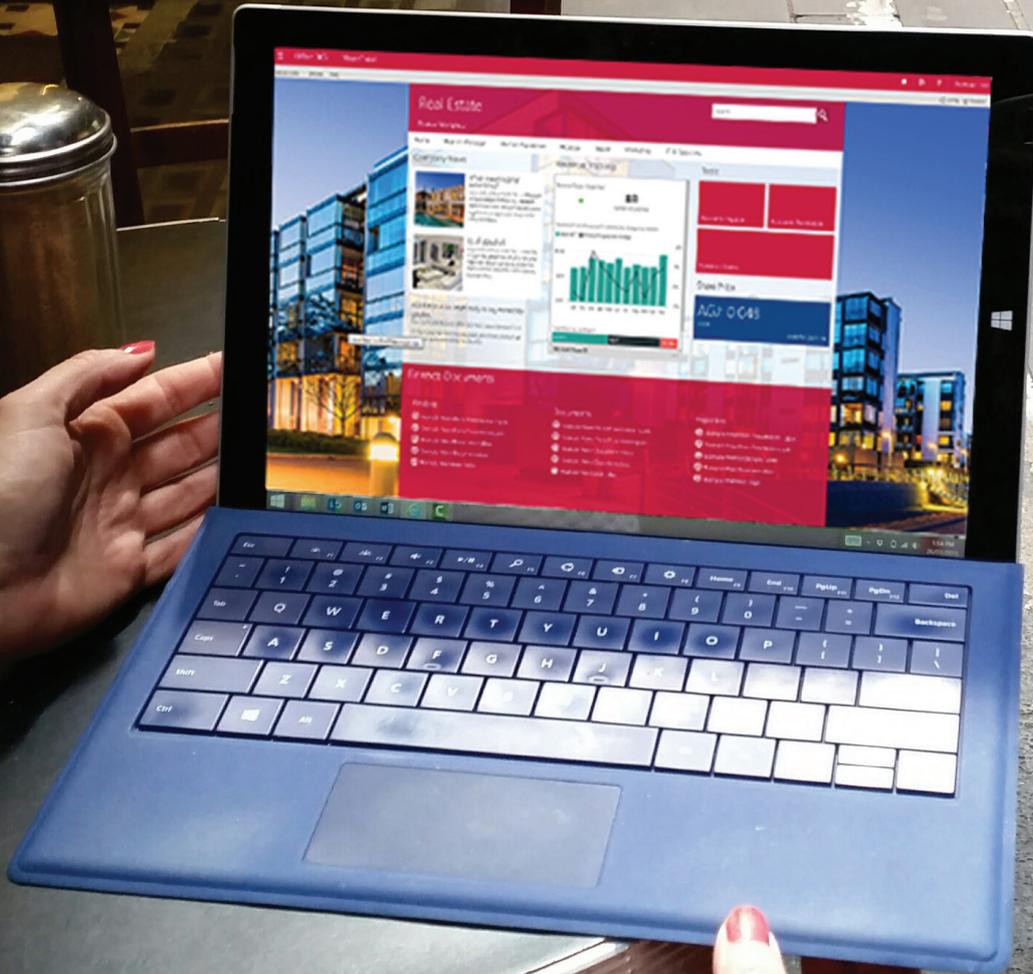


2016 ANNUAL REPORT

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LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders,

On behalf of your Board of Directors, we are pleased to present LiveTiles' Annual Report for the financial year ending 30 June 2016.

LiveTiles is a fast-growing, early-stage software company headquartered in New York City. We provide digital workplace software to organisations around the world. Our software improves employee collaboration, communication and productivity.

LiveTiles Holdings Pty Ltd listed on the ASX in September 2015 by way of a reverse acquisition of Modun Resources Limited, with the listed entity being renamed LiveTiles Limited. In parallel with the ASX listing, LiveTiles completed a fully-subscribed \$12m capital raising which was well supported by institutional shareholders.

The 2016 financial year was a year of strong growth for LiveTiles. We successfully focused on growing our customer base, partner channel and recurring revenue, while continually focusing on product innovation.

As at 30 June 2016, LiveTiles had secured 164 paying customers including some of the world's leading brands. Since the launch of our revenue model in February 2015, our annualised subscription revenue grew to \$1.03m as at 30 June 2016.

Growth Strategy

Our growth strategy is focused on the following four paths:

1. **Growing our partner channel:** we primarily sell through partners to broaden our reach. Our partner channel grew by 117% in the 2016 financial year, from 70 to 152 on-boarded partners.
2. **Direct marketing:** since the launch of our digital marketing strategy in February 2017, traffic to our website has increased by approximately seven times and more than 700 free trials were initiated through 30 June 2016.
3. **Close alignment with Microsoft:** we have several co-marketing initiatives with Microsoft targeting the large base of Microsoft SharePoint users (estimated at 200 million) and the rapidly-growing Office 365 and Azure platforms.
4. **Increasing penetration with existing customers:** as at 30 June 2016, our penetration of our paying customers represented 23% of those customers' aggregate employee base. We are focused on growing this penetration rate over time by increasing our customers' usage of LiveTiles.

Outlook

LiveTiles is focused on achieving strong growth in our subscription revenue in the 2017 financial year, fuelled by:

- Continued paying customer growth
- Continued growth and maturation of our partner distribution channel
- Acceleration of our digital marketing activities to generate free trials and conversion to paying customers
- Ongoing co-marketing initiatives with Microsoft
- A substantial opportunity to increase our penetration of existing customers
- A record pipeline as at 30 June 2016
- A price increase implemented in the first quarter of the 2017 financial year
- Further product innovation, including the launch of LiveTiles Cloud in September 2016 which expands our addressable market to any organisation using the cloud.

On behalf of the Board, we would like to express our thanks to our customers and partners for their ongoing support. We would also like to thank our team for their commitment to continuing our strong growth and delivering value to shareholders.

Andrew Gray
Chairman

Karl Redenbach
Chief Executive Officer & Co-Founder





FY16 FINANCIAL AND BUSINESS HIGHLIGHTS

Annualised subscription revenue

\$1.03m

+ **116%** since 31 Dec 2015

Paying customers

164

44 customers added in Q4

Partners / resellers onboarded

152

+ **117%** in FY16

Free trial requests

>700

since January 2016

Core products

4

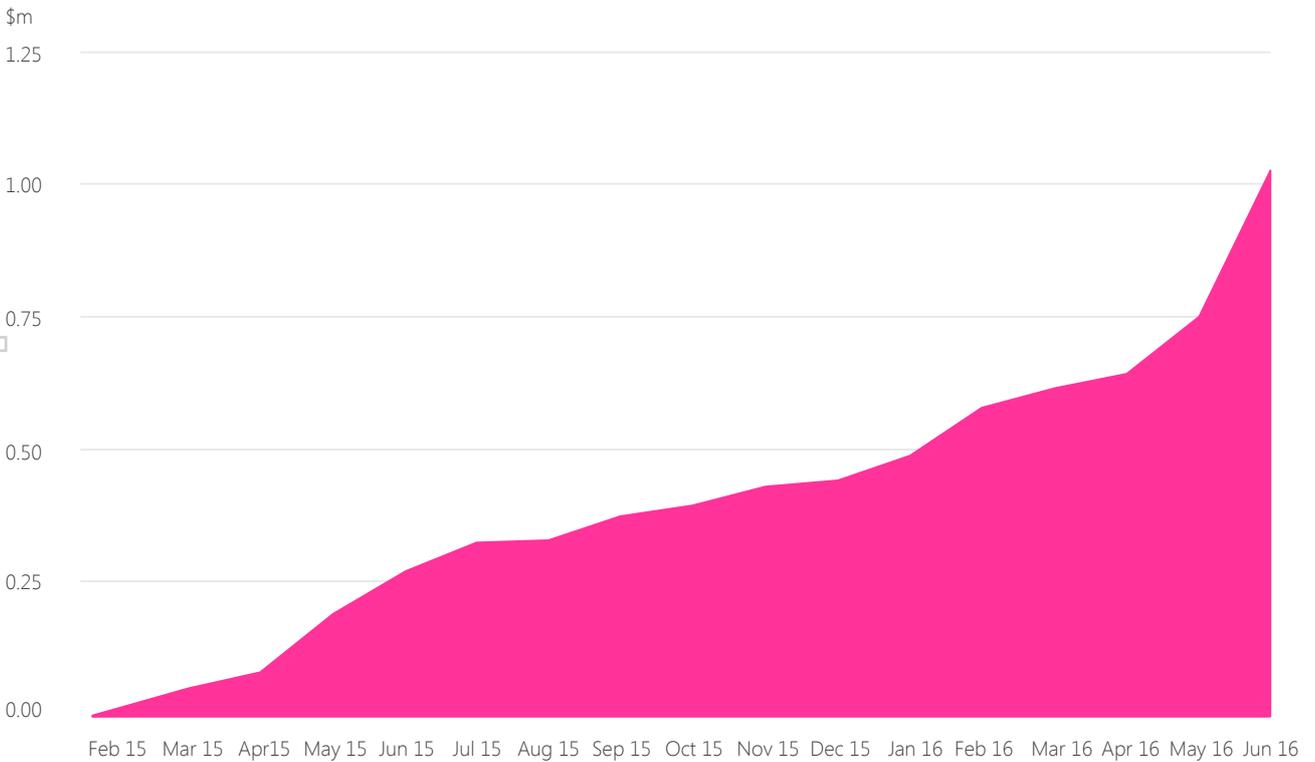
2 new products developed in FY16

Pro-forma cash

\$9.8m

includes expected FY16 R&D grant

Accelerating Annualised Subscription Revenue (ASR) growth



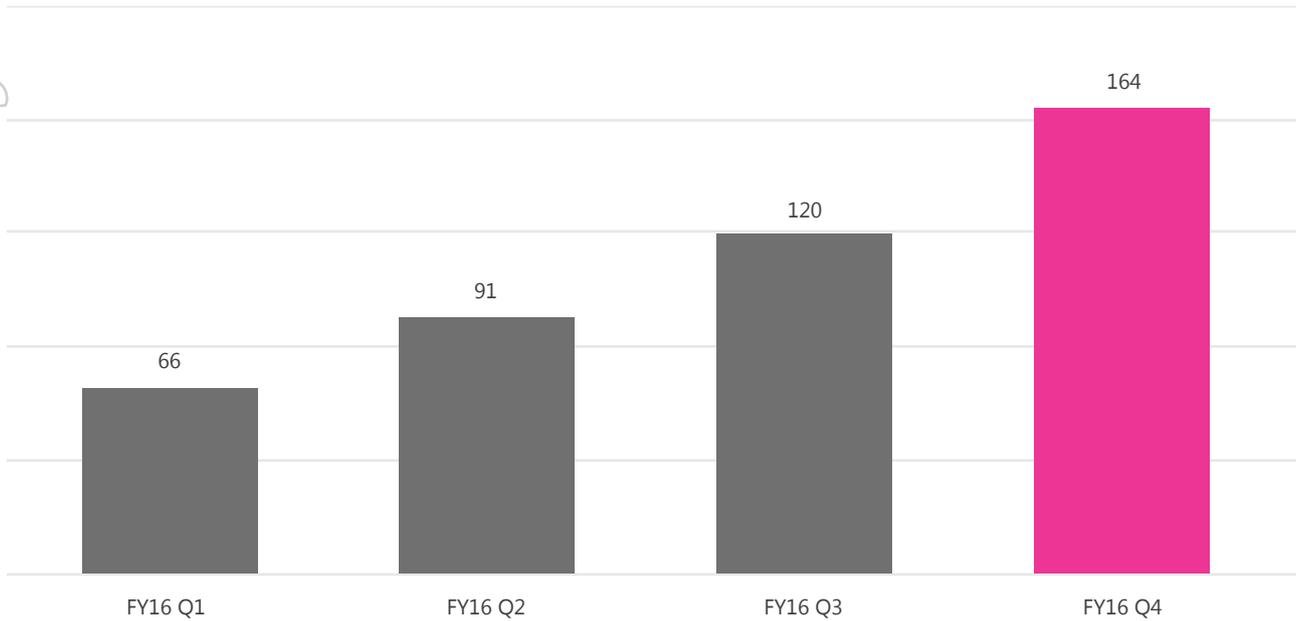
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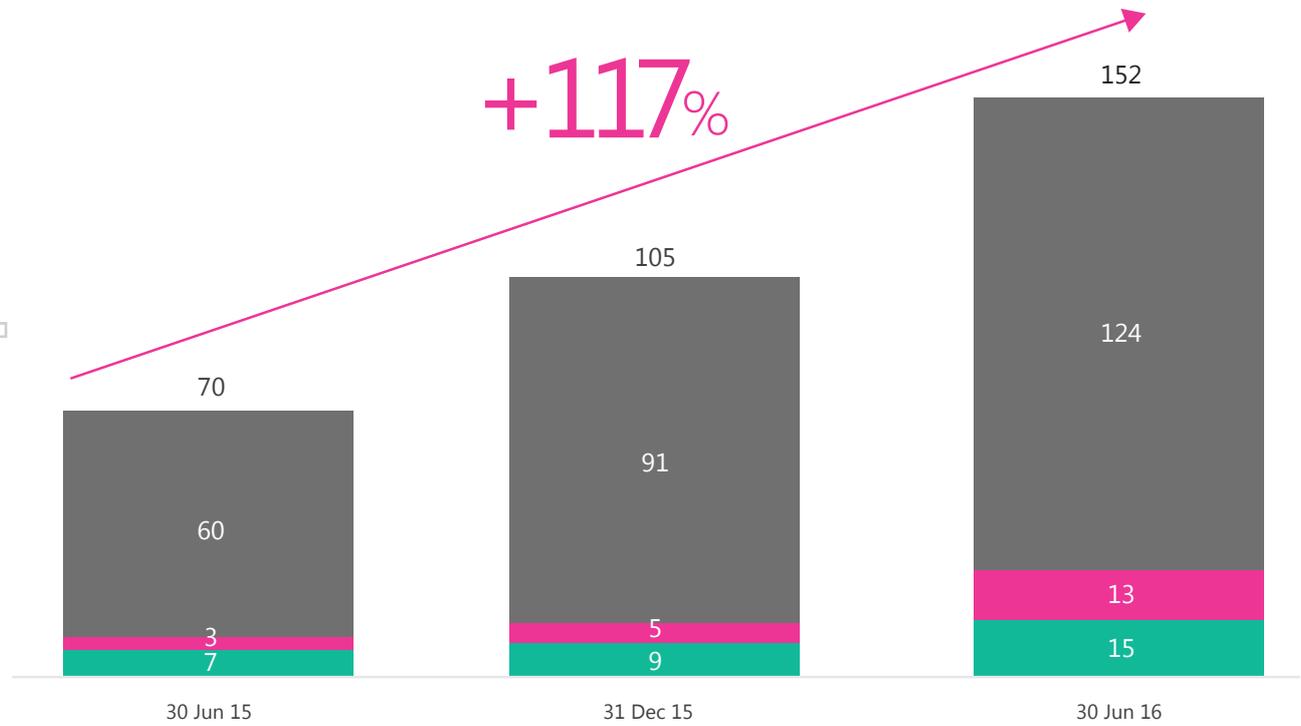
FY16 FINANCIAL AND BUSINESS HIGHLIGHTS

New customer growth



164 paying customers as at 30 June 2016
 44 paying customers added in Q4 FY16

Partner channel growth



Partners yet to transact Partners who have closed > 1 deal Partners who have closed 1 deal

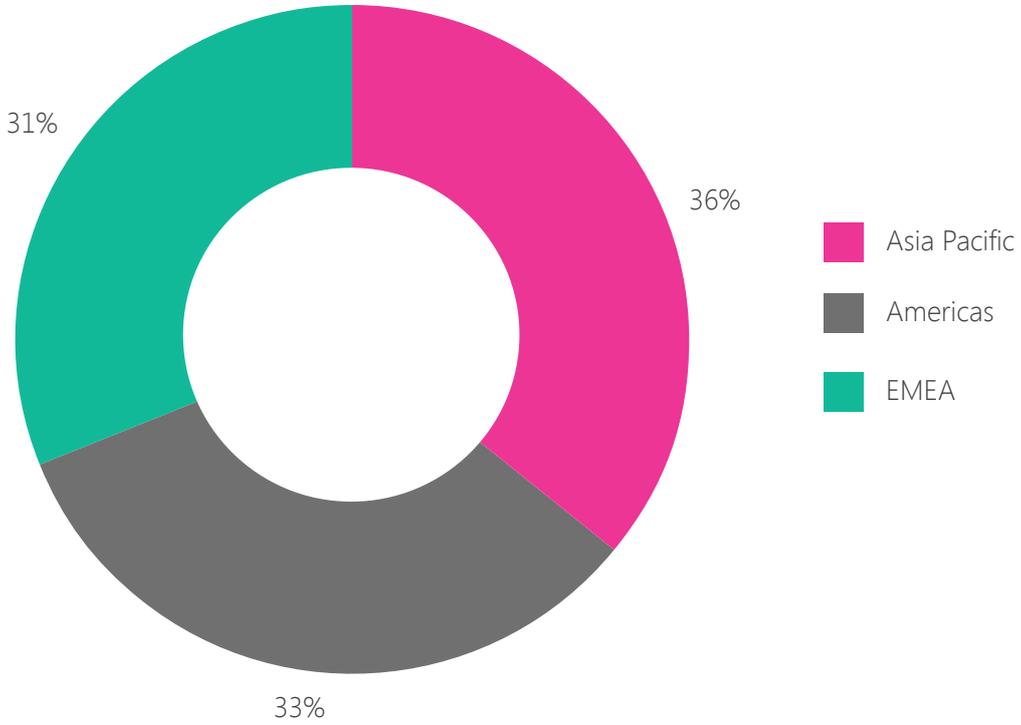


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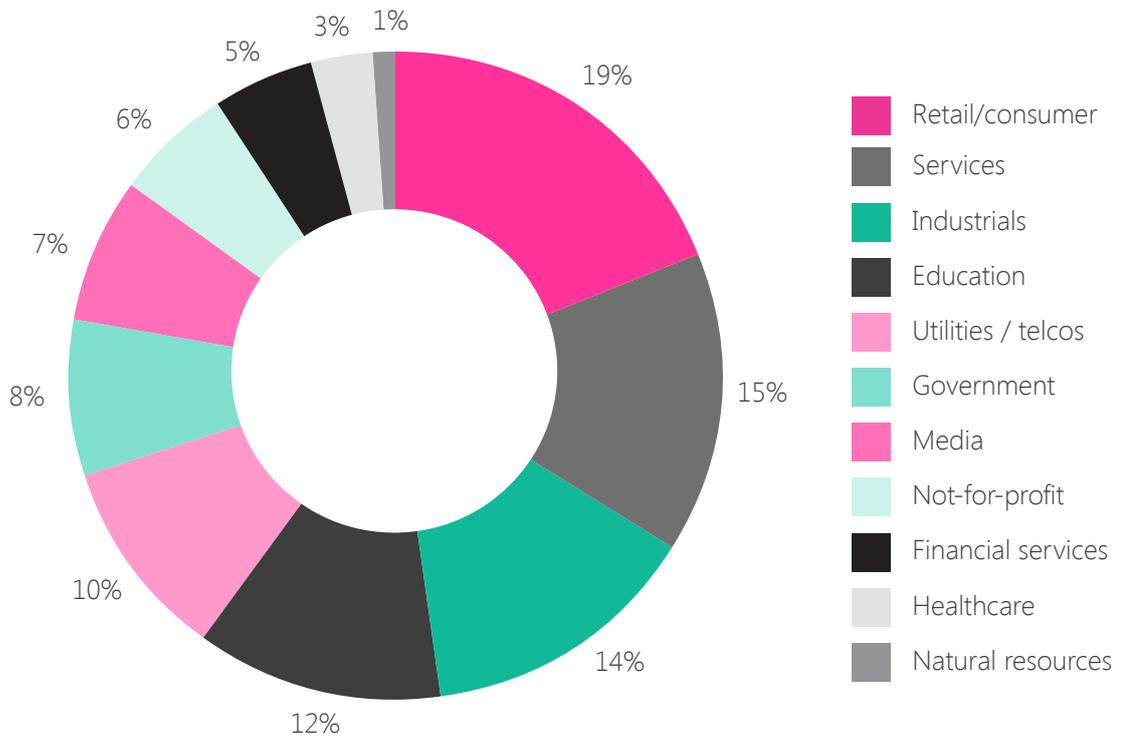


FY16 FINANCIAL AND BUSINESS HIGHLIGHTS

ASR by region



ASR by industry vertical



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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 2016.

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:

- Andrew Gray (Chairman)
- Karl Redenbach (Chief Executive Officer, appointed 25 August 2015)
- Peter Nguyen-Brown (Chief Technology Officer, appointed 25 August 2015)
- Michael Hill
- Matthew Brown (Chief Financial Officer, appointed 25 August 2015)
- Hugh Warner (resigned 26 August 2015)
- Philip Kapp (resigned 25 August 2015)

All directors have been in office since the start of the financial year to the date of this report unless stated otherwise above.

Information on directors

Andrew Gray	Non-executive Chairman
Appointed	1 September 2014 and Chairman from 1 July 2016
Experience and qualifications	Andrew Gray is the Managing Director of Potentia, a technology-focused investment firm. Prior to founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than \$3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Prior to joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US\$6 billion in capital under management.
Special responsibilities	Remuneration Committee (Chair) and Audit & Risk Committee
Karl Redenbach	Executive Director and Chief Executive Officer
Appointed	25 August 2015
Experience and qualifications	Karl 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, which was sold to ASX-listed rhipe Limited in December 2014. 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.
Special responsibilities	Remuneration Committee
Peter Nguyen-Brown	Executive Director and Chief Technology Officer
Appointed	25 August 2015
Experience and qualifications	Peter has 20 years' experience in technology consulting and software development. Peter co-founded the LiveTiles concept, together with Karl Redenbach, in 2012. Peter was formerly Chief Operating Officer and co-founder of the nSynergy Group, a global technology consulting business which was sold to ASX-listed rhipe Limited in December 2014. Peter holds a Bachelor of Applied Science in Computer Science and Software Engineering from Swinburne University.
Special responsibilities	None



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DIRECTORS' REPORT

Michael Hill	Non-executive Director
Appointed	1 September 2014
Experience and qualifications	Mike Hill is a former partner of Ernst & Young and has more than 10 years' experience as a partner of a large domestic private equity fund. Mike has experience across numerous industries where he has served on boards including retail (Barbeques Galore), healthcare (Healthbridge and Repromed, together now Monash IVF Ltd (ASX:MVF)), media (Radioworks Ltd and TVWorks Ltd), waste services (Envirowaste NZ Ltd) and tourism and hospitality (Recreational Tourism Group trading as Base Backpackers). Mike is chairman of rhipe Limited, AHALife Holdings Limited, HJB Corporation Limited, JustKapital Litigation Partners Limited and Noble Minerals Resources Limited and was a non-executive director of Prime Media Limited until 22 August 2016. Mike is a member of the Institute of Chartered Accountants Australia.
Special responsibilities	Audit & Risk Committee (Chair) and Remuneration Committee
Matthew Brown	Executive Director and Chief Financial Officer
Appointed	25 August 2015
Experience and qualifications	Matthew joined LiveTiles in January 2015 as the company's Chief Financial Officer and was appointed to the Board of Directors on 25 August 2015. Matthew was previously a Division Director with Macquarie Capital in Sydney and New York. During his 12 years at Macquarie Capital, Matthew advised on over \$10 billion of mergers, acquisitions, divestments and capital raising transactions. Matthew Brown holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney.
Special responsibilities	Audit & Risk Committee
Hugh Warner	Non-executive Director
Appointed	20 April 2010, resigned 26 August 2015
Experience and qualifications	Hugh Warner has broad experience as a public company director, having been a director of approximately 25 publicly listed companies involved in the mining, oil & gas, biotechnology and service industries. Hugh is the chairman of Prospect Resources Limited. Hugh holds a Bachelor of Economics degree from the University of Western Australia.
Special responsibilities	None
Philip Kapp	Non-executive Director
Appointed	1 September 2014, resigned 25 August 2015
Experience and qualifications	Philip Kapp has over 25 years' legal experience and was formerly a senior partner of a major law firm. Philip is widely regarded as one of Australia's leading lawyers, practicing in the area of private equity, mergers and acquisitions and capital markets. He was previously a senior partner with Clayton Utz (Group Head Private Equity), Minter Ellison (Chairman) and Andersen Legal. Philip founded and was managing partner of Andersen Legal. He also sat on the board of Arthur Andersen. Philip is Chairman of JustKapital Litigation Partners Limited and a director of Energy Developments Limited.
Special responsibilities	None



DIRECTORS' REPORT

Directors interests in shares and options

As at the date of this report, the interest of the directors in the shares and options of the Company were:

	Number of ordinary shares	Number of options over ordinary shares
Andrew Gray	6,823,334	1,500,000
Karl Redenbach	109,927,638	-
Peter Nguyen-Brown	97,177,638	-
Michael Hill	3,416,667	3,000,000
Matthew Brown	13,850,000	-

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
Andrew Gray	8	7	1	1	1	1
Karl Redenbach	7	7	-	-	1	1
Peter Nguyen-Brown	7	7	-	-	-	-
Michael Hill	8	8	1	1	1	-
Matthew Brown	7	7	1	1	-	-
Hugh Warner	1	1	-	-	-	-
Philip Kapp	1	-	-	-	-	-

Committee membership

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

- Audit and Risk Committee; and
- Remuneration Committee.

Audit and Risk Committee	Remuneration Committee
Michael Hill (Chairman)	Andrew Gray (Chairman)
Andrew Gray	Michael Hill
Matthew Brown	Karl Redenbach





DIRECTORS' REPORT

Information on Company Secretary

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

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

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

Principal activities

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

The Company is headquartered in New York, with offices in Tri-Cities (Washington State, USA), Sydney, Melbourne, Hobart and London.

Prior to the completion of the acquisition of LiveTiles Holdings Pty Limited on 25 August 2015, the Group's principal activities were focussed on selling the Company's coal project in Mongolia and identifying new opportunities to bring value to its shareholders.

Operating and financial review

LiveTiles Limited completed the acquisition of LiveTiles Holdings Pty Ltd on 25 August 2015. In parallel with the acquisition, LiveTiles Limited completed a \$12,000,000 equity raising.

The results presented in the financial report for the 12 months ending 30 June 2016 reflect the operations of:

- LiveTiles Holdings Pty Ltd and its subsidiaries from 1 July 2015 to 25 August 2015; and
- LiveTiles Limited and its subsidiaries for the period from 26 August 2015 to 30 June 2016.

The results for the comparative period reflect the operations of LiveTiles Holdings Pty Ltd and its subsidiaries. Refer to note 1(g) of the financial statements for further information.

For the 12 months to 30 June 2016, total revenue and other income was \$2,423,534, including subscription revenue of \$648,550 and accrued research and development tax concession revenue of \$1,751,028. In addition, unearned revenue (a balance within the Statement of Financial Position) was \$557,828.

Annualised Subscription Revenue grew to \$1,029,917 as at 30 June 2016, comprising 164 paying customers. Annualised Subscription Revenue represents the subscription licence fees committed by our customers on a full year basis (whether or not the customer elects to pay monthly or annually)

LiveTiles recorded a loss after tax of \$13,219,604 for the period. Included within this loss are \$8,247,618 of non-cash and non-recurring expenses, primarily relating to the acquisition of Modun Resources Limited, the associated capital raising and ASX listing and non-cash share based payments expense. Excluding non-cash and non-recurring expenses, the loss before tax was \$4,871,396.



DIRECTORS' REPORT

The table below summarises the statement of profit or loss and other comprehensive income, including the non-cash and non-recurring expenses:

	6 mths ended 31 Dec 15 (\$'000)	6 mths ended 30 Jun 16 (\$'000)	12 mths ended 30 Jun 16 (\$'000)	Notes
Subscription revenue	186	463	649	
Research and development grant	715	1,036	1,751	(a)
Other income	17	7	24	
Total revenue and other income	918	1,506	2,424	
Total operating expenses	(3,053)	(3,525)	(6,578)	(b)
Amortisation of development costs	(297)	(420)	(717)	
Loss before income tax expense and non-recurring/non-cash items	(2,432)	(2,439)	(4,871)	
<i>Non-recurring expenses</i>				
Transaction expenses	(502)	(49)	(551)	(c)
rhipe Shared Services agreement	(215)	(159)	(374)	
Total non-recurring expenses	(717)	(208)	(925)	
<i>Non-cash non-recurring expenses</i>				
Reverse listing expense on acquisition of Modun	(2,955)	-	(2,955)	(d)
Share based payments	(3,678)	-	(3,678)	(e)
Total non-cash non-recurring expenses	(6,633)	-	(6,633)	
<i>Other non-cash expenses</i>				
Share based payments - Management Incentive Plan	(281)	(408)	(690)	
Loss before income tax expense tax per statutory accounts	(10,063)	(3,055)	(13,119)	
Income tax expense	215	(316)	(101)	
Loss after income tax expense per statutory accounts	(9,848)	(3,372)	(13,220)	

Notes:

- (a) Accrual for expected research and development grant in respect of FY2016
- (b) Excludes non-recurring expenses under rhipe Shared Services Agreement (no longer in operation)
- (c) ASX listing and Modun acquisition expenses (excluding capitalised items)
- (d) Represents the value of post-completion shares held by pre-completion Modun shareholders less the net assets of Modun at completion
- (e) Comprises: shares issued by LiveTiles Holdings Pty Ltd (private company) prior to completion of the reverse acquisition and pre-existing Modun options





DIRECTORS' REPORT

The Group's cash balance as at 30 June 2016 was \$8,055,057. In addition to its cash balance as at 30 June 2016, LiveTiles expects to receive a research and development grant of approximately \$1,751,028 in relation to the year ended 30 June 2016. As at 30 June 2016, 73% of LiveTiles' cash balance was held in US dollars and 27% was held in Australian dollars

Partner ecosystem

LiveTiles has continued to focus on building a large network of partners to broaden the company's reach and achieve scale in a substantial addressable market. LiveTiles' partner network grew from 70 partners as at 1 July 2015 to 152 partners as at 30 June 2016, representing growth of 117% during the year. Many partners have now completed repeat LiveTiles deals and management is confident that the company's partner strategy will accelerate growth throughout the course of the 2017 financial year.

In addition to continuing to recruit and on-board systems integrators and consultants to the Company's partner ecosystem, LiveTiles signed a Distribution Agreement with SYNEX Corporation ("SYNEX") in December 2015, under which SYNEX will distribute LiveTiles' products in North America. SYNEX is a leading technology solutions distributor with more than US\$13 billion in 2014 revenue and operations in 26 countries.

On 15 February 2016, LiveTiles announced the signing of a Distribution Agreement with Tech Data Corporation ("Tech Data"), under which Tech Data will distribute LiveTiles' products in the United States.

Tech Data is one of the world's largest wholesale distributors of technology products, services and solutions. Its network of 115,000 resellers supports end users in more than 100 countries. Tech Data generated US\$27.7 billion in net sales for its fiscal year ended 31 January 2015.

Both SYNEX and Tech Data are authorised Microsoft Cloud Solution Providers (CSPs) in North America, which allows them to provide direct billing, sell combined offers and services, as well as directly provision, manage and support Microsoft cloud offerings.

LiveTiles expects SYNEX and Tech Data to contribute to our subscription revenue growth during the 2017 financial year.

Microsoft Co-Marketing Agreement

In November 2015, LiveTiles entered into a Co-Marketing Agreement with Microsoft Corporation under which LiveTiles Design is being marketed to United States Office 365 commercial customers with a licensed user base of more than 250 seats. Under the program, LiveTiles Design is being offered to new LiveTiles customers in the United States for a free licence period of three months.

Based on the early success of the program, LiveTiles agreed in March 2016 to extend the program to the United States small to medium-sized business (SMB) market, being accounts with a licensed user base of up to 250 seats.

The offer period under the Co-Marketing Agreement has been extended to 31 December 2016.

In addition to generating customer opportunities, the Co-Marketing program has significantly enhanced the awareness and understanding of LiveTiles' products throughout Microsoft's direct sales teams and its extensive partner ecosystem in the United States.

LiveTiles Mosaic

LiveTiles Mosaic has continued to attract new users.

LiveTiles Mosaic enables kindergarten to year 12 (K-12) teachers to easily create modern, touch-friendly digital classrooms which seamlessly integrate with Office 365. LiveTiles Mosaic is currently offered to K-12 schools for free. Our key objective with LiveTiles Mosaic is to achieve substantial scale in the global K-12 education market ahead of exploring potential monetisation paths.

As at 30 June 2016, LiveTiles Mosaic was licensed to schools and school districts with a student and teacher base of 4.1 million (up from 2.1 million since LiveTiles' ASX listing in September 2015).

The recent launch of LiveTiles Build also provides an opportunity to begin monetising the LiveTiles Mosaic user base. In February 2016, Catholic Education South Australia ("CESA") agreed to buy LiveTiles Build for its network of over 100 schools. LiveTiles Build will simplify and accelerate CESA's roll-out of Office 365 and give its schools and teachers autonomy to make changes to their school and classroom portals using LiveTiles Mosaic.

Digital marketing

In the March 2016 quarter, LiveTiles launched a free 14 day trial of LiveTiles Design via our website (www.livetiles.nyc) to help accelerate lead generation. To date, free trials have been provided to several hundred organisations including many large enterprises.



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DIRECTORS' REPORT

LiveTiles is in the process of expanding our digital marketing activities to drive more lead generation and subscription revenue. Management believes this initiative will accelerate customer and partner opportunities throughout the 2017 financial year and beyond.

Product development

LiveTiles continued to invest heavily in product innovation during the year, including the following:

- **LiveTiles Build:** an industry-first software tool that simplifies the process for quickly generating Microsoft SharePoint site architecture. LiveTiles Build was launched in October 2015 and is focused on the small to mid-sized business (SMB) market.
- **LiveTiles Blueprint:** a major new feature for LiveTiles Build, which provides a visual, drag and drop experience for planning and packaging end-to-end solutions for SharePoint including site architecture and LiveTiles pages. Blueprint will provide the LiveTiles partner channel with a model to deliver packaged solutions to their customers including LiveTiles Design and LiveTiles Build. LiveTiles Blueprint was launched in March 2016.
- **LiveTiles Design version 4.0:** LiveTiles Design v4.0 delivers a more modular and scalable product and sets LiveTiles up for a number of new product initiatives scheduled for 2016. v4.0 was launched in February 2016.
- **LiveTiles Mosaic version 4.0:** LiveTiles Mosaic v4.0 was released in July 2016 and delivers K-12 education users all the features and benefits of LiveTiles Design v4.0.
- **LiveTiles Cloud:** a digital workplace design tool delivered via a Software-as-a-Service (SaaS) model. LiveTiles Cloud will give LiveTiles the ability to deliver digital workplaces outside the Microsoft SharePoint environment. LiveTiles Cloud will use Microsoft Azure as its platform. LiveTiles Cloud will be released to initial customers in the September 2016 quarter, with general availability to follow shortly thereafter.

Significant changes in the state of affairs

On 25 August 2015, LiveTiles Limited (formerly Modun Resources Limited) acquired 100% of LiveTiles Holdings Pty Ltd for total consideration of 225,000,000 shares in LiveTiles Limited (**Acquisition**). Modun Resources Limited was previously engaged in the coal sector and owned a coal deposit in Mongolia which was disposed of on 26 August 2015. Refer to note 1(g) for further details of the Acquisition.

On 25 August 2015 LiveTiles Limited completed a \$12,000,000 capital raising.

On 26 August 2015 the Company completed the sale of 100% of the shares of Modun Resources LLC, the owner of the Nuurst Coal Deposit, in consideration for US\$2,210,000.

Since 26 August 2015, the sole business of the Group is the development and sale of digital workplace software.

There were no other significant changes in the nature of the Consolidated Group's principal activities during the financial year.

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.

Business strategies and future developments

The Company's corporate strategy is to increase shareholder value by growing subscription revenue from new and existing customers.

To achieve its corporate strategy, LiveTiles is focused on the following strategic initiatives:

- Accelerating sales and marketing to attract new customers across the Americas, Asia-Pacific and Europe, the Middle East and Africa (**EMEA**);
- Growing our ecosystem of partners to expand our customer and geographic reach;
- Ongoing improvement and extension of our product offering through continuous research and development; and
- Enhancing existing customer relationships to retain existing customers and increase penetration within existing customers.

In the course of executing its growth strategy, LiveTiles is subject to a number of market and operational risks, as outlined below.

Limited trading history

LiveTiles is an early-stage business with a limited trading history. Since commencement of the LiveTiles concept in 2012, LiveTiles' activities have primarily comprised spending money to develop LiveTiles' products, which have resulted in the Company making losses to date. There is no guarantee that LiveTiles' sales and marketing strategy will be successful.



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DIRECTORS' REPORT

Competition and new technologies

The industry in which LiveTiles operates is subject to rapid change. LiveTiles will have no influence over the activities of its competitors, whose activities may negatively affect the operating and financial performance of LiveTiles. For example, new technologies could overtake LiveTiles' products, in which case the Group's revenue and profitability could be adversely affected.

Existing or future competitors may have greater financial and other resources than LiveTiles and, as a result, may be in a better position to compete for future business opportunities.

Microsoft relationship

LiveTiles has a close relationship with Microsoft and LiveTiles' products currently integrate with various Microsoft products including SharePoint, Office365 and Azure. If LiveTiles is unable to maintain a close relationship with Microsoft, or if any such Microsoft products are discontinued or experience declining market share, the Company's market position and financial performance may be adversely affected.

Reliance on key personnel

The development of LiveTiles' business has been largely due to the effort, experience and leadership of its management team, including Karl Redenbach (co-founder and CEO) and Peter Nguyen-Brown (co-founder and CTO). LiveTiles is also dependent on the continued service of its existing development personnel because of the complexity of its technologies.

Reliance on partners

LiveTiles relies on partners to distribute the LiveTiles product to their underlying customers. If LiveTiles is not able to attract and retain suitably qualified and productive partners, it may not be able to implement its business plan.

Intellectual property risks

If LiveTiles fails to protect its intellectual property rights adequately, competitors or potential competitors may gain access to its technology which could harm the LiveTiles business. LiveTiles currently has no granted patents (only patent applications) and LiveTiles may not be able to obtain patent protection in the future. If any patents are granted in the future, they may not provide LiveTiles with any competitive advantages, or may be challenged by third parties.

Product faults

Software products frequently contain undetected defects or bugs when first introduced or when new versions or enhancements are released. LiveTiles has on occasions found defects and bugs in its products and new defects or bugs may be detected in its existing or future products. If that occurs, LiveTiles' revenue may be adversely affected.

Future capital requirements

Further funding may be required by the Company to support its ongoing activities and operations, including the need to develop new products, improve existing products, enhance its operating infrastructure and to acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms (or at all) at the relevant time. Any inability to obtain additional funding (or inability to obtain funding on reasonable terms) will adversely affect the financial condition and financial performance of the Company.

Currency risk

A large proportion of LiveTiles' revenue and expenses are denominated in US dollars, whereas the Company reports in Australian dollars. LiveTiles also generates revenue in other foreign currencies including the British Pound and the Euro. The Company is therefore subject to foreign currency fluctuations which may materially affect its financial position and operating results. For example, a depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenue as a result of the translation of the US dollar revenue into Australian dollars. Conversely, an appreciation of the US dollar relative to the Australian dollar may result in higher than anticipated expenses as a result of the translation of the US dollar expenses into Australian dollars.

General economic and political risks

Changes in the general economic and political climate in Australia and on a global basis may impact economic growth, interest rates, the rate of inflation, taxation and tariff laws and domestic security, any of which may affect the value and viability of the Company's activities.



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DIRECTORS' REPORT

Environmental regulation and performance

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

Dividends

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

Share options

During the financial year, 1,700,000 options over ordinary shares were exercised.

As at the date of this report, there were 5,300,000 options on issue (5,300,000 as at the reporting date).

Unissued ordinary shares of the Company under option as at the date of this report are as follows:

Number of options outstanding	Exercise price	Expiry date
5,300,000	\$0.10	28/10/17

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 2016 financial year.

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

Indemnification of auditors

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

Non-audit services

The Company's auditor, BDO East Coast Partnership, has not provided any non-audit services to the Consolidated Group during the year ended 30 June 2016 (2015: nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

Corporate Governance Statement

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement current as of 30 June 2016 as located on the Company's website: www.livetiles.nyc/investors/.



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REMUNERATION REPORT (AUDITED)

1. Introduction

This Remuneration Report for the year ended 30 June 2016 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 remunerations 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, direct 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 2016. Unless otherwise indicated, the individuals were KMP for the entire financial year.

Executive Directors	
Karl Redenbach	Chief Executive Officer (appointed 25 August 2015)
Peter Nguyen-Brown	Chief Technology Officer (appointed 25 August 2015)
Matthew Brown	Chief Financial Officer (appointed 25 August 2015)
Non-Executive Directors	
Andrew Gray	Chairman (effective 1 July 2016, previously Non-executive Director)
Michael Hill	Non-executive Director (Chairman prior to 1 July 2016)
Hugh Warner	Non-executive Director (resigned 26 August 2015)
Philip Kapp	Non-executive Director (resigned 25 August 2015)

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

2. Remuneration governance

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

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

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

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;
- Structuring short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns.



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REMUNERATION REPORT (AUDITED)

Remuneration structure

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

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

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

Company performance

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

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

	30 June 2016	30 June 2015
Annualised Subscription Revenue ¹	\$1.03m	\$0.31m
Cash balance ²	\$8.06m	N/A
Share price ³	\$0.22	N/A
Loss before income tax expense and non-recurring and non-cash items ⁴	\$(4.87)m	N/A
Dividends ⁴	nil	N/A

1. Annualised Subscription Revenue represents the subscription licence fees committed by LiveTiles customers on a full year basis (whether or not the customer elects to pay monthly or annually).
2. Cash balance as at 30 June 2015 is not applicable given LiveTiles Holdings Pty Ltd's reverse acquisition of Modun Resources Limited which was completed on 25 August 2015.
3. LiveTiles re-listed on ASX on 17 September 2015.
4. Loss before income tax and non-recurring and non-cash items and dividends for the year ended 30 June 2015 is not applicable given LiveTiles Holdings Pty Ltd's reverse acquisition of Modun Resources Limited which was completed on 25 August 2015.



REMUNERATION REPORT (AUDITED)

The Group's key financial measure of performance over the longer term is share price appreciation. As the Company re-listed on the ASX on 17 September 2015, there has been limited trading history since the change in the Company's operations. The Company's share price has appreciated from the re-listing price of \$0.15 to \$0.22 as at 30 June 2016. Share price appreciation drives value for executives through the increase in the value of shares issued under the Management Incentive Plan (refer to section 7 of the Remuneration Report).

4. Executive contracts

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

	Base salary	Superannuation	Bonus	Notice period
Karl Redenbach, CEO and Executive Director	US\$250,000	N/A	Discretionary bonus subject to meeting performance targets. Capped at 67% of base salary.	6 months
Peter Nguyen-Brown, CTO and Executive Director	\$250,000	Statutory minimum	Discretionary bonus subject to meeting performance targets. For the period from 1 April 2016 to 31 December 2016, the discretionary bonus is capped at \$40,000.	4 weeks
Matthew Brown, CFO and Executive Director	\$330,000 (plus \$50,000 to be accrued and paid when the Company can afford to pay the salary in full)	Statutory minimum	Discretionary bonus subject to meeting performance targets. Capped at 67% of base salary.	6 months

Deferred salaries have been accrued in the statement of financial position as at 30 June 2016. Any deferred salaries accrued by Directors in the 2016 financial year are included in salaries and fee remuneration where applicable.

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



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REMUNERATION REPORT (AUDITED)

5. Executive remuneration details

Details of the remuneration paid to the executives from acquisition date, 25 August 2015, to reporting date are set out below:

	Financial year ¹	Salary and fees	Cash bonus	Non-cash benefits	Post-employment benefits (Super)	Share based payments ⁴	Total	Performance related
Karl Redenbach	2016	286,529	-	-	-	350,342	636,871	55%
Peter Nguyen-Brown ²	2016	112,372	13,333	-	4,827	123,151	253,683	54%
Matthew Brown ³	2016	337,115	-	-	16,090	91,301	444,506	21%
Total	2016	736,016	13,333	-	20,917	564,794	1,335,060	43%

1. Key management personnel are executive Directors following the reverse acquisition and therefore remuneration has been shown in respect to the legal parent entity from the acquisition date, 25 August 2015.
2. Peter Nguyen-Brown's salary and fees comprises non-executive director fees of \$46,667 for the period from 25 August 2015 to 31 March 2016 and his executive salary of \$62,500 and accrued annual leave of \$3,205 for the period from 1 April 2016 to 30 June 2016. Mr Nguyen-Brown's non-executive director fee includes a deferred component of \$23,333.
3. Matthew Brown's salary includes a deferred component of \$41,667.
4. Represents shares issued under the Management Incentive Plan, as approved by the Company's shareholders on 3 July 2015 (refer to section 7 of the Remuneration Report and note 19 of the financial statements).

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 \$300,000.

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

Non-executive letters of appointment are in place with Andrew Gray and Michael Hill.

For the period from 25 August 2015 to 30 June 2016, Mr Hill was entitled to remuneration of \$100,000 per annum (including superannuation). Mr Hill has agreed to receive only 40% of his remuneration in cash (being \$40,000) until such time as the Company can afford to pay the remuneration in full.

For the period from 25 August 2015 to 30 June 2016, Mr Gray was entitled to remuneration of \$80,000 per annum (including superannuation). Mr Hill has agreed to receive only 50% of his remuneration in cash (being \$40,000) until such time as the Company can afford to pay the remuneration in full.

Deferred salaries have been accrued in the statement of financial position as at 30 June 2016. Any deferred salaries accrued by Directors in the 2016 financial year are included as fee remuneration where applicable.



REMUNERATION REPORT (AUDITED)

The table below outlines remuneration paid to non-executive directors for the 2015 and 2016 financial years.

Non-executive director	Financial year	Fees	Cash bonus	Termination benefits ²	Post-employment benefits	Share based payments - MIP ⁴	Share based payments - Options ⁵	Total
Andrew Gray¹	2016	74,277	-	-	2,530	57,329	120,000	254,136
	2015	38,052	-	-	3,615	165,000	-	206,667
Michael Hill²	2016	120,009	-	37,500	14,028	57,329	240,000	468,866
	2015	190,259	-	-	18,074	330,000	-	538,333
Hugh Warner³	2016	38,052	-	62,500	12,652	-	136,000	249,204
	2015	195,739	51,242	-	18,595	187,000	-	452,576
Philip Kapp³	2016	6,250	-	12,500	-	-	64,000	82,750
	2015	41,666	-	-	-	88,000	-	129,666
Neil Hackett	2016	-	-	-	-	-	-	-
	2015	30,000	-	-	-	-	-	30,000
Rick Dalton	2016	-	-	-	-	-	-	-
	2015	6,000	-	-	-	-	-	6,000
Total	2016	238,588	-	112,500	29,210	114,658	560,000	1,054,956
	2015	501,716	51,242	-	40,284	770,000	-	1,363,242

- The FY2016 non-executive directors' fees for Andrew Gray and Michael Hill include a deferred component of \$33,333 and \$33,333, respectively. Michael Hill was an executive director of the Company until 25 August 2015.
- Michael Hill's termination payment represents the 3 month notice period under his former Executive Services Agreement which was terminated by the Company on 25 August 2015. The payment was calculated based on the differential between the salary under his former Executive Services Agreement and the fee under his new Engagement Agreement commencing 26 August 2015.
- Hugh Warner and Philip Kapp's termination payments represent the 3 month notice period under their respective Executive Services Agreements which were terminated by the Company on 25 August 2015.
- FY2016 share based payments represent shares issued under the Management Incentive Plan, as approved by the Company's shareholders on 3 July 2015 (refer to section 7 of the Remuneration Report).
- At the date of the reverse acquisition (25 August 2015), 7,000,000 options were outstanding in Modun Resourced Limited. These options were modified to their fair value of \$0.08 per option on the date of the reverse acquisition. The vesting terms of these options are unchanged. The expiry date is 21 October 2017 with an exercise price of \$0.10.

7. Equity instruments held by key management personnel

Options held by key management personnel during the year

7,000,000 options were issued by the Company on 21 October 2014 (prior to the reverse acquisition). These options were revalued as at the date of the reverse acquisition based on the following inputs and assumptions:

	Group 1
Number of options	7,000,000
Date issued	21/10/2014
Expiry date	21/10/2017
Exercise price	\$0.10
Fair value per option at date of reverse acquisition	\$0.08

The modified value of the options outstanding at the date of the reverse acquisition was as follows:

	Number of options	Fair value \$
Non-executive directors		
Andrew Gray	1,500,000	120,000
Michael Hill	3,000,000	240,000
Hugh Warner	1,700,000	136,000
Philip Kapp ¹	800,000	64,000
Total	7,000,000	560,000



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REMUNERATION REPORT (AUDITED)

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

	Balance at 1 July 2015	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2016	Vested and exercisable at 30 June 2016	Unvested and not exercisable at 30 June 2016
Executive directors							
Karl Redenbach	-	-	-	-	-	-	-
Peter Nguyen-Brown	-	-	-	-	-	-	-
Matthew Brown	-	-	-	-	-	-	-
Non-executive directors							
Andrew Gray	1,500,000	-	-	-	1,500,000	1,500,000	-
Michael Hill	3,000,000	-	-	-	3,000,000	3,000,000	-
Hugh Warner	1,940,000	-	(1,700,000)	(240,000)	-	-	-
Philip Kapp ¹	800,000	-	-	-	-	-	-

1. Philip Kapp held 800,000 options as at 30 June 2016 but a nil balance is shown in the above table as he is no longer considered to be key management personnel at 30 June 2016

Shares issued on exercise of options and value of options exercised during the year

	Shares issued	Exercise price paid per share	Fair value of shares on exercise	Value of options exercised during the year ¹
Hugh Warner	1,700,000	\$0.10	\$0.15	\$85,000

1. Determined at the time of exercise as the difference between the exercise price and market price of shares.

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, by providing an opportunity for eligible directors and employees to acquire an ownership interest in the Company.

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

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

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

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



REMUNERATION REPORT (AUDITED)

Tranches A, B and C were approved by the Company's shareholders at a general meeting on 3 July 2015.

MIP shares held by key management personnel from the issue date (25 August 2015) until 30 June 2016 are as follows:

	Tranche A		Tranche B		Tranche C		Total	
	Number of shares	Fair value \$						
Executive directors								
Karl Redenbach	6,000,000	360,000	6,000,000	360,000	7,500,000	450,000	19,500,000	1,170,000
Peter Nguyen-Brown	2,250,000	135,000	2,000,000	120,000	2,500,000	150,000	6,750,000	405,000
Matthew Brown	2,250,000	135,000	2,000,000	120,000	-	-	4,250,000	255,000
Non-executive directors								
Andrew Gray	2,250,000	135,000	-	-	-	-	2,250,000	135,000
Michael Hill	2,250,000	135,000	-	-	-	-	2,250,000	135,000
Total	15,000,000	900,000	10,000,000	600,000	10,000,000	600,000	35,000,000	2,100,000

Shareholdings of KMP

The following table outlines the ordinary shares held by key management personnel.

	Balance at 1 July 2015	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2016
Executive directors					
Karl Redenbach ¹	-	-	-	90,427,638	90,427,638
Peter Nguyen-Brown ¹	-	-	-	90,427,638	90,427,638
Matthew Brown ²	-	-	-	9,600,000	9,600,000
Non-executive directors					
Andrew Gray	1,000,000	-	-	3,573,334	4,573,334
Michael Hill	500,000	-	-	666,667	1,166,667
Hugh Warner ³	4,604,111	-	1,700,000	(6,304,111)	-
Philip Kapp ³	200,000	-	-	(200,000)	-

- The 90,427,638 shares in the "net change other" column represent shares issued by the Company as consideration for the acquisition of LiveTiles Holdings Pty Ltd.
- The 9,600,000 shares in the "net change other" column represent 9,000,000 shares issued by the Company as consideration for the acquisition of LiveTiles Holdings Pty Ltd, 500,000 shares acquired as part of the Company's \$12m capital raise which completed in August 2015 and 100,000 shares acquired in May 2016.
- Hugh Warner and Philip Kapp resigned as directors during the year. Their 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 2016.



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REMUNERATION REPORT (AUDITED)

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

	Balance at 1 July 2015	Issued during the year	Balance at 30 June 2016
Executive directors			
Karl Redenbach	-	19,500,000	19,500,000
Peter Nguyen-Brown	-	6,750,000	6,750,000
Matthew Brown	-	4,250,000	4,250,000
Non-executive directors			
Andrew Gray	-	2,250,000	2,250,000
Michael Hill	-	2,250,000	2,250,000
Hugh Warner	-	-	-
Philip Kapp	-	-	-

Loans to KMP

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

	Loan amount (\$)
Executive directors	
Karl Redenbach	2,925,000
Peter Nguyen-Brown	1,012,500
Matthew Brown	637,500
Non-executive directors	
Andrew Gray	337,500
Michael Hill	337,500

8. Other transactions with KMP

A former director, Hugh Warner, is a director and shareholder of Anglo Pacific Ventures Pty Ltd (Anglo). The Company paid rent to Anglo based on normal terms and conditions. The total amount paid to Anglo during the financial year was \$18,500 (2015: \$51,216).

During the 2016 financial year entitlements were paid to Rick Dalton (\$100,925), Neil Hackett (\$39,783) and Daniel Rohr (\$94,365) after they ceased to be key management personnel following the successful sale of Modun Resources LLC. These amounts are not shown in the remuneration tables in section 6 of the 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



Matthew Brown
Executive Director
25 August 2016
Sydney



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

As lead auditor of LiveTiles Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 25 August 2016

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	3	648,550	234,104
Other income	3	1,774,984	2,439,489
		<u>2,423,534</u>	<u>2,673,593</u>
Write back of related party loan		-	2,388,681
Expenses			
Employee benefits expense	4	(3,732,607)	(4,097,694)
Marketing expense		(593,734)	(279,835)
Travel and entertainment expense		(761,094)	(491,236)
Professional fees		(451,991)	(110,414)
Rental expense		(321,861)	(192,824)
Information technology costs		(188,512)	(103,055)
Other expenses		(901,914)	(1,419,249)
Amortisation of development costs	11	(717,218)	-
Transaction expenses for ASX listing and acquisition		(550,596)	-
Listing expense on acquisition	1(g)	(2,954,760)	-
Share based payments expense	19	(4,368,260)	-
		<u>(15,542,547)</u>	<u>(6,694,307)</u>
Loss before income tax		<u>(13,119,013)</u>	<u>(1,632,033)</u>
Income tax expense	5	(100,591)	(185,298)
Net loss for the year		<u>(13,219,604)</u>	<u>(1,817,331)</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		(73,070)	143,957
Other comprehensive income for the year		<u>(73,070)</u>	<u>143,957</u>
Total comprehensive income for the year		<u>(13,292,674)</u>	<u>(1,673,374)</u>
Earnings per share for loss attributable to the owners of LiveTiles Limited			
Basic earnings per share (cents)	8	(4.14)	(0.95)
Diluted earnings per share (cents)	8	(4.14)	(0.95)

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents		8,055,057	2,497,398
Trade and other receivables	9	2,233,467	2,347,392
Other current assets		25,264	44,421
TOTAL CURRENT ASSETS		10,313,788	4,889,211
NON-CURRENT ASSETS			
Property, plant and equipment		19,368	10,808
Deferred tax assets	5	251,397	85,616
Intangible assets	11	-	-
Rental deposit		107,056	-
TOTAL NON-CURRENT ASSETS		377,821	96,424
TOTAL ASSETS		10,691,609	4,985,635
CURRENT LIABILITIES			
Trade and other payables	12	779,949	4,302,212
Income tax payable	5	39,052	270,914
Employee benefits provision	14	112,081	62,220
Other current liabilities	13	557,828	180,329
TOTAL CURRENT LIABILITIES		1,488,910	4,815,675
NON-CURRENT LIABILITIES			
Trade and other payables	12	-	1,650,000
Employee benefits provision	14	12,326	9,326
Make good provision		40,000	-
TOTAL NON-CURRENT LIABILITIES		52,326	1,659,326
TOTAL LIABILITIES		1,541,236	6,475,001
NET ASSETS		9,150,373	(1,489,366)
EQUITY			
Issued capital	15	24,819,714	2,001,000
Reserves	16	1,184,586	143,957
Accumulated losses		(16,853,927)	(3,634,323)
TOTAL EQUITY		9,150,373	(1,489,366)

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Issued capital	Reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2014		1,000	-	(1,816,992)	(1,815,992)
Loss for the year		-	-	(1,817,331)	(1,817,331)
Other comprehensive income for the year, net of tax	16	-	143,957	-	143,957
Total comprehensive income for the year		-	143,957	(1,817,331)	(1,673,374)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity, net of transaction costs	15(a)	2,000,000	-	-	2,000,000
Total transactions with owners		2,000,000	-	-	2,000,000
Balance at 30 June 2015		2,001,000	143,957	(3,634,323)	(1,489,366)
Balance at 1 July 2015		2,001,000	143,957	(3,634,323)	(1,489,366)
Loss for the year		-	-	(13,219,604)	(13,219,604)
Other comprehensive income for the year, net of tax	16	-	(73,070)	-	(73,070)
Total comprehensive income for the year		-	(73,070)	(13,219,604)	(13,292,674)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity, net of transaction costs	15(f)(g)(h)(j)(l)	19,394,153	-	-	19,394,153
Share based payment expense	19(a)(c)	3,118,561	689,699	-	3,808,260
Share based payment expense for modified option value	19(b)	-	560,000	-	560,000
Options exercised	15(k)	306,000	(136,000)	-	170,000
Total transactions with owners		22,818,714	1,113,699	-	23,932,413
Balance at 30 June 2016		24,819,714	1,184,586	(16,853,927)	9,150,373

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		904,587	85,282
Payments to suppliers and employees (inclusive of GST)		(10,597,049)	(6,826,778)
		(9,692,462)	(6,741,496)
Interest received		23,956	832
Interest and other finance costs paid		(87,467)	(4,446)
Research and development grant received		2,024,562	2,254,114
Income tax paid		(493,792)	-
Net cash used in operating activities	20	(8,225,203)	(4,490,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition	1(g)	2,318,441	-
Payments for plant and equipment		(8,560)	(7,853)
Net cash from investing activities		2,309,881	(7,853)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		12,000,000	2,000,000
Share issue transaction costs		(666,766)	-
Proceeds from exercise of options		170,000	-
Proceeds from issue of convertible notes		-	1,650,000
Loans from related parties		-	3,240,752
Net cash from financing activities		11,503,234	6,890,752
Net increase in cash held		5,587,912	2,391,903
Cash and cash equivalents at beginning of financial year		2,497,398	105,495
Effects of exchange rate changes on cash and cash equivalents		(30,253)	-
Cash and cash equivalents at end of financial year		8,055,057	2,497,398

The accompanying notes form part of these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

The separate financial statements of the parent entity, LiveTiles Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 25 August 2016 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of consolidation

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

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of assets and liabilities (continued)

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.

c. Finance costs

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

d. Leases

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

e. Impairment of assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

f. Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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. Reverse acquisition

On 26 August 2015, LiveTiles Limited (formerly Modun Resources Limited) acquired 100% of LiveTiles Holdings Pty Ltd for total consideration of 225,000,000 shares in LiveTiles Limited. Modun Resources Limited was previously engaged in the coal sector and owned a coal deposit in Mongolia. The Mongolian coal deposit was sold via the sale of 100% of Modun Resources LLC on 26 August 2015. The sole business of LiveTiles Limited is now the development and sale of software.

The reverse acquisition did not meet the requirements of AASB 3 Business Combinations because Modun Resources Limited was not deemed a business for accounting purposes, instead the reverse acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (LiveTiles) and the fair value of the accounting acquiree's (formerly Modun Resources Limited) identifiable net assets represents a service to enable a listing on the ASX.

Accordingly, the consolidated financial report of LiveTiles Limited has been prepared as a continuation of the business and operations of LiveTiles Holdings Pty Ltd. As the deemed accounting acquirer LiveTiles Holdings Pty Ltd has accounted for the acquisition from 25 August 2015. The comparative information for the 12 months ended 30 June 2015 presented in the financial report is that of LiveTiles Holdings Pty Ltd.

The statement of financial position of the accounting acquired entity, Modun Resources Limited, upon completion of the reverse acquisition was as follows:

	Fair value \$
Cash and equivalents	2,318,441
Other assets	509,984
Trade and other payables	(461,340)
Net identifiable assets acquired	<u>2,367,085</u>
Representing:	
Fair value of Modun Resources Limited shares on issue prior to completion of the acquisition	<u>5,321,845</u>
Listing expense on acquisition of Modun Resources Limited	<u>2,954,760</u>

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.

Defined contribution superannuation benefits

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

k. Share-based payments

Equity-settled share-based compensation benefits are provided to employees, related parties and suppliers. 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 Consolidated 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 Consolidated Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated 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.

i. Provisions

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

m. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

n. Revenue and other income

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

Software subscription revenue

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

Research and development grant

Research and development grant income is recognised when the Consolidated 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.

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.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Trade and other receivables

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

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

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

p. Trade and other payables

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

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

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. 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Critical accounting estimates and judgements

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

u. Key estimates

(i) *Share-based payment transactions*

The Consolidated 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 Consolidated Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

v. New Accounting Standards not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and relate solely to principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an expected credit loss (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 so the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 so the impact of its adoption is yet to be assessed.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

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

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

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

NOTE 2: PARENT INFORMATION

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

	Parent entity	
	2016 \$	2015 \$
Statement of Financial Position		
ASSETS		
Current assets	4,726,360	992,817
Non-current assets	43,400,765	3,070,429
TOTAL ASSETS	48,127,125	4,063,246
LIABILITIES		
Current liabilities	43,586	1,179,288
Non-current liabilities	534,571	-
TOTAL LIABILITIES	578,157	1,179,288
EQUITY		
Issued capital	350,134,937	302,879,339
Accumulated losses	(302,585,969)	(299,995,381)
TOTAL EQUITY	47,548,968	2,883,958



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2: PARENT INFORMATION (continued)

	Parent entity	
	2016 \$	2015 \$
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(2,590,588)	(3,839,354)
Total comprehensive income	(2,590,588)	(3,839,354)

NOTE 3: REVENUE AND OTHER INCOME

	2016 \$	2015 \$
Revenue from continuing operations		
Sales revenue:		
– Software subscription revenue	648,550	234,104
Total sales revenue	648,550	234,104
Other income:		
– Interest income	23,956	832
– Research and development grant income	1,751,028	2,438,657
Total other income	1,774,984	2,439,489
Total revenue and other income	2,423,534	2,673,593

NOTE 4: EMPLOYEE BENEFIT EXPENSE

	2016 \$	2015 \$
Employee benefit expense		
Wages and salaries - staff	1,642,987	2,139,284
Wages and salaries - Directors	1,083,196	1,442,058
Contractor expenses	532,839	382,560
Defined contributions superannuation	86,295	102,632
Commissions and bonuses	246,563	27,093
Annual leave and long service leave expense	49,861	(21,656)
Other employee benefits expense	90,866	25,723
Total employee benefit expense	3,732,607	4,097,694



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5: INCOME TAX

	2016 \$	2015 \$
a. The components of tax expense comprise:		
Current tax	(43,494)	(270,914)
Deferred tax	165,781	85,616
Under provision of prior year tax	(222,878)	-
	<u>(100,591)</u>	<u>(185,298)</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	(13,119,013)	(1,632,033)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	3,935,704	489,610
Adjust for:		
– tax effect of variance in overseas tax rates	206,300	48,645
– withholding tax expense	(39,052)	(270,914)
– tax effect of non-deductible research and development expenditure	(1,167,352)	(1,349,708)
– tax effect of other permanent differences	(2,270,660)	1,454,274
– under-provision of prior year tax	(222,878)	-
– current year losses not recognised	(542,653)	(557,205)
Income tax expense attributable to entity	<u>(100,591)</u>	<u>(185,298)</u>
c. Deferred tax asset relates to the following:		
Licence fee revenue	53,307	54,622
Business acquisition costs	148,613	-
Employee entitlements	37,535	30,994
Provisions and accruals	19,076	-
Unrealised FX gains and losses	(7,134)	-
Closing balance	<u>251,397</u>	<u>85,616</u>
d. Carried forward losses not brought to account	<u>3,666,197</u>	<u>1,857,350</u>
e. Income tax payable	<u>39,052</u>	<u>270,914</u>

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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: AUDITOR'S REMUNERATION

	2016 \$	2015 \$
Remuneration of the auditor for:		
- audit and review of the financial statements	80,024	49,000

The auditor, BDO East Coast Partnership, has not provided any non-audit services to the Group during the year ended 30 June 2016 (2015: nil).

NOTE 7: DIVIDENDS

LiveTiles Limited has not paid, or proposed to pay any dividends for the year ended 30 June 2016 (2015: nil).

NOTE 8: EARNINGS PER SHARE

	2016 \$	2015 \$
Reconciliation of earnings to loss:		
Earnings used to calculate basic earnings per share	(13,219,604)	(1,817,331)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	319,214,033	191,014,378
	Cents	Cents
Basic (loss) / earnings per share	(4.14)	(0.95)
Diluted (loss) / earnings per share	(4.14)	(0.95)

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

	2016 \$	2015 \$
CURRENT		
Trade receivables	482,439	322,830
Research and development grant receivable	1,751,028	2,024,562
Total current trade and other receivables	2,233,467	2,347,392

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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

On a geographical basis, the Group has credit risk exposures in Australia, 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	2016 \$	2015 \$
Australia	172,846	36,950
North America	154,267	99,510
Europe	65,146	186,370
Middle East	90,180	-
Total receivables exposed to credit risk	482,439	322,830

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	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms
			< 30	31-60	61-90	> 90	
2016							
Trade and term receivables	482,439	-	4,977	7,812	2,680	11,433	455,537
2015							
Trade and term receivables	322,830	-	5,367	4,545	5,302	-	307,616



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: INTERESTS IN SUBSIDIARIES

a. Information about principal subsidiaries

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

Name of subsidiary	Principal place of business	Ownership interest	
		2016 %	2015 %
LiveTiles Limited (formerly Modun Resources Limited)	Australia		
LiveTiles Holdings Pty Ltd	Australia	100%	100%
LiveTiles APAC Pty Ltd	Australia	100%	100%
LiveTiles R and D Pty Ltd	Australia	100%	100%
LiveTiles Corporation (formerly LiveTiles LLC)	USA	100%	100%
Modun Resources LLC	Mongolia	0%	100%
Nuurst Mineral Corporation LLC	Mongolia	100%	0%
Modun Resources Pte Ltd	Singapore	100%	0%

b. Significant restrictions

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

c. Acquisition of controlled entities

On 26 August 2015, LiveTiles Limited (formerly Modun Resources Limited) acquired 100% of LiveTiles Holdings Pty Ltd for total consideration of 225,000,000 shares in LiveTiles Limited. Modun Resources Limited was previously engaged in the coal sector and owned a coal deposit in Mongolia. The Mongolian coal deposit was sold via the sale of 100% of Modun Resources LLC on 26 August 2015. The sole business of LiveTiles Limited is now the development and sale of digital workplace software.

NOTE 11: INTANGIBLE ASSETS

	2016 \$	2015 \$
Development costs:		
Capitalised development costs	717,218	-
Accumulated amortisation	(717,218)	-
Total intangible assets	-	-
Balance at the beginning of the year	-	-
Additions during the year	717,218	-
Amortisation charge	(717,218)	-
Balance at the end of the year	-	-

The estimated useful life of intangible assets is determined to be in line with the frequency at which our software is updated and replaced. During the 2016 financial year, development costs were fully amortised in the same financial year given the iterative nature and frequency of updates in our product life cycle.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12: TRADE AND OTHER PAYABLES

	Note	2016 \$	2015 \$
CURRENT			
Unsecured liabilities:			
Trade payables		169,823	128,954
Trade payables to related parties		-	3,674,267
Wages and salaries accruals		68,294	-
Other payables and accruals		197,184	197,633
Other payables and accruals to related parties	21	344,648	301,358
		<u>779,949</u>	<u>4,302,212</u>
NON-CURRENT			
Unsecured liabilities:			
Convertible note payable to Modun Resources Limited (pre-acquisition)		-	500,000
Payable to related parties		-	1,150,000
		<u>-</u>	<u>1,650,000</u>

NOTE 13: OTHER LIABILITIES

	2016 \$	2015 \$
CURRENT		
Unearned revenue	557,828	180,329
	<u>557,828</u>	<u>180,329</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: EMPLOYEE BENEFITS

	2016 \$	2015 \$
Current	112,081	62,220
Non-current	12,326	9,326
	<u>124,407</u>	<u>71,546</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 \$39,916 will not be taken in the next 12 months.

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

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	2016 No. of shares	2015 No. of shares	2016 \$	2015 \$
Ordinary shares – fully paid	342,182,791	1,116	24,819,714	2,001,000
Movements in ordinary share capital				
	Date	Shares No.	Issue Price \$	Total \$
Balance	1 July 2014	1,000		1,000
Share capital issued	(a) 15 December 2014	116	\$17,241.38	2,000,000
Balance	30 June 2015	1,116		2,001,000
Share split (10,000:1)	(b) 24 August 2015	11,160,000	-	2,001,000
Share capital issued	(c)(d)(e) 24 August 2015	1,221,528	\$2.55	3,118,561
Share capital issued	(f)(g) 24 August 2015	836,340	\$3.27	2,738,500
Reversal of existing shares on acquisition	(h) 25 August 2015	(13,217,868)		-
Issue of LiveTiles Limited shares on acquisition of LiveTiles Holdings Pty Ltd	(h) 25 August 2015	225,000,000	-	5,322,419
Existing shares of Modun Resources Limited on issue	(i) 25 August 2015	35,482,791	-	-
Share capital issued	(j) 25 August 2015	80,000,000	\$0.15	12,000,000
Issue of shares upon exercise of options	(k) 1 September 2015	1,700,000	-	306,000
Less: capital raising costs	(l)	-	-	(666,766)
Balance	30 June 2016	342,182,791		24,819,714
Restricted shares on issue	(m)	36,200,000		-
Total issued capital	30 June 2016	378,382,791		24,819,714

- (a) LiveTiles Holdings Pty Ltd (Holdings) issued 116 ordinary shares to rhipe LiveTiles Pty Ltd on 15 December 2014, raising \$2,000,000.
- (b) On 24 August 2015, Holdings undertook a share split whereby each Holdings share was divided into 10,000 Holdings shares.
- (c) On 24 August 2015, Holdings issued 855,857 shares to certain employees of Holdings. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 19.
- (d) On 24 August 2015, Holdings issued 37,471 shares to rhipe LiveTiles Pty Ltd. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 19.
- (e) On 24 August 2015, Holdings issued 328,200 shares to nSynergy LiveTiles Employee Share Plan Pty Ltd. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 19.
- (f) On 24 August 2015, Holdings issued 588,413 shares to ZTH Tech Pty Ltd and NIA Tech Pty Ltd in discharge of consultancy fees and accrued salaries to the value of \$1,925,996.
- (g) On 24 August 2015, Holdings issued 247,927 shares to ZTH Tech Pty Ltd and NIA Tech Pty Ltd for consideration of \$811,515 representing the repayment of contributions to Holdings.
- (h) On 25 August 2015, Holdings completed the reverse acquisition of Modun Resources Limited (since renamed LiveTiles Limited). The existing shares in Holdings of 13,217,868 were exchanged for 225,000,000 shares in LiveTiles Limited. The fair value of the exchange has been calculated based on the value of the shares that existing Modun Resources Limited shareholders would have in the combined entity, being 35,482,791 shares at a value of \$0.15 per share.
- (i) Modun Resources Limited shares on issue were consolidated on a basis of 50:1, resulting in a total of 35,482,791 shares (originally 1,774,139,534 shares).
- (j) On 25 August 2015, LiveTiles Limited issued 80,000,000 shares at \$0.15 per share to raise \$12,000,000.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: EQUITY – ISSUED CAPITAL (CONTINUED)

- (k) On 1 September 2015, 1,700,000 existing options in Modun Resources Limited were exercised at an exercise price of \$0.10 per share. The movement in equity in relation to the options reflects the amount paid to exercise those options, being \$170,000, and the modified value of the options at acquisition date, being \$136,000.
- (l) Costs directly attributable to the raising of addition funds have been offset against equity.
- (m) As at 30 June 2016, LiveTiles Limited had issued 36,200,000 shares under the Management Incentive Plan.
Tranches A, B and C – 35,000,000 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
Refer to note 19(a).
Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in note 8.

NOTE 16: RESERVES

	2016 \$	2015 \$
Share based payments reserve	1,113,699	-
Foreign currency translation reserve	70,887	143,957
Total	1,184,586	143,957

a. **Foreign currency translation reserve**

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

b. **Share based payments reserve**

The share based payments reserve records items recognised as expenses on valuation of share based payments, namely the Management Incentive Plan.

Movements in share based payments reserve	2016 \$	2015 \$
Opening balance	-	-
Share based payment expense – management incentive plan	689,699	-
Share based payment expense – modified option value	560,000	-
Options exercised	(136,000)	-
Closing balance	1,113,699	-

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2016 \$	2015 \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	531,156	92,177
– between 12 months and 5 years	373,320	349,555
	904,476	441,732

There were no contingent liabilities or assets as at 30 June 2016 (2015: nil).



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: OPERATING SEGMENTS

The Consolidated Group is organised into one segment which consists of the development and sale of digital workplace software. The information in this report is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 19: SHARE BASED PAYMENTS EXPENSE

		2016 \$	2015 \$
Non-cash share based payment expense			
– Management Incentive Plan shares	(a)	689,699	-
		689,699	-
Non-recurring non-cash share based payment expense			
– Modified value of Modun Resources Limited options on issue at acquisition date	(b)	560,000	-
– Equity settled share based payments	(c)	3,118,561	-
		3,678,561	-
Total share based payments expense		4,368,260	-

(a) Management Incentive Plan shares

On 25 August 2015, LiveTiles Limited issued 35,000,000 shares to the 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 were issued in Tranches D, E and F.

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:

	Tranches A, B and C	Tranches D, E and F
Share price	\$0.15	\$0.25
Effective exercise price	\$0.15	\$0.285
Term of loan to fund acquisition of shares (years)	6	6
Compounded risk-free interest rate	3.1%	3.1%
Volatility	75%	75%
Discount to reflect vesting conditions	40%	40%
Discounted value per share	\$0.06	\$0.10



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

The value of the loan shares issued under the Management Incentive Plan have been expensed as a share based payment for the period ended 30 June 2016 as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2016 \$
Tranche A	15,000,000	25/8/2015	24/8/2017	\$0.25	382,192
Tranche B	10,000,000	25/8/2015	24/8/2018	\$0.35	169,863
Tranche C	10,000,000	25/8/2015	24/8/2019	\$0.45	127,397
Tranche D	400,000	5/4/2016	6/4/2017	\$0.285	5,589
Tranche E	400,000	5/4/2016	6/4/2018	\$0.285	2,795
Tranche F	400,000	5/4/2016	6/4/2019	\$0.285	1,863
Total					689,699

(b) Modified value of options on issue at the date of the reverse acquisition

As at the date of the reverse acquisition there were 9,080,000 options outstanding in Modun Resources Limited (renamed LiveTiles Limited). The options were modified to their fair value on the date of the reverse acquisition using a Black-Scholes option pricing model:

	Group 1	Group 2	Group 3	Group 4
Share price	\$0.15	\$0.15	\$0.15	\$0.15
Exercise price of option	\$0.10	\$2.00	\$3.00	\$5.00
Remaining term (years)	2.16	0.35	0.35	0.35
Compounded risk-free interest rate	3.1%	3.1%	3.1%	3.1%
Volatility	75%	75%	75%	75%

The modified value of these options as at the date of the reverse acquisition has been recognised as a share based payment expense in the statement of profit and loss and other comprehensive income and in the share based payment reserve during the period ended 30 June 2016.

	Group 1	Group 2	Group 3	Group 4
Number of shares	7,000,000	720,000	720,000	640,000
Grant date	21/10/14	13/12/12	13/12/12	13/12/12
Vesting date	21/10/17	31/12/15	31/12/15	31/12/15
Exercise price	\$0.10	\$2.00	\$3.00	\$5.00
Discounted value per share	\$0.08	\$0.00	\$0.00	\$0.00
Share based payment expense for 12 months ended 30 June 2016	\$560,000	-	-	-

On 1 September 2015, 1,700,000 options with an exercise price of \$0.10 were converted into fully paid ordinary shares in LiveTiles Limited.

At 31 December 2015 there were 5,300,000 options with an exercise price of \$0.10 outstanding. All other options have expired.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

(c) Equity settled share based payments

On 24 August 2015 (prior to the completion of the acquisition of Modun Resources Limited) LiveTiles Holdings Pty Ltd issued 1,221,528 shares:

	Note	No of shares	Issue Price	\$
Issue of shares to LiveTiles employees	(i)	855,857	\$2.55	2,185,003
Issue of shares to rhipe LiveTiles Pty Limited	(ii)	37,471	\$2.55	95,663
Issue of shares to nSynergy LiveTiles Employee Share Plan Pty Ltd	(iii)	328,200	\$2.55	837,895
		1,221,528		3,118,561

- (i) Shares issued to certain LiveTiles employees to align the incentives of those employees with the performance of LiveTiles Holdings Pty Ltd
(ii) Shares issued to rhipe LiveTiles Pty Ltd (a subsidiary of rhipe Limited) to prevent its existing holding being diluted by reason of the shares issued to LiveTiles employees and nSynergy LiveTiles Employee Share Plan Pty Ltd
(iii) Represents shares issued to certain employees of the former nSynergy group. The nSynergy group included the LiveTiles business prior to the sale of the nSynergy group in December 2014

The fair value of the shares issued by LiveTiles Holdings Pty Ltd is calculated using the total value of LiveTiles Holdings Pty Ltd shares that were converted to Modun Resources Limited shares, being \$33,750,000. At the time of conversion there were 13,217,868 shares on issue in LiveTiles Holdings Pty Ltd.

NOTE 20: CASH FLOW INFORMATION

	2016 \$	2015 \$
a. Reconciliation of cash flows from operating activities with loss after income tax expense		
Loss after income tax expense	(13,219,604)	(1,817,331)
Cash flows excluded from profit attributable to operating activities:		
Non-cash flows in loss:		
– share based payments expense	4,368,260	-
– listing costs	2,954,760	-
– write back of related party loan	-	(2,388,681)
Changes in assets and liabilities:		
– decrease / (increase) in trade and other receivables	113,925	(2,347,392)
– increase / (decrease) in other non-current assets	(87,899)	9,462
– increase / (decrease) in trade and other payables	(2,659,224)	1,886,687
– increase in other liabilities	377,499	180,329
– (increase) in deferred tax assets	(165,781)	(85,616)
– increase in provisions	92,861	71,546
Cash flows used in operating activities	(8,225,203)	(4,490,996)



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 20: CASH FLOW INFORMATION (CONTINUED)

b. Acquisition of Entities

During the year LiveTiles acquired Modun Resources Limited (refer to note 1(g)). Net cash acquired as part of this transaction was \$2,318,441.

c. Non-cash financing and investing activities

On 24 August 2015 LiveTiles Holdings Pty Ltd issued:

- 1,221,528 shares to certain employees of LiveTiles Holdings Pty Ltd, nSynergy LiveTiles Employee Share Plan Pty Ltd and rhipe LiveTiles Pty Ltd totalling \$3,118,561. These are detailed in Note 15 (c), (d) and (e); and
- 836,340 shares to ZTH Tech Pty Ltd and NIA Tech Pty Ltd in discharge of consultancy fees, accrued salaries and repayment of previous capital contributions to the value of \$2,738,500. These are detailed in Note 15 (f) and (g).

A \$136,000 non-cash contribution was recognised upon the exercise of 1,700,000 options during the year.

NOTE 21. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

LiveTiles Limited (formerly Modun Resources Limited) is the legal parent entity. For the purposes of these financial statements, the accounting parent entity is LiveTiles Holdings Pty Ltd.

Subsidiaries

Interests in subsidiaries are set out in note 10.

Key management personnel

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

	Note	30 Jun 2016 \$	30 Jun 2015 \$
Payments to key management personnel for services:			
Short term employee benefits		1,352,067	300,983
Short term fees paid for other services rendered	(a)	-	2,254,115
Total short term benefits		1,352,067	2,555,098
Post-employment benefits		25,211	-
Share based payments	(b)	2,587,675	-
		3,964,953	2,555,098

(a) Short term fees paid for other services rendered

The short term fees paid for other services rendered was funded by the research and development grant received by the Consolidated Group for the 12 months ended 30 June 2014.

(b) Share based payments

Within the share based payments is an amount of \$560,000 for modified options (refer to note 19(b)), \$679,452 for the shares issued under the Management Incentive Plan (refer to note 19(a)) and \$1,348,223 for shares issued to key management personnel (refer to note 19(c)(i))



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel

Payments to key management personnel for services also include payments to ZTH LLC, KUR Tech Pty Ltd, NIA Tech Pty Ltd and MPNB Tech Pty Ltd which are related entities controlled by key management personnel. Payments made to these entities were in consideration for services rendered on an arm's length basis and have been included in the above table. No other payments to these entities have been made by the Consolidated Group.

	2016 \$	2015 \$
<i>Payables to related parties:</i>		
<i>Current payables:</i>		
Accounts payable to key management personnel	-	3,643,267
Accrued short term benefits to key management personnel	344,648	301,156
	344,648	3,944,423
<i>Non-current payables</i>		
Loans payable to key management personnel	-	1,150,000

Transactions with other related parties

rhipe Limited and its subsidiaries (rhipe) are considered to be related parties due to Michael Hill being an executive director of rhipe and a director of the Company. During the 2016 and 2015 financial years the Group paid rhipe for the temporary use of shared resources following the sale of the nSynergy Group to rhipe and rhipe was engaged by the Group to provide IT consulting services to LiveTiles customers.

rhipe is also a reseller and distributor of LiveTiles software. During the 2016 financial year the Group received revenue from rhipe representing the pass through of subscription licence fees (net of reseller margin) payable by end users of LiveTiles software sold by rhipe.

	2016 \$	2015 \$
<i>Receipts and payments to rhipe</i>		
Receipts from rhipe for sale of LiveTiles software	96,273	-
Payments to rhipe under Shared Service Agreement	(269,045)	(344,320)
Payments to rhipe for consulting services provided to LiveTiles customers	(76,147)	-
Net payment to rhipe	(248,919)	(344,320)
<i>Receivables and payables to rhipe</i>		
Receivable from rhipe	85,087	41,122
Payable to rhipe	(37,461)	(30,543)
	47,626	10,579

Terms and conditions

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: FINANCIAL RISK MANAGEMENT

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

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

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

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

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

Risks exposures and responses

(i) *Interest rate risk*

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

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

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

	Consolidated Group	
	2016 \$	2015 \$
Financial assets		
Cash and cash equivalents	8,055,057	2,497,398
Net exposure	8,055,057	2,497,398

	(Loss) / profit Higher / (lower)		Equity Higher / (lower)	
	2016 \$	2015 \$	2016 \$	2015 \$
Judgements of reasonable possible movements				
+0.50%	40,275	12,487	40,275	12,487
-0.50%	(40,275)	(12,487)	(40,275)	(12,487)

(ii) *Foreign currency risk*

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

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

AUD	2016 \$	2015 \$
Financial assets		
Cash and cash equivalents	5,899,201	116,009
Net exposure	5,899,201	116,009

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

At 30 June 2016, had the Australian dollar moved, with all other variables held constant, the loss for the year and equity would have been affected as follows:

	Post tax profit Higher / (lower)		Equity Higher / (lower)	
	2016 \$	2015 \$	2016 \$	2015 \$
Judgements of reasonable possible movements				
AUD/USD +10%	589,920	-	589,920	(11,601)
AUD/USD -10%	(589,920)	-	(589,920)	11,601

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

(iii) *Liquidity risk*

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

	Less than 6 months	6 to 12 months	1 to 5 years	Total
2016				
Trade and other payables	819,001	-	-	819,001
	819,001	-	-	819,001
2015				
Trade and other payables	4,573,126	-	1,650,000	6,223,126
	4,573,126	-	1,650,000	6,223,126

(iv) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Group. The Consolidated 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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) *Fair value of financial instruments*

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

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

NOTE 24: COMPANY DETAILS

The registered office of the company is:

LiveTiles Limited
c/- Whittens & McKeough
Level 29, 201 Elizabeth Street
Sydney NSW 2000

The principal places of business are:

- Australia:
Suite 101
6-8 Clarke Street
Crows Nest NSW 2065
- USA:
60 Madison Avenue, Suite 801
New York, NY 10010

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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 24 to 52, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Director

Matthew Brown
25 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of LiveTiles Limited

Report on the Financial Report

We have audited the accompanying financial report of LiveTiles Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of LiveTiles Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of LiveTiles Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of LiveTiles Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 25 August 2016



SHAREHOLDER INFORMATION

The following information is current as at 19 August 2016:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding):	Ordinary shares	% of shares listed
1 – 1,000	133,875	0.03
1,001 – 5,000	913,349	0.24
5,001 – 10,000	1,092,682	0.29
10,001 – 100,000	12,620,811	3.34
100,001 and over	363,621,958	96.10
	378,382,675	100.0

b. The number of shareholdings held in less than marketable parcels is 1,152.

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

Shareholder:	Ordinary shares	% of shares listed
Karl Redenbach	109,687,638	28.99
Peter Nguyen-Brown	96,937,638	25.62
Regal Funds Management Pty Limited	29,875,283	7.90

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.

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SHAREHOLDER INFORMATION

e. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. NIA Tech Pty Ltd <Odeon Discretionary A/C>	90,427,638	23.90
2. ZTH Tech Pty Ltd <Triton Discretionary A/C>	90,427,638	23.90
3. UBS Nominees Pty Ltd	28,045,774	7.41
4. Mr Karl Redenbach	19,500,000	5.15
5. Mr Matthew Brown <Alluvion Discretionary A/C>	13,850,000	3.66
6. HSBC Custody Nominees (Australia) Limited	12,826,840	3.39
7. Citicorp Nominees Pty Limited	9,524,674	2.52
8. CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	7,535,782	1.99
9. Mr Peter Nguyen-Brown	6,750,000	1.78
10. Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	6,061,605	1.60
11. NSynergy Live Tiles Employee Share Plan Pty Ltd	5,586,750	1.48
12. J P Morgan Nominees Australia Limited	5,427,887	1.43
13. Rhipe Live Tiles Pty Limited	4,085,380	1.08
14. Arrakis Nominees Pty Ltd	3,573,334	.94
15. Onmell Pty Ltd <ONM BPSF A/C>	3,350,000	.89
16. Myall Resources Pty Ltd <Myall Group Super Fund A/C>	3,200,000	.85
17. Pershing Australia Nominees Pty Ltd <Blue Ocean Equities A/C>	2,450,000	.65
18. Mr Andrew Gray	2,250,000	.59
19. Mr Michael Hill	2,250,000	.59
20. Samlisa Nominees Pty Ltd	2,000,000	.53
	319,123,302	84.34

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SHAREHOLDER INFORMATION

2. The name of the company secretary is Andrew Whitten.
3. The address of the principal registered office in Australia is
Level 29, 201 Elizabeth Street, Sydney
NSW 2000
Telephone +61 2 8072 1400
4. Registers of securities are held at the following addresses:
Link Market Services Limited
Central Park
Level 4, 152 St Georges Terrace
Perth 6000 WA
5. Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.
6. Unquoted Securities
Options over Unissued Shares:
A total of 5,300,000 options are on issue to two current directors and one past director. The expiry date of these options is 21 October 2017.

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CORPORATE INFORMATION

Registered Office

LiveTiles Limited
c/- Whittens & McKeough
Level 29, 201 Elizabeth Street
Sydney NSW 2000
Australia

Principal Place of Business

LiveTiles Limited
Suite 801, 60 Madison Avenue
New York NY 10010
United States

Auditors

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

Share Registry

Link Market Services Limited
Central Park
Level 4, 152 St Georges Terrace
Perth WA 6000
Australia

Stock Exchange Listing

LiveTiles Limited shares are listed on the Australian Securities Exchange.
(Ticker: LVT)

Website

www.LiveTiles.nyc

Annual General Meeting

The 2016 Annual General Meeting of LiveTiles Limited will be held at Whittens & McKeough, Level 29, 201 Elizabeth Street, Sydney, NSW 2000, at 10am on 10 November 2016.

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ABOUT LIVETILES

LiveTiles is a global software company headquartered in New York, with offices in Sydney, Melbourne, London and Tri-Cities, Washington State. LiveTiles offers digital workplace solutions for the commercial and education markets, and is an award-winning Microsoft Partner. LiveTiles' products comprise LiveTiles Design, LiveTiles Build, LiveTiles Cloud and LiveTiles Mosaic (for the K-12 Education market). LiveTiles' customers represent a diverse range of sectors and are spread throughout the United States, United Kingdom, Europe and Asia-Pacific.



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