

LiveTiles Holdings Pty Ltd
ACN 603 266 888

Financial Information - 31 December 2014

LiveTiles Holdings Pty Ltd
Income Statement
For the financial year ended 31 December 2014

	Note	2014 \$
Revenue from operating activities		
Sales revenue		42,583
Other income	2	6,094,605
Total revenue		<u>6,137,188</u>
Expenses		
Administration expenses	3	1,460,027
Employee benefits expenses	3	2,238,118
Consultancy fees		1,084,261
Finance costs		101,281
Profit before income tax		<u>1,253,501</u>
Income tax expense		<u>-</u>
Profit after income tax		<u>1,253,501</u>

LiveTiles Holdings Pty Ltd
Balance Sheet
As at 31 December 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	4	1,543,826	6,107
Trade and other receivables	5	5,031,466	2,083,297
Related party receivables	6	-	3,100
Total current assets		<u>6,575,292</u>	<u>2,092,504</u>
Non-current assets			
Other	7	1,200	8,983
Property, plant and equipment	8	10,808	-
Total non-current assets		<u>12,008</u>	<u>8,983</u>
Total assets		<u>6,587,300</u>	<u>2,101,487</u>
Liabilities			
Current liabilities			
Trade and other payables	9	4,463,829	2,210,762
Related party payables	10	139,688	1,070,749
Provision for employee benefits	11	35,898	117,706
Deferred income	12	7,665	-
Total current liabilities		<u>4,647,080</u>	<u>3,399,217</u>
Current liabilities			
Provision for employee benefits	13	12,326	26,475
Total current liabilities		<u>12,326</u>	<u>26,475</u>
Total liabilities		<u>4,659,406</u>	<u>3,425,692</u>
Net assets / (liabilities)		<u>1,927,894</u>	<u>(1,324,206)</u>
Equity			
Issued capital	14	2,001,116	3,100
Retained losses	15	(73,805)	(1,327,306)
Foreign currency translation reserve		583	-
Total equity		<u>1,927,894</u>	<u>(1,324,206)</u>

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

In the directors' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial information, this is special purpose financial information. The financial information has been prepared to assist the Directors of LiveTiles Holdings Pty Limited in the preparation of a prospectus. As a result the financial information may not be suitable for another purpose. The directors have determined that the accounting policies adopted are appropriate to meet the reporting requirements for the needs of the Directors.

The financial information has been prepared under the historical cost convention and do not take into account changing monetary values. The going concern and accruals basis have been applied.

Going concern

The financial information has been prepared on a going concern basis as the consolidated entity's cash flow forecast indicates it will have sufficient cash reserves to meet its liabilities as they fall due for the 12 months from the date of this report. This forecast assumes that fundraising of at least \$9.5m (prior to offer costs) will occur within this 12 month period. This gives rise a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have confidence that the above strategy can be achieved given positive feedback received from potential investors.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial information. The financial information does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Principles of consolidation

The consolidated financial information incorporates the assets and liabilities of the subsidiaries of LiveTiles Holdings Pty Limited ('company' or 'parent entity'), listed below, as at 31 December 2014 and the trading results of the subsidiaries for the year then ended. LiveTiles Holdings Pty Limited and its subsidiaries together are referred to in this financial information as the 'consolidated entity'. The financial information has been prepared assuming the subsidiaries were part of the consolidated entity for the 12 month period ending 31 December 2014 even though they were only consolidated under Australian Accounting Standards from 27 November 2014 onwards. The list below is not a complete list of subsidiary companies under the control of the parent entity and is only limited to those entities included for the purposes of the Prospectus

The subsidiaries included within the consolidated entity are:

- LiveTiles R&D
- LiveTiles Pty Limited
- LiveTiles LLC

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The consolidated entity was formed as a result of the restructure of a group of companies held by joint control. The restructure involved a share swap being entered into by LiveTiles Holding Pty Ltd on 27 November 2014 whereby 1,116 shares in LiveTiles Holding Pty Ltd were issued at a fair value of \$1,116 in consideration for the share ownership in the LiveTiles subsidiaries. This resulted in the interests in subsidiaries to be initially recognised at fair value. Interests in subsidiaries are subsequently measured at amortised cost. Dividends received from subsidiaries are recognised as other income by the parent entity.

Foreign currency translation

The financial information is presented in Australian dollars, which is LiveTiles Holdings Pty Limited functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised through profit or loss and the foreign currency translation reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Sales revenue is recognised straight line as the related services are performed. Amounts disclosed as revenue are net of returns and discounts.

Subscription and licence fees are recognised straight line over the subscription period.

When the consolidated entity is entitled to a research and development grant, this is treated as other income in the period of which the research and development costs were incurred.

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

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 considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably.

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 1. Significant accounting policies (continued)

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 changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is current when: it is 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 current when: it is 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.

Trade receivables

All trade receivables are recognised at the amounts receivable as they are generally due for settlement within 75 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is raised when some doubt as to collection exists and in any event when management consider the debt is uncollectable.

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line and diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Finance costs

Finance costs are expensed in the period in which they are incurred and include interest expenses and bank charges.

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity 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.

Goods and Services Tax (GST) and other related taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the Australian Taxation Office ('ATO') or appropriate regulatory body. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the ATO or appropriate regulatory body is included in GST / VAT receivable or GST / VAT payable in the balance sheet.

Note 2. Other income

	2014 \$
Research and development grant income	(2,942,296)
Related party debt forgiven	(3,125,075)
Net foreign exchange gain	(26,402)
Interest income	(832)
	<u>(6,094,605)</u>

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2014 \$
Administration expenses:	
Rental expenses	167,134
Travel and entertainment	371,942
Other administration expenses	920,951
	<u>1,460,027</u>
Employee benefits expenses	
Wages and salaries	2,220,523
Superannuation expenses	91,600
Annual leave expense	(74,005)
	<u>2,238,118</u>

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 4. Current assets - cash and cash equivalents

	2014 \$	2013 \$
Cash at bank	<u>1,543,826</u>	<u>6,107</u>

Note 5. Current assets - trade and other receivables

	2014 \$	2013 \$
Research and development grant receivable	5,024,990	2,082,695
Other receivables	<u>6,476</u>	<u>602</u>
	<u>5,031,466</u>	<u>2,083,297</u>

Note 6. Current assets - related party receivables

	Notes	2014 \$	2013 \$
Receivable from other related parties	(b)	<u>-</u>	<u>3,100</u>
		<u>-</u>	<u>3,100</u>

Note 7. Non-current assets - other

	2014 \$	2013 \$
Security deposits	<u>1,200</u>	<u>8,983</u>

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 8. Non-current assets - property, plant and equipment

	2014 \$	2013 \$
Office equipment - at cost	<u>10,808</u>	<u>-</u>

Note 9. Current liabilities - trade and other payables

	Notes	2014 \$	2013 \$
Trade payables - external		558,288	322,791
Trade payables - related parties		2,214,222	1,187,387
GST payable		224,689	81,097
Accruals and other payables		<u>1,466,630</u>	<u>619,487</u>
		<u>4,463,829</u>	<u>2,210,762</u>

Note 10. Current liabilities - related party payables

	2014 \$	2013 \$
Payable to nSynergy Group	<u>139,688</u>	<u>1,070,749</u>
	<u>139,688</u>	<u>1,070,749</u>

LiveTiles Holdings Pty Ltd
Notes to the financial information
31 December 2014

Note 11. Current liabilities - provision for employee benefits

	2014 \$	2013 \$
Annual leave	<u>35,898</u>	<u>117,706</u>

Note 12. Current liabilities - deferred income

	2014 \$	2013 \$
Income received in advance	<u>7,665</u>	<u>-</u>

Note 13. Non-current liabilities - provision for employee benefits

	2014 \$	2013 \$
Long service leave	<u>12,326</u>	<u>26,475</u>

Note 14. Equity - issued capital

	2014 \$	2013 \$
Ordinary shares - fully paid	<u>2,001,116</u>	<u>3,100</u>

Note 15. Equity - retained profits

	2014 \$
Retained losses at the beginning of the financial year	(1,327,306)
Profit after income tax	<u>1,253,501</u>
Retained losses at the end of the financial year	<u>(73,805)</u>

LiveTiles Holdings Pty Ltd
Directors' declaration

As described in the basis of preparation accounting policy included in note 1 to the financial information, the company is not a reporting entity and this is special purpose financial information.

The directors of the company declare that the financial information and notes:

- (a) comply with the accounting policies as detailed in note 1 to the financial information; and
- (b) give a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the year ended on that date.

In the directors opinion:

- (c) the financial information and notes are in accordance with the company's constitution; and
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed on behalf of the directors



Karl Redenbach
Director

11 June 2015
Sydney



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INDEPENDENT AUDITOR'S REPORT

To the members of LiveTiles Holdings Pty Limited

Report on the Special Purpose Financial Information

We have audited the accompanying financial information, being special purpose financial information, of LiveTiles Holdings Pty Ltd, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 as detailed in Note 1.

Directors' Responsibility for the Financial Information

The directors of the company are responsible for the preparation and fair presentation of the financial information, and have determined that the basis of preparation described in Note 1 is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 Australian professional accounting bodies.



Opinion

In our opinion the financial information presents fairly, in all material respects, the financial position of LiveTiles Holdings Pty Ltd and its subsidiaries (the consolidated entity) as at 31 December 2014, and its financial performance for the year then ended in accordance with the accounting policies described in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial information, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful fundraising of equity. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis of accounting

Without further modifying our opinion, we draw attention to Note 1 to the financial information, which describes the basis of accounting. The financial information has been prepared to assist the Directors of LiveTiles Holdings Pty Limited in the preparation of a prospectus. As a result the financial information may not be suitable for another purpose.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Craig Maxwell', is written over a horizontal line.

Craig Maxwell
Partner

Sydney, 11 June 2015