

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

**LIVETILES LIMITED
ABN 95 066 139 991**

**FINANCIAL YEAR ENDED
30 JUNE 2021**

LiveTiles Limited ABN 95 066 139 991 and Controlled Entities

Financial report for the year ended 30 June 2021

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Results for Announcement to the Market

Key Information	2021 \$	2020 \$	% Change
Revenue from ordinary activities	44,976,600	37,790,403	+ 19%
Net loss after tax from ordinary activities attributable to members	(30,140,950)	(31,604,441)	+ 4.6%
Net loss attributable to members	(30,140,950)	(31,604,441)	+ 4.6%

Dividends Paid and Proposed

No dividend was paid or proposed during the financial year ended 30 June 2021 (2020: \$nil).

Dividend Reinvestment Plan

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

Commentary on the Results for the Year

Refer to the commentary on the results for the year contained in the "Operating and financial review" included within the Directors' Report.

Net Tangible Assets per Share

	2021 cents/share	2020 cents/share
Net tangible assets per share (including right-of-use assets, excluding pension actuarial liabilities)	(1.55)	0.30

Control Gained or Lost over Entities in the Year

N/a

Details of Associates and Joint Venture Entities

Not applicable

Attachments

The consolidated financial statements for LiveTiles Limited for the year ended 30 June 2021 are attached.

Signed



Karl Redenbach
CEO
Melbourne

Date: 26 August 2021

LiveTiles Limited
ABN 95 066 139 991
Consolidated financial statements for the year ended 30 June 2021

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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 2021.

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 (appointed 11 September 2020)
Karl Redenbach	Executive Director and Chief Executive Officer
Peter Nguyen-Brown	Executive Director and Chief eXperience Officer
Jesse Todd	Non-Executive Director (appointed 15 April 2021)
Fiona Le Brocq	Non-Executive Director (appointed 15 April 2021)
Andrew McKeon	Non-Executive Director (resigned 15 April 2021)
David Lemphers	Non-Executive Director (resigned 11 September 2020)
Dana Rasmussen	Non-Executive Director (resigned 15 April 2021)

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 Information 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
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)

Andrew McKeon	Non-Executive Director
Appointed	1 April 2017, resigned 15 April 2021
Experience and qualifications	Andrew McKeon has over 25 years of global marketing experience and is currently the Global Chief Creative Officer at Genero, a global video production marketplace. Prior to Genero, Andrew was the Global Accounts and Agencies Lead for Facebook and Instagram, where he managed relationships with Facebook's largest customers including Amazon, Nike and Apple. Prior to Facebook, Andrew was a creative director at Apple where he helped launch a number of Apple's most innovative products. Andrew holds a Bachelor of Economics degree from Monash University.
Special responsibilities	Audit and Risk Committee, Remuneration Committee

David Lemphers	Non-Executive Director
Appointed	1 September 2018, resigned 11 September 2020
Experience and qualifications	David Lemphers has over 20 years of software engineering and technology strategy experience and is currently the CEO of Code Pilot, an AI acceleration platform. David is also a seasoned entrepreneur having completed multiple successful exits. David is currently CTO in Residence at Techstars, a global startup accelerator based out of the US. David's prior experience includes leading the National Cloud Computing practice for PwC and being a founding member of the Windows Azure team at Microsoft where he spent 5 years as an engineer. David holds a Bachelor of Computer Science from Swinburne University and a Bachelor of Laws from Monash University.
Special responsibilities	Remuneration Committee

DIRECTORS' REPORT**Information on directors (continued)**

Dana Rasmussen	Non-Executive Director
Appointed	27 September 2019, resigned 15 April 2021
Experience and qualifications	<p>Dana is an accomplished people executive based in San Francisco and is currently the VP People & Culture at Stitch Fix, a leading US technology and ecommerce business. Prior to this role, Dana held senior people function roles at Honor, Flywheel Sports, Banana Republic, L Brands and Yahoo.</p> <p>Dana holds a Bachelor of Science – BS, Business Management, Organisational Behaviour from Babson College and a Business Fellowship at Templeton College, University of Oxford</p>
Special responsibilities	Remuneration Committee

Directors' interests in shares and options

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

	Number of ordinary shares	Number of options over ordinary shares
Karl Redenbach	90,982,547	-
Peter Nguyen-Brown	78,232,547	-
Dr Marc Stigter	118,105	-
Jesse Todd	175,900	-
Fiona Le Brocq	-	-
Andrew McKeon	-	-
David Lemphers	-	-
Dana Rasmussen	-	-

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	7	7	-	-	-	-
Peter Nguyen-Brown	7	7	-	-	1	1
Dr Marc Stigter ¹	4	4	1	1	-	-
Jesse Todd ²	2	2	1	1	-	-
Fiona Le Brocq ³	2	2	1	1	-	-
Andrew McKeon ⁴	5	5	-	-	-	-
David Lemphers ⁵	3	1	-	-	1	1
Dana Rasmussen ⁶	5	5	-	-	1	1

Notes:

1. Dr Marc Stigter was appointed as Chair and Non-Executive Director 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
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

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 2020 for the entire FY21; the Remuneration Committee consisted of the following Board Members through the period:

David Lemphers	1 July 2020 – 11 September 2020
Dana Rasmussen (Chair)	1 July 2020 – 15 April 2021
Peter Nguyen-Brown	1 July 2020 – 30 June 2021
Marc Stigter	11 September 2020 – 30 June 2021
Fiona Le Brocq (Chair)	15 April 2021 – 30 June 2021
Jesse Todd	15 April 2021 – 30 June 2021

On 15 April 2021 the Audit and Risk Committee was re-established. Mr Todd was appointed as Chair of the Audit and Risk Committee and Dr Stigter and Ms Le Brocq as members.

Mr Stigter assumed the position of Chair of the Board upon his appointment on 11 September 2020.

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)
Fiona Le Brocq	Jesse Todd
Dr Marc Stigter	Dr Marc Stigter
	Peter Nguyen-Brown
	Dana Rasmussen (resigned 15 April 2021)
	David Lemphers (resigned 11 September 2020)

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.

Principal activities

The Group's principal continuing activities during the year was being a Software as a Service (SaaS) provided, 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 reviewed financial statements. The Annual Recurring Revenue (ARR¹), 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 2021, despite the ongoing global challenges with COVID-19, LiveTiles has achieved another year of strong growth across its key business metrics of ARR, Revenues, EBITDA and Cash.

- **ARR grew +17% to \$62.8m** (2020: \$53.8m), comprising 1,078 customers (2020: 1,092). On a constant currency basis when compared with 30 June 2020 FX rates, ARR grew 20% to \$64.7m as at 30 June 2021
- **Operating Revenues grew +19% to \$44.98m** (2020: \$37.8m).
- **EBITDA improved by +19% to \$(16.2)m** 2020: \$(19.9)m. On an Underlying EBITDA basis, there was a +91% improvement year over year to \$(1.1)m
- **Cash Receipts grew +26% to \$51.8m** (2020: \$41m) and Adjusted Net Operating Cash Flows² improved +26% to \$(19.6)m (2020: \$26.6m), when excluding one-off non-recurring payments in FY21 this position improved +72% to \$(6.2)m leaving **cash balance at 30 June 2021 at \$16.8m** (2020: \$37.8m).

-
1. 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.
 2. Adjusted Net Operating Cash Flows includes cash payments for capitalised software development costs (reported in Investing Activities), lease liability payments (reported in Financing activities) and excludes government grant income, as this is an accurate reflection of the Company's operating cash positions.

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.

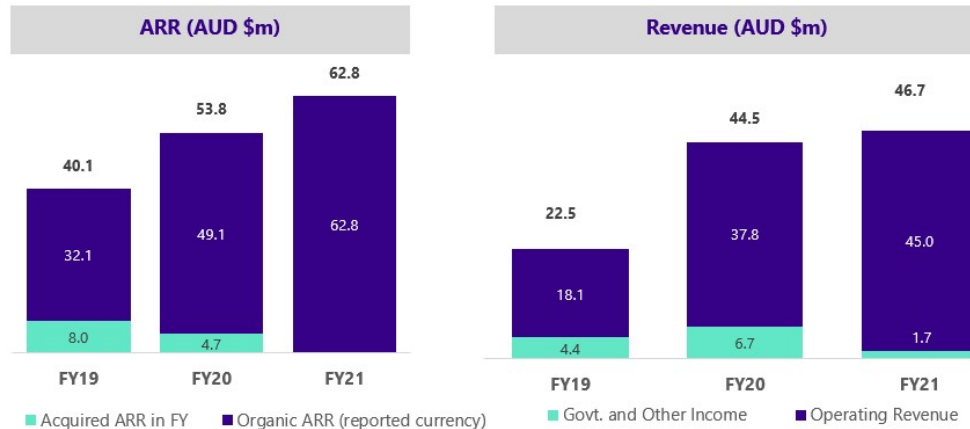
	Notes	FY21 (\$000s)	FY20 (\$000s)	Movement
Software subscription revenue		34,402	28,981	19 %
Software related services revenue		10,574	8,810	20 %
Total operating revenue		44,977	37,790	19%
Other income		1,745	6,678	(74)%
Total Revenue		46,722	44,468	5%
Cost of revenues		(12,155)	(9,591)	(27)%
Gross Profit	(a)	32,821	28,200	16%
<i>Gross Profit Margin</i>		<i>73.0%</i>	<i>74.6%</i>	<i>(16 pp)</i>
Product research and development	(b)	(12,158)	(7,086)	(72)%
Sales and marketing		(15,399)	(24,628)	37 %
General and administration		(13,856)	(21,060)	34 %
Total operating expenses		(41,412)	(52,774)	22%
One off costs	(c)	(14,030)	(2,197)	(539)%
Depreciation and amortisation		(5,950)	(6,508)	9 %
Non cash expenses	(d)	(2,737)	(5,139)	47%
Net Operating Profit / (Loss)		(29,562)	(31,740)	7%
EBITDA		(16,206)	(19,891)	19%
<i>EBITDA Margin</i>		<i>(36.3)%</i>	<i>(52.6)%</i>	<i>163 pp</i>
Underlying EBITDA	(e)	(1,134)	(12,558)	91%
<i>Underlying EBITDA Margin</i>		<i>(2.8)%</i>	<i>(33.2)%</i>	<i>304 pp</i>
Net Profit / (Loss) after tax		(30,141)	(31,604)	5%

Notes

- (a) Excludes other income
- (b) Includes amortisation of capitalised software development costs of \$5.3m during the period
- (c) One-off costs include non-recurring expenses in connection to the settlement of litigation settled during the financial year, and one-off \$1.6m Employee restructure and redundancy costs made in Q4FY21
- (d) Non-cash expense items include \$0.7m share based payments, \$1.7m finance charges related to discounting of CYCL earn out provision and \$0.3 unrealised foreign currency movements
- (e) In the 31 December 2020 appendix 4D accounts, the term Adjusted EBITDA was used; this has now been changed to Underlying EBITDA as a more accurate and appropriate measure of underlying company performance. There is no change however to the calculation or interpretation of the measure. Underlying EBITDA excludes non-cash expenses and one-off non-recurring items.

Financial Year 2021 Highlights

ARR and Revenues



Despite the challenging operating environment over the past 12 months due to COVID-19, LiveTiles has successfully grown its Operating Revenues (Subscription and Services related to software revenues) by +19% in FY21 when compared to FY20. This growth highlights the strength of the LiveTiles product offering in the evolving Employee Experience market in a post-COVID work environment. Results driven by the Company's new business sales from both direct and indirect channels, the evolving sales motion of cross-selling LiveTiles products and upselling licence counts into existing customers, strategic partnerships, ongoing product innovation and strengthening brand awareness.

For the 12 months to 30 June 2021, total revenue and other income was \$46.72m (2020: \$44.47m), including subscription revenue of \$34.40m (2020: \$28.98m), Software related services revenue of \$10.57m (2020: \$8.8m) and government grant, other income of \$1.7m (2020: \$6.7m). In addition, unearned revenue (a balance within the Statement of Financial Position) was \$13.5m (2020: \$11.28m); 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 +17% to \$62.8m (2020: \$53.8m) comprising 1,078 paying customers (2020: 1,092) with an average ARR per customer of \$58.3k. On a constant currency basis when compared with 30 June 2020 FX rates, ARR grew +20% to \$64.7m as at 30 June 2021

ARR Net \$ Retention³ at 30 June 2021 for the 12-month period was 92%.

During the past 12-18 months LiveTiles, its customers and partners have all experienced various challenges from the impact of the COVID-19 pandemic and as a result; variances between the Company's reported ARR and FY21 operating revenues have been realised, further explained from the following key material contributing factors:

- COVID relief and deferred billings.** LiveTiles had customers and partners that faced financial hardships at various stages due to COVID and the Company in the interest of maintaining its existing and long-term relationships with these partners and customers agreed to provide commercial relief during the financial year. It was agreed to provide deferred billings or one-off reduced billed amounts with continued access to its subscription whilst maintaining their contracted ARR values; over the course of the financial year this contributed to approx. \$2.3m for customer and \$2.5m for partners of the ARR and Revenue variance.

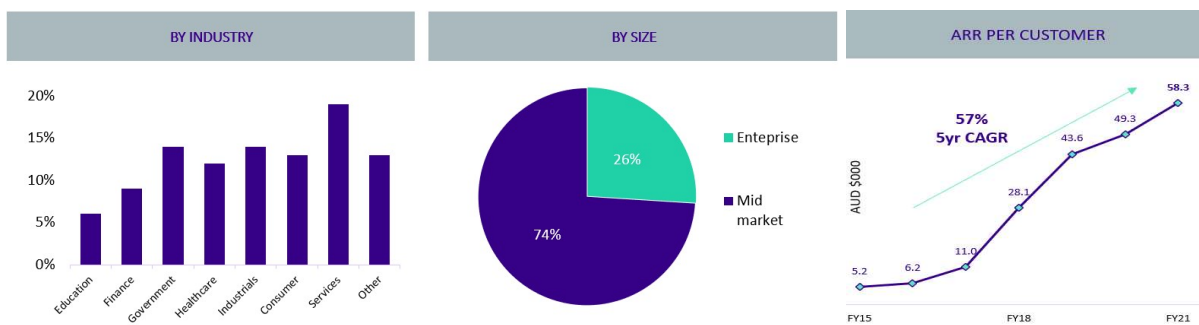
These commercial concessions were provided as a one-off; and the customers and partners will return to their regular billing cycles per their ARR amounts in FY22.

- 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 period there were existing contracted partnership arrangements recognised in the ARR from prior periods, that had approx. \$2.4m not transact into revenue throughout periods of FY21 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.

³ Net Retention is ARR expansion from existing customers less any down sells or cancellations in the period / ARR at the beginning of the period. This does not include any ARR contracted to new customers or impact of FX currency movements in that period

- **Adverse FX movements:** over the past 12 months throughout COVID19 the global markets have been exposed to large currency fluctuations and with 61% of LiveTiles ARR as at 30 June 2021 coming from outside Australia, the company has been impacted by adverse FX rate movements through the period when converting signed contracts to AUD, with an adverse impact of approximately \$2.1m
- **Delays in projects go-live:** with a combination of larger complex integrations and the ongoing COVID19 restrictions limiting the ability for face-to-face project workshops, these have both contributed to longer delays from when a contract is signed (timing of ARR recorded) to when projects go-live and the licence effective dates start (timing of accounting revenue recorded), this has contributed approx. \$2.2m of the ARR and Revenue variance across both partner and customer channels
- **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 created approx. \$1.8m of the ARR and Revenue variance. This was corrected over the last two quarters of FY21 and will remain reported in the ARR value as 'net' of partner discount margin, which is in line with rest of the Group's ARR recognition policy.

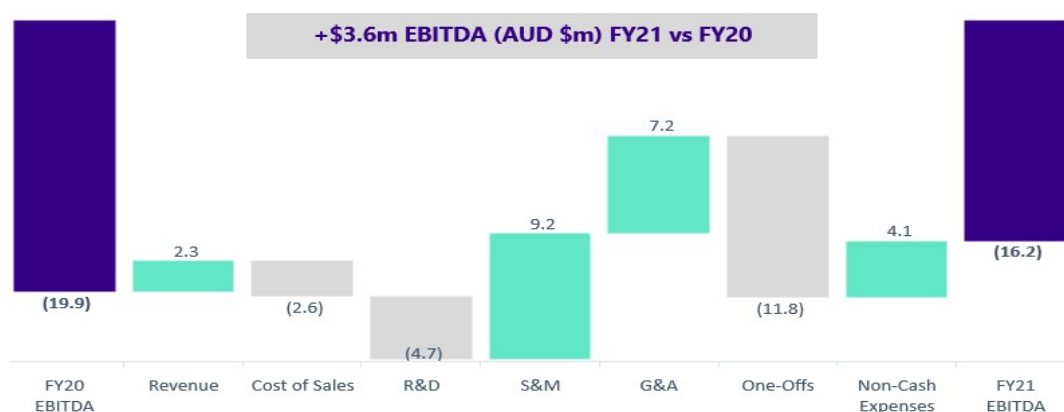
Customers



During the 2021 financial year, Average ARR per customer over the year grew +18% from \$49.3k to \$58.3k and +22% to \$60.0k on a constant currency basis when using 30 June 2020 FX rates. A result that reflects the shift in focus towards a greater mix of our customer based towards larger Enterprise customers. During the period, there were 110 new customers added, taking total customer numbers at 30 June 2021 to 1,078, (2020: 1,092).

LiveTiles, as a leader in the Employee Experience market, continues to broaden its global base of enterprise customers, driven by the portfolio of products that addresses the needs of the corporate and front-line workforce around engagement, communication and collaboration. During the financial year 2021, the Group announced its three largest ever Customer signings with Footlocker (Q2), United Healthcare Group (Q3) and Nestle (Q4), that combined represents over 650,000 employees globally to potentially engage and collaborate using the LiveTiles Platform, demonstrating the diverse and competitive offering LiveTiles provides across multiple industries.

Operating Expenses and EBITDA Performance



Product Research and Development

AUD \$000s	FY21	FY20	Movement
Product research & development	(12,158.3)	(7,085.9)	72 %
% of Total Revenue	26.0%	15.9%	101 pp

R&D increased \$4.7m, the increase was a result of having the CYCL developer team for the full year, which was acquired in Q2-FY20 and new strategic investments with third party R&D partners that commenced in Q4FY21 (see Strategic Review update below). During the year approx. \$5.3m of R&D work on commercialised software was capitalised, in accordance with AASB138, up from \$4.9m from 2020.

Sales and Marketing

AUD \$000s	FY21	FY20	Movement
Sales and Marketing	(15,398.7)	(24,628.4)	(37)%
% of Total Revenue	34.2%	65.2%	(309 pp)

Sales & Marketing improved by +37% with \$9.2m savings, a key factor to the savings in the period was reduced marketing and T&E due to COVID19 restraints as well as the cancellation of a large US sales partnerships in Q3FY20.

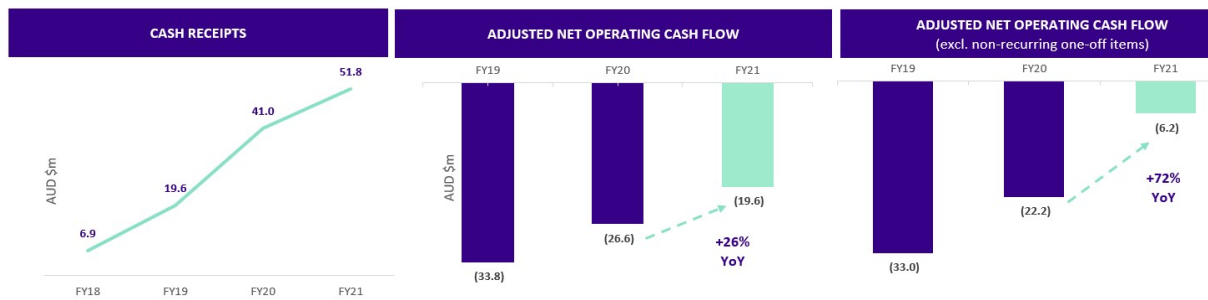
General and Administration

AUD \$000s	FY21	FY20	Movement
General and Administration	(13,855.5)	(21,060.0)	(34)%
% of Total Revenue	29.7%	47.4%	(177 pp)

General & administration improved by 34% and \$7.2m compared to 2020. Savings were realised through a slowdown of hiring in the departments, a reduction in office locations and lease costs and no professional fees incurred through capital raises or acquisition activities.

Other Items impacting the results for 2021, include **One-Off costs \$14m** incurred in connection with the settlement of litigation and legal costs during the period and an organisation restructure with redundancy costs in Q4FY21. **Non-cash expense \$2.7m** items include employee share based payments, revaluation charges relating to the CYCL earn out provision and unrealised foreign currency movements.

Cash Flows



Cash Receipts of \$51.8m for the Group in financial year 2021 was a record and saw 26% increase on the prior year and a 96% 3 year CAGR.

Cash Flows: Adjusted Net Operating Cash Flows on a Trailing Twelve Month (TTM) basis of \$(19.6)m, improved +26%, compared to FY20 and when excluding one-off non-recurring items, this improved by +72% to net outflows of \$(6.2)m. Improvements driven by increasing cash receipts and continued focus by Management on disciplined cost management.

Cash and cash equivalents \$16.8m as at 30 June 2021.

Significant activities during the financial year

Company Strategic Review

The Board and LiveTiles Management are pleased to share the outcomes of the recently completed review of the LiveTiles global business and the Company's strategic plan going forward. The review was initiated in Q3 2021 with the view to evaluate and simplify its operations, improve the financial health, build a strategy to reposition the business for new growth and scale, as well as to align and optimise the company structure.

The strategic business review was completed by an independent ex-McKinsey consultant with over 10+ years of global SaaS experience, with the following key outcomes identified:

- **Business Model** opportunity to simplify the overall model. It has inherited complexities from past acquisitions and now has two core products requiring different operating models. The Go-to-market strategy and execution needs an overhaul to deliver scalable, high velocity growth.
- **Strategy:** opportunity to clearly define vision, strategy and direction of the company, to provide focus for product, sales and marketing teams, and to provide clarity to customers and investors.
- **Performance:** opportunity to realign organisation structure aligned to focused strategic goals, top-down.
- **Product Focus** opportunity to further simplify both the go-to-market and the product development priorities, to drive strong focus internally, and to compete strongly in the addressable market that LiveTiles plays in.
- **Financial:** focus needed on improving cash burn, leveraging the foundations of a strong customer book, identify and chase profitable and scalable products.

Following the review, the Board has since approved a new Company strategic plan with clearly defined goals. Underpinning this plan are three key initiatives, outlined below, that the Company looks to execute over the short to mid-term, with part of these initiatives already implemented. The initiatives are designed with the intent to drive the business to be more focused, simplified, efficient, sustainable and achieve product-led growth for FY22 and beyond.

By 2024 the Company aims to achieve the following three key strategic goals:

1. Be recognised as the global leader in Employee Experience
2. Significantly increase Licenced User numbers, with minimum 5x growth
3. Have 50% of the world's top 300 employers as LiveTiles customers

Achievement of these goals will be made through three focused initiatives across the business:

1. Go-to-Market
2. Operating efficiencies
3. R&D and Product Investment

1. Go-to-Market Model

➤ Land and Expand

As part of the organisational restructure, the go-to-market and sales model has been adjusted, with a focus to not only continue with new business sales, which accounts for 71% of FY21 ARR growth; however, to increase our attention and investment into existing Account Management function and account-based marketing to drive greater upsell and cross-sell motions to our existing 1,000+ customers.

There will be a specific focus on the existing customer base that accounts for 70% of current revenues, with an aim to have over 40% of future ARR growth come from existing customers and strengthen the Net \$ Retention rates by 5-10% and move towards SaaS best in class. Starting from 1 July, the Account Management function now has 42% of total field roles compared to 26% in FY21.

➤ Product simplification

The review determined that LiveTiles product offering is strong relative to its peers and has a unique competitive advantage to offer solutions to all customers, regardless of work environments (office vs front-line workforce). It identified that LiveTiles owns two distinct, yet very complimentary product offerings, both Mobile and Desktop solutions, that create an overall Employee Experience platform offering. Yet it also recognised that the sales and marketing strategies had not evolved along with this product shift and that the timing was ideal to re-align the product and go to market strategy.

Going forward, 65-70% of marketing investments will move towards scaling Reach, the Employee Experience App to help scale the number of Reach licences sold. Particularly when Reach exceeded expectations with licence sales growth of +1211% in FY21 compared to FY20 and when combined with its simplicity and short implementation time.

➤ Enterprise and Small-Medium Sized Business (SMB)

Starting in Q1FY22; there will be a shift in the investment and focus of the sales and marketing teams to the Enterprise and Mid-Market customer markets only, whilst the Company will provide a newly launched digital platform for the SMB market to access our Employee App offering (Reach) in a low to no touch motion.

The approach is to get Reach into the hands of as many users as possible, whilst allowing LiveTiles focus to be on the higher return value customer. To support this initiative, we are launching a new Reach dedicated website, a robust digital marketing strategy and an engaging free Reach trial - bolstering reach app downloads by 10x and an expected increase of 15-20% in Reach paying customers achieved as an outcome of conversions through the trial download.

2. Operating Efficiencies

The review put forward several initiatives to improve key business operating efficiencies to maximise its commercial opportunities and drive long term sustainability. The key areas of focus for improving operating efficiencies over the next 12-24 months will be the following:

➤ Organisational Restructure and Alignment

In Q4FY21 the Company undertook an organisation restructure, aligned to the new strategic plan and an outcome of the business review. These changes saw a reduction of 27 roles (16% of total Q3FY21 headcount) across the business and a repositioning of roles into newly created positions, primarily focused on customer facing activities. Through this exercise the Company has realised approx. \$3.5m in annualised savings to invest back into the business over the next 12-24 months to help achieve the strategic growth plans, with a total of \$1.6m in associated restructuring and redundancy costs.

➤ Improvement in Customer Acquisition Costs (CAC)

By simplifying the go-to-market model, business operations and focusing on the two core Employee Experience solutions, Mobile and Desktop, this will allow the Company to better position its investments into customer demand generation and marketing initiatives that will help to improve our CAC and customer profitability.

The following activities are planned to be implemented through FY22 with to improve the current CAC payback period from 18months down to 12months and continue the trajectory of increasing the CAC:LTV from 2.6x (2020), 3.7x (2021) to at least 5-6x:

- A redesign of the go-to-market pricing structure to align the new simplified product sale focuses (Mobile, Desktop or full-scale EX offering), a rebase of the discounting practices and provide scope for easy price add-ons to be made for value added features (e.g. Analytics services)
- Reset and re-contracting of approximately 70-80% marketing supplier agreements, with payments tied to set performance outcomes, rather than fixed fee deliverables. There has also been a deliberate and strategic focus on recruiting agencies with global capabilities, that can focus on driving scalable growth in key priority markets such as the USA
- A newly established dedicated account management model (as outlined in item 1), with a compensation model to monetise customers faster to shorten the payback period and on achieving net \$ retention benchmarks, with a minimum 95% threshold

3. Product and R&D

LiveTiles operates in a competitive Employee Experience market and the shifts in buyer behaviour and employee experience needs post-pandemic have now opened a range of new product development opportunities to invest in through both our organic product development activities and along with strategic partners. To continue to maintain this competitive advantage, LiveTiles' product and R&D spend as a % of Total revenues will be approx. 27-35% over the next 12 months, with the core investments focused in the following areas:

➤ Continue to expand and accelerate existing product roadmap

In the same manner with the refined go to market and product simplification strategy, there will be a focus on evolving the LiveTiles Platform to enhance its rich feature set of the Reach SaaS products and consolidating the developed and acquired Intranet products over past 6 years.

This work will see the LiveTiles product offerings being consolidated into one agnostic LiveTiles Employee Experience Platform, that enables customers (the Employer) to seamlessly connect, collaborate and communicate with their Employees. An example of these new and important projects are:

- Analytics Services – deep proactive real time insights into the adoption and usage of employee experience applications, a service offering that is agnostic to the LiveTiles products and able to integrate with insights from other key business systems, using LiveTiles Integration Core product (see below).
- Integration Core – one stop shop for connecting employee experience applications to business-critical systems (i.e. ServiceNow, Salesforce, Workplace, Jira etc.)

➤ Innovation and scale through new channels and R&D partners

The rapid digitisation of workplaces over the past 18 months presents new opportunities for our platform to be leveraged for specific use cases, such as employee well-being and climate change focus. LiveTiles will leverage existing innovation and deep technical experience with these R&D partners to accelerate bringing new products to market. Recognising these opportunities, LiveTiles has established strategic R&D partnerships with specialist providers of these services, who have leveraged our Reach product and our Employee Experience platform to further develop and scale their offerings combined with LiveTiles software, under a white-label product strategy. Including for example:

- A trial using the Reach platform, deployed into a global mining company to provide an employee well-being app experience to all employees. This strategy is underpinned by the size of the emerging Employee Well-Being marketplace, a TAM considered to be worth up to \$33.6bil.⁴
- LiveTiles Reach being leveraged to support climate change focus groups within companies through a partnership with Monash University's Climate Works.

⁴ Global Wellness Institute: Self-Improvement sub-market (Nov9-2020)
<https://globalwellnessinstitute.org/press-room/press-releases/gwi-finds-mental-wellness-is-a-121-billion-market/>

- LiveTiles is working on global AI initiatives which includes projects with HumanLink, CSIRO's Data61 and their National AI Centre, which will focus on using the LiveTiles Reach platform to collaborate and engage at scale with the Australian developer and engineering community, to assess personal and ethical values and understanding how they influence the outcome of bias in AI development.
- Develop a LiveTiles marketplace for Employee Experience software and product solutions enabling low touch deployment to a broad range of EX needs. The marketplace will provide a digital platform for customers, prospects and trial users to access a range of LiveTiles features and key third-party partner solutions for specific use cases.

These emerging use cases and activities will open new channels to market with these R&D partners and present new customer use case opportunities from our evolving platform linked to specific high value outcomes. As such, LiveTiles believes its necessary to invest in these white-label initiatives and sees approximately 50-60% of total R&D spend going towards these strategic initiatives.

Partnerships

LiveTiles continues to dedicate its go to market focus through its channel partners, in addition to the direct sales approach. The number of contracted partners grew to 324 as at 30 June 2021 (up 46% since 30 June 2020), with the majority of LiveTiles' partner channel activity contribution coming from the EMEA market with 38% of all partners.

Microsoft relationship

LiveTiles strategic relationship with Microsoft continues to strengthen each year, including following key activities:

- Announced a new alliance and co-sell agreement with Microsoft, whereby LiveTiles Reach and LiveTiles Directory will be sold through the Microsoft's SMC sales centre in the US. Also announced a co-marketing motion with Microsoft in the US to jointly target strategic enterprise accounts; The depth this of partnership and its co-sell activities was evidenced in the period, with the strong support provided in the United Healthcare Group tender win.
- In May, LiveTiles signed on the International Association of Microsoft Channel Partners (IAMCP) as a customer and strategic partner to allow them to broaden its communications and collaboration solutions, using LiveTiles Reach to engage and help its 2,000+ Microsoft partner network, a network that represents \$10bn in partner revenues.

Industry Recognition

During the year, Gartner, a global technology analyst firm released their Market Guide for Intranet Packaged Solutions, where LiveTiles was named as the largest vendor in terms of total deployments and revenue (outside of Workplace by Facebook). This type of research and recognition is significant for LiveTiles, as the analyst coverage helps formally define the market and market opportunity, and many executives of the largest companies in the world subscribe to this, these industry recognition papers have helped LiveTiles win in large competitive tender processes.

CYCL Integration

LiveTiles Switzerland (formerly CYCL AG) was successfully integrated during the 2021 Financial Year and is now an integral and key component to the LiveTiles Group, with its two products becoming integral and fully deployed into the LiveTiles offering, with Reach and Intranet Hub further strengthening the LiveTiles platform. CYCL's team now comprises the core of the global product and development team and the majority of Professional Services team in EMEA, whilst one of the co-founders is now LiveTiles global CTO; a testament to the strength of their product team.

Significant events since the end of the financial year

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

Environmental regulation and performance

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

Dividends

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

Share options

During the financial year, no options were exercised.

As at the date of this report and as at the reporting date, there were 17,851,550 options on issue (2020: 10,032,650). Refer to note 23 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

In light of the ongoing uncertainty created by the global COVID-19 pandemic and the challenges it brings to the global business operations, the Group has decided not to provide guidance in respect to Financial Year 2022, other than to reiterate its continued focus on disciplined cost management strategies and execution of the following key strategic measures:

- Continuing to leverage the operating model for efficiencies to maximise commercial opportunities
- Reshaping the go-to-market model and simplifying LiveTiles' product portfolio
- Accelerating the product roadmap for scale and working with strategic partners in new product development to further cement LiveTiles leading position in the global Employee Experience market

The Directors continue to expect strong medium to long-term growth potential for LiveTiles, driven by increased remote working and the demand for Employee Experience solutions to support organisations in a post pandemic working 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 2021 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 26.

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REMUNERATION REPORT (AUDITED)

1. Introduction

This Remuneration Report for the year ended 30 June 2021 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 2021. 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
Jarrold Magee	Chief Financial Officer (appointed 14 October 2020)
Rowan Wilkie	Chief Financial Officer (ceased to be KMP 14 October 2020)
Non-Executive Directors	
Dr Marc Stigter	Non-Executive Chair (appointed 11 September 2020)
Jesse Todd	Non-Executive Director (appointed 15 April 2021)
Fiona Le Brocq	Non-Executive Director (appointed 15 April 2021)
Andrew McKeon	Non-Executive Director (resigned 15 April 2021)
David Lemphers	Non-Executive Director (resigned 11 September 2020)
Dana Rasmussen	Non-Executive Director (resigned 15 April 2021)

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 2020 for the entire FY21; the Remuneration Committee consisted of the following Board Members through the period:

David Lemphers	1 July 2020 – 11 September 2020
Dana Rasmussen (Chair)	1 July 2020 – 15 April 2021
Peter Nguyen-Brown	1 July 2020 – 30 June 2021
Marc Stigter	11 September 2020 – 30 June 2021
Fiona Le Brocq (Chair)	15 April 2021 – 30 June 2021
Jesse Todd	15 April 2021 – 30 June 2021

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/.

REMUNERATION REPORT (AUDITED)

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 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Annualised Recurring Revenue	\$62.8m	\$53.8m	\$40.1m	\$15.0m	\$4.0m
Cash balance	\$16.8m	\$37.8m	\$14.9m	\$17.8m	\$3.5m
Share price	\$0.15	\$0.23	\$0.44	\$0.48	\$0.23
Loss before income tax expense and non-recurring and non-cash items	\$(9.8)m	\$(21.3)m	\$(34.2)m	\$(20.8)m	\$(6.2)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 \$62.8 million at 30 June 2021 from \$53.8 million at 30 June 2020. 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).

REMUNERATION REPORT (AUDITED)

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 Director¹	\$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 Director²	\$700,000	Statutory minimum	Discretionary cash bonus capped at 100% of base salary, subject to meeting ARR and other performance targets.	6 months
Jarrold Magee, CFO³	\$300,000	Statutory minimum	Discretionary cash bonus capped at 30% of base salary, subject to meeting performance targets.	3 months
Rowan Wilkie, CFO⁴	\$375,000	Statutory minimum	Discretionary cash bonus capped at 50% of base salary, subject to meeting performance targets.	3 months

Notes:

¹ The Remuneration Committee approved an increase for Karl Redenbach from US\$690,000 to US\$750,000 effective from 1 July 2020. During the year, Mr Redenbach's remuneration was adjusted as a result of his re-location to Australia, at which point his salary was converted to AUD at the prevailing FX rate of USD 1 : AUD1.3029.

² The Remuneration Committee approved a base salary increase for Peter Nguyen-Brown A\$500,000 to A\$700,000 effective from 1 July 2020

³ Jarrold Magee joined LiveTiles as CFO and a KMP on 14 October 2020

⁴ Rowan Wilkie ceased to be a KMP on 14 October 2020

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

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

Fixed remuneration and Long-Term Incentive (LTI)

In 2019, the Board implemented the outcomes of an independent review of the Company's executive director remuneration. In FY20 due to the impacts of the COVID19 pandemic, rather than having ARR growth as the only measure, a focus on cash management was also required. For the 2021 financial year, the same principles from both 2019 and 2020 were also applied. These changes were also a result of investor and proxy firm feedback to add additional performance metrics beyond ARR growth to the Company's fixed remuneration framework.

In relation to the FY21 LTI measures, the aim was to foster greater alignment between employees, shareholders, customers and executive outcomes, with the focuses on:

- long term financial performance hurdles and delivery against the Company longer-term strategy; and
- creation of sustained shareholder value

In financial year 2021 no Executive Directors were awarded LTI. The CEO and CXO, respectively, remain the single largest shareholders in the Group, providing strong alignment with shareholder interests.

Future measures of long-term value creation, in the form of incentive schemes as part of executive remuneration, will be reviewed by the Board in financial year 2022.

Short-Term Incentive (STI)

In respect of Executive Director STI for financial year 2021, the targets related to ARR growth, balancing the operating investments that drive growth with disciplined cash efficiencies as stated above and other qualitative metrics aligned to strategy. ARR growth has been selected by the Board as a primary measure for performance since LiveTiles listed on ASX in 2015, as this is a broadly accepted measure of future revenues and growth performance for pre-profitability Software as a Service (SaaS) comparable companies in light of their recurring nature and intrinsic recurring cash flow value to shareholder. Whilst the cash measures have been adopted in light of recent macro-environment pressures and a view by the Board to drive disciplined cost initiatives.

REMUNERATION REPORT (AUDITED)

5. Executive remuneration details (continued)

For financial year 2021, the Group achieved +18% ARR growth and realised a +26% improvement in its Adjusted Net Operating Cash Flow on a trailing 12-month basis. The Remuneration Committee assessed the Executive Directors to have achieved their FY21 STI targets; however, the Executive Directors offered to forego their FY21 bonus payments considering the current macro environment and ultimately in the interests of the Company and shareholders. This was accepted and endorsed by the Remuneration Committee.

The Company's annual performance management cycle is due to complete by October. The Board will update investors on the performance management cycle outcome and metrics at the Company's Annual General Meeting in November 2021.

CFO targets relate to the external audit, global taxation framework, robust financial performance and analysis, implementation of key business systems, strategic planning, transformation, and operations support.

	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	2021	993,554	-	-	7,231	-	1,000,785	0%
	2020	853,199	298,860	-	-	16,952	1,169,011	27%
Peter Nguyen-Brown	2021	700,000	-	111,934	21,694	-	833,628	0%
	2020	477,652	220,000	48,835	21,003	5,651	773,141	29%
Jarrod Magee	2021	214,773	35,000	13,150	15,866	46,172	324,961	25%
	2020	-	-	-	-	-	-	-
Rowan Wilkie ²	2021	109,375	153,875	6,001	6,327	11,075	286,653	58%
	2020	325,739	30,000	28,050	21,003	76,384	481,176	22%
Total	2021	2,017,702	188,875	131,085	51,118	57,247	2,446,027	10%
	2020	1,656,590	548,860	76,885	42,006	98,987	2,423,328	27%

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 23 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 11 September 2020 to 30 June 2021, Dr Stigter was entitled to remuneration of \$165,000 per annum (including superannuation, if applicable).

For the period from 15 April 2021 to 30 June 2021, Mr Todd was entitled to remuneration of \$110,000 per annum (including superannuation, if applicable).

For the period from 15 April 2021 to 30 June 2021, Ms Le Brocq was entitled to remuneration of \$110,000 per annum (including superannuation, if applicable).

For the period from 1 July 2020 to 15 April 2021, Mr McKeon was entitled to remuneration of \$100,000 per annum (including superannuation, if applicable) (2020: \$100,000). Mr McKeon resigned as Non-Executive Director on 15 April 2021.

REMUNERATION REPORT (AUDITED)

6. Non-executive director fee arrangements (continued)

For the period from 1 July 2020 to 15 April 2021, Ms Rasmussen was entitled to remuneration of \$100,000 per annum (including superannuation, if applicable) (2020: \$100,000). Ms Rasmussen resigned as Non-Executive Director on 15 April 2021.

For the period from 1 July 2020 to 11 September 2020, Mr Lemphers was entitled to remuneration of \$100,000 per annum (including superannuation, if applicable) (2020: \$100,000). Mr Lemphers resigned as Non-Executive Director on 11 September 2020.

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	2021	131,875	-	-	-	-	-	131,875
	2020	-	-	-	-	-	-	-
Jesse Todd ²	2021	23,333	-	-	-	-	-	23,333
	2020	-	-	-	-	-	-	-
Fiona Le Brocq ³	2021	23,333	-	-	2,216	-	-	25,549
	2020	-	-	-	-	-	-	-
Andrew McKeon ⁴	2021	87,083	-	-	-	-	-	87,083
	2020	95,000	-	-	-	-	-	95,000
David Lemphers ⁵	2021	20,076	-	-	-	-	-	20,076
	2020	95,000	-	-	-	-	-	95,000
Dana Rasmussen ⁶	2021	87,083	-	-	-	-	-	87,083
	2020	70,000	-	-	-	-	-	70,000
Cassandra Kelly ⁷	2021	-	-	-	-	-	-	-
	2020	33,750	-	-	-	-	-	33,750
Total	2021	372,784	-	-	2,216	-	-	375,000
	2020	293,750	-	-	-	-	-	293,750

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. During the period, Ms Le Brocq was overpaid \$2,217 as at 30 June 2021, this overpayment has since been adjusted for in the FY22 period.

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. Cassandra Kelly resigned as Non-Executive Director on 27 September 2019.

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.

The following tranches of options have been issued to key management personnel under the LTIP:

Tranche	2020
Number of shares	150,000
Date issued	01/03/2021
Vesting date	01/03/2023
Expiry date	01/03/2025
Vesting price	\$0.36
Fair value per share at grant date	\$0.07

REMUNERATION REPORT (AUDITED)

The following table represents options issued to key management personnel under the LTIP.

	Balance at 1 July 2020	Issued during the year	Exercised during the year	Net change other	Balance at 30 June 2021	Fair value at 30 June 2021
Senior Executives						
Karl Redenbach	-	-	-	-	-	-
Peter Nguyen-Brown	-	-	-	-	-	-
Jarrold Magee	-	150,000	-	-	150,000	\$10,500
Rowan Wilkie	-	-	-	-	-	-
Non-executive directors						
Marc Stigter	-	-	-	-	-	-
Jesse Todd	-	-	-	-	-	-
Fiona Le Brocq	-	-	-	-	-	-
Andrew McKeon	-	-	-	-	-	-
David Lemphers	-	-	-	-	-	-
Dana Rasmussen	-	-	-	-	-	-
Cassandra Kelly	-	-	-	-	-	-

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	24/08/2021	\$0.25	\$0.06
Tranche B	10,000,000	25/08/2015	24/08/2018	24/08/2021	\$0.35	\$0.06
Tranche C	10,000,000	25/08/2015	24/08/2019	24/08/2021	\$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

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.

REMUNERATION REPORT (AUDITED)

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 2020	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2021
Senior Executives					
Karl Redenbach ¹	91,122,082	-	-	(19,639,535)	71,482,547
Peter Nguyen-Brown ¹	91,122,082	-	-	(19,639,535)	71,482,547
Jarrold Magee	-	-	-	-	-
Rowan Wilkie	-	-	-	-	-
Non-executive directors					
Marc Stigter ²	-	-	-	118,105	118,105
Jesse Todd ²	-	-	-	175,900	175,900
Fiona Le Brocq	-	-	-	-	-
Cassandra Kelly	-	-	-	-	-
Andrew McKeon ³	277,778	-	-	(277,778)	-
David Lemphers	-	-	-	-	-
Dana Rasmussen	-	-	-	-	-

1. Karl Redenbach and Peter Nguyen-Brown sold 11.5m shares each to fund the legal case while also transferring 8.1m shares each in an off market trade as part of the settlement agreement of the same case. Refer to ASX announcements on 21 October 2020 and 9 December 2020 for further details.
2. Jesse Todd and Marc Stigter purchased shares on market in a personal capacity on 19 June 2021 and 13 May 2021, respectively. Refer to ASX announcements on those dates for further information.
3. Andrew McKeon resigned as Non-Executive Director during the year. His shares held upon resignation are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2021.

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 2020	Issued during the year	Exercised during the year	Net change other	Balance at 30 June 2021	Fair value at 30 June 2021
Senior Executives						
Karl Redenbach	19,500,000	-	-	-	19,500,000	\$1,170,000
Peter Nguyen-Brown	6,750,000	-	-	-	6,750,000	\$405,000
Jarrold Magee	-	300,000	-	-	300,000	\$27,000
Rowan Wilkie ¹	800,001	-	-	(800,001)	-	-
Non-executive directors						
Marc Stigter	-	-	-	-	-	-
Jesse Todd	-	-	-	-	-	-
Fiona Le Brocq	-	-	-	-	-	-
Cassandra Kelly	-	-	-	-	-	-
Andrew McKeon	-	-	-	-	-	-
David Lemphers	-	-	-	-	-	-
Dana Rasmussen	-	-	-	-	-	-

1. Rowan Wilkie ceased to be a KMP during the year. His MIP shares held upon ceasing to be a KMP are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2021.

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.

REMUNERATION REPORT (AUDITED)

	Balance at 1 July 2020	Loans issued	Loans repaid	Net change other	Balance at 30 June 2021
Senior Executives					
Karl Redenbach	\$2,925,000	-	-	-	\$2,925,000
Peter Nguyen-Brown	\$1,012,500	-	-	-	\$1,012,500
Jarrold Magee	-	\$51,000	-	-	\$51,000
Rowan Wilkie ¹	\$456,000	-	-	\$(456,000)	-
Non-executive directors					
Marc Stigter	-	-	-	-	-
Jesse Todd	-	-	-	-	-
Fiona Le Brocq	-	-	-	-	-
Cassandra Kelly	-	-	-	-	-
Andrew McKeon	-	-	-	-	-
David Lemphers	-	-	-	-	-
Dana Rasmussen	-	-	-	-	-

1. Rowan Wilkie ceased to be a KMP during the year. His non-recourse loans held upon ceasing to be a KMP are reversed in the "net change other" column in the table above and therefore no balances are disclosed as at 30 June 2021.

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

	Balance at 1 July 2020	Loans increase	Interest accrued	Loans repaid	Balance at 30 June 2021
Senior Executives					
Karl Redenbach	\$348,691	\$161,127	\$73,169	-	\$582,987
Peter Nguyen-Brown	\$348,691	\$161,127	\$73,169	-	\$582,987
Jarrold Magee	-	-	-	-	-
Rowan Wilkie	-	-	-	-	-
Non-executive directors					
Marc Stigter	-	-	-	-	-
Jesse Todd	-	-	-	-	-
Fiona Le Brocq	-	-	-	-	-
Cassandra Kelly	-	-	-	-	-
Andrew McKeon	-	-	-	-	-
David Lemphers	-	-	-	-	-
Dana Rasmussen	-	-	-	-	-

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.

REMUNERATION REPORT (AUDITED)

The loans have been provided at arm's length with a total capped amount of \$475,000 per person. Interest charged at 15% per annum and is capitalised annually. 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 independent non-executive directors, supported by legal counsel, continue to monitor the case on behalf of the Group and the governance of these loans.

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 2020, shareholders voted to adopt the 2020 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
Chairman
Melbourne

Date: 26 August 2021

Signed



Karl Redenbach
CEO and Executive Director
Melbourne

Date: 26 August 2021

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

As lead auditor of LiveTiles Limited for the year ended 30 June 2021, 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.

A handwritten signature in black ink, appearing to read 'Martin Coyle', with a stylized flourish at the end.

Martin Coyle
Director

BDO Audit Pty Ltd
Sydney, 26 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Revenue	3	44,976,600	37,790,403
Other income	3	1,745,588	6,678,080
		<u>46,722,188</u>	<u>44,468,483</u>
Expenses			
Employee benefits expense	5	(24,523,730)	(30,163,090)
Contractors		(8,628,277)	(8,569,830)
Marketing expense		(1,926,189)	(3,041,599)
Travel and entertainment expense		(423,748)	(2,537,367)
Professional fees		(2,168,657)	(3,212,118)
Rent and other office costs		(1,540,402)	(2,362,924)
Information technology costs		(3,411,363)	(2,714,242)
Other expenses		(5,234,104)	(4,425,711)
Depreciation expense		(1,157,735)	(1,166,772)
Amortisation charge of intangibles	12	(10,128,638)	(10,256,971)
Share based payments expense	23	(711,498)	(3,928,656)
Litigation costs		(12,408,256)	-
Restructuring costs		(1,621,780)	(2,196,735)
Unrealised currency loss		(330,020)	(1,207,703)
Finance costs		(2,069,475)	(425,215)
		<u>(76,283,872)</u>	<u>(76,208,933)</u>
Loss before income tax		(29,561,684)	(31,740,450)
Income tax (expense) / benefit	4	(579,266)	136,009
Net loss for the year		<u>(30,140,950)</u>	<u>(31,604,441)</u>
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		(3,480,916)	572,706
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on remeasurement of defined benefit pension schemes, net of tax		883,720	445,608
Other comprehensive (loss) / income for the year		<u>(2,597,196)</u>	<u>1,018,314</u>
Total comprehensive loss for the year		<u>(32,738,146)</u>	<u>(30,586,127)</u>

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 2021**

	Note	2021 \$	2020 \$
Earnings per share for loss attributable to the owners of LiveTiles Limited			
Basic earnings per share (cents)	8	(3.45)	(4.00)
Diluted earnings per share (cents)	8	(3.45)	(4.00)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents		16,804,924	37,791,314
Trade and other receivables	9	8,589,999	8,521,493
Other current assets	10	1,749,806	980,256
TOTAL CURRENT ASSETS		27,144,729	47,293,063
NON-CURRENT ASSETS			
Property, plant and equipment		828,945	977,860
Deferred tax asset	4	-	291,833
Right-of-use assets	11	2,504,394	3,562,990
Intangible assets	12	72,508,993	81,054,324
Other non-current assets	10	251,956	1,018,883
TOTAL NON-CURRENT ASSETS		76,094,288	86,905,890
TOTAL ASSETS		103,239,017	134,198,953
CURRENT LIABILITIES			
Trade and other payables	13	7,863,233	7,443,718
Income tax payable	4	1,885,287	1,324,238
Lease liabilities	14	861,978	904,700
Employee benefits provision	16	2,924,288	2,258,095
Provisions for business combinations	17	10,822,951	3,069,981
Other current liabilities	15	14,274,368	12,388,804
TOTAL CURRENT LIABILITIES		38,632,105	27,389,536
NON-CURRENT LIABILITIES			
Employee benefits provision	16	161,366	140,094
Income tax payable	4	541,798	-
Deferred tax liability	4	2,079,508	2,967,791
Lease Liabilities	14	2,365,036	3,427,179
Provisions for business combinations	17	-	8,988,671
Pension liabilities	18	5,085,636	6,812,051
Other non-current liabilities	15	490,008	776,377
TOTAL NON-CURRENT LIABILITIES		10,723,352	23,112,163
TOTAL LIABILITIES		49,355,457	50,501,699
NET ASSETS		53,883,560	83,697,254

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
EQUITY			
Issued capital	20	205,044,070	202,831,116
Reserves	21	349,912	2,235,610
Accumulated losses		(151,510,422)	(121,369,472)
TOTAL EQUITY		<u>53,883,560</u>	<u>83,697,254</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Note	Issued capital	Reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2019		122,972,591	7,073,919	(89,765,031)	40,281,479
Loss for the year		-	-	(31,604,441)	(31,604,441)
Other comprehensive income for the year, net of tax		-	572,706	-	572,706
Remeasurements of the defined benefit asset, net of tax		-	445,608	-	445,608
Total comprehensive loss for the year		-	1,018,314	(31,604,441)	(30,586,127)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity	20(b)(c)	54,999,999	-	-	54,999,999
Transaction costs		(3,629,017)	-	-	(3,629,017)
Shares issued for CYCL AG	20(d)	12,568,747		-	12,568,747
Shares issued for earn outs	20(a)(e)	15,918,796	(9,785,279)	-	6,133,517
Share based payment expense	23	-	3,928,656		3,928,656
Total transactions with owners		79,858,525	(5,856,623)	-	74,001,902
Balance at 30 June 2020		202,831,116	2,235,610	(121,369,472)	83,697,254
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)
<i>Transactions with owners, in their capacity as owners</i>					
Shares issued for earn outs	20(f)	2,212,954	-	-	2,212,954
Share based payment expense	23	-	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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		51,883,609	40,968,708
Payments to suppliers and employees (inclusive of GST)		(56,472,307)	(61,240,424)
Net cash used in ordinary operating activities		(4,588,698)	(20,271,716)
Litigation settlement payment		(8,445,000)	-
Interest received		28,243	170,574
Interest and other finance costs paid		(388,177)	(425,241)
Government grants received		1,053,865	11,511,545
Income tax paid		(9,540)	(235,618)
Net cash used in operating activities	24	(12,349,307)	(9,250,456)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development costs		(5,336,652)	(4,916,009)
Payments for plant and equipment		(173,872)	(219,816)
Net cash acquired as part of acquisition of subsidiaries		-	(422,380)
Payments for acquisition of subsidiaries		-	(10,647,148)
Loans to related parties		(306,813)	(400,933)
Net cash used in investing activities		(5,817,337)	(16,606,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	20	-	54,999,999
Share issue transaction costs		-	(3,629,017)
Repayment of lease liability		(842,078)	(878,755)
Net cash (used in) / from financing activities		(842,078)	50,492,227
Net (decrease) / increase in cash held		(19,008,722)	24,635,485
Cash and cash equivalents at beginning of financial year		37,791,314	14,880,920
Effects of exchange rate changes on cash and cash equivalents		(1,977,668)	(1,725,091)
Cash and cash equivalents at end of financial year		16,804,924	37,791,314

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 26 August 2021 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 19.

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 2021**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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****i. Foreign currency transactions and balances***Functional and presentation currency*

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

Transactions and balances

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

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

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

Group companies

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 9.5% 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****p. 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.

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

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

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

As at the reporting date, the Group's financial liabilities consisted of trade and other payables and lease liabilities 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.

q. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****r. Current and non-current classification**

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

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

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

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

s. Intangible assets*Goodwill*

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

Intellectual property

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

t. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of LiveTiles Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****u. Critical accounting estimates and judgements**

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

v. Key estimates**(i) *Share-based payment transactions***

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

(ii) *Recovery of deferred tax assets*

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

(iii) *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 12 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 12 for details of current year assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. 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 2020. It has been determined that there is no impact, material or otherwise, of any other new or revised accounting standards and interpretations other than those outlined in the new and amended standards adopted by the group outlined above.

y. Going concern

For the year ended 30 June 2021, the Group made a loss of \$30,140,950 (2020: \$31,604,441) and had net cash flows used in ordinary operating activities of \$4,588,698 (2020: \$20,271,716). Further cost savings are expected to be realised in FY22 as a result of reduced headcount and other cost synergies realised from restructuring completed during the period. At 30 June 2021, the Group had a cash balance of \$16,804,924 (2020: \$37,791,314). Furthermore, a major component of the Group's current liabilities relate to unearned revenue, deferred tax liabilities and deferred share liabilities recognised within provisions for business combinations of \$24,913,111 which is not expected to be paid in cash.

The Directors are therefore of the opinion that the Group will be able to continue as a going concern taking into account, cash on hand, reduced operating cash outflows, expected growth in customer receipts and the ongoing management of cash operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: PARENT INFORMATION

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

Statement of Financial Position	Parent entity	
	2021 \$	2020 \$
ASSETS		
Current assets	1,866,568	15,749,777
Non-current assets	65,128,028	76,088,760
TOTAL ASSETS	66,994,596	91,838,537
LIABILITIES		
Current liabilities	(13,111,036)	(3,460,552)
Non-current liabilities	-	(8,988,671)
TOTAL LIABILITIES	(13,111,036)	(12,449,223)
EQUITY		
Issued capital	530,359,293	528,146,339
Accumulated losses and reserves	(476,475,733)	(448,757,025)
TOTAL EQUITY	53,883,560	79,389,314
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(28,430,206)	(40,864,164)
Total comprehensive loss	(28,430,206)	(40,864,164)

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.

In the 2020 financial year, included within the parent entity loss of \$40,864,164 is a provision against intercompany receivables from and investments in other entities within the Group of \$30,022,940.

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

	2021 \$	2020 \$
Revenue:		
– Software subscription revenue	34,402,311	28,980,551
– Software related services revenue	10,574,289	8,809,852
Total revenue	44,976,600	37,790,403
Other income:		
– Interest income	174,607	240,701
– Research and development grant income	-	4,524,280
– Other grant income	1,540,767	1,788,817
– Other income	30,214	124,282
Total other income	1,745,588	6,678,080
Total revenue and other income	46,722,188	44,468,483

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: INCOME TAX

	2021 \$	2020 \$
a. The components of tax benefit / (expense) comprise:		
Current tax	(1,102,847)	(1,297,627)
Deferred tax	523,581	1,433,636
	<u>(579,266)</u>	<u>136,009</u>
b. The prima facie tax expense on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Net loss before tax	(29,561,684)	(31,740,540)
Prima facie tax benefit on loss from ordinary activities before income tax at 26% (2020: 27.5%)	7,686,038	8,728,624
Adjust for:		
tax effect of variance in overseas tax rates	(300,641)	(1,246,031)
withholding tax expense	(410,752)	(1,295,840)
tax effect of non-deductible research and development expenditure	(1,261,431)	(2,563,091)
tax effect of other permanent differences	(3,345,738)	164,798
tax effect of other temporary differences	(1,931,890)	-
current year losses not recognised	(2,425,842)	(5,086,087)
de-recognition of deferred tax balances	(257,483)	1,433,636
utilisation of prior period losses	1,668,473	-
Income tax (expense) / benefit attributable to entity	<u>(579,266)</u>	<u>136,009</u>
The Group qualifies for the small business company tax rate of 26%.		
c. Deferred tax asset relates to the following:		
Carry forward losses for Wisdom A/S	-	291,833
Total deferred tax asset	<u>-</u>	<u>291,833</u>
d. Deferred tax liability relates to the following:		
Intangible assets on acquisition of Hyperfish, Inc	(158,603)	(198,363)
Intangible assets on acquisition of Wisdom A/S	(1,529,390)	(2,154,320)
Intangible assets on acquisition of CYCL AG	(1,135,504)	(1,689,738)
Defined benefit pension liabilities of CYCL AG	743,989	1,074,630
Total deferred tax liability	<u>(2,079,508)</u>	<u>(2,967,791)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: INCOME TAX (CONTINUED)

e.	Net tax effect of carried forward losses not brought to account	60,070,275	49,567,470
f.	Income tax payable	2,427,085	1,324,238

The income tax payable reflects income tax payable and withholding tax payable at the end of the reporting period. Of the total above, \$541,798 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 26 (iii).

NOTE 5: EMPLOYEE BENEFIT EXPENSE

	2021 \$	2020 \$
Employee benefit expense		
Wages and salaries - staff	16,568,617	19,995,392
Wages and salaries - Directors	2,072,694	1,569,198
Commission and bonus expense	1,305,537	2,569,869
Payroll tax and other on costs	1,109,925	1,768,009
Employee insurance costs	761,939	1,232,939
Pension and superannuation expense	1,363,161	1,210,016
Annual leave and long service leave expense	1,256,573	1,672,913
Other employee benefits expense	85,284	144,754
Total employee benefit expense	24,523,730	30,163,090

NOTE 6: AUDITOR'S REMUNERATION

	2021 \$	2020 \$
Remuneration of the auditor for:		
(a) Auditors of the Group – BDO and related network firms:		
– audit and review of the financial statements	187,800	214,200
– other assurance services	-	12,000
Total remuneration for audit and other assurance services	187,800	226,200
(b) Other auditors and their related network firms:		
– audit and review of the financial statements	94,304	57,851
– other assurance services	-	18,221
	94,304	76,072
– taxation services	18,468	11,637
Total remuneration of network firms of other auditors	112,772	87,709

NOTE 7: DIVIDENDS

LiveTiles Limited has not paid or proposed to pay any dividends for the year ended 30 June 2021 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: EARNINGS PER SHARE

	2021 \$	2020 \$
Reconciliation of earnings to loss:		
Earnings used to calculate basic earnings per share	(30,140,950)	(31,604,441)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	873,549,070	789,942,896
	2021 \$ Cents	2020 \$ Cents
Basic (loss) / earnings per share	(3.45)	(4.00)
Diluted (loss) / earnings per share	(3.45)	(4.00)

There are 17,851,550 options outstanding at 30 June 2021, see Note 23(b). 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

	2021 \$	2020 \$
CURRENT		
Trade receivables	7,191,130	7,970,451
Accrued revenue	1,988,978	1,295,178
Provision for doubtful debts	(590,109)	(744,136)
	<u>8,589,999</u>	<u>8,521,493</u>

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 \$360,397 (2020: \$205,797). This is shown within Other Expenses of \$5,234,104 (2020: \$4,425,711).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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	2021 \$	2020 \$
Asia Pacific	2,415,960	2,325,525
North America	1,899,618	1,764,112
Europe, Middle East & Africa	2,875,552	3,880,814
Total receivables exposed to credit risk	7,191,130	7,970,451

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)				Past Due and Impaired
			< 30	31-60	61-90	> 90	
2021							
Trade and term receivables	7,191,130	4,736,257	1,506,293	102,728	381,304	198,417	266,131
2020							
Trade and term receivables	7,970,451	5,017,378	1,009,364	267,127	952,188	339,396	384,998

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: OTHER ASSETS

	Note	2021 \$	2020 \$
CURRENT			
Deposits paid		98,080	88,166
Prepaid expenses		485,752	892,090
Loans to related parties	25	1,165,974	-
		<u>1,749,806</u>	<u>980,256</u>
NON-CURRENT			
Rental Deposits		251,956	321,502
Loans to related parties	25	-	697,381
		<u>251,956</u>	<u>1,018,883</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

	Balance at 1 July 2019	Additions	Depreciation	Foreign Exchange ¹	Balance at 30 June 2020
Properties	3,821,214	423,745	(875,315)	120,582	3,490,226
Equipment	-	92,897	(22,319)	2,186	72,764
Total right-of-use asset	3,821,214	516,642	(897,634)	122,768	3,562,990

	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

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

NOTE 12: INTANGIBLE ASSETS

2020 financial year	Note	Balance at 1 July 2019	Additions	Disposals	Foreign exchange	Balance at 30 June 2020	
<i>At cost:</i>							
Capitalised development costs		5,042,235	4,916,009	-	-	9,958,244	
Software intellectual property		10,018,741	9,350,000	-	507,349	19,876,090	
Customer contracts and relationships		5,996,099	2,340,000	-	168,527	8,504,626	
Goodwill		30,889,332	27,353,721	-	1,500,805	59,743,858	
Total costs		51,946,407	43,959,730	-	2,176,681	98,082,818	
		Balance at 1 July 2019	Amortisation charge	Disposals	Foreign exchange	Balance at 30 June 2020	
<i>Accumulated amortisation:</i>							
Capitalised development costs		(5,042,235)	(4,916,009)	-	-	(9,958,244)	
Software intellectual property		(455,639)	(1,586,000)	-	2,062	(2,039,577)	
Customer contracts and relationships		(1,284,406)	(3,754,962)	-	8,695	(5,030,673)	
Total accumulated amortisation		(6,782,280)	(10,256,971)	-	10,757	(17,028,494)	
<i>Summary of net intangible assets</i>							
		Balance at 1 July 2019	Additions	Amortisation charge	Disposals	Foreign exchange	Balance at 30 June 2020
Net intangible assets		45,164,127	43,959,730	(10,256,972)	-	2,187,439	81,054,324
Deferred tax liability		(3,192,972)	(1,890,273)	611,385	-	429,439	(4,042,421)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: INTANGIBLE ASSETS (CONTINUED)

2021 financial year	Balance at 1 July 2020	Additions	Disposals	Foreign exchange	Balance at 30 June 2021	
<i>At cost:</i>						
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	
<i>Accumulated amortisation:</i>	(9,958,244)	(5,336,652)	-	-	(15,294,896)	
Capitalised development costs	(2,039,577)	(1,919,876)	-	116,263	(3,843,190)	
Software intellectual property	(5,030,673)	(2,872,110)	-	231,171	(7,674,612)	
Customer contracts and relationships	-	-	-	-	-	
Total accumulated amortisation	(17,028,494)	(10,128,638)	-	347,434	(26,809,698)	
<i>Summary of net intangible assets</i>						
	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)

The estimated useful life of capitalised development costs is determined to be in line with the frequency at which our software is updated and replaced. During the 2021 financial year, development costs were fully amortised in the same financial year given the iterative nature and frequency of updates in the Group's product life cycle.

Other intangible assets have a finite life and are amortised on a straight-line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period. The useful life 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 2021 and 2020 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. Of the Group's goodwill at 30 June 2021, \$3.1m relates to the acquisition of Hyperfish Inc., \$27.1m relates to the acquisition of Wizdom A/S and \$26.7m relates to the acquisition of CYCL AG.

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 30 June 2021 calculation of value-in-use, based on conservative expectations for the future:

Goodwill Impairment Testing Assumptions	Annual Revenue Growth Rate	Compound Annual Growth Rate	Terminal Growth Rate	Post-tax discount Rate
Hyperfish Inc.	10% - 17%	13.87%	2.00%	17.10%
Wizdom A/S	10% - 17%	13.12%	2.00%	17.10%
CYCL AG	10% - 17%	15.73%	2.00%	17.10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 12: INTANGIBLE ASSETS (CONTINUED)**

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 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:

- If the annual revenue growth rate applied was 5% lower, no impairment noted;
- If gross margin / operating cost and annual capital expenditure forecasts exceeded by 5% - 10%, no impairment noted;
- Terminal growth rate assumed at the lowest end of the range of historical inflation rates (i.e 2.0% - 3.5%);
- Post-tax discount rate assumed at the highest end of the range of industry peers, per benchmarking analysis.

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 13: TRADE AND OTHER PAYABLES

	Note	2021 \$	2020 \$
CURRENT			
Trade payables		5,160,988	3,903,398
Employee benefits accruals		2,037,605	3,267,946
Employee benefits accruals to related parties	25	132,004	45,274
Other payables and accruals		532,636	227,100
		<u>7,863,233</u>	<u>7,443,718</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: LEASE LIABILITIES

	Balance at 1 July 2019	Finance Cost	Additions	Payments	Foreign Exchange	Balance at 30 June 2020
<i>At net present value:</i>						
Properties	4,508,419	423,547	463,334	(1,281,018)	144,022	4,258,304
Equipment	-	1,668	92,675	(22,978)	2,210	73,575
Total lease liabilities	4,508,419	425,215	556,009	(1,303,996)	146,232	4,331,879

	Balance at 1 July 2020	Finance Cost	Additions	Payments	Foreign Exchange	Balance at 30 June 2021
<i>At net present value:</i>						
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

		Consolidated Group	
		30 June 2021	30 June 2020
		\$	\$
CURRENT			
Properties		836,004	858,754
Equipment		25,974	45,946
		861,978	904,700
NON-CURRENT			
Properties		2,365,036	3,399,550
Equipment		-	27,629
		2,365,036	3,427,179

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 2021

NOTE 15: OTHER LIABILITIES

	2021 \$	2020 \$
CURRENT		
Unearned revenue	13,319,659	11,024,867
Unearned grant income	954,709	1,363,937
	<u>14,274,368</u>	<u>12,338,804</u>
NON-CURRENT		
Unearned revenue	188,157	253,529
US government program repayable	301,851	522,848
	<u>490,008</u>	<u>776,377</u>

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.

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.

Under the program, the Group applied for, and received, a second distribution amount of \$962,789 (2020: \$1,866,204). Under the terms of the program this was calculated to enable the Group to draw funds to the value of twenty four weeks payroll, employee related on costs and rental expenses. To the extent that the borrowed funds were used for these purposes, under the terms of the program, loan monies would be forgiven, adjusted for any reduction of headcount. The Group has received notice of forgiveness of \$1,655,138, relating to the first distribution amount received in 2020, leaving \$211,066 remaining payable.

The Group has estimated that the value of the second distribution amount which will be forgiven as \$872,004, leaving \$90,785 remaining payable, reflecting the impact of reductions in headcount in the US as a result of restructuring during the period. This will be assessed during the 2022 financial year. Government grant income has been recorded for the value of this estimated forgiveness, with the remaining balance of the loan remaining a payable.

The unforgiven balances of the loans are not due and are not payable within the next twelve months.

NOTE 16: EMPLOYEE BENEFITS PROVISION

	2021 \$	2020 \$
Current	2,924,288	2,258,095
Non-current	161,366	140,094
	<u>3,085,654</u>	<u>2,398,189</u>

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 \$584,858 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 17: PROVISIONS FOR BUSINESS COMBINATIONS

	2021 \$	2020 \$
CURRENT		
Provision for contingent consideration - CYCL	10,822,951	3,069,981
	<u>10,822,951</u>	<u>3,069,981</u>
NON-CURRENT		
Provision for contingent consideration - CYCL	-	8,988,671
	<u>-</u>	<u>8,988,671</u>

Of the amounts included in provisions, \$3,108,496 is expected to be settled in cash, the remaining balance of \$7,714,455 is expected to be settled in stock. The second earn out test date is 31 December 2021.

NOTE 18: 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 2021, the fund has a funding ratio of 118%. 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 2021 this conversion rate is 6.20%.

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 45 of the total 57,775 members as at 30 June 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: 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
	\$	\$	\$
Initial recognition as at 3 December 2019	(23,784,906)	16,862,683	(6,922,223)
Current service cost	(465,828)	-	(465,828)
Interest income / (expense)	(14,615)	10,510	(4,105)
Defined benefit pension expense recognised in profit or loss	(480,443)	10,510	(469,933)
Contributions by fund participants:			
Employer	-	303,701	303,701
Plan participants	(308,028)	308,028	-
Total contributions	(308,028)	611,729	303,701
Remeasurements:			
Return on plan assets, excluding amounts included in interest income	-	86,085	86,085
Loss from change in experience	(107,050)	-	(107,050)
Gain from change in financial assumptions	562,872	-	562,872
Defined benefit pension actuarial losses/(gains) recognised in other comprehensive income	455,822	86,085	541,907
Benefits paid	(405,116)	405,116	-
Foreign exchange rate changes	(912,273)	646,770	(265,503)
Balance at 30 June 2020	(25,434,944)	18,622,893	(6,812,051)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

	Present value of obligations	Fair value of plan assets	Balance
	\$	\$	\$
Balance as 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)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: 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 2021	30 June 2020
Plan assets		
Plan assets	12,133,929	13,716,212
<i>Adjustments for AASB 119</i>		
Estimation of the value of Pensions in Payment	4,516,170	4,906,681
Fair value of plan assets	16,650,099	18,622,893
Plan obligations		
Plan obligations	12,133,929	13,716,212
<i>Adjustments for AASB 119</i>		
Estimation of the obligation of Pensions in Payment	4,516,170	4,906,681
Projected unit credit method actuarial adjustment	5,085,636	6,812,051
Projected plan obligations	21,735,735	25,434,944
Net Pension Liabilities	5,085,636	6,812,051

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 2021	30 June 2020
Actuarial assumptions		
Discount Rate	0.30%	0.25%
Growth in future salaries	1.00%	1.00%
Pension increase rate	0.00%	0.00%
Longevity at retirement	20 – 22 years	19 – 22 years

The following table depicts the sensitivity of estimated fiscal year 2021 pension expense to incremental changes in the discount rate and the expected long-term rate of return on assets.

Actuarial assumptions	Reasonably Possible Change	Defined benefit obligation	
		Increase	Decrease
Discount Rate	(+/- 0.50%)	19,714,071	24,085,531
Growth in future salaries	(+/- 0.50%)	22,036,279	21,451,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 19: 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	
		2021	2020
		%	%
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%

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**

There were no acquisitions during the period.

d. **Disposal of controlled entities**

There were no disposals of controlled entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	879,859,403	871,393,902	205,044,070	202,831,116
<hr/>				
Movements in ordinary share capital	Date	Shares No.	Issue Price \$	Total \$
Balance	30-Jun-2019	624,707,227		122,972,591
Share capital issued	(a) 30-Jul-2019	6,810,234		2,786,828
Share capital issued	(b) 24-Sep-2019	142,857,143	\$0.35	50,000,000
Share capital issued	(c) 18-Oct-2019	14,285,422	\$0.35	4,999,999
Share capital issued	(d) 3-Dec-2019	42,605,922	\$0.295	12,568,747
Share capital issued	(e) 18-Feb-2020	40,127,954	\$0.327	13,131,968
Less: capital raising costs				(3,629,017)
Balance	30-Jun-2020	871,393,902		202,831,116
Share capital issued	(f) 26-Feb-2021	8,465,501	\$0.26	2,212,954
Balance	30-Jun-2021	879,859,403		205,044,070
Restricted shares on issue	(g)	32,530,001		-
Total issued capital	30-Jun-2021	912,389,404		205,044,070

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: EQUITY – ISSUED CAPITAL (CONTINUED)

- (a) On 30 July 2019, LiveTiles Limited issued 6,810,234 shares to Orange Fish Holdings LLC as payment for Hyperfish satisfying the performance targets of its second earn out. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.
- (b) On 25 September 2019, LiveTiles Limited issued 142,857,143 shares at \$0.35 per share to raise \$50,000,000.
- (c) On 18 October 2019, LiveTiles Limited issued 14,285,422 shares at \$0.35 per share to raise \$4,999,999.
- (d) On 3 December 2019, LiveTiles Limited issued 42,605,922 shares as consideration for 100% of the shares in CYCL AG. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.
- (e) On 18 February 2020, LiveTiles Limited issued 40,127,954 shares to Webtop Holding ApS as payment for Wizdom satisfying the performance targets of its earn out. The fair value of the shares issued is based on the share price of LiveTiles Limited at the acquisition date.
- (f) 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.
- (g) As at 30 June 2021, 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 23(a).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 21: RESERVES

	2021 \$	2020 \$
Share based payments reserve	3,374,167	2,662,669
Foreign currency translation reserve	(4,353,583)	(872,667)
Pension revaluation reserve	1,329,328	445,608
Total	349,912	2,235,610

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	2021 \$	2020 \$
Opening balance		2,662,669	8,519,292
Share based payment expense			
– management incentive plan	23(a)	130,768	132,503
Share based payment expense			
– long-term incentive plan	23(b)	580,730	544,023
Share based payment expense			
– Wizdom post combination services	23(d)	-	3,252,130
Shares issued for Hyperfish earn-out	20(a)	-	(2,672,568)
Shares issued for Wizdom earn-out	20(e)	-	(7,112,711)
Closing balance		3,374,167	2,662,669

b. Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary. 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	2021 \$	2020 \$
Opening balance	(872,667)	(1,445,373)
Foreign currency translation of subsidiaries within the Group	(3,480,916)	572,706
Closing balance	(4,353,583)	(872,667)

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	2021 \$	2020 \$
Opening balance	445,608	-
Actuarial gain/(loss), net of tax	883,720	445,608
Closing balance	1,329,328	445,608

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 22: CAPITAL AND LEASING COMMITMENTS

	2021 \$	2020 \$
Capital commitments		
Capital commitments contracted for but not recognised in the financial statements		
Payable – minimum capital commitments:		
– not later than 12 months	63,992	65,404
– between 12 months and 5 years	410,442	448,250
	<u>474,434</u>	<u>513,654</u>

Capital commitments represent minimum capital spend relating to ongoing government grants as at 30 June 2021.

There were no material contingent liabilities or assets as at 30 June 2021 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23: SHARE BASED PAYMENTS EXPENSE

		2021 \$	2020 \$
Non-cash share based payment expense			
– Management Incentive Plan shares	(a)	130,768	132,503
– Long Term Incentive Plan shares	(b)	580,730	544,023
– Contingent payment on acquisition of Wizdom A/S	(c)	-	3,252,130
Total share based payments expense		711,498	3,928,656

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 23: 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	6	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23: 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 2021 as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2021 \$
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	2,853
Tranche M	266,667	6/5/2019	5/5/2020	\$0.57	-
Tranche N	266,667	6/5/2019	5/5/2021	\$0.57	19,189
Tranche O	266,667	6/5/2019	5/5/2022	\$0.57	14,572
Tranche P	560,000	16/3/2020	16/3/2021	\$0.15	24,116
Tranche Q	560,000	16/3/2020	16/12/2022	\$0.15	19,383
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	5,658
Tranche T	100,000	15/1/2021	15/10/2022	\$0.23	2,421
Tranche U	100,000	15/1/2021	15/10/2023	\$0.23	1,540
Tranche V	467,000	1/3/2021	1/3/2022	\$0.25	15,659
Tranche X	467,000	1/3/2021	1/3/2023	\$0.25	7,830
Tranche W	467,000	1/3/2021	1/3/2024	\$0.25	5,204
Total					<u>130,768</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23: 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 2021 as follows:

Number of options	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2021
				\$
200,000	16/11/2019	16/11/2019	\$0.41	-
200,000	16/11/2019	16/11/2020	\$0.41	6,384
940,000	16/11/2019	16/11/2020	\$0.41	16,039
940,000	16/11/2019	16/11/2021	\$0.41	30,180
888,100	16/11/2019	16/11/2020	\$0.59	18,073
888,100	16/11/2019	16/11/2021	\$0.59	37,167
185,000	16/1/2019	16/1/2020	\$0.52	-
185,000	16/1/2019	16/1/2021	\$0.52	-
185,000	16/1/2019	16/1/2022	\$0.52	-
611,325	25/11/2019	25/11/2021	\$0.43	30,547
611,325	25/11/2019	25/11/2022	\$0.43	29,085
1,468,500	25/11/2019	25/11/2021	\$0.30	75,307
1,468,500	25/11/2019	25/11/2022	\$0.30	69,396
181,000	25/11/2019	25/11/2021	\$0.30	11,788
181,000	25/11/2019	25/11/2022	\$0.30	8,968
450,000	16/3/2020	16/12/2021	\$0.15	23,089
450,000	16/3/2020	16/12/2022	\$0.15	24,754
2,605,000	1/3/2021	1/3/2023	\$0.25	71,260
2,605,000	1/3/2021	1/3/2024	\$0.25	57,389
1,304,350	1/3/2021	1/3/2023	\$0.36	37,646
1,304,350	1/3/2021	1/3/2024	\$0.36	33,658
Total				580,730

(c) Contingent payment on acquisition of Wizdom A/S

On 13 February 2019, LiveTiles acquired Wizdom A/S from Webtop Holding ApS. Because part of the total amount payable to Webtop Holding ApS is contingent on the continued employment of key Wizdom staff, such amount is deemed to be a share based payment for post combination services. The fair value has been determined using the market price of LiveTiles shares, probability of contingencies being met and an appropriate discount rate to reflect payment periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 24: CASH FLOW INFORMATION

	2021 \$	2020 \$
a. Reconciliation of cash flows used in operating activities with after tax loss		
Loss after income tax expense	(30,140,950)	(31,604,441)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss:		
– share based payments expense	711,498	3,928,656
– foreign exchange differences	1,889,297	1,207,703
– depreciation and amortisation	11,286,373	10,256,971
– deferred tax	523,581	1,164,513
Changes in assets and liabilities:		
– (increase) / decrease in trade and other receivables	(838,056)	3,676,534
– (increase) / decrease in other non-current assets	1,128,142	(235,761)
– increase in trade and other payables	2,689,712	430,067
– Increase / (decrease) in other liabilities	(286,369)	942,942
– increase in provisions	687,465	1,613,485
– net current assets of acquired entities	-	(631,125)
Cash flows used in operating activities	(12,349,307)	(9,250,456)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25. 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 19.

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	2021	2020
		\$	\$
<i>Payments to key management personnel for services:</i>			
Short term employee benefits		2,745,446	2,706,492
Post-employment benefits		53,334	42,006
Share based payments	(a)	22,247	64,500
		<u>2,821,027</u>	<u>2,812,998</u>

(a) Share based payments

The share based payments relate to the shares issued under the Management Incentive Plan (refer to Note 23 (a)).

		2021	2020
		\$	\$
<i>Receivables and payables to key management personnel for services:</i>			
Current receivables (30 June 2020: Non-current):			
- Loans to key management personnel	(b)	1,165,974	697,381
Current payables:			
- Accrued short term benefits to key management personnel		(132,004)	(45,274)
Net receivables to key management personnel		<u>1,033,970</u>	<u>652,107</u>

(b) Loans to key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: 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 exposure to interest rate risk is minimal given the Group has no borrowings.

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

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

	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents	16,804,924	37,791,314
Net exposure	16,804,924	37,791,314

	(Loss) / profit		Equity	
	Higher / (lower)		Higher / (lower)	
Judgements of reasonable possible movements	2021	2020	2021	2020
	\$	\$	\$	\$
+0.50%	84,025	188,957	84,025	188,957
-0.50%	(84,025)	(188,957)	(84,025)	(188,957)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: 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	2021	2020
	\$	\$
Cash and cash equivalents - USD	7,756,061	16,231,166
Cash and cash equivalents - EUR	5,587,286	1,984,440
Cash and cash equivalents - DKK	1,088,738	680,063
Cash and cash equivalents - CHF	445,932	885,374
Trade and other receivables - USD	2,108,250	2,789,250
Trade and other receivables - GBP	195,707	-
Trade and other receivables - EUR	1,057,443	2,123,585
Trade and other receivables - DKK	944,297	882,968
Trade and other receivables - CHF	497,694	1,081,985
Trade and other payables - USD	(204,237)	(507,015)
Trade and other payables - EUR	(287,958)	(55,002)
Trade and other payables - DKK	(149,484)	(122,097)
Trade and other payables - CHF	(1,065,002)	(396,672)
Net exposure	17,974,727	25,578,045

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**NOTE 26: 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:

Judgements of reasonable possible movements	Post tax loss		Equity	
	Higher / (lower)		Higher / (lower)	
	2021	2020	2021	2020
	\$	\$	\$	\$
AUD/USD +10%	1,006,855	1,851,340	1,006,855	1,851,340
AUD/USD -10%	(1,006,855)	(1,851,340)	(1,006,855)	(1,851,340)
AUD/GBP +10%	19,571	-	19,571	-
AUD/GBP -10%	(19,571)	-	(19,571)	-
AUD/EUR +10%	693,269	405,302	693,269	405,302
AUD/EUR -10%	(693,269)	(405,302)	(693,269)	(405,302)
AUD/DKK +10%	218,252	144,093	218,252	144,093
AUD/DKK -10%	(218,252)	(144,093)	(218,252)	(144,093)
AUD/CHF +10%	200,863	157,069	200,863	157,069
AUD/CHF -10%	(200,863)	(157,069)	(200,863)	(157,069)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) *Liquidity risk*

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

	Less than 6 months	6 to 12 months	1 to 5 years	Total
2021				
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
	<u>10,083,107</u>	<u>527,391</u>	<u>2,906,834</u>	<u>13,517,332</u>
2020				
Trade and other payables	7,443,718	-	-	7,443,718
Lease liabilities	452,350	452,350	3,427,179	4,331,879
Income tax payable	1,324,238	-	-	1,324,238
	<u>9,220,306</u>	<u>452,350</u>	<u>3,427,179</u>	<u>13,099,835</u>

(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 2021

NOTE 27: OPERATING SEGMENTS

The consolidated entity has identified three 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 three operating segments which also represent the three reporting segments, as follows:

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.

The table below shows the segment information provided to the CODM for the reportable segments for the financial years ending 30 June 2020 and 30 June 2021:

Consolidated - 30 June 2020	APAC	Americas	EMEA	Unallocated /Head Office	Total
Subscription revenue	5,761,792	12,602,189	19,426,422	-	37,790,403
Other revenue	4,525,109	1,723,704	66,284	362,983	6,678,080
Revenue	10,286,901	14,325,893	19,492,706	362,983	44,468,483
EBITDA	(2,193,869)	(8,234,355)	206,134	(9,669,403)	(19,891,493)
Depreciation & amortisation	(1,032,509)	(2,230,465)	(2,819,807)	(5,340,961)	(11,423,742)
Finance costs	(15,799)	(399,174)	(10,242)	-	(425,215)
Loss before income tax expenses	(3,242,177)	(10,863,994)	(2,623,915)	(15,010,364)	(31,740,450)
Income tax expense	(158,644)	(1,137,196)	267,337	1,164,512	136,009
Loss after income tax expenses	(3,400,821)	(12,001,190)	(2,356,578)	(13,845,852)	(31,604,441)
Consolidated – 30 June 2020					
Assets					
Segment assets	3,705,484	22,105,609	10,886,378	97,501,482	134,198,953
Liabilities					
Segment liabilities	(4,161,059)	(12,474,661)	(18,448,967)	(15,417,012)	(50,501,699)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 27: OPERATING SEGMENTS (CONTINUED)

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)
Profit / (loss) after income tax expenses	(5,533,323)	(3,325,113)	(1,543,913)	(22,826,427)	(30,140,950)
Consolidated – 30 June 2021					
<i>Assets</i>					
Segment assets	6,318,957	11,042,896	11,527,364	74,349,800	103,239,017
<i>Liabilities</i>					
Segment liabilities	(7,004,324)	(11,549,549)	(18,019,626)	(12,781,958)	(49,355,457)

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 28: CONTINGENT LIABILITIES

There are no material contingent liabilities.

NOTE 29: EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: COMPANY DETAILS

The registered office of the Company is:

LiveTiles Limited
2 Riverside Quay
Southbank VIC 3006

The principal places of business are:

- Australia: Level 14
77 King Street
Sydney, NSW 2000
- USA: 137 W 25th Street
6th floor
New York NY 10001
- Denmark: Toldbodgade 18
Copenhagen
1253
- Switzerland: Malzgasse 7a,
Basel
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, as set out on pages 27 to 75, 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 2021 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Director

Karl Redenbach

Dated this 26th day of August 2021

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 2021, 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 2021 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Australian Accounting Standard AASB 15: <i>Revenue from Contracts with Customers</i> ('AASB 15') uses a five step model to recognise revenue. A number of estimates and judgements are made by management in order to determine the point at which performance obligations are met and when revenue can be recognised.</p> <p>Due to these factors and the overall significance of revenue to the Group as a key performance indicator, we considered this area to be a key audit matter.</p>	<p>To determine whether revenue was appropriately accounted for and disclosed within the financial statements, we performed, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> Critically evaluated the revenue recognition policies for all material sources of revenue and from our detailed testing performed, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within the financial statements. This included ensuring that revenue was recognised in accordance with the requirements of AASB 15. Selecting a sample of revenue transactions agreeing revenue recognised to supporting documentation to confirm the existence and accuracy of the revenue recognised and to consider whether the transactions were recorded in the correct period. Furthermore, we obtained and inspected the deferred revenue schedules in order to ensure that correct adjustments were recorded to recognise the revenue in the appropriate reporting period.

Carrying value of intangible assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 30 June 2021, the Group recognised intangible assets with a carrying value of \$72,508,993 as disclosed in Note 12.</p> <p>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 Australian Accounting Standard (AASB) 136 <i>Impairment of Assets</i>.</p>	<p>Our audit procedures for assessing the carrying value of the Group's intangible assets included, but were not limited to, the following:</p> <ul style="list-style-type: none"> Evaluated the discounted cash flow models prepared by management and challenged the assumptions and judgements made. This included considering the reliability of the cash generating units ('CGU') historical performance in comparison to forecast future cash flows. Together with BDO valuation specialists, assessed the reasonableness of the discount rates applied by management. Performed sensitivity analysis on the key inputs applied to the discounted cash flow models to assess the impact that minor changes in the assumptions would make to the recoverable value of the CGU.

- Assessed the adequacy of the Group's disclosures in respect of intangible assets carrying values and impairment assessment assumptions as disclosed in note 12 of the financial report.
- Considered any additional impairment indicators as per AASB 136 *Impairment of Assets* and the impact on management's assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2021, but does not include the financial report and the 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 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the 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 2021.

In our opinion, the Remuneration Report of LiveTiles Limited, for the year ended 30 June 2021, 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

A handwritten signature in black ink, appearing to read 'Martin Coyle', is written over a faint, larger 'BDO' logo.

Martin Coyle
Director

Sydney, 26 August 2021

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 20 August 2021:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding):	Ordinary shares	% of shares listed
1 – 1,000	327,192	0.04%
1,001 – 5,000	10,863,595	1.19%
5,001 – 10,000	16,412,349	1.80%
10,001 – 100,000	146,368,652	16.04%
100,001 and over	738,417,616	80.93%
	912,389,404	100.00%

b. The number of shareholdings held in less than marketable parcels is 3,648.

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	148,309,454	12.64%
Karl Redenbach	90,982,547	9.97%
Peter Nguyen-Brown	78,232,547	8.58%
National Nominees Limited	61,422,791	6.73%
Citicorp Nominees Pty Limited	47,969,111	5.26%

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.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully % Held of Issued Paid Shares Held Ordinary Capital	
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	148,309,454	16.26%
2 ZTH TECH PTY LTD <TRITON DISCRETIONARY A/C>	71,482,547	7.84%
3 NATIONAL NOMINEES LIMITED	61,422,791	6.73%
4 CITICORP NOMINEES PTY LIMITED	47,969,111	5.26%
5 NIA TECH PTY LTD <ODEON DISCRETIONARY A/C>	37,788,103	4.14%
6 MR KARL REDENBACH	19,500,000	2.14%
7 JINLAND PTY LTD <JINLAND FAMILY A/C>	16,008,688	1.76%
8 MR PATRICK PUNTENER	15,406,870	1.69%
9 MR MATTHIAS WALTER	15,396,870	1.69%
10 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	10,258,857	1.12%
11 MR BRIAN COOK	10,049,132	1.10%
12 BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	9,798,619	1.07%
13 MR KEFENG GAO	9,250,000	1.01%
14 BRIAN COOK	6,810,234	0.75%
15 MR PETER NGUYEN-BROWN	6,750,000	0.74%
16 BOYCECORP PTY LTD <BOYCECORP DISCRETIONARY A/C>	5,498,445	0.60%
17 MR XIA LI	4,800,000	0.53%
18 URS BRAWAND	4,140,808	0.45%
19 BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	3,340,705	0.37%
20 ONMELL PTY LTD <ONM BPSF A/C>	3,177,550	0.35%
	535,332,223	58.69%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the company secretary is David Hwang.
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