APPENDIX 4D
HALF-YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A.3

RESULTS FOR ANNOUNCEMENT TO THE MARKET

LIVETILES LIMITED
ABN 95 066 139 991

6 MONTHS ENDED
31 DECEMBER 2019

The information provided in this report should be read in conjunction with the most recent annual financial statements and ASX announcements.

LiveTiles Limited and Controlled Entities

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

Company details

Name of entity:	LiveTiles Limited
ABN:	95 066 139 991
Reporting period:	6 months ended 31 December 2019
Previous period:	6 months ended 31 December 2018

Results for announcement to the market

Key information	6 months ended 31 December 2019 $	6 months ended 31 December 2018 $	Change %
Revenue from ordinary activities	17,927,922	5,677,075	+216%
Loss after tax from ordinary activities attributable to members	(21,544,354)	(22,769,721)	+5%
Loss attributable to members	(21,544,354)	(22,769,721)	+5%

Dividends paid and proposed

	Amount per Security (cents)	Franked Amount per Security at 30% of Tax (cents)
Ordinary shares:		
Dividend for the 6 months ended 31 December 2019	Nil	Nil

Explanation of key information and dividends

An explanation of the above figures is contained in the "Operating and financial review" included within the attached directors' report.

Net tangible assets per share

	31 December 2019 Cents/Share	30 June 2019 Cents/Share
Net tangible assets per share	0.01	(0.18)

Control gained or lost over entities in the period

On 3 December 2019, LiveTiles completed its acquisition of 100% of the shares in CYCL AG. CYCL AG has been consolidated into the Group's financial statements from 3 December 2019. Refer to note 17 of the attached Notes to the Financial Statements for additional detail regarding this acquisition.

Investments in associates and joint ventures

Equity accounted associates and joint ventures	Nil
Aggregate share of profit/(losses) of associates and joint ventures	Nil

LiveTiles Limited and Controlled Entities

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

Audit qualification or review

The financial statements were subject to a review by the auditors and the unmodified review report is attached as part of the Interim Report.

Attachments

The Interim Report of LiveTiles Limited for the 6 months ended 31 December 2019 is attached.

Signed

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Karl Redenbach

Executive Director and Chief Executive Officer

27 February 2020

Melbourne

LiveTiles Limited

ABN 95 066 139 991

Interim Report - 31 December 2019

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity consisting of LiveTiles Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled (the 'Consolidated Group' or Group') at the end of, or during, the 6 months to 31 December 2019 (the 'period').

Directors

The names of directors who held office during or since the end of the period:

Cassandra Kelly	Non-executive Chair (resigned 27 September 2019)
Karl Redenbach	Executive Director and Chief Executive Officer
Peter Nguyen-Brown	Executive Director and Chief eXperience Officer
Andy McKeon	Non-executive Director
David Lemphers	Non-executive Director
Dana Rasmussen	Non-executive Director (appointed 27 September 2019)

Principal activities

During the period the principal continuing activities of the consolidated entity consisted of the development and sale of intelligent 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 operations in Seattle, Tri-Cities (Washington State), San Francisco, Los Angeles, Chicago, Minneapolis, North Carolina, Boston, Copenhagen, Basel, Zurich, Bern, London, Sligo, Netherlands, Switzerland, Sydney, Melbourne, Brisbane, Geelong and Hobart.

Operating and financial review

For the 6 months to 31 December 2019, total revenue and other income was $18,335,367 (2018: $7,372,849), including subscription and services revenue of $17,927,922 (2018: $5,677,075) and accrued grant income of $213,200 (2018: $1,499,139). In addition, unearned revenue (a balance within the Statement of Financial Position) was $11,734,171 (31 December 2018: $6,274,380). Unearned revenue arises as a result of invoicing customers in advance of their subscription period, a feature of Software as a Service (SaaS) business models.

Annualised Recurring Revenue grew by 130% year-on-year to $52.7m (2018: $22.9m) as at 31 December 2019, comprising 1,031 paying customers (2018: 598 paying customers). Annualised Recurring Revenue represents committed, recurring revenue on an annualised basis.

LiveTiles recorded a loss after tax of $21,544,354 (2018: $22,769,721) for the period. Included within this loss are non-cash expenses of $5,655,701 (2018: $3,969,305). Excluding non-cash expenses, the loss before tax was $15,888,651 (2018: $18,800,416).

DIRECTORS' REPORT

Operating and financial review (continued)

The table below summarises the Company's statement of profit or loss and other comprehensive income for the period, including non-cash expenses:

	Notes	6 mths ended 31 Dec 19 ($'000)	6 mths ended 31 Dec 18 ($'000)
Subscription revenue		15,134	5,677
Services revenue		2,794	-
Government grant income		213	1,499
Other income		194	197
Total revenue and other income		18,335	7,373
Total operating expenses		(32,525)	(26,644)
Amortisation of development costs		(1,246)	(1,081)
Loss before income tax expense and non-cash items		**(15,436)**	**(20,352)**
Non-cash expenses			
Amortisation of software IP and customer contracts	(a)	(2,161)	(162)
Share based payments - Management Incentive Plan		(79)	(213)
Share based payments - Long Term Incentive Plan		(165)	-
Share based payments - post combination services for Hyperfish, Inc	(b)	-	(3,595)
Share based payments - post combination services for Wizdom A/S	(c)	(3,250)	-
Unrealised currency gain / (loss)		(655)	1,635
Loss before income tax expense per statutory accounts		**(21,746)**	**(22,687)**
Income tax expense		202	(83)
Loss after income tax expense per statutory accounts		**(21,544)**	**(22,770)**

(a) Amortisation of intangibles relating to the acquisition of Hyperfish, Inc.
(b) Non cash contingent payment relating to the acquisition of Hyperfish, Inc., deemed to be a share based payment
(c) Non cash contingent payment relating to the acquisition of Wizdom A/S, deemed to be a share based payment

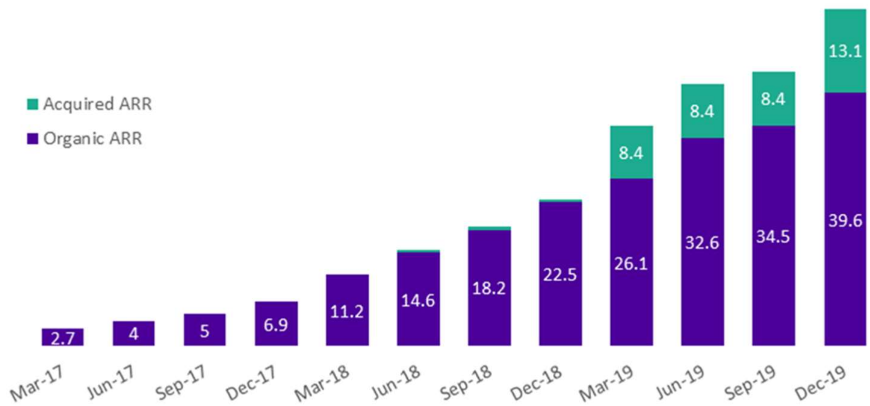
The Group's cash balance as at 31 December 2019 was $46,605,583 (30 June 2019: $14,880,920). The rise in cash balance at period end reflected a capital raising conducted during the period, partly offset by an operating cash deficit as the Company continues to execute against its stated growth strategy. The capital raising was conducted at $0.35 per share via a $50,000,000 institutional placement to qualifying investors, followed by a $5,000,000 share purchase plan.

Highlights

Annualised Recurring Revenue (ARR) grew by $12.6m or 130% in the first half of the 2020 financial year (FY20) to $52.7m (2018: $22.9m). In particular, the second quarter of FY20 saw strong organic ARR growth of $5.1m from 30 September, augmented by acquired growth of $4.7m arising from the acquisition of CYCL, completed on 3 December 2019. ARR growth was driven by the Company's internal sales and marketing channels, development of the Company's partner channel, strategic partnerships, ongoing product innovation and strengthening brand awareness.

DIRECTORS' REPORT

Annualised recurring revenue continued to grow rapidly in 2020



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

Customer numbers continued to grow strongly, with 1,031 paying customers as at 31 December 2019, up from 598 customers as at 31 December 2018. The Company is continuing to broaden its global base of enterprise customers, driven by LiveTiles' portfolio of products, its ongoing sales and marketing investments and co-marketing initiatives with Microsoft and other partners.

Organic growth from continued focus on bundled and integrated offerings, which carry a longer sales cycle but higher average contract value and retention rate. The first half of FY20 has seen a continued growth in average contract value, with this growth achieved despite a higher churn rate among smaller customers.

Partner channel

In addition to the Company's direct sales channel, LiveTiles sells its software through partners to help scale and broaden the Company's reach. The number of transacting partners grew to 199 as at 31 December 2019 (up 79% since 31 December 2018).

Microsoft relationship

LiveTiles' strategic relationship with Microsoft continues to strengthen, with multiple initiatives contributing to ARR and pipeline growth. The LiveTiles product portfolio, including Wizdom and Hyperfish, is under co-sell arrangement with Microsoft in 39 countries, with a current focus around the Company's Microsoft Teams features and benefits. The strategic partnership with Microsoft and ongoing joint promotional and co-selling activities provide a strong endorsement of LiveTiles and its products.

During the period LiveTiles management presented to Microsoft field employees in the US, Europe and Australia. The period saw a strong focus on demonstrating how LiveTiles products have unique Microsoft Teams benefits, across PowerPanel, Wizdom and Hyperfish. This offering will continue to be marketed to customers throughout FY20. LiveTiles products have been developed to be used within Microsoft Teams, and its products help Microsoft customers configure and use this growing collaboration and communication platform.

Further, LiveTiles was granted U.S. Federal Government General Services Administration (GSA) approval during the period. LiveTiles is now an approved GSA Vendor under the U.S. Government's IT Schedule 70 multiple award schedule (MAS), which is designed to accelerate purchasing processes for approved technology vendors across all U.S. Federal agencies, State and Local governments. This approval paves the way for LiveTiles and its partners to pursue joint opportunities with Microsoft under Microsoft's recently announced $14.6B AUD JEDI cloud contract with the U.S. Department of Defense.

DIRECTORS' REPORT

Strategic partnership with N3

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

- A sales and marketing execution agreement, for the promotion of LiveTiles' products by N3's sales and marketing resources; and
- A licensing agreement for the use of LiveTiles' Software as a Service ('SaaS') products.

N3 is a leading outsourced sales and marketing execution vendor for Microsoft's Azure and Dynamics platforms. Based in Atlanta USA, N3 serves a global client base, which in addition to Microsoft, includes SAP, IBM and Cisco.

A dedicated N3 team of sales and marketing personnel work closely with the LiveTiles sales and marketing team. The size of the team was further reduced during the period to better align to the Company's sales and marketing strategy. Sales and marketing efforts continued to focus on the North American market in the period.

Acquisition of CYCL

On 3 December 2019, LiveTiles completed its acquisition of CYCL AG, a leading Microsoft aligned intelligent intranet software business, Microsoft aligned digital workplace software business headquartered in Basel, Switzerland. Its software provides users with the tools needed to drive employee engagement, collaboration and compliance.

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

The amount payable for the acquisition of CYCL comprised upfront consideration of 42.6 million LiveTiles shares (issued on 3 December 2019) and a cash payment of $6.4 million. In addition, up to $11.6 million in cash and LiveTiles shares may be issued to the former owners of CYCL AG subject to the satisfaction of performance targets as at 31 December 2020 and 31 December 2021 (refer to the Company's ASX announcement dated 20 November 2019 and note 17 of the attached financial statements for further detail).

Strategic alliance partnerships

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

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

During the period LiveTiles initiated and commenced commercial partnerships with companies including UiPath (robotic process automation and artificial intelligence) and Go1.com (online training and professional development).

Product innovation

LiveTiles has continued to invest in product innovation:

Intranet Products: In late June 2019 LiveTiles deployed version 5 of its flagship Page Designer product, with deeper integration to Modern SharePoint. Further, in April 2019 Wizdom deployed its Power Panel, an omnipresent dashboard taskbar that allows users to access notifications and content from different applications as they work. Development of this unique user experience continued during the period ended 31 December 2019.

LiveTiles Bots: allows non-programmers to build their own artificial intelligence-powered chatbots using a simple, visual process to define a chatbot's functionality and personality to meet a user's specific needs. The chatbots are able to be configured to perform a wide range of tasks, such as finding people and content, scheduling meetings, logging IT support tickets, reporting an employee's annual leave balance, running and distributing sales reports, and completing expense reports.

DIRECTORS' REPORT

LiveTiles Intelligence: provides powerful analytics and highly visual insights on user interactions with an enterprise's digital workplace site and makes intelligent suggestions to drive improved user interaction and engagement.

Board Renewal

After almost two years as Chair of the LiveTiles Board and overseeing a period of substantial growth, in September 2019 Cassandra Kelly advised of her decision to step down from the Board to focus on other business and philanthropic interests. Dana Rasmussen joined the Board during the period as an independent non-executive director, with this appointment subsequently confirmed at the annual general meeting in November 2019. Dana is a senior People executive based in San Francisco, and is currently the SVP Head of People at Honor, a leading venture-capital backed US technology healthcare business. Prior to this role, Dana held senior executive roles at Flywheel Sports, Banana Republic, L Brands and Yahoo.

In addition, the Board has commenced an external search for an additional non-executive director. This would take the total number of directors to six, comprised of four non-executive directors and two co-founder executive directors.

Significant events since the end of the period

On February 18, $4.0 million cash and 40.1 million LiveTiles shares at an issue price of $0.30 per share were issued to the vendors of Wizdom as consideration for achieving the earn-out under the agreed transaction terms.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 period, no options were exercised.

As at the reporting date, there were 9,132,850 options on issue (2018: 4,611,000) related to the Company's employee remuneration framework. Refer to note 13b of the financial statements for details on options issued during the period.

Significant changes in state of affairs

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

Likely developments and expected results

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

DIRECTORS' REPORT

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 2020 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.

Significant changes in the state of affairs

There were no significant changes in the state of affairs for the 6 months to 31 December 2019.

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the 6 months ended 31 December 2019 is set out on page 8.

This directors' report is signed in accordance with a resolution of the Board of Directors.

……………………………………

Karl Redenbach

Executive Director and Chief Executive Officer

27 February 2020

Melbourne

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Australia

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

As lead auditor for the review of LiveTiles Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 27 February 2020

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General information

The financial statements cover LiveTiles Limited as a consolidated entity consisting of LiveTiles Limited and the entities it controlled at the end of, or during, the 6 months to 31 December 2019. The financial statements are presented in Australian Dollars, which is LiveTiles' functional and presentation currency.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

		Consolidated Group	
	Note	**31 December 2019**	**31 December 2018**
		$	**$**
Revenue	2	17,927,922	5,677,075
Other income	3	407,445	1,695,774
		18,335,367	7,372,849
Expenses			
Employee benefits expense		(15,760,073)	(9,597,209)
Contractor expense		(4,651,908)	(9,918,646)
Marketing expense		(1,779,545)	(1,929,181)
Travel and entertainment expense		(1,871,817)	(2,037,111)
Professional fees		(1,732,244)	(796,546)
Rent and other office costs		(1,075,570)	(1,008,524)
Information technology costs		(1,173,150)	(397,628)
Other expenses		(3,886,956)	(908,278)
Depreciation expense		(593,844)	(50,428)
Amortisation charge of intangibles	5	(3,407,578)	(1,242,942)
Share based payments expense	13	(3,494,325)	(3,807,839)
Unrealised currency gain / (loss)		(655,200)	1,634,887
Finance costs		(211,274)	-
		(40,082,210)	(30,059,446)
Loss before income tax		(21,746,843)	(22,686,597)
Income tax benefit / (expense)		202,489	(83,124)
Loss for the period		(21,544,354)	(22,769,721)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax		(299,987)	(1,500,881)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on remeasurement of defined benefit pension schemes	11	449,187	-
Total comprehensive income for the period		(21,395,154)	(24,270,602)
Earnings per share for loss attributable to the owners of LiveTiles Ltd			
– basic earnings per share (cents)	19	(2.99)	(4.49)
– diluted earnings per share (cents)	19	(2.99)	(4.49)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31 December 2019	**30 June 2019**
		$	**$**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		46,605,583	14,880,920
Trade and other receivables	4	10,407,546	12,198,027
Other current assets		1,256,269	1,036,328
TOTAL CURRENT ASSETS		58,269,398	28,115,275
NON-CURRENT ASSETS			
Property, plant and equipment		848,667	617,554
Intangible assets	5	81,492,041	45,164,127
Rental deposit		349,335	279,193
Right-of-use assets	6	3,927,883	-
Other non-current assets		494,234	226,342
TOTAL NON-CURRENT ASSETS		87,112,160	46,287,216
TOTAL ASSETS		145,381,558	74,402,491
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	7,715,742	7,013,651
Income tax payable		519,149	406,872
Employee benefits provision		552,572	644,610
Provisions for business combinations	8	13,295,550	10,062,323
Lease liabilities	9	886,108	-
Other current liabilities	10	12,999,563	11,767,540
TOTAL CURRENT LIABILITIES		35,968,684	29,894,996
NON-CURRENT LIABILITIES			
Employee benefits provision		110,454	83,133
Deferred tax liability		3,542,924	3,192,972
Provisions for business combinations	8	8,656,645	-
Lease liabilities	9	3,770,964	-
Pension liabilities	11	6,386,392	-
Other non-current liabilities	10	506,491	387,992
TOTAL NON-CURRENT LIABILITIES		22,973,870	3,664,097
TOTAL LIABILITIES		58,942,554	33,559,093
NET ASSETS		86,439,004	40,843,398

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

EQUITY			
Issued capital	12	189,703,514	122,972,591
Reserves	14	8,044,875	7,073,919
Accumulated losses		(111,309,385)	(89,203,112)
TOTAL EQUITY		86,439,004	40,843,398

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

Consolidated Group	Note	Issued capital	Reserves	Accumulated losses	Total equity
		$	$	$	$
Balance at 1 July 2018		61,649,135	1,659,384	(46,307,422)	17,001,097
Loss after income tax for the period		-	-	(22,769,721)	(22,769,721)
Other comprehensive income for the period, net of tax		-	(1,500,881)	-	(1,500,881)
Impact of the application of AASB 9 on retained earnings at 1 July 2018		-	-	(130,101)	(130,101)
Total comprehensive income for the period		-	(1,500,881)	(22,899,822)	(24,400,703)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs	12	25,529,718	-	-	25,529,718
Share based payment expense	13	-	3,807,839	-	3,807,839
Total transactions with owners and other transfers		25,529,718	3,807,839	-	29,337,557
Balance at 31 December 2018		87,178,853	3,966,342	(69,207,244)	21,937,951
Balance at 1 July 2019		122,972,591	7,073,919	(89,203,112)	40,843,398
Impact of the application of AASB 16 on retained earnings at 1 July 2019	1	-	-	(561,919)	(561,919)
Adjusted balance at 1 July 2019		122,972,591	7,073,919	(89,765,031)	40,281,479
Loss after income tax for the period		-	-	(21,544,354)	(21,544,354)
Other comprehensive income for the period, net of tax		-	(299,987)	-	(299,987)
Remeasurements of the defined benefit asset (post tax)		-	449,187	-	449,187
Total comprehensive income for the period		-	149,200	(21,544,354)	(21,395,154)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs	12(h)(i)(j)	63,944,095	-	-	63,944,095
Shares issued for Hyperfish earn-out	12(g)	2,786,828	(2,672,569)	-	114,259
Share based payment expense	13	-	3,494,325	-	3,494,325
Total transactions with owners and other transfers		66,730,923	821,756	-	67,552,679
Balance at 31 December 2019		189,703,514	8,044,875	(111,309,385)	86,439,004

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

	Consolidated Group	
	31 December 2019	31 December 2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	18,925,691	6,417,374
Payments to suppliers and employees (inclusive of GST)	(33,753,829)	(26,355,945)
Interest received	77,707	113,566
Research and development grant received	3,921,935	-
Income tax paid	(114,257)	-
Net cash used in operating activities	(10,942,753)	(19,824,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for development costs	(1,246,202)	(1,081,476)
Payments for plant and equipment	(8,637)	(252,752)
Loans to related parties	(242,164)	-
Cash consideration for acquisition of CYCL AG (net of cash acquired)	(6,801,906)	-
Net cash (used in)/provided by investing activities	(8,298,909)	(1,334,228)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	54,999,999	27,000,013
Share issue transaction costs	(3,861,258)	(1,470,295)
Net cash provided by financing activities	51,138,741	25,529,718
Net increase in cash and cash equivalents	31,897,079	4,370,495
Cash and cash equivalents at the beginning of the financial period	14,880,920	17,848,223
Effects of exchange rate changes on cash and cash equivalents	(172,416)	193,804
Cash and cash equivalents at end of period	46,605,583	22,412,522

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of Preparation**

These interim financial statements for 6 months ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of LiveTiles Limited and its controlled entities (referred to as the "consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following 6 months.

These interim financial statements were authorised for issue on 27 February 2020.

b. **Going concern**

For the period ended 31 December 2019, the Group made a loss of $21,544,354 (2018: $22,769,721) and had net cash flows used in operating activities of $10,942,753 (2018: $19,824,995). At 31 December 2019, the Group had a cash balance of $46,605,583 (2018: $14,880,920) and zero interest bearing debts.

On 19 September 2019, LiveTiles completed a capital raise of $50,000,000 (before costs) via a placement of shares to institutional and other sophisticated investors to continue to execute its stated growth strategy and for general working capital purposes. On 16 October 2019, LiveTiles raised a further $4,999,999 via a Share Purchase Plan.

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

c. **Accounting Policies**

The Company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the year commencing 1 January 2019. The impact on the financial statements of the Group has been discussed below.

AASB 16 Leases

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 July 2019.

Until the current financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, Lease liabilities are measured at the present value of the remaining contractual payments due to the lessor over the lease term, with the discount rate determined by reference to Group's incremental borrowing rate on commencement of the lease.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 9.337%.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Operating lease commitments disclosed as at 30 June 2019	7,265,683
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(1,812,304)
short-term leases recognised on a straight-line basis as expense	(935,960)
adjustments as a result of a different treatment of extension and termination options	-
Lease liability recognised as at 1 July 2019	4,508,419
Of which are:	
Current lease liabilities	681,294
Non-current lease liabilities	3,827,125

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease; and

• initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The recognised right-of-use assets relate to the following types of assets:

	Consolidated Group	
	31 December 2019	1 July 2019
	$	$
Properties	3,836,453	3,821,214
Equipment	91,430	-
	3,927,883	3,821,214

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

NOTE 2: REVENUE

	Consolidated Group	
	31 December 2019	**31 December 2018**
	$	**$**
Software subscription revenue	15,133,654	5,677,075
Services revenue	2,794,268	-
	17,927,922	5,677,075

NOTE 3: OTHER INCOME

	Consolidated Group	
	31 December 2019	31 December 2018
	$	$
Interest income	103,427	113,566
Research and development grant income	-	1,200,237
Other grant income	213,200	298,902
Other income	90,818	83,069
	407,445	1,695,774

NOTE 4: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	31 December 2019	30 June 2019
	$	$
Trade receivables	8,424,389	7,445,358
Accrued revenue	1,195,064	126,990
Provision for doubtful debts	(551,600)	(538,339)
	9,067,853	7,034,009
Research and development grant receivable	1,096,321	4,888,980
Other government grants receivable	243,372	275,038
	10,407,546	12,198,027

Doubtful debt expense

During the period, the Group recognised a doubtful debt expense, including the impact of AASB 9, of $106,743 (2018: $261,250). This is shown within Other Expenses of $3,675,682 (2018: $908,278) in the consolidated statement of profit or loss.

Research and development grant receivable

In determining the value of research and development grant receivable, the consolidated entity has made estimates in respect of the costs that are eligible to be claimed under the legislation based on historical grants claimed and research and development costs incurred during the period to 31 December 2019.

Other government grants receivable

Government grants, other than the research and development grant, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions.

NOTE 5: INTANGIBLES

	Balance at 1 July 2019	Additions	Disposals	Foreign Exchange[1]	Balance at 31 December 2019
At cost:					
Capitalised development costs	5,042,235	1,246,203	-	-	6,288,438
Software intellectual property	10,018,741	9,350,000	-	(127,457)	19,241,284
Customer contracts and relationships	5,996,099	2,340,000	-	(72,485)	8,263,614
Goodwill	30,889,332	27,353,721	-	(393,685)	57,849,368
Total at cost	51,946,407	40,289,924	-	(593,627)	91,642,704

	Balance at 1 July 2019	Amortisation charge	Disposals	Foreign Exchange[1]	Balance at 31 December 2019
Accumulated amortisation:					
Capitalised development costs	(5,042,235)	(1,246,203)	-	-	(6,288,438)
Software intellectual property	(455,639)	(571,914)	-	9,888	(1,017,665)
Customer contracts and relationships	(1,284,406)	(1,589,461)	-	29,307	(2,844,560)
Total accumulated amortisation	(6,782,280)	(3,407,578)	-	39,195	(10,150,663)

Summary of net intangible assets

	Balance at 1 July 2019	Additions	Amortisation charge	Disposals	Foreign Exchange[1]	Balance at 31 December 2019
Net intangible assets	45,164,127	40,289,924	(3,407,578)	-	(554,432)	81,492,041
Deferred tax liability	(3,192,972)	(1,890,273)	398,179	-	103,529	(4,581,537)

The estimated useful life of capitalised development costs is determined to be in line with the frequency at which our software is updated and replaced. During the 2020 financial year, development costs were fully amortised in the same financial year given the iterative nature and frequency of updates in the Group's product life cycle.

Other intangible assets have a finite life and are amortised on a straight line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

The useful life of software intellectual property is 10 years.

The useful life of customer contracts and relationships is 2 years.

Goodwill is carried at cost less any accumulated impairment losses.

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

NOTE 6: NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

	Balance at 1 July 2019	Additions	Depreciation	Balance at 31 December 2019
Properties	3,821,214	405,256	(390,017)	3,836,453
Equipment	-	94,965	(3,535)	91,430
Total right-of-use asset	3,821,214	500,221	(393,552)	3,927,883

NOTE 7: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Group	
	31 December 2019	30 June 2019
	$	$
Trade payables	5,251,354	4,503,056
Employee benefits accruals	1,717,500	1,092,220
Employee benefits accruals to related parties	542,354	1,290,633
Other payables and accruals	204,534	127,742
	7,715,742	7,013,651

NOTE 8: PROVISIONS FOR BUSINESS COMBINATIONS

	Consolidated Group	
	31 December 2019	30 June 2019
	$	$
CURRENT		
Provision for contingent consideration - Hyperfish	-	114,260
Provision for contingent consideration - Wizdom	8,025,654	9,948,063
Provision for employee compensation - Wizdom	2,006,398	-
Provision for contingent consideration - CYCL	3,263,498	-
	13,295,550	10,062,323
NON-CURRENT		
Provision for contingent consideration - CYCL	8,656,645	-
	8,656,645	-

NOTE 9: LEASE LIABILITIES

	Balance at 1 July 2019	Interest	Additions	Payments	Balance at 31 December 2019
At net present value:					
Properties	4,508,419	210,966	412,112	(563,229)	4,568,268
Equipment	-	307	92,154	(3,657)	88,804
Total lease liabilities	4,508,419	211,273	504,266	(566,886)	4,657,072

	Consolidated Group	
	31 December 2019	**30 June 2019**
	$	**$**
CURRENT		
Properties	846,340	-
Equipment	39,768	-
	886,108	-
NON-CURRENT		
Properties	3,718,577	-
Equipment	52,387	-
	3,770,964	-

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

NOTE 10: OTHER LIABILITIES

	Consolidated Group	
	31 December 2019	30 June 2019
	$	$
CURRENT		
Unearned revenue	11,227,680	9,759,854
Lease liability	-	124,755
Unearned grant income	1,770,144	1,881,194
Other current liabilities	1,739	1,737
	12,999,563	11,767,540
NON-CURRENT		
Unearned revenue	506,491	387,992
	506,491	387,992

NOTE 11: NON-CURRENT LIABILITIES – PENSION LIABILITIES

	Balance at 1 July 2019	Additions	Actuarial Remeasurement	Balance at 31 December 2019
Pension liabilities	-	6,922,223	(535,831)	6,386,392
Total pension liabilities	-	6,922,223	(535,831)	6,386,392

The Group's pension liabilities relate to the defined benefit plans in Switzerland, which were acquired in December 2019 upon the completion of the acquisition of CYCL AG, see note 17. As at December 2019, the fund has a funding ratio of 111.3% (December 2018: 102.9%). As required under Swiss law, the plans are co-funded by the Group with equal co-contributions required by the employees ranging from 4% - 10% of the employee's salary. Upon retirement, employees are entitled to either receive a lump sum payment to the value of their accumulated retirement balance; or receive an ongoing annual annuity calculated as a percentage (conversion rate) of their accumulated balance – as at 31 December 2019 this conversion rate is 6.60% (2018: 6.80%).

The defined benefit plans are legally separate from the Group and administered by a separate fund. The pension plans of the Group are managed by Swiss pension fund 'Profond Pension Fund', which is a collective pension fund, as is common in Switzerland. Under this structure, members own a proportionate share of the aggregated collective investments, rather than an individual share of the underlying assets, as is common in Australia. The Group's members consist 49 of the total 52,083 members as at 31 December 2019.

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

NOTE 11: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

The gains or losses and prior service costs or credits that arise but are not recognised as components of pension cost are recorded as a component of other comprehensive income. The service costs related to defined benefits are included in operating income. The other components of net benefit cost are presented in the consolidated income statements separately from the service cost component and outside operating income. The reconciliation to the fair value of plan assets and projected benefit obligation under the projected unit method are shown over page.

NOTE 11: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

	31 December 2019
Plan assets (as at 31 December 2019)	
Plan assets	12,276,424
Adjustments for AASB 119	
Estimation of the value of Pensions in Payment	4,730,136
Fair value of plan assets	**17,006,560**
Plan obligations (as at 31 December 2019)	
Plan obligations	12,276,424
Adjustments for AASB 119	
Estimation of the obligation of Pensions in Payment	4,730,136
Projected unit credit method actuarial adjustment	6,386,392
Projected plan obligations	**23,392,952**
Net Pension Liabilities	**6,386,392**

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

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

	31 December 2019
Actuarial assumptions	
Discount Rate	0.25%
Growth in future salaries	1.00%
Pension increase rate	0.00%
Longevity at retirement	19 – 22 years

The following table depicts the sensitivity of estimated fiscal year 2020 pension expense to incremental changes in the discount rate and the expected long-term rate of return on assets.

		Defined benefit obligation	
Actuarial assumptions	**Reasonably Possible Change**	**Increase**	**Decrease**
Discount Rate	(+/- 0.50%)	21,092,652	26,148,850
Growth in future salaries	(+/- 0.50%)	23,802,616	23,063,494

NOTE 12: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	31 December 2019	**30 June 2019**	**31 December 2019**	**30 June 2019**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	831,265,948	624,707,227	189,703,514	122,972,591

Movements in ordinary share capital		**Date**	**Shares No.**	**Issue Price $**	**Total $**
Balance		30-Jun-2018	473,209,472		61,649,135
Share capital issued	(a)	14-Aug-2018	42,372,882	$0.59	25,000,000
Share capital issued	(b)	17-Sep-2018	3,389,853	$0.59	2,000,013
Share capital issued	(c)	29-Jan-2019	6,769,422	$0.41	2,786,828
Share capital issued	(d)	11-Feb-2019	45,000,000	$0.34	15,300,000
Share capital issued	(e)	13-Feb-2019	49,715,598	$0.36	17,828,013
Issue of shares upon exercise of Management Incentive Plan shares	(f)	25-Jun-2019	4,250,000		892,500
Less: capital raising costs					(2,483,898)
Balance		30-Jun-2019	624,707,227		122,972,591
Share capital issued	(g)	30-Jul-2019	6,810,234		2,786,828
Share capital issued	(h)	24-Sep-2019	142,857,143	$0.35	50,000,000
Share capital issued	(i)	18-Oct-2019	14,285,422	$0.35	4,999,999
Share capital issued	(j)	3-Dec-2019	42,605,922	$0.295	12,568,747
Less: capital raising costs					(3,624,651)
Balance		31-Dec-2019	831,265,948		189,703,514
Restricted shares on issue	(k)		29,150,001		-
Total issued capital			860,415,949		189,703,514

NOTE 12: EQUITY – ISSUED CAPITAL (CONTINUED)

(a) On 14 August 2018, LiveTiles Limited issued 42,372,882 shares at $0.59 per share to raise $25,000,000.

(b) On 17 September 2018, LiveTiles Limited issued 3,389,853 shares at $0.59 per share to raise $2,000,013.

(c) On 29 January 2019, LiveTiles Limited issued 6,769,422 shares to Orange Fish Holdings LLC as payment for Hyperfish satisfying the performance targets of its first earn out. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.

(d) On 11 February 2019, LiveTiles Limited issued 45,000,000 shares at $0.34 per share to raise $15,300,000.

(e) On 13 February 2019, LiveTiles Limited issued 49,715,598 shares to Webtop Holding ApS as consideration for 100% of the shares in Wizdom A/S. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.

(f) On 25 June 2019, 4,250,000 Tranche A Management Incentive Plan shares were exercised at an exercise price of $0.15 per share. The movement in equity in relation to the options reflects the amount paid to exercise those MIP shares, being $637,500, and the modified value of the MIP shares at issue date, being $255,000.

(g) On 30 July 2019, LiveTiles Limited issued 6,810,234 shares to Orange Fish Holdings LLC as payment for Hyperfish satisfying the performance targets of its second earn out. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.

(h) On 25 September 2019, LiveTiles Limited issued 142,857,143 shares at $0.35 per share to raise $50,000,000.

(i) On 18 October 2019, LiveTiles Limited issued 14,285,422 shares at $0.35 per share to raise $4,999,999.

(j) On 3 December 2019, LiveTiles Limited issued 42,605,922 shares as consideration for 100% of the shares in CYCL AG. The fair value of the shares issued is based on the share price of LiveTiles Limited at the date of the acquisition.

(k) As at 31 December 2019, LiveTiles Limited had issued 29,150,001 shares under the Management Incentive Plan.

Tranches A, B and C – 26,250,000 shares were issued under the Management Incentive Plan on 25 August 2015

Tranches D, E and F - 1,200,000 shares were issued under the Management Incentive Plan on 5 April 2016

Tranches G, H and I - 300,000 shares were issued under the Management Incentive Plan on 2 June 2017

Tranches J, K and L - 600,000 shares were issued under the Management Incentive Plan on 20 November 2017

Tranches M, N and O - 800,001 shares were issued under the Management Incentive Plan on 6 May 2019

Refer to note 19(a).

Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in note 19.

NOTE 13: SHARE BASED PAYMENTS EXPENSE

		Consolidated Group	
		31 December 2019	**31 December 2018**
		$	**$**
Share based payment expense			
Non-cash share based payment expense			
Management Incentive Plan shares	(a)	78,439	130,756
Long Term Incentive Plan shares	(b)	165,006	82,120
Post combination services on the acquisition of Hyperfish	(c)	-	3,594,963
Post combination services on the acquisition of Wizdom A/S	(d)	3,250,880	-
		3,494,325	3,807,839

(a) Management Incentive Plan (MIP) shares

On 25 August 2015, LiveTiles Limited issued 35,000,000 shares to the then directors of the Company 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 limited recourse 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.

On 2 June 2017, LiveTiles Limited issued 300,000 shares to senior employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employees an option to purchase the shares at $0.245. These were issued in Tranches G, H and I.

On 20 November 2017, LiveTiles Limited issued 600,000 shares to a senior employee of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at $0.25. These were issued in Tranches J, K and L.

On 6 May 2019, LiveTiles Limited issued 800,001 shares to a senior employee of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at $0.57. These shares were issued in Tranches M, N and O.

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the term of the non-recourse loans, the share price at grant date and expected price volatility of the underlying share. An adjustment has also been made to the valuation to reflect the time and price based vesting conditions. The volatility is based on the volatility in the Company's share price since the date of the reverse acquisition.

NOTE 13: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

(a) Management Incentive Plan (MIP) shares (continued)

The assumptions used to value the Management Incentive Plan shares are set out below:

Tranche	A, B and C	D, E and F	G, H and I	J, K and L	M, N and O
Share price	$0.15	$0.25	$0.235	$0.27	$0.445
Effective exercise price	$0.15	$0.285	$0.245	$0.25	$0.57
Term of loan to fund acquisition of shares (years)	6	6	6	6	6
Compounded risk-free interest rate	3.1%	3.1%	3.1%	3.1%	3.1%
Volatility	75%	75%	75%	75%	75%
Discount to reflect vesting conditions	40%	40%	40%	40%	40%
Discounted value per share	$0.06	$0.10	$0.09	$0.11	$0.17

The value of the loan shares issued under the Management Incentive Plan has been expensed as a share based payment as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 6 months ended 31 December 2018	Expense for 6 months ended 31 December 2019
Tranche A	15,000,000	25/8/2015	24/8/2017	$0.25	-	-
Tranche B	10,000,000	25/8/2015	24/8/2018	$0.35	30,137	-
Tranche C	10,000,000	25/8/2015	24/8/2019	$0.45	75,616	22,603
Tranche D	400,000	5/4/2016	6/4/2017	$0.285	-	-
Tranche E	400,000	5/4/2016	6/4/2018	$0.285	-	-
Tranche F	400,000	5/4/2016	6/4/2019	$0.285	3,361	-
Tranche G	100,000	2/6/2017	2/6/2018	$0.245	-	-
Tranche H	100,000	2/6/2017	2/6/2019	$0.245	2,268	-
Tranche I	100,000	2/6/2017	2/6/2020	$0.245	1,512	1,512
Tranche J	200,000	20/11/2017	20/11/18	$0.25	8,619	-
Tranche K	200,000	20/11/2017	20/11/19	$0.25	5,545	4,310
Tranche L	200,000	20/11/2017	20/11/20	$0.25	3,698	3,697
Tranche M	266,667	6/5/2019	5/5/2020	$0.57	-	27,273
Tranche N	266,667	6/5/2019	5/5/2020	$0.57	-	11,426
Tranche O	266,667	6/5/2019	5/5/2020	$0.57	-	7,618
Total					265,498	78,439

No MIP shares were exercised in the 6 months to 31 December 2019.

At 31 December 2019 there were 29,150,001 Management Incentive Plan shares outstanding.

NOTE 13: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

(b) Long Term Incentive Plan (LTIP) shares

On 16 November 2018, LiveTiles issued 4,056,200 unlisted options to employees under the Company's Long Term Incentive Plan (LTIP).

On 16 January 2019, LiveTiles Limited issued 555,000 options to certain employees under the Long-Term Incentive Plan.

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

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, 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 assumptions used to value the LTIP shares are set out below:

Tranche	Number of options	Share price	Effective exercise price	Expiry date	Risk-free interest rate	Volatility	Discounted value per share
Tranche 1	2,280,000	$0.41	$0.41	15/11/22	2.18%	50%	$0.17
Tranche 2	1,776,200	$0.41	$0.57	15/11/22	2.18%	50%	$0.12
Tranche 3	555,000	$0.375	$0.52	16/1/23	2.18%	50%	$0.12
Tranche 4	3,299,000	$0.30	$0.30	25/11/23	2.18%	50%	$0.12
Tranche 5	1,222,650	$0.30	$0.43	25/11/23	2.18%	50%	$0.09

(c) Post combination services on the acquisition of Hyperfish

On 8 June 2018, LiveTiles acquired Hyperfish, Inc from Orange Fish Holdings LLC. Because part of the total amount payable to Orange Fish Holdings LLC is contingent on the continued employment of key Hyperfish staff, such amount is deemed to be a share based payment for post combination services. The fair value has been determined using the market price of LiveTiles shares, probability of contingencies being met and an appropriate discount rate to reflect payment periods.

(d) Post combination services on the acquisition of Wizdom A/S

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

NOTE 14: EQUITY – RESERVES

	Consolidated Group	
	31 December 2019	**30 June 2019**
	$	**$**
Share based payments reserve	9,341,048	8,519,292
Foreign currency translation reserve	(1,745,361)	(1,445,373)
Actuarial remeasurement reserve – pension liabilities	449,188	-
	8,044,875	7,073,919

NOTE 15: INTEREST IN SUBSIDIARIES

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

		Ownership interest held by Group	
Name of subsidiary	**Principal place of business**	**31 December 2019**	**30 June 2019**
LiveTiles Limited	Australia		
LiveTiles Holdings Pty Ltd	Australia	100%	100%
LiveTiles APAC Pty Ltd	Australia	100%	100%
LiveTiles R and D Pty Ltd	Australia	100%	100%
LiveTiles Corporation (formerly LiveTiles LLC)	USA	100%	100%
Modun Resources Pty Ltd	Singapore	100%	100%
Hyperfish, Inc	USA	100%	100%
Wizdom A/S	Denmark	100%	100%
CYCL AG	Switzerland	100%	0%

NOTE 16: COMMITMENTS

	Consolidated Group	
	31 December 2019	**30 June 2019**
Capital commitments	**$**	**$**
Capital commitments contracted for but not recognised in the financial statements		
Payable – minimum capital commitments:		
- Not later than 12 months	64,035	64,676
- Between 12 months and 5 years	518,453	460,726
	582,488	525,402

Capital commitments represent minimum capital spend relating to ongoing government grants to be incurred by 31 December 2021.

NOTE 17: ACQUISITION OF CYCL AG

On 3 December 2019, LiveTiles acquired 100% of the shares on issue in CYCL AG (CYCL), the leading Switzerland-based intelligent intranet software provider (Acquisition). CYCL is Microsoft-aligned; and through its Condense and MatchPoint products, has a leading market position in Switzerland and Germany, with a small and growing US presence.

The combination of joint capabilities between CYCL's MatchPoint product, LiveTiles and Wizdom creates an enhanced intelligent workplace offering which will open up greater opportunities to serve enterprise customer. CYCL's Condense product, a low-touch, mobile-focused product will expand LiveTiles' addressable market through targeting organisations with large front-line (deskless) workforces.

The acquisition of CYCL will enable LiveTiles to achieve its strategic product vision more quickly, by the LiveTiles intelligent workplace platform in the Microsoft ecosystem. CYCL will allow LiveTiles to deliver new capabilities to current and existing customers. At the same time, LiveTiles' leading AI capabilities provide a significant cross-sell opportunity to CYCL's growing customer base across Europe.

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

- Base consideration of 42,605,922 shares in LiveTiles Limited and cash consideration of A$6,373,461; and
- Two earn-out payments contingent upon performance hurdles being met as at 31 December 2020 and as at 31 December 2021.

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

The Acquisition meets the requirements of AASB 3 Business Combinations therefore CYCL has been consolidated into the financial statements of the Group from the date of the acquisition, being 3 December 2019.

The fair value of the consideration has been determined using the market price of LiveTiles shares at the date of the Acquisition, probability of contingencies being met and an appropriate discount rate to reflect payment periods. The Group has assumed that the earn-out payments are paid in full and have been recognised as contingent consideration liabilities.

A valuation was undertaken in relation to acquired intangibles with respect to intellectual property and customer contracts. The relief from royalty method was used to value the intellectual property. This method considers the discounted estimated royalty payments that are expected to be avoided as a result of the intellectual property. The multi-period excess earnings method (MEEM) was used to derive the value of customer contracts. The MEEM considers the present value of net cash flows expected to be generated by the customer contracts.

NOTE 17: ACQUISITION OF CYCL AG (CONTINUED)

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

The statement of financial position of the acquired entity, CYCL AG, upon completion of the Acquisition was as follows:

	Note	Fair value at acquisition date $
Cash and equivalents		33,328
Trade and other receivables		1,363,793
Other assets		1,897,131
Deferred tax asset		1,125,257
Trade and other payables		(1,637,675)
Unearned revenue		(1,212,554)
Pension liability		(6,922,223)
Deferred tax liability		(1,890,273)
Other liabilities		(938,155)
Identifiable intangibles		
- Software intellectual property	5	9,350,000
- Customer contracts and relationships	5	2,340,000
Net identifiable assets acquired		3,508,629
Representing:		
Shares issued in LiveTiles Limited		12,568,747
Up front cash consideration		6,373,461
Working capital adjustment		306,918
Contingent consideration		11,613,225
Fair value of consideration transferred		30,862,351
Goodwill recognised on acquisition of CYCL		27,353,721

From the date of the Acquisition, CYCL contributed revenue of $1,039,595 and a net loss after tax of $250,235. If the Acquisition had occurred on 1 July 2019, the Group's consolidated revenue and net profit after tax for the interim period ended 31 December 2019 would have been $7,404,335 and $302,772 respectively.

NOTE 17: ACQUISITION OF CYCL AG (CONTINUED)

Expenses related to the acquisition of CYCL

		2019 **$**
Transaction costs	(a)	$339,706

(a) The Group incurred costs of $336,094 in relation to the acquisition of CYCL which have been expensed in the Statement of Profit or Loss and Other Comprehensive Income as professional fees.

The Group has 12 months from the date of acquisition to finalise the acquisition accounting to reflect any new information.

NOTE 18: RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

LiveTiles 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 11.

Key management personnel

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

	Consolidated Group	
	31 December 2019	**31 December 2018**
	$	**$**
Payments for services to key management personnel:		
Short term employee benefits	1,531,817	1,521,347
Post-employment benefits	19,292	19,616
Share based payments	22,603	105,753
	1,573,712	1,646,716

	Consolidated Group	
	31 December 2019	**30 June 2019**
	$	**$**
Receivables from and payables to related parties:		
Current receivables:		
Loans to key management personnel	494,234	226,342
Current payables:		
Accrued short term benefits to key management personnel	(542,354)	(1,290,633)
	(48,120)	(1,064,291)

Terms and conditions

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

NOTE 19: EARNINGS PER SHARE

	Consolidated Group	
	31 December 2019	31 December 2018
	$	$
Loss after income tax expense for the period	(21,544,354)	(22,769,721)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	719,845,389	507,402,674
	Cents	Cents
Basic (loss) / earnings per share	(2.99)	(4.49)
Diluted (loss) / earnings per share	(2.99)	(4.49)

The options on issue have not been considered in the diluted earnings per share as their effect is anti-dilutive.

NOTE 20: OPERATING SEGMENTS

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

NOTE 20: OPERATING SEGMENTS (CONTINUED)

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

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

The table below shows the segment information provided to the CODM for the reportable segments for the 6 months ending 31 December 2019:

Consolidated - 31 Dec 2018	**APAC**	**Americas**	**EMEA**	**Unallocated /Head Office**	**Total**
Subscription revenue	604,026	4,491,093	581,956	-	5,677,075
Other revenue	1,475,255	96,826	10,879	112,814	1,695,774
Revenue	2,079,281	4,587,919	592,835	112,814	7,372,849
EBITDA	(2,691,316)	(13,181,228)	(2,736,532)	(2,784,151)	(21,393,227)
Depreciation & amortisation	(670,221)	(461,684)	-	(161,465)	(1,293,370)
Finance costs	-	-	-	-	-
Profit before income tax expenses	(3,361,537)	(13,642,912)	(2,736,532)	(2,945,616)	(22,686,597)
Income tax expense	-	-	-	(83,124)	(83,124)
Profit after income tax expenses	(3,361,537)	(13,642,912)	(2,736,532)	(3,028,740)	(22,769,721)
Consolidated – 30 June 2019					
Assets					
Segment assets	6,896,732	9,370,329	5,898,153	52,237,277	74,402,491
Liabilities					
Segment liabilities	(4,445,953)	(9,855,849)	(5,779,139)	(13,478,152)	(33,559,093)

NOTE 20: OPERATING SEGMENTS (CONTINUED)

Consolidated - 31 Dec 2019	**APAC**	**Americas**	**EMEA**	**Unallocated /Head Office**	**Total**
Subscription revenue	3,490,312	5,877,042	8,560,568	-	17,927,922
Other revenue	73,357	216,529	14,749	102,810	407,445
Revenue	3,563,669	6,093,571	8,575,317	102,810	18,335,367
EBITDA	(3,623,602)	(8,525,388)	206,990	(5,592,147)	(17,534,147)
Depreciation & amortisation	(704,127)	(1,002,643)	(133,277)	(2,161,375)	(4,001,422)
Finance costs	(9,446)	(200,291)	(1,537)	-	(211,274)
Profit before income tax expenses	(4,337,175)	(9,728,322)	72,176	(7,753,522)	(21,746,843)
Income tax expense	(81,152)	-	(183,241)	466,882	202,489
Profit after income tax expenses	(4,418,327)	(9,728,322)	(111,065)	(7,286,640)	(21,544,354)

Consolidated – 31 Dec 2019					
Assets					
Segment assets	3,558,664	11,186,741	9,926,868	120,709,285	145,381,558
Liabilities					
Segment liabilities	(4,298,569)	(12,423,238)	(16,587,111)	(25,633,636)	(58,942,554)

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

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

NOTE 21: CONTINGENT LIABILITIES

As per ASX announcements dated 2 May 2018 and 1 June 2018, four subsidiaries of LiveTiles are named as defendants (among a total of 12 defendants) to proceedings concerning a shareholder dispute in respect of companies unrelated to LiveTiles and involving the co-founders of LiveTiles. There have been no significant updates regarding this matter since 30 June 2019. The proceedings are ongoing.

NOTE 22: EVENTS AFTER THE REPORTING PERIOD

On February 18, $4.0 million cash and 40.1 million LiveTiles shares at an issue price of $0.30 per share were issued to the vendors of Wizdom as consideration for achieving the earn-out under the agreed transaction terms.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 10 to 38, are in accordance with the *Corporations Act 2001*, including:
    a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the 6 months ended on that date.
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.

On behalf of the directors

Karl Redenbach
Executive Director and Chief Executive Officer

27 February 2020
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of LiveTiles Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of LiveTiles Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 27 February 2020