX on 1 June 2018. While the Group has engaged its own lawyers to represent the four Group entities named in the litigation, instructed by the independent non-executive directors, the loans above solely relate to legal advice sought by co-founders.

The loans have been provided at arm's length with a total capped amount of $475,000 per person (excluding accrued interest). Interest charged at 15% per annum and is capitalised annually, current capitalised balance equals $195,435 per person. There have been no write-downs of balances owed during the period. No provision is held in relation to the collection of these balances.

The loan is repayable, including interest, 180 days after the later of 1) the case is settled, 2) findings determined against the defendants or 3) receipt of cost assessors certificate but no later than 31 December 2022. The cost assessors certificate was received on 2 September 2022.

## NOTE 29. RELATED PARTY TRANSACTIONS (CONTINUED)

*Financial Assets and Associates*

Financial Assets and Associates are detailed in Note 12 and Note 13.

| | | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| *Payments to Financial Assets and Associates for services:* | | | |
| - Hide & Seek | (c) | 191,265 | - |
| *Current payables:* | | | |
| - Hide & Seek | (c) | 166,100 | - |

(c) Services provide by Hide & Seek

During the period, Hide & Seek Group Pty Ltd provided research and design services to the Group, with respect to improvement to the User Interface and User Experience of the LiveTiles Platform.

*Transactions with other corporate entities, under partnership agreements*

*Transactions with Map Of Me Labs Pty Ltd*

Map Of Me Labs Pty Ltd ('Map Of Me Labs') is managed and owned by employees of the Group.

During the financial year Map Of Me Labs paid the Group an annual licence and support fee of $2m, excluding GST, in line with the research and development licence agreement between the parties. This agreement provides Map Of Me Labs with a non-exclusive, internal use licence to access LiveTiles Software environment and the LiveTiles support team as it continues to develop and build the Personal Values Game offering to its customers through its own platform. The Group continues to obtain benefits from the ongoing research and development activity and is exploring the opportunity for future licensing arrangements with Map Of Me Labs.

The Group pays Map Of Me Labs supplier costs for services rendered including marketing, training, consultancy and other services amounting to $2m (excluding GST).

*Transactions with Social Scale.AI Pty Ltd*

Social Scale.AI Pty Ltd ('Social Scale') is managed and owned 100% by a former employee of the Group. Social Scale is also a shareholder of BrainPac Laboratories Pty Ltd and MyNetZero R&D Pty Ltd, which are Financial Assets of the Group, as per Note 12.

During the financial year Social Scale paid the Group an annual license and support fee of AUD$3.6m, excluding GST, in line with the research and development license agreement between the parties. This agreement enables Social Scale to a non-exclusive, internal use licence to access LiveTiles Software environment and the LiveTiles support team as it continues to develop building out a unique and scalable robotic process automation (RPA platform), utilising the LiveTiles Limited's Intelligent Experience platform as the software layer to achieve this.

LiveTiles Limited pays Social Scale supplier costs for services rendered of AUD$2.94m (excluding GST) in line with the service agreement for services rendered.

**NOTE 30: 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.

Risks exposures and responses

*(i)* *Interest rate risk*

The Group's is exposed to interest rate risk given the Group has borrowings. The interest rate on borrowings are 9.5% per annum. Refer to Note 20.

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 variable interest rate risk that are not designated in cash flow hedges:

| | **Note** | **2022** | **2021** |
|---|---|---|---|
| | | **$** | **$** |
| Cash and cash equivalents | | 13,177,071 | 16,804,924 |
| Borrowings | 20 | (5,478,693) | - |
| Net exposure | | 7,698,378 | 16,804,924 |

| | **(Loss) / profit** | | **Equity** | |
|---|---|---|---|---|
| | **Higher / (lower)** | | **Higher / (lower)** | |
| Judgements of reasonable possible movements | **2022** | **2021** | **2022** | **2021** |
| | **$** | **$** | **$** | **$** |
| *Cash and cash equivalents* | | | | |
| +0.50% | 65,885 | 84,025 | 65,885 | 84,025 |
| -0.50% | (65,885) | (84,025) | (65,885) | (84,025) |
| *Loans* | | | | |
| +2.00% | (109,574) | - | (109,574) | - |
| -2.00% | 109,574 | - | 109,574 | - |

**NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)**

*(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, CHF 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 | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| Cash and cash equivalents - USD | 2,405,837 | 7,756,061 |
| Cash and cash equivalents - EUR | 1,564,091 | 5,587,286 |
| Cash and cash equivalents - DKK | 2,580,380 | 1,088,738 |
| Cash and cash equivalents - CHF | 1,024,896 | 445,932 |
| Trade and other receivables - USD | 1,083,300 | 2,108,250 |
| Trade and other receivables - GBP | - | 195,707 |
| Trade and other receivables - EUR | - | 1,057,443 |
| Trade and other receivables - DKK | 427,566 | 944,297 |
| Trade and other receivables - CHF | 1,276,367 | 497,694 |
| Trade and other payables - USD | 195,847 | (204,237) |
| Trade and other payables - EUR | 55,935 | (287,958) |
| Trade and other payables - DKK | 74,880 | (149,484) |
| Trade and other payables - CHF | 332,742 | (1,065,002) |
| Net exposure | 11,021,841 | 17,974,727 |

**NOTE 30: 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 loss** | | **Equity** | |
|---|---|---|---|---|
| | **Higher / (lower)** | | **Higher / (lower)** | |
| Judgements of reasonable possible movements | **2022** | **2021** | **2022** | **2021** |
| | **$** | **$** | **$** | **$** |
| AUD/USD +10% | 368,498 | 1,006,855 | 368,498 | 1,006,855 |
| AUD/USD -10% | (368,498) | (1,006,855) | (368,498) | (1,006,855) |
| AUD/GBP +10% | - | 19,571 | - | 19,571 |
| AUD/GBP -10% | - | (19,571) | - | (19,571) |
| AUD/EUR +10% | 162,003 | 693,269 | 162,003 | 693,269 |
| AUD/EUR -10% | (162,003) | (693,269) | (162,003) | (693,269) |
| AUD/DKK +10% | 308,283 | 218,252 | 308,283 | 218,252 |
| AUD/DKK -10% | (308,283) | (218,252) | (308,283) | (218,252) |
| AUD/CHF +10% | 263,400 | 200,863 | 797,890 | 200,863 |
| AUD/CHF -10% | (263,400) | (200,863) | (797,890) | (200,863) |

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.

## NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)

*(iii)* *Liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. Undrawn borrowings at 30 June 2022, which were drawn subsequent to period end per Note 33 are not included.

| | Weighted Average Interest Rate % | Less than 6 months | 6 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade and other payables | | 8,088,797 | - | - | 8,088,797 |
| Lease liabilities | | 302,627 | 302,627 | 2,186,974 | 2,792,228 |
| Income tax payable | | 657,296 | - | 871,251 | 1,528,547 |
| Provisions for business combinations (cash component) | | 250,000 | 2,095,681 | 3,283,977 | 5,629,658 |
| *Interest bearing – fixed rate* | | | | | |
| Borrowings | 9.5% | 31,866 | 470,527 | 4,976,300 | 5,478,693 |
| | | 9,330,586 | 2,868,835 | 11,318,502 | 23,517,923 |
| **2021** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade and other payables | | 7,863,233 | - | - | 7,863,233 |
| Lease liabilities | | 430,989 | 430,989 | 2,365,036 | 3,227,014 |
| Income tax payable | | 1,788,885 | 96,402 | 541,798 | 2,427,085 |
| Provisions for business combinations (cash component) | | - | 3,246,885 | - | 3,246,885 |
| | | 10,083,107 | 3,774,276 | 2,906,834 | 16,764,217 |

*(iv)* *Credit risk*

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

*(v)* *Fair value of financial instruments*

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)**

*(w) Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

There were no movements between the levels during the financial year.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Financial assets | - | - | 2,135,000 | 2,135,000 |
| Provisions for business combinations | - | - | (12,925,981) | (12,925,981) |
| | - | - | (10,790,981) | (10,790,981) |
| **2021** | | | | |
| Provisions for business combinations | - | - | (10,822,951) | (10,822,951) |
| | - | - | (10,822,951) | (10,822,951) |

*Financial assets*

A fair value assessment of these investment was performed as at 30 June 2022. It was noted that given the short tenure since acquisition and early stage of the businesses, no change to the current carrying value was deemed necessary. Refer to Note 12.

*Provision for business combinations*

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. Management continually evaluates its judgements and estimates, which are based on various factors including historical experience and expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates seldom equal the related actual results. The provisions for business combinations are considered to be a key estimate. Refer to Note 19.

## NOTE 31: OPERATING SEGMENTS

The consolidated entity has identified two operating segments based on the internal reports that are reviewed and used by the Board of Directors & Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The operating results of the consolidated entity are currently reviewed by the CODM and decisions are based on two operating segments which also represent the two reporting segments, as follows:

| 2022 Operating Segments | |
|---|---|
| Employee Experience ("EX") Platform | Represents the revenue and operating expenses attributable to sale of software and software related services. |
| Employee Experience ("EX") Programs | Represents the revenue and operating expenses attributable to employee experience related services. |

This represents a change in the operating segments from prior period, the change between the periods was attributable to the following changes in the business during the 2022 financial year:

- Successful product integration of various legacy software solutions and the launch of a new product portfolio go-to-market.
- Sales/operations and product organisation restructure of previously geographically structured teams, supporting aggregation of legacy operating segments.
- Acquisition of Human Link, per Note 26, and establishment of EX Programs offering, representing a new operating segment.
- Commensurate change in basis of which discrete financial information is reported.

| 2021 Operating Segments | |
|---|---|
| Americas | Represents the revenue and operating expenses attributable to activities conducted in United States of America, Canada, Central America & South America. |
| APAC | Represents the revenue and operating expenses attributable to activities conducted in Australia, New Zealand & Asia. |
| EMEA | Represents the revenue and operating expenses attributable to activities conducted in Europe, Middle East & Africa. |

**NOTE 31: OPERATING SEGMENTS (CONTINUED)**

The table below shows the segment information provided to the CODM for the reportable segments for the financial years ending 30 June 2021 and 30 June 2022:

| **Consolidated - 30 June 2021** | **APAC** | **Americas** | **EMEA** | **Unallocated /Head Office** | **Total** |
|---|---|---|---|---|---|
| Subscription revenue | 12,340,650 | 8,384,880 | 24,251,070 | - | 44,976,600 |
| Other revenue | 356 | 1,452,711 | 62,312 | 230,209 | 1,745,588 |
| Revenue | 12,341,006 | 9,837,591 | 24,313,382 | 230,209 | 46,722,188 |
| | | | | | |
| EBITDA | (4,326,582) | (854,262) | 6,212,733 | (17,237,725) | (16,205,836) |
| Depreciation & amortisation | (1,048,810) | (1,474,814) | (3,814,401) | (4,948,348) | (11,286,373) |
| Finance costs | (2,981) | (319,017) | (53,978) | (1,693,499) | (2,069,475) |
| | | | | | |
| Loss before income tax expenses | (5,378,373) | (2,648,093) | 2,344,354 | (23,879,572) | (29,561,684) |
| Income tax expense | (154,950) | (677,020) | (800,441) | 1,053,145 | (579,266) |
| Loss after income tax expenses | (5,533,323) | (3,325,113) | 1,543,913 | (22,826,427) | (30,140,950) |

| | | | | | |
|---|---|---|---|---|---|
| **Consolidated – 30 June 2021** | | | | | |
| *Assets* | | | | | |
| Segment assets | 6,318,957 | 11,042,896 | 11,527,364 | 74,349,800 | 103,239,017 |
| | | | | | |
| *Liabilities* | | | | | |
| Segment liabilities | (7,004,324) | (11,549,549) | (18,019,626) | (12,781,958) | (49,355,457) |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 31: OPERATING SEGMENTS (CONTINUED)**

| **Consolidated - 30 June 2022** | **EX Platforms** | **EX Programs** | **Unallocated /Head Office** | **Total** |
|---|---|---|---|---|
| Subscription revenue | 51,923,750 | 905,789 | - | 52,829,539 |
| Other revenue | 224,749 | 471 | 175,261 | 400,481 |
| Revenue | 52,148,499 | 906,260 | 175,261 | 53,230,020 |
| EBITDA | 6,998,857 | 270,299 | (2,174,586) | 5,094,570 |
| Depreciation & amortisation | (1,566,430) | (152) | (2,545,815) | (4,112,397) |
| Finance costs | (357,737) | (1,448) | (559,464) | (918,649) |
| Profit / (Loss) before income tax expenses | 5,074,690 | 268,699 | (5,279,865) | 63,524 |
| Income tax expense | (904,661) | - | 22,730 | (881,931) |
| Profit / (loss) after income tax expenses | 4,170,029 | 268,699 | (5,257,135) | (818,407) |

| **Consolidated – 30 June 2022** | | | | |
|---|---|---|---|---|
| *Assets* | | | | |
| Segment assets | 103,473,001 | 2,051,889 | 4,519,914 | 110,044,804 |
| *Liabilities* | | | | |
| Segment liabilities | (26,125,548) | (535,296) | (24,277,992) | (50,938,836) |

The CODM uses underlying EBITDA as a measure to assess the performance of the segments. This excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as acquisition costs, legal expenses and impairments when the impairment is the result of an isolated, non–recurring event. It also excludes the effects of equity-settled share-based payments, unrealised gains/losses on financial instruments and amortisation of intangibles.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

**NOTE 32: CONTINGENT LIABILITIES**

There are no material contingent liabilities.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 33: EVENTS AFTER THE REPORTING PERIOD**

On 5 September 2022, the Extraordinary General Meeting of shareholders was held, to vote on the resolution for the removal of the Company from the ASX Official List. 57.36% of votes cast were against the resolution and therefore the motion did not pass.

On 21 September 2022, it was announced that Peter Nguyen-Brown will be finishing his roles as CXO and Executive Director in October 2022.

On 27 September 2022, the Company drew the available second tranche of the One Ventures facility, comprising $2.4m loan and $1.6m convertible notes. Refer to Note 20.

**NOTE 34: COMPANY DETAILS**

The registered office of the Company is:

LiveTiles Limited
2 Riverside Quay
Southbank VIC 3006

The principal places of business are:

| | | |
|---|---|---|
| – | Australia: | 627 Chapel Street<br>Level 2<br>South Yarra VIC 3141 |
| – | USA: | 137 W 25th Street<br>6th floor<br>New York NY 10001 |
| – | Denmark: | Toldbodgade 18<br>Copenhagen<br>1253 |
| – | Switzerland: | Malzgasse 7a,<br>Basel<br>4052 |

## 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 are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards, which, as stated in the 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 2022 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.

Director ……………………………………….

Karl Redenbach

Dated this 30th day of September 2022

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Fax: +61 2 9240 9821
**www.bdo.com.au**

Level 11, 1 Margaret Street
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 2022, 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 2022 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 (including Independence Standards)* (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.

## Material uncertainty related to going concern

We draw attention to Note 1 (z) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for investments

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the financial year the Group made the following investments:<br>• Financial assets valued at $2,135,000 as at 30 June 2022 as disclosed in Note 12.<br>• Investments in associates with a carrying value of $6,567,019 as at 30 June 2022 as disclosed in Note 13.<br>• Acquisition of Human Link Consulting Pty Ltd, Human Link Programs Pty Ltd, and Cordis Digital Pty Ltd – collectively 'Human Link' as disclosed in Note 26.<br>These investments were considered to be a key audit matter due to the judgement and complexity involved in assessing the appropriate accounting treatment and fair value in accordance with the applicable accounting standards. | Our audit procedures for addressing this key audit matter included, but were not limited to, the following:<br>• Reviewing the share purchase and acquisition agreements for each investment to verify the key terms of each investment and assessing the accounting impact of any conditions relating to the acquisition.<br>• Together with BDO IFRS specialists, evaluated and assessed the accounting treatment adopted by management against the requirements of Australian Accounting Standards. This included evaluating the assessment made by management's external expert to ensure all relevant facts and circumstances had been considered.<br>• Evaluated the assumptions and methodology in management's determination of the fair value of the assets and liabilities acquired pertaining to the Human Link acquisition.<br>• Considered any impairment indicators in accordance with AASB 136 *Impairment of Assets* for the investment in associate as at 30 June 2022. |

| | |
|---|---|
| | • Assessed management's estimation of the various contingent consideration arrangements by challenging the key assumptions and probability of achievement of future targets as at 30 June 2022.<br>• Together with BDO valuation specialists, assessed the reasonableness of the valuation assessment performed by management pertaining to the investments classified as financial assets as at 30 June 2022.<br>• Assessed the adequacy of the disclosures of the various investments within Notes 12,13 and 26 of the financial report against the requirements of Australian Accounting Standards. |

## Carrying value of intangible assets

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As at 30 June 2022, the Group recognised intangible assets with a carrying value of $74,741,937 as disclosed in Note 14.<br><br>The assessment of the carrying value of intangible assets was considered a key audit matter due to the significant value of these assets in the Consolidated Statement of Financial Position in addition to the key estimates and judgements applied by management in determining the recoverable value of these assets under AASB 136 *Impairment of Assets*. | Our audit procedures for assessing the carrying value of the Group's intangible assets included, but were not limited to, the following:<br>• Evaluated management\`s assessment pertaining to the identification and classification of each cash generating unit (\`CGUs\`) as a result of the business integration of the Group during the financial year.<br>• Evaluated and assessed whether management's operating segments and CGU assessment were in accordance with AASB 8 *Operating Segments* and AASB 136 *Impairment of Assets*.<br>• Evaluated the discounted cash flow models prepared by management and challenged the assumptions and judgements made. This included considering historical performance in comparison to forecast future cash flows.<br>• Together with BDO valuation specialists, assessed the reasonableness of the discount rates applied by management.<br>• Performed sensitivity analysis on the key inputs applied to the discounted cash flow models to assess the impact that reasonable changes in the assumptions would make to the recoverable value of the CGU. |

|  |  |
|---|---|
|  | • Considered any additional impairment indicators as per AASB 136 *Impairment of Assets* and the impact on management's assumptions.<br>• Assessed the adequacy of the Group's disclosures in respect of the intangible asset carrying values and impairment assessment assumptions as disclosed in note 14 of the financial report. |

**Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' Report (excluding the audited Remuneration section) for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

**Responsibilities of the directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2022.

In our opinion, the Remuneration Report of LiveTiles Limited, for the year ended 30 June 2022, 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 Audit Pty Ltd**

BDO

**Martin Coyle**
**Director**

Sydney, 30 September 2022

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 27 September 2022:

1. **Shareholding**

a. **Distribution of Shareholders**

| Category (size of holding): | **Ordinary shares** | **% of shares listed** |
|---|---|---|
| 1 – 1,000 | 273,382 | 0.03% |
| 1,001 – 5,000 | 7,724,420 | 0.84% |
| 5,001 – 10,000 | 11,174,723 | 1.21% |
| 10,001 – 100,000 | 96,612,837 | 10.46% |
| 100,001 and over | 807,435,944 | 87.46% |
| | 923,221,306 | 100.00% |

b. The number of shareholdings held in less than marketable parcels is 4,857.

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

| Shareholder: | **Ordinary shares** | **% of shares listed** |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 124,086,893 | 13.44% |
| Karl Redenbach | 90,982,547 | 9.85% |
| Peter Nguyen-Brown | 78,232,547 | 8.47% |
| Merrill Lynch (Australia) Nominees Pty Ltd | 66,139,015 | 7.16% |
| National Nominees Limited | 52,953,208 | 5.74% |

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 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 124,086,893 | 13.44% |
| 2 | KARL REDENBACH | 90,982,547 | 9.85% |
| 3 | PETER NGUYEN-BROWN | 78,232,547 | 8.47% |
| 4 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 66,139,015 | 7.16% |
| 5 | NATIONAL NOMINEES LIMITED | 52,953,208 | 5.74% |
| 6 | "JINLAND PTY LTD | 21,800,000 | 2.36% |
| 7 | <JINLAND FAMILY A/C>" | 18,468,301 | 2.00% |
| 8 | MR PATRICK PUNTENER | 18,458,301 | 2.00% |
| 9 | MR MATTHIAS WALTER | 17,006,283 | 1.84% |
| 10 | MR BRIAN COOK | 13,424,125 | 1.45% |
| 11 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 10,205,092 | 1.11% |
| 12 | "BNP PARIBAS NOMINEES PTY LTD | 9,250,000 | 1.00% |
| 13 | <IB AU NOMS RETAILCLIENT DRP>" | 8,053,468 | 0.87% |
| 14 | MR KEFENG GAO | 7,000,000 | 0.76% |
| 15 | CITICORP NOMINEES PTY LIMITED | 6,300,000 | 0.68% |
| 16 | MR CHARLIE LEE | 5,911,089 | 0.64% |
| 17 | HOSANDA CORPORATION PTY LIMITED | 5,625,000 | 0.61% |
| 18 | "BRISPOT NOMINEES PTY LTD | 5,000,000 | 0.54% |
| 19 | <HOUSE HEAD NOMINEE A/C>" | 4,254,659 | 0.46% |
| 20 | MR ALCINO ELOI BELINHA DE SA | 4,215,263 | 0.46% |
| | | **567,365,791** | **61.46%** |

2. The name of the company secretary is Elizabeth Spooner.

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