



LIVETILES LIMITED
ABN 95 066 139 991

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023

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LiveTiles Limited
ABN 95 066 139 991
Consolidated financial statements for the year ended 30 June 2023

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DIRECTOR'S REPORT

The Directors present their report together with the financial statements of the consolidated group (the **Group**), being LiveTiles Limited (the **Company**) and its controlled entities for the year ended 30 June 2023.

Directors

The names of the directors in office at any time during the financial year and up to the date of this report, unless stated otherwise, are:

Jesse Todd	Non-Executive Chair
Karl Redenbach	Executive Director
Vanessa Ferguson	Non-Executive Director (appointed 27 October 2022)
Kevin Young	Non-Executive Director (appointed 27 October 2022)
Marc Stigter	Non-Executive Chair (resigned on 27 October 2022)
Peter Nguyen-Brown	Executive Director and Chief eXperience Officer (resigned on 27 October 2022)

Information on directors

Karl Redenbach	Executive Director
Appointed	25 August 2015
Experience and qualifications	Karl Redenbach is the co-founder of LiveTiles. Karl was formerly the co-founder and Chief Executive Officer of the Synergy Group, a global technology consulting business. Karl holds a Bachelor of Laws and a Bachelor of Arts from Monash University and in December 2014, was awarded CEO of the Year by the Australian Human Resources Institute.
Special responsibilities	None

Jesse Todd	Non-Executive Chair
Appointed	15 April 2021
Experience and qualifications	<p>Jesse Todd is a global technology leader specializing in governance technology solutions for enterprise companies and public sector organizations across the world. He spent a decade working for some of the world's largest financial services companies including BT, Deutsche Bank and ABN AMRO. Jesse served as Royal Bank of Scotland Head of Group Technology, where he was responsible for technology across all the non-trading functions for the company including compliance-based solutions.</p> <p>Today, Jesse is Co-Founder, Chief Executive Officer and Managing Director of compliance software consultancy firm Information and SaaS based cloud compliance platform EncompaaS, which have offices in the US and the UK servicing a global client base of enterprise companies and public sector organizations.</p>
Special responsibilities	Audit and Risk Committee (chair), Remuneration Committee

Vanessa Ferguson	Non-Executive Director
Appointed	27 October 2022
Experience and qualifications	Vanessa is an experienced human resources executive who holds a Bachelor of Applied Science (Psychology) (Honours) and a Postgraduate Diploma in Secondary Education. Her areas of expertise include workplace culture, change management and organisational transition, particularly relating to mergers and acquisitions. Vanessa joined LiveTiles in 2014 as the Company's first employee. Before joining the Board of Directors, Vanessa was a member of the Executive Leadership team and the leader of People and Experience at LiveTiles.
Special responsibilities	Remuneration Committee (chair)

Information on directors (continued)

Kevin Young	Non-Executive Director
Appointed	27 October 2022
Experience and qualifications	A product management executive with over 20 years' experience in financial technology, Kevin has a proven track record of defining and executing product roadmaps and managing the full software development life cycle from vision/strategy through production. Kevin is the Founder/CEO of Young FinTech, LLC providing advisory services and project management for trading technology, exchange infrastructure and marketplaces. Previously, Kevin was an Executive Director of algorithmic and automated trading risk at Morgan Stanley. Prior to that, Kevin has held senior product management, management consulting and strategy roles at EY, Bloomberg and Sungard/FIS.
Special responsibilities	Audit and Risk Committee

Marc Stigter	Non-Executive Chair
Appointed	11 September 2020, resigned 27 October 2022
Experience and qualifications	Dr Marc Stigter is a global expert in creating high value boards, and driving strong leadership and performance in organisations. Marc is a former Shell Country Chairman in the Middle East and worked for other blue-chip companies around the world. He earned a PhD at Lancaster University Management School (UK) and also has three Masters degrees. He is an Honorary Senior Fellow at the University of Melbourne and an Associate Director at Melbourne Business School. His books on rethinking governance, strategy and culture are published by Bloomsbury and Palgrave Macmillan.
Special responsibilities	Remuneration Committee, Audit and Risk Committee

Peter Nguyen-Brown	Executive Director and Chief eXperience Officer
Appointed	25 August 2015, resigned 27 October 2022
Experience and qualifications	Peter Nguyen-Brown has over 20 years experience in technology consulting and software development. Peter co-founded the LiveTiles concept, together with Karl Redenbach, in 2012. Peter was formerly Chief Operating Officer and co-founder of the nSynergy Group, a global technology consulting business. Peter holds a Bachelor of Applied Science in Computer Science and Software Engineering from Swinburne University.
Special responsibilities	Remuneration Committee

Directors' interests in shares and options

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

	Number of ordinary and MIP shares	Number of options	Performance rights
Karl Redenbach ¹	90,982,547	-	-
Jesse Todd	733,677	-	-
Vanessa Ferguson ²	893,750	360,000	750,000
Kevin Young	-	-	-

¹ The shares of Karl Redenbach include 71,482,547 ordinary shares and 19,500,000 MIP shares.

² The shares of Vanessa Ferguson include 393,750 ordinary shares and 500,000 restricted MIP shares.

Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' meetings		Audit and Risk Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Jesse Todd	6	6	2	2	1	1
Karl Redenbach	6	6	-	-	-	-
Vanessa Ferguson ¹	4	4	-	-	-	-
Kevin Young ²	4	4	1	1	-	-
<i>Marc Stigter (resigned on 27 October 2022)</i>	2	2	1	1	-	-
<i>Peter Nguyen (resigned on 27 October 2022)</i>	2	2	-	-	1	1

1. Vanessa Ferguson appointed as Non-Executive Director on 27 October 2022

2. Kevin Young appointed as Non-Executive Director on 27 October 2022

Committees and membership

During the year, the Company had the following committees:

- Audit and Risk Committee; and
- Remuneration Committee.

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

Audit and Risk Committee	Remuneration Committee
Jesse Todd (Chair)	Jesse Todd
Kevin Young (appointed 27 October 2022)	Vanessa Ferguson (Chair) (appointed 27 October 2022)

Information on Company Secretary

Natalie Climo has held the position as Company Secretary of the Company since 16 January 2023. Prior to that, Elizabeth Spooner held the position as Company Secretary of the Company since 12 August 2022 and David Hwang held the position prior to that since 7 April 2021.

Natalie is a Company Secretary outsourced from BoardRoom Limited. Ms. Climo is an experienced company secretary and lawyer, holding both a Bachelor of Laws from QUT and a Certificate in Governance Practice from the Governance Institute of Australia (GIA). She has acted as company secretary to a range of listed and unlisted Australian and foreign companies and has experience in governance and board management.

Principal activities

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

Operating and Financial review

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

During the year ended 30 June 2023, LiveTiles performance was impacted through challenging global market conditions across the SaaS and digital landscape. As part of the Operational Review conducted during FY23 H1, leading to the appointment of new CEO, David Vander, the Company has commenced (and continues to be) committed to executing on the following:

- Simplification of the business operationally and strategically, resulting in a leaner cost base and annual operating savings of \$14.1m, principally due to paused R&D partnership activity decreasing product development expenditure (now moved in house in cost effective locations), reduction in headcount due to the operational review, and aggressive brand marketing activities in FY22 not repeated in FY23
- Consolidating LiveTiles' go-to-market and product portfolio
- Reduction in customer churn to 7% as at FY23 Q4 (compared with median churn rates in SaaS companies of 14%^[1])
- Three major product releases per year, with first release deployed in June 2023
- Product Development teams now centred in two cost effective locations only
- Reinvigorated marketing programs and partnerships, including new website
- Refreshed organisational structure to better align with growth plans

Financial results summary for the Group for the year ended 30 June 2023:

- **Operating Revenues decreased -42% to \$30.6m** (FY22: \$52.8m), though underlying operating revenues decreased -20% after excluding annual licence and support fees relating to the R&D partnerships licence agreements.
- Total operating costs improved \$14.1m +36%, driven through operating review and restructure.
- **EBTIDA result of \$(3.5)m, a \$(8.6)m decline** compared to FY22: \$5.1m. On an Underlying EBITDA basis, there was a \$(9.5)m decline vs prior comparison period to \$(6.5)m (FY22: \$3.0m).
- **Cash Receipts for the year of \$37.4m** (FY22 \$56.7m), though underlying movement after excluding R&D partnerships is \$35.2m compared to prior comparison period \$39.2m, a -10% underlying decrease.
- **Cash balance at 30 June 2023 of \$6.7m** (30 June 2022: \$13.1m).

Business strategies for future years

- LiveTiles is focused on growing our core business in FY24 and beyond, with a target customer emphasis on Enterprise based customers. With a global SOM (Serviceable Obtainable Market) of \$0.7bn, in addition to further opportunity with adjacent markets, growth potential is significant
- Growth drivers into FY24 and beyond include pipeline growth in part derived from improved digital marketing execution, programs and partnerships, product innovation with 3 major releases a year, and further growth in our partner channel. The combination of these drivers is already bearing fruit with a reduction in customer churn to 7% as at FY23 Q4 (compared with median churn rates in SaaS companies of 14%^[1])

^[1] 2022 KeyBank Capital Markets report

https://www.key.com/content/dam/kco/documents/businesses_institutions/2022_kbcm_saas_survey_10-20-22_vF.pdf

Operating and Financial review (continued)

Business risks for future years

- Technological changes and innovation - competitors introducing new or improved products and services which LiveTiles cannot match or exceed in a timely or cost-effective manner.
- Failure or disruption to technology platforms and systems used to deliver LiveTiles' products and services.
- LiveTiles may not succeed in increasing revenues sufficiently to offset expenses, including investments in marketing and technology.
- Failure to retain existing customers and attract new customers.
- Ability to attract and retain key personnel, which can impact on revenue and costs.
- Changes in the economic environment which could impact LiveTiles' business.
- Regulatory and compliance changes and complexities.
- Impact of foreign currency on financial results.
- Security breaches of our customers' data.

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

	Notes	Jun-23 (\$000s)	Jun-22 (\$000s)	Movement
Software subscription revenue		23,988	42,575	(44)%
Software related services revenue		4,596	9,349	(51)%
EX services revenue		2,022	906	100 %
Total operating revenue		30,606	52,830	(42)%
Other income		351	400	(12)%
Total Revenue		30,957	53,230	(42)%
Cost of revenues		(10,681)	(12,191)	12 %
Gross Profit	(a)	19,925	40,638	(51)%
<i>Gross Profit Margin</i>		65.1%	76.9%	(118 pp)
Product research and development		(8,514)	(12,486)	32 %
Sales and marketing		(5,681)	(14,031)	60 %
General and administration		(10,687)	(12,470)	14 %
Total operating expenses		(24,882)	(38,987)	36 %
One off costs	(b)	(3,241)	-	-
Depreciation and amortisation		(4,503)	(4,112)	(9)%
Fair value movement through profit and loss	(c)	4,027	3,977	1 %
Human Link acquisition expenses		-	(1,013)	100 %
Other non cash expenses	(d)	(973)	(839)	(16)%
Net Operating Profit / (Loss)		(9,296)	64	(14,667)%
EBITDA	(e)	(3,463)	5,095	(168)%
<i>EBITDA Margin</i>		(11.3)%	9.6 %	(210 pp)
Underlying EBITDA	(f)	(6,516)	2,970	(319)%
<i>Underlying EBITDA Margin</i>		(21.3)%	5.6 %	(269 pp)
Impairment of intangible assets	(g)	(24,069)	-	-
Tax		(476)	(882)	46 %
Net Profit / (Loss) after tax		(33,841)	(818)	(4,036)%

Notes

(a) Gross Profit excludes Other Income.

(b) Includes \$1.7m redundancy costs from the operational review, and \$1.5m loan forgiveness to directors (as announced to market).

(c) Current period relates to \$5.0m change in fair value of CYCL earn out, this movement represents a change in estimated contingent consideration due under the purchase terms. Given earn out conditions were not satisfied, the contingent consideration was reversed and fair value reduced. This is offset by \$(0.6)m in Bind Tuning liability and \$(0.4)m in value fair remeasurement in minority interest in MyNetZero.

(d) Non-cash expense items include \$1.5m in share based payments, offset by \$(0.5)m of unrealised foreign currency gains.

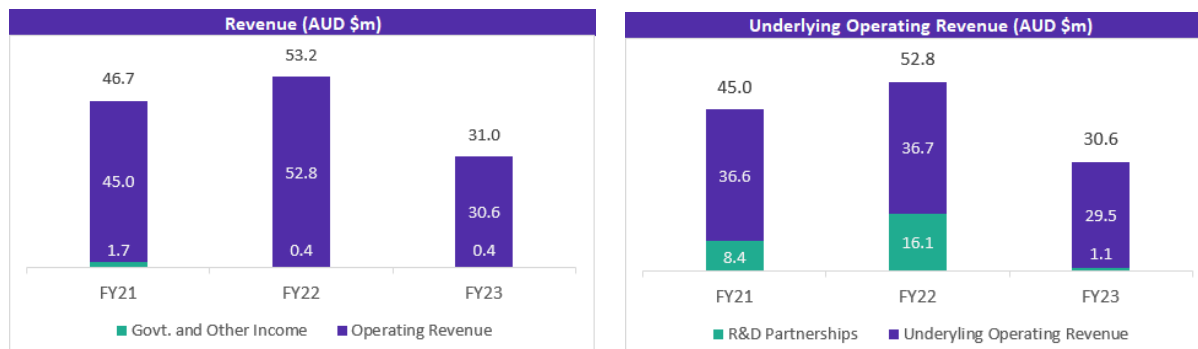
(e) EBITDA excludes depreciation and amortisation of \$4.5m and finance costs of \$1.3m. Finance costs are grouped under general and administration.

(f) Underlying EBITDA excludes non-cash expenses (d) and one-off non-recurring items (c).

(g) Impairment of intangible assets to EX platforms CGU (\$21m) and My Net Zero CGU (\$3.1m).

Financial Year 2023 Highlights

Revenues

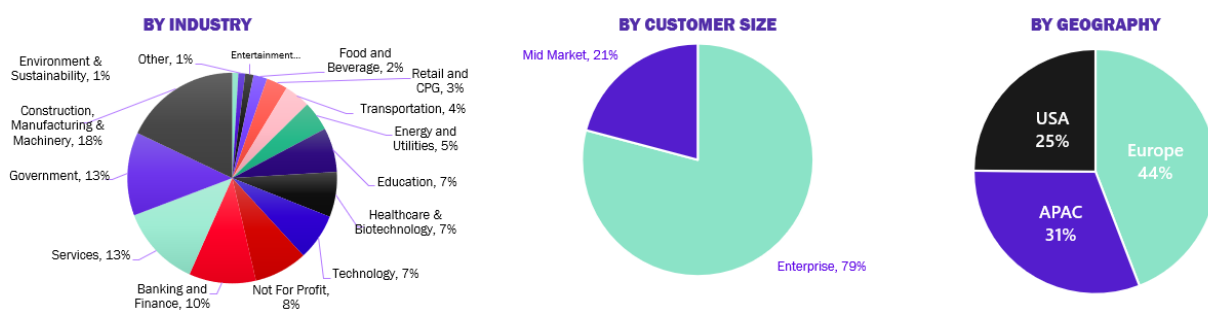


During the financial year, LiveTiles Operating Revenues declined by -42%, or \$(22.2)m vs prior comparison period FY22, though underlying operating revenues decreased -20% after excluding R&D partnerships. Pursuant to the operational review conducted during FY23 H1, LiveTiles paused R&D partnerships in FY23 Q1. LiveTiles have received a benefit from these arrangements, providing channels for the re-sale and use of LiveTiles and R&D partner products to the partner's end-customers, through enhanced development & engineering into our platforms and integrations, however the Board and Executive have decided to put this arrangement on hold as the business refocuses on further growing the core, which also involves investing internally in product development. This product development strategy is being achieved via three major product releases per year (first of which was delivered in June 2023), all of which have and will continue to be publicly released to market.

Excluding R&D partnerships from revenue, underlying movement vs prior comparison period results in an overall operating revenue variance of \$(7.2m).

For the 12 months to 30 June 2023, subscription revenue was \$24.0m (FY22: \$42.6m), though excluding R&D partnerships from subscription revenue, underlying movement vs prior comparison period results in an overall subscription revenue variance of -13% \$(3.5m). In addition, unearned revenue (a balance within the Statement of Financial Position) was \$12.1m (FY22: \$13.2m); a result of invoicing customers their full fees in advance of their subscription period, a characteristic of Software as a Service (SaaS) business models.

Customers



LiveTiles continues the strategic focus of the Company to shift towards a greater mix of its customer base to Enterprise customers, with 79% of total customers now considered Enterprise. Geographic spread has also shifted to a more balanced weighting globally.

Movements of EBITDA Performance



Product Research and Development

AUD \$000s		Jun-23	Jun-22	Movement
Product research and development		(8,514)	(12,486)	(32)%
% of Total Revenue		27.5%	23.5%	40 pp

R&D spend for the period, including amortisation of capitalised development costs, decreased as a result of the operational review conducted during FY23 H1, where LiveTiles paused R&D partnerships in FY23 Q1. LiveTiles have received a benefit from these arrangements, through enhanced development & engineering into our platforms and integrations, however the Board and Executive have decided to put this arrangement on hold as the business refocuses on further growing the core, which also involves investing internally in product development, albeit in lower cost markets. As at 30 June 2023, \$6.7m of software development costs were capitalised (\$3.9m at 30 June 2022), of which \$2.3m was amortised during the period. Refer to Note 13 of the financial statements for more details.

Sales and Marketing

AUD \$000s		Jun-23	Jun-22	Movement
Sales and Marketing		(5,681)	(14,031)	(60)%
% of Total Revenue		18.6%	26.6%	(80 pp)

Sales & Marketing reduced by +60% with \$8.4m savings. A contributing factor to this improvement was driven from a substantial reduction in marketing initiatives and events, with aggressive brand campaign and advertising activity during FY22 not repeated, plus the reduction in headcount post the operational review conducted during FY23 H1, and R&D partnerships marketing related subscriptions costs incurred in FY22 not repeated in FY23.

General and Administration

AUD \$000s		Jun-23	Jun-22	Movement
General and Administration		(10,687)	(12,470)	(14)%
% of Total Revenue		34.5%	23.4%	111 pp

General & administration reduced by 14% and \$1.8m compared to FY22. Savings were realised through a reduction in headcount and contractors from the operational review conducted during FY23 H1, and a reduction in legal costs and settlement fees compared with FY22.

Other Items

- **\$3.2m in one-off costs**, relating to \$1.7m in redundancy costs for key management resulting from the operational review conducted during FY23 H1, and \$1.5m loan forgiveness to directors KP/ PNB Standstill deed (as announced to market).
- A **\$5.0m change in fair value of CYCL earn out**, this movement represents a change in estimated contingent consideration due under the purchase terms. Given earn out conditions were not satisfied, the contingent consideration was reversed and fair value reduced. This is offset by \$(0.6)m in BindTuning liability and \$(0.4)m in value fair remeasurement in minority interest in MyNetZero.
- **Other Non-cash expenses** comprise \$1.9m in share based payment items including \$1.5m relating to employee share & incentive plans issued plus \$0.3m in MNZ share based payments, and \$(0.5)m of unrealised foreign currency gains.

Intangible assets impairment

A review of indicators of impairment relating to goodwill, software IP and customer contracts and relationships was conducted as at 30 June 2023 with management performing a detailed impairment assessment. Based on the results of the assessment, the carrying value of the EX Platform CGU exceeded their recoverable amount by \$21m. In addition, the carrying value of MyNetZero was impaired by \$3.1m.

Debt Facility

The Company announced on 27 September 2021 a \$10.0m secured loan facility with OneVentures to assist with future investment strategies, deliver on new product developments and support ongoing working capital needs. As at 30 June 2023, the entire facility had been drawn down.

Significant events since the end of the financial year

On 6 July 2023, LiveTiles announced that it had completed its acquisition of My Net Zero by issuing the second and final tranche of 91,705,611 shares of the total consideration of 160,000,000 shares and given LiveTiles 100% ownership of My Net Zero.

On 6 July 2023, the Group announced it had mutually agreed to conclude its arrangement, dated 14 December 2021, with Bindtuning. In exchange for the Group's 19.99% shareholding and the call option, the Group received Bindtuning IP, US\$100,000 in cash, and 2,250,000 LiveTiles shares to be returned subject to LiveTiles's shareholder approval.

Environmental regulation and performance

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

Dividends

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

Share options

During the financial year, no options were exercised.

As at the date of this report and as at the reporting date, there were 13,240,350 options on issue (2022:17,851,350).

Significant changes in state of affairs

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

Outlook and likely developments

The Group has decided not to provide guidance in respect to 2024 financial year at this time, other than to reiterate its continued focus on disciplined cost management strategies, to continue to reduce its cash burn towards breakeven and look for opportunities to invest in further strategic growth initiatives. The Directors continue to expect the business to remain focused on execution of its Strategic Goals, whilst continuing to deliver a growing sales pipeline to achieve revenue growth with new customers wins during the 2024 financial year, as employers recognise a need for improved Employee Experience offering in a post pandemic work environment.

Indemnification and insurance of officers and directors

Under the Company's constitution, to the extent permitted by law and subject to the provisions of the Corporations Act 2001, the Company indemnifies every Director, executive officer and secretary of the Company against any liability incurred by that person as an officer of the Company. The Company has insured its Directors, executive officers and the Company Secretary for the 2023 financial year.

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

Indemnification of auditors

The Company's auditor, BDO Audit Pty Ltd, has not been indemnified under any circumstance.

Non-audit services

Details of the amounts paid or payable to the Company's auditors for non-audit services provided during the financial year are outlined in Note 31 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 31 to the financial statements do not compromise the external auditors' independence requirements of the Corporations Act 2001 for the following reasons:

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

Signed



Jesse Todd

Chairman
Sydney

Date: 29 September
2023

Signed



Karl Redenbach

Executive Director
Sydney

Date: 29 September
2023

REMUNERATION REPORT (AUDITED)

1. Introduction

This Remuneration Report for the year ended 30 June 2023 outlines the remuneration arrangements of LiveTiles Limited and its controlled entities in accordance with the requirements of the *Corporations Act 2001 (Cth)*, as amended (**the Act**) and its regulations. This information has been audited as required by the Act.

This Remuneration Report details the remuneration arrangements for Key Management Personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The following individuals were classified as KMP of the Group during the financial year ended 30 June 2023. Unless otherwise indicated, the individuals were KMP for the entire financial year.

Name	Position
Executive KMP	
David Vander ¹	Chief Executive Officer
Karl Redenbach ²	Executive Director
Former Executive KMP	
Peter Nguyen-Brown ³	Executive Director and Chief eXperience Officer
Jarrold Magee ⁴	Chief Financial Officer
Non-Executive Directors	
Jesse Todd ⁵	Non-Executive Chairperson
Vanessa Ferguson ⁶	Non-Executive Director
Kevin Young ⁷	Non-Executive Director
Former Non-Executive Directors	
Dr Marc Stigter ⁸	Non-Executive Chairperson

- David Vander was appointed as Chief Executive Officer on 24 November 2022 and commenced on 1 February 2023.
- Karl Redenbach transitioned from Chief Executive Officer to Executive Director – Global Growth Initiatives on 24 November 2022.
- Peter Nguyen-Brown resigned as Executive Director and Chief eXperience Officer on 28 October 2022.
- Jarrold Magee resigned as Chief Financial Officer on 29 July 2022.
- Jesse Todd was appointed as a Director on 15 April 2021, was appointed as interim Chairperson on 27 October 2022, and as permanent Chairperson on 28 June 2023.
- Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.
- Kevin Young was appointed as a Non-Executive Director on 27 October 2022.
- Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.

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

2. Remuneration governance

The Remuneration Committee was in place from 1 July 2022 for the entire FY23 unless otherwise stated; the Remuneration Committee consisted of the following Board Members through the period:

Name	Position
Non-Executive Directors	
Jesse Todd ¹	Member
Vanessa Ferguson ²	Chairperson
Former Non-Executive Directors	
Peter Nguyen-Brown ³	Former Member
Dr Marc Stigter ⁴	Former Chairperson

- Jesse Todd was appointed as a member of the Remuneration Committee on 27 October 2022.
- Vanessa Ferguson was appointed chairperson of the Remuneration Committee on 24 November 2022.
- Peter Nguyen-Brown resigned as Executive Director and Chief eXperience Officer on 28 October 2022.
- Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.

2. Remuneration governance (continued)

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

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

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

Further information on Remuneration can be seen in the Corporate Governance Statement on the Company's website at www.livetilesglobal.com/company/investors/.

3. Executive remuneration arrangements

Remuneration principles

The Group's approach to executive remuneration is based on the following objectives:

- Ensuring the Company's remuneration structures are equitable and aligned with long-term interests of the Company and its shareholders;
- Attracting and retaining skilled executives; and
- Structuring short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns.

Remuneration structure

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

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

Company performance

A key underlying principle of the Group's executive remuneration framework is that remuneration levels should be linked to Group performance. As the Group's strategy is focused on investing in growth to drive recurring revenues and set up for future profitability, it has not been appropriate, to date, to assess the Group's performance on the basis of profitability.

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

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Cash balance	\$6.7m	\$13.2m	\$16.8m	\$37.8m	\$14.9m
Share price	\$0.01	\$0.04	\$0.15	\$0.23	\$0.44
Underlying EBITDA	\$(6.5)m	\$3.0m	\$(1.1)m	\$(12.6)m	\$(34.2)m
Dividends	Nil	Nil	nil	nil	nil

Shareholder alignment is driven by the structure of the Management Incentive Plan, where share price appreciation drives value for executives through the Plan (refer to section 7 of the Remuneration Report).

4. Executive contracts

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

	Base salary	Superannuation	Bonus	Notice period
Executive KMP				
David Vander, CEO	\$600,000	Statutory minimum	Discretionary cash bonus capped at 100% of base salary, subject to meeting performance targets.	6 months
Karl Redenbach ¹ , Executive Director	\$977,160	Included in total annual Base Salary	Nil – no contractual entitlement to any incentive payments or commission in addition to Base salary.	90 days
Former Executive KMP				
Peter Nguyen-Brown ² , CXO and Executive Director	\$700,000	Statutory minimum	Discretionary cash bonus capped at 100% of base salary, subject to meeting ARR and other performance targets.	6 months
Jarrold Magee ³ , CFO	\$300,000	Statutory minimum	Discretionary cash bonus capped at 30% of base salary, subject to meeting performance targets.	3 months

1. Karl Redenbach transitioned from CEO to Executive Director on 24 November 2022. His base salary remained the same and split out into an annual salary as Director of \$110,000 and an annual salary as Executive Director of \$867,160 (both excluding GST).
2. Peter Nguyen-Brown resigned as Executive Director and Chief eXperience Officer on 28 October 2022.
3. Jarrold Magee resigned as Chief Financial Officer on 29 July 2022.

Section 5 of the Remuneration Report outlines the voluntary reduction in Executive Director remuneration in the 2023 financial year for Karl Redenbach effective from 6 April 2023. The revised remuneration structure for his role as Head of Global Growth is the equivalent to his former base pay as an employee, however represents a 50% reduction in total available package given the removal of incentives.

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

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

5. Executive remuneration details

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

Fixed remuneration

In the 2023 financial year, the Executive Director base salary remained constant on the transition of Karl Redenbach from CEO to Executive Director and Independent Contractor. Therefore the fixed remuneration is unchanged.

Short-Term Incentive (STI)

Targets for Chief Executive Officer STI includes eligible for a discretionary cash bonus of up to 100% of base salary per annum and an additional award of stocks (such as shares, options or performances rights) in respect of each financial year ending 30 June (pro rata for the financial year ending 1 July 2023). The bonus is at the complete discretion of the Company. The Company will determine on each occasion whether the Chief Executive Officer is entitled to a discretionary bonus under the STI package. No bonuses were allocated to the Chief Executive Officer for the financial year 2023.

Targets for Executive Director – Head of Global Growth changed with effect from 6 April 2023. The Executive Director was not eligible for the bonus in the year. From 6 April 2023, the Executive Director transferred to a new independent contractor employment contract and is not eligible for any Bonus under the current contract of employment. The Remuneration Committee considered the change in the Executive Director's employment contract in the period under which no financial year 2023 STI targets or payment is attributed.

5. Executive remuneration details (continued)

Long-Term Incentive (LTI)

In the 2023 financial year no Executive Directors were awarded LTI.

On 24 November 2022, as an incentive to commence the Chief Executive Office role, LiveTiles Limited issued 25,000,000 shares to David Vander via an Executive Investment Plan (EIP). The shares will vest evenly over the next three years subject to achieving certain share price hurdles with can be summarised as:

	Number of shares	End of vesting period	Share price - Performance hurdles ¹
Tranche 1	8,333,333	25 November 2023	1.30 times
Tranche 2	8,333,333	24 November 2024	1.69 times
Tranche 3	8,333,334	24 November 2025	2.20 times
	25,000,000		

1. Multiple of share price compared to date of issue (24 November 2022)

Summary

- Fixed total remuneration for Executive Director remained unchanged for the period.
- Financial year 2023 included reduction from two to one Executive Directors and STIs for the Executive Directors remained voluntary foregone, a reduction of 50% on total earnable income given removal of incentives previously eligible under former employment contract, until such time as the remaining Executive Director transferred onto a new employment contract (STIs for Executive Directors in financial year 2022 also voluntary foregone up to the transfer to the new employment contract).
- No LTIs awarded to Executive Directors in financial year 2023.

	Financial year	Salary and fees \$	Annual leave and long service leave entitlements \$	Post-employment benefits \$	Termination benefits \$	Share based payments ¹ \$	Total \$	Performance related %
Executive KMP								
David Vander ¹	2023	228,846	9,496	11,599	-	220,833	470,774	47%
	2022	-	-	-	-	-	-	-%
Karl Redenbach ²	2023	907,949	158,828	18,826	-	-	1,085,603	-%
	2022	895,730	36,372	21,604	-	-	953,706	-%
Former Executive KMP								
Peter Nguyen-Brown ³	2023	175,000	(41,269)	6,179	574,808	-	714,718	-%
	2022	641,667	76,914	21,604	-	-	740,185	-%
Jarrold Magee ⁴	2023	25,000	357	1,964	-	2,143	29,464	7%
	2022	300,000	8,686	23,568	-	18,297	350,551	5%
Total	2023	1,336,795	127,412	38,568	574,808	222,976	2,300,559	10%
	2022	1,837,397	121,972	66,776	-	18,297	2,044,442	1%

1. David Vander received an EIP of 25,000,000 shares on 24 November 2022

2. Karl Redenbach transitioned from CEO to executive director on 24 November 2022.

3. Peter Nguyen-Brown ceased being a KMP on 28 October 2022 therefore the table reflects remuneration up to that date.

4. Jarrold Magee ceased being a KMP on 29 July 2022 therefore the table reflects remuneration up to that date.

6. Non-executive director fee arrangements

The Board seeks to set the fees for the non-executive director at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Under the Company's constitution and the ASX listing rules, the maximum aggregate amount of fees that can be paid to non-executive directors shall be determined from time to time by a general meeting of shareholders. The current aggregate fee pool for the non-executive directors is \$500,000 as specified in clause 14.8 of the Constitution.

6. Non-executive director fee arrangements (continued)

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

Non-executive director letters of appointment are in place with Jesse Todd, Kevin Young and Vanessa Ferguson

For the period from 1 July 2022 to 26 October 2022, Mr Jesse Todd was entitled to pro rated remuneration of \$110,000 per annum and from 27 October 2022 to 30 June 2023, Mr Jesse Todd was entitled to pro rated remuneration of \$165,000 per annum on account of his appointment to the position of Chairperson (including superannuation, if applicable).

For the period from 27 October 2022 to 30 June 2023, Ms Vanessa Ferguson was entitled to pro rated remuneration of \$110,000 per annum (including superannuation, if applicable) and for the same period, Mr Kevin Young was entitled to pro rated remuneration of \$110,000 per annum (including superannuation, if applicable).

For the period from 1 July 2022 to 27 October 2022, Dr Marc Stigter was entitled to pro rated remuneration of \$165,000 per annum (including superannuation, if applicable).

The table below outlines remuneration paid to non-executive directors for the year.

Non-executive director	Financial year	Fees	Cash bonus	Termination benefits	Post-employment benefits	Share based payments – MIP	Total
		\$	\$	\$	\$	\$	\$
Jesse Todd ¹	2023	151,250	-	-	-	-	151,250
	2022	110,000	-	-	-	-	110,000
Vanessa Ferguson ²	2023	73,333	-	-	-	-	73,333
	2022	-	-	-	-	-	-
Kevin Young ³	2023	73,333	-	-	-	-	73,333
	2022	-	-	-	-	-	-
Dr Marc Stigter ⁴	2023	21,858	-	-	-	-	21,858
	2022	165,000	-	-	-	-	165,000
Fiona Le Brocq ⁵	2023	-	-	-	-	-	-
	2022	89,642	-	-	8,964	-	98,606
Total	2023	319,774	-	-	-	-	319,774
	2022	364,642	-	-	8,964	-	373,606

1. Jesse Todd was appointed as a Director on 15 April 2021, appointed as interim Chairperson on 27 October 2022, and as permanent Chairperson on 28 June 2023.
2. Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.
3. Kevin Young was appointed as a Non-Executive Director on 27 October 2022.
4. Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.
5. Fiona Le Brocq resigned as Non-Executive Director on 31 May 2022.

7. Equity instruments held by key management personnel

Long Term Incentive Plan

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

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

Management Incentive Plan

The purpose of the Management Incentive Plan (MIP) is to assist in the reward, retention and motivation of eligible directors and management and to align the interests of these persons more closely with the interests of the Company's shareholders. Shares issued under the MIP to executives who are key management personnel have been structured such that executives are remunerated only when the Company's share price exceeds the vesting price. The issue price of shares issued under the MIP is funded by a non-recourse interest free loan from the Company. The issue price and loan value is set with reference to the closing share price on the date prior to issue.

7. Equity instruments held by key management personnel (continued)

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

The Board has the sole discretion to determine the directors and employees who are eligible to participate in the MIP and the terms upon which shares are issued under the MIP, including the issue price, loan amount and vesting conditions. Under a takeover scenario, the legal framework for both options and MIPS allows for Board discretion to disallow or allow unvested securities to vest.

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

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

1. Fair value per share at grant date

Shareholdings of Key Management Personnel (KMP)

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

	Balance at 1 July 2022	Shares acquired	Options exercised	Net change other	Balance at 30 June 2023
Current Executive KMP					
David Vander ⁶	-	138,888	-	-	138,888
Karl Redenbach	71,482,547	-	-	-	71,482,547
Former Executive KMP					
Peter Nguyen-Brown ¹	71,482,547	-	-	(71,482,547)	-
Jarrold Magee ²	-	-	-	-	-
Non-Executive Directors					
Jesse Todd	733,677	-	-	-	733,677
Vanessa Ferguson ³	393,750	-	-	-	393,750
Kevin Young ⁴	-	-	-	-	-
Former Non-Executive Directors					
Marc Stigter ⁵	405,145	-	-	(405,145)	-

1. Peter Nguyen-Brown ceased being a KMP on 28 October 2022 hence his shareholding as at 30 June 2023 is not disclosed.

2. Jarrold Magee ceased being a KMP on 29 July 2022.

3. Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.

4. Kevin Young was appointed as a Non-Executive Director on 27 October 2022.

5. Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022 hence his shareholding as at 30 June 2023 is not disclosed.

6. David Vander acquired post 30 June 2023 an additional 4,000,000 of ordinary shares to bring his total shareholding to 4,138,888 shares as of the date of this report.

7. Equity instruments held by key management personnel (continued)

The following table represents shares issued to Key Management Personnel (KMP) under the Management Incentive Plan (MIP), as approved by the Company's shareholders on 30 November 2020 (as described above) and the restricted shares issued under the Executive Investment Plan (EIP).

	Balance at 1 July 2022	Issued during the year	Exercised during the year	Net change other	Balance at 30 June 2023
Current Executive KMP					
David Vander ⁶	-	25,000,000	-	-	25,000,000
Karl Redenbach	19,500,000	-	-	-	19,500,000
Former Executive KMPs					
Peter Nguyen-Brown ¹	6,750,000	-	-	(6,750,000)	-
Jarrold Magee ²	300,000	-	-	(300,000)	-
Current Non-Executive Directors					
Jesse Todd	-	-	-	-	-
Vanessa Ferguson ³	500,000	-	-	-	500,000
Kevin Young ⁴	-	-	-	-	-
Former Non-Executive Directors					
Marc Stigter ⁵	-	-	-	-	-

- Peter Nguyen-Brown ceased being a KMP on 28 October 2022 hence his MIP shareholding as at 30 June 2023 is not disclosed.
- Jarrold Magee ceased being a KMP on 29 July 2022 hence his MIP shareholding as at 30 June 2023 is not disclosed.
- Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.
- Kevin Young was appointed as a Non-Executive Director on 27 October 2022.
- Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.
- David Vander received 25,000,000 restricted unvested shares on 24 November 2022 that are subject to performance hurdles related to share price multiple.

Loans to Key Management Personnel

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

	Balance at 1 July 2022	Loans issued	Loans repaid/forgiven	Net change other	Balance at 30 June 2023
Current Executive KMP					
Karl Redenbach	\$2,925,000	-	-	-	\$2,925,000
Former Executive KMP					
Peter Nguyen-Brown ¹	\$1,012,500	-	-	(\$1,012,500)	-
Jarrold Magee ²	\$51,000	-	-	(\$51,000)	-
Non-Executive Directors					
Jesse Todd	-	-	-	-	-
Vanessa Ferguson ³	-	-	-	-	-
Kevin Young ⁴	-	-	-	-	-
Former Non-Executive Directors					
Marc Stigter ⁵	-	-	-	-	-

- Peter Nguyen-Brown ceased being a KMP on 28 October 2022 hence his non-recourse loan as at 30 June 2023 is not disclosed.
- Jarrold Magee ceased being a KMP on 29 July 2022 hence his non-recourse loan as at 30 June 2023 is not disclosed.
- Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.
- Kevin Young was appointed as a Non-Executive Director on 27 October 2022.
- Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.

8. Loans to key management personnel

The following loans were previously provided to key management personnel by the Company.

	Balance at 1 July 2022	Loans increase	Interest accrued	Loans repaid/forgiven	Balance at 30 June 2023
Executive KMP					
Karl Redenbach	\$670,435	-	\$100,565	(\$771,000)	-
Former Executive KMP					
Peter Nguyen-Brown ¹	\$670,435	-	\$100,565	(\$771,000)	-
Jarrold Magee ²	-	-	-	-	-
Non-Executive Directors					
Jesse Todd	-	-	-	-	-
Vanessa Ferguson ³	-	-	-	-	-
Kevin Young ⁴	-	-	-	-	-
Former Non-Executive Directors					
Marc Stigter ⁵	-	-	-	-	-

1. Peter Nguyen-Brown ceased being a KMP on 28 October 2022.

2. Jarrold Magee ceased being a KMP on 29 July 2022.

3. Vanessa Ferguson was appointed as a Non-Executive Director on 27 October 2022.

4. Kevin Young was appointed as a Non-Executive Director on 27 October 2022.

5. Dr Marc Stigter resigned as Non-Executive Chairperson on 27 October 2022.

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

The loans were provided at arm's length with a total capped amount of \$475,000 per person (excluding accrued interest) or \$950,000. in the aggregate. Interest was charged at 15% per annum and capitalised annually, the capitalised balance equalled \$296,000 per person. With interest, the loans amounted to \$771,000 per person.

As advised to the ASX on 29 June 2023, Karl Redenbach and Peter Nguyen Brown had a right to indemnity of legal costs under respective Indemnity, Insurance and Access Deeds and the LiveTiles' Constitution. Accordingly, these loans will not be repaid and have been forgiven from the effective date in which they asserted their right to indemnity. The total amount forgiven for the year ended 30 June 2023 was \$1,542,000.

9. Other transactions with KMP

There were no other transactions with Key Management Personnel.

10. Shareholder adoption of Remuneration Report

At the Group's most recent Annual General Meeting held on 30 November 2022, 54.78% percent of shareholders voted against the approval of the Company's FY22 Remuneration Report. In the Financial Year End 2021 AGM and Financial Year End 2022 AGM, the Remuneration Report did not achieve a shareholder vote in favour for the Report. Accordingly, two Directors will be nominated for re-election at the Financial Year End 2023 AGM.

End of Remuneration Report which has been audited.

This report is made in accordance with the resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Signed



Jesse Todd

Date: 29 September
2023

Chairman
Sydney

Signed



Karl Redenbach

Date: 29 September
2023

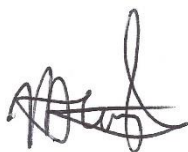
Executive Director
Sydney

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

As lead auditor of LiveTiles Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Martin Coyle
Director

BDO Audit Pty Ltd

Sydney, 29 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Revenue	4	30,606,219	52,829,539
Other income	4	351,119	400,481
		<u>30,957,338</u>	<u>53,230,020</u>
Expenses			
Employee benefits expense	5	(18,696,667)	(19,830,906)
Contractors		(6,797,636)	(13,776,401)
Marketing expense		(604,457)	(4,580,817)
Travel and entertainment expense		(1,480,805)	(1,024,393)
Professional fees		(2,148,680)	(2,369,408)
Rent and other office costs		(1,601,891)	(1,447,475)
Information technology costs		(3,805,882)	(2,671,674)
Other expenses		(795,745)	(5,116,989)
Depreciation expense		(780,890)	(1,087,494)
Amortisation charge of intangibles	13	(3,722,123)	(3,024,904)
Share based payments expense	41	(1,456,494)	(921,680)
Loan forgiveness	34	(1,542,000)	-
Unrealised currency gain / (loss)		483,552	(372,635)
Finance costs		(1,330,400)	(918,649)
Impairment of intangible assets	13	(24,068,962)	-
Fair value movement contingent consideration		4,026,776	3,976,929
		<u>(64,322,304)</u>	<u>(53,166,496)</u>
Profit / (loss) before income tax		<u>(33,364,966)</u>	<u>63,524</u>
Income tax expense	6	(475,597)	(881,931)
Net loss for the year		<u>(33,840,563)</u>	<u>(818,407)</u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		7,854,755	(637,469)
Items that will not be reclassified subsequently to profit or loss:			
Fair value movements through other comprehensive income		365,044	-
Remeasurement of defined benefit pension schemes		860,745	4,334,109
Other comprehensive income for the year		<u>9,080,544</u>	<u>3,696,640</u>
Total comprehensive (loss) / income for the year		<u>(24,760,019)</u>	<u>2,878,233</u>

The accompanying notes form part of these financial statements.

**Earnings per share for loss attributable to the owners of
LiveTiles Limited**

Basic earnings / (loss) per share (cents)	40	(3.69)	(0.09)
Diluted earnings / (loss) per share (cents)	40	(3.69)	(0.09)

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	7	6,694,339	13,177,071
Trade and other receivables	8	4,704,468	8,139,446
Asset classified as held for sale	9	7,379,809	-
Other current assets	10	244,387	2,127,579
TOTAL CURRENT ASSETS		19,023,003	23,444,096
NON-CURRENT ASSETS			
Property, plant and equipment	11	357,605	780,765
Right-of-use assets	12	1,735,051	2,083,704
Intangible assets	13	59,307,689	74,741,937
Financial assets	14	1,765,044	2,135,000
Investments in associates	15	-	6,567,019
Other non-current assets	10	200,571	292,283
TOTAL NON-CURRENT ASSETS		63,365,960	86,600,708
TOTAL ASSETS		82,388,963	110,044,804
CURRENT LIABILITIES			
Trade and other payables	16	5,179,148	8,088,797
Income tax payable	17	997,265	657,296
Lease liabilities	18	638,963	605,254
Employee benefits provision	19	2,017,725	2,442,300
Provisions for business combinations	20	1,078,000	7,111,201
Borrowings	21	2,100,747	502,393
Liabilities directly associated with asset held for sale	22	6,453,033	-
Other current liabilities	23	13,250,531	13,996,707
TOTAL CURRENT LIABILITIES		31,715,412	33,403,948
NON-CURRENT LIABILITIES			
Income tax payable	17	1,348,620	871,251
Deferred tax liability	24	1,270,567	1,984,875
Lease liabilities	18	1,764,908	2,186,974
Employee benefits provision	19	55,347	199,608
Provisions for business combinations	20	-	5,814,780
Borrowings	21	6,861,502	4,976,300
Pension liabilities	25	726,376	1,224,467
Other non-current liabilities	23	162,560	276,633
TOTAL NON-CURRENT LIABILITIES		12,189,880	17,534,888
TOTAL LIABILITIES		43,905,292	50,938,836
NET ASSETS		38,483,671	59,105,968

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
EQUITY			
Issued capital	26	209,147,793	206,466,565
Reserves	27	15,505,270	4,968,232
Accumulated losses	28	(186,169,392)	(152,328,829)
TOTAL EQUITY		38,483,671	59,105,968

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	Issued capital	Reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2021		205,044,070	349,912	(151,510,422)	53,883,560
Loss for the year		-	-	(818,407)	(818,407)
Other comprehensive income for the year, net of tax		-	(637,469)	-	(637,469)
Remeasurements of the defined benefit asset, net of tax		-	4,334,109	-	4,334,109
Total comprehensive income for the year		-	3,696,640	(818,407)	2,878,233
<i>Transactions with owners, in their capacity as owners</i>					
Share based payment expense	41	-	921,680	-	921,680
Share capital issued	26	1,177,294	-	-	1,177,294
Compound equity instrument issued	26	245,202	-	-	245,202
Total transactions with owners		1,422,496	921,680	-	2,344,176
Balance at 30 June 2022		206,466,565	4,968,232	(152,328,829)	59,105,968
	Note	Issued capital	Reserves	Accumulated losses	Total equity
Balance at 1 July 2022		206,466,565	4,968,232	(152,328,829)	59,105,968
Loss for the year		-	-	(33,840,563)	(33,840,563)
Other comprehensive income for the year, net of tax		-	7,854,755	-	7,854,755
Fair value movements through other comprehensive income, net of tax		-	365,044	-	365,044
Remeasurements of the defined benefit asset, net of tax		-	860,745	-	860,745
Total comprehensive loss for the year		-	9,080,544	(33,840,563)	(24,760,019)
<i>Transactions with owners, in their capacity as owners</i>					
Share based payment expense	41	-	1,456,494	-	1,456,494
Share capital issued	26	2,500,000	-	-	2,500,000
Compound equity instrument issued	26	181,228	-	-	181,228
Total transactions with owners		2,681,228	1,456,494	-	4,137,722
Balance at 30 June 2023		209,147,793	15,505,270	(186,169,392)	38,483,671

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		37,352,392	56,745,948
Payments to suppliers and employees (inclusive of GST)		(42,117,173)	(55,609,344)
Net cash used in ordinary operating activities		(4,764,781)	1,136,604
Interest received		55,817	76
Interest and other finance costs paid		(841,046)	(444,554)
Government grants received		-	123,168
Income tax paid		(950,219)	(1,698,504)
Net cash used in operating activities	39	(6,500,229)	(883,210)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of Human Link	20	(250,000)	(405,286)
Payments for investment in BindTuning		-	(328,842)
Payments for investment in financial assets		-	(2,135,000)
Transaction costs related to investing activities		(121,611)	(464,806)
Payments for development costs		(2,748,318)	(3,902,094)
Payments for plant and equipment		(63,203)	(310,273)
Net cash used in investing activities		(3,183,132)	(7,546,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	21	4,000,000	6,000,000
Transaction costs related to borrowings		-	(578,454)
Repayment of loan principal		(488,609)	-
Repayment of lease liability		(708,030)	(1,083,059)
Net cash from financing activities		2,803,361	4,338,487
Net decrease in cash held		(6,880,000)	(4,091,024)
Cash and cash equivalents at beginning of financial year		13,177,071	16,804,924
Effects of exchange rate changes on cash and cash equivalents		397,268	463,171
Cash and cash equivalents at end of financial year	7	6,694,339	13,177,071

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

These are the consolidated financial statements of LiveTiles Limited (the "Company" or "Parent Entity"), comprising the Company and the entities it controlled at the end of, or during the year ended 30 June 2023 (the "Consolidated Group" or "Group").

The financial statements were authorised for issue on 29 September 2023 by the directors of the Company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. There was no material impact on the Group's financial statements upon the adoption of these Standards and Interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Going Concern

The consolidated financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe that it is reasonably foreseeable that the consolidated group will continue as a going concern, and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after consideration of the factors noted within this report.

The consolidated group recorded a net loss for the year ended 30 June 2023 of \$33,840,563 (2022: \$818,407), operating cash outflows of \$9,248,547 (2022: \$4,785,304) including payments for development costs, and as at 30 June 2023, and the consolidated group had a net current liability position of \$778,729 (2022: net current asset position of \$2,990,812) which excludes unearned revenue of \$11,913,680 (2022: \$12,950,664) included in other current liabilities, which are liabilities which will be discharged via performance obligations rather than cash. As at 30 June 2023, the Group held cash and cash equivalents of \$6,694,339 (2022: \$13,177,071).

These conditions indicate the existence of a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities and commitments in the normal course of business and at the amount stated in the financial report.

In assessing the consolidated group as a going concern, the directors have considered the following:

1. The performance of the consolidated group for the year ended 30 June 2023 including:
 - a. material non-cash items including amortisation and impairment of intangibles assets, depreciation of property, plant and equipment, and share based payments;
 - b. costs incurred in relation to the integration of Human Link and My Net Zero businesses;
 - c. redundancy costs incurred in relation to key management personnel resulting from the operational review conducted; and
 - d. related party loans forgiven.
2. Reduction in customer churn during FY23 Q4 with the onboarding of new customers during FY23 with continuous expansion of the Group's customer base during FY24 Q1.
3. The expected performance of the consolidated group for the twelve months from the date of this report resulting in expected positive cash flows in the second half of Financial Year 2024.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Going Concern (continued)**

4. The consolidated group has the capacity, if necessary, to defer or remove discretionary expenditure or reduce other overhead expenditure including headcount, contractors, marketing and leases in the current cash flow forecast period to take steps to moderate the cash outflows of the business as needed. The directors acknowledge this assessment incorporates several assumptions and judgements and have concluded the range of possible outcomes considered in arriving at this view support the consolidated group's ability to continue as a going concern as at the date of this report.

At the date of this report, based on the current data and projections available, the Directors are of the opinion that there are reasonable grounds to expect that the Group's operational and financial performance will improve and will be able to continue as a going concern. As such, the financial report has been prepared on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of any asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2023 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions are eliminated in full. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency transactions and balances*Functional and presentation currency*

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

Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023*Group companies*

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

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

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

Revenue and other income

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

Software subscription revenue

Subscription revenue is recognised when the Group's performance obligations are satisfied. For annual subscription contracts, revenue is recognised evenly over the subscription period for which the customer is contracted. For perpetual licences, where an upfront payment is made in addition to annual support fees, revenue related to the upfront payment is recognised evenly over the estimated lifetime of the customer contract.

Where a customer pays their subscription in advance, that amount is recorded as a liability on the balance sheet until the Group provides the purchased subscription for that period.

Services revenue

Revenue from services are recognised by reference to service hours delivered, for contractual arrangements billed on a time and materials basis or by reference to the stage of completion for contractual arrangements billed on a fixed price basis. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Research and development grant income

Research and development grant income is recognised when the Group is entitled to the research and development grant. The amount is treated as other income in the period in which the research and development costs were incurred.

Grant income

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met or on a cash basis where appropriate. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Partnership agreements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Income tax**

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

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

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

LiveTiles Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Entities outside the Australian Tax Consolidated group such as entities incorporated in foreign jurisdictions accounts for their income tax separately which is calculated in accordance to the local tax regulations.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Cash and cash equivalents**

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

Trade and other receivables

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

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Assets held for sale which are expected to be realised within 12 months are classified as current assets.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Financial instruments***Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and subsequent measurement

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets comprising equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant

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

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

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

As at the reporting date, the Group's financial liabilities consisted of trade and other payables, lease liabilities and borrowings which are measured at amortised cost in accordance with the above accounting policy.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- | | |
|----------------------------------|-------------|
| - Computers | 2 – 5 years |
| - Office furniture and equipment | 2 – 5 years |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property

Intellectual property acquired as part of a business combination is recognised separately from goodwill. The intellectual property assets are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Intellectual property assets are amortised over the period in which the benefits are expected to be obtained.

Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination is recognised separately from goodwill. The customer contracts and relationships are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Customer contracts and relationship assets are amortised over the period in which the benefits are expected to be obtained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023*Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are only capitalised when it is probable that the project will be a success, the Group will use or sell the asset, the Group has sufficient resources and intent to complete the asset and the development costs can be measured reliably. If one or more of these criteria are not met, development costs are expensed in the period in which they are incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected pattern of consumption, up to a maximum of 5 years or shorter dependant on their deemed useful life. The current policy is to amortise over a period of 3 years which is consistent with the director's view of the expected pattern of consumption.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Leases

A lease liability is recognised at the commencement date of a lease. Lease liabilities are initially recognised at the present value of the future lease payments over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change to the lease term, changes to lease payments and any lease modifications not accounted for as separate leases. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Employee benefits***Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution pension benefits

All employees of the Group who are based in Australia and Denmark receive defined contribution pension entitlements, for which the Group pays the fixed pension guarantee contribution (currently between 6% and 10.5% of the employee's average ordinary salary) to the employee's pension fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense in the period in which they are incurred.

Defined benefit pension benefits

All employees of the Group who are based in Switzerland, as required by Swiss law, become members of the Groups defined benefit pension plans. The plans are co-funded by the Group with equal co-contributions required by the employees ranging from 4% - 10.5% of the employee's salary. Contributions in respect of employees' defined benefit entitlements are recognised as an expense in the period in which they are incurred.

Share-based payments

Equity settled share-based compensation benefits are provided to employees and related parties. Equity settled transactions are awards of shares, or options over shares, that are provided to employees and suppliers in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option or pricing mode or the Hoadley ESO2 Function model. It takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

If equity settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Defined benefit pension obligations**

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

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

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

Fair value measurement

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss, except if they relate to the issue of debt or equity instruments.

On the acquisition of a business, the Group assesses the financial assets acquired and liability assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previously carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine the value.

Earnings per share

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

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

Goods and Services Tax (GST), Value Added Tax (VAT) and other consumption taxes

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the local tax office.

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

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

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instrument to the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model or HoadleyESO2 Function model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

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

Government grant income

The Group measures government grant income over the period necessary to match the income with the costs that they are intended to compensate. The accounting estimates and assumptions relating to the recognition of government grant income include the project duration, value and forecast expenditure over the life of the project.

The Group will account for any impact to government grant estimates, if changes occur in the circumstances on which the accounting estimate was based or as a result of new information developments or more experience.

Performance based payments for acquired entities

The Group measures performance based payments (earn-out payments) for acquired entities estimating the probability of the targets being met and using an appropriate discount rate to reflect payment periods. These performance based payments are disclosed within provisions for business combinations in the statement of financial position.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Capitalisation of development costs and useful life of intangible assets

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

Valuation of financial assets and investment in associates

In determining the fair value of financial assets and investments in associates the Group makes estimates pertaining to the fair value and value in use, with respect to the expected future cash flows of each of each financial asset and investments in associates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 3: OPERATING SEGMENTS**

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

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

2023 Operating Segments	
Employee Experience ("EX") Platform	Represents the revenue and operating expenses attributable to sale of software and software related services.
Employee Experience ("EX") Programs	Represents the revenue and operating expenses attributable to employee experience related services.
My Net Zero ("MNZ")	Represents the revenue and operating expenses attributable to employer and Employee climate change consultancy services

This represents a change in the operating segments from prior period, the change between the periods was attributable to the acquisition of MNZ in the current period per Note 36.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: OPERATING SEGMENTS (CONTINUED)

The table below shows the segment information provided to the CODM for the reportable segments for the financial years ending 30 June 2022 and 30 June 2023:

Consolidated - 30 June 2022	EX Platforms	EX Programs	Unallocated /Head Office	Total
Subscription revenue	51,923,750	905,789	-	52,829,539
Other revenue	224,749	471	175,261	400,481
Revenue	52,148,499	906,260	175,261	53,230,020
EBITDA	6,998,857	270,299	(2,174,586)	5,094,570
Depreciation & amortisation	(1,566,430)	(152)	(2,545,815)	(4,112,397)
Finance costs	(357,737)	(1,448)	(559,464)	(918,649)
Profit / (Loss) before income tax expenses	5,074,690	268,699	(5,279,865)	63,524
Income tax expense	(904,661)	-	22,730	(881,931)
Profit / (loss) after income tax expenses	4,170,029	268,699	(5,257,135)	(818,407)
Consolidated – 30 June 2022				
<i>Assets</i>				
Segment assets	103,473,001	2,051,889	4,519,914	110,044,804
<i>Liabilities</i>				
Segment liabilities	(26,125,548)	(535,296)	(24,277,992)	(50,938,836)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Consolidated - 30 June 2023	EX Platforms	EX Programs	My Net Zero	Unallocated /Head Office	Total
Subscription revenue	28,853,748	1,618,485	133,986	-	30,606,219
Other revenue	143,964	360	-	206,795	351,119
Revenue	28,997,712	1,618,845	133,986	206,795	30,957,338
EBITDA	29,774	(1,109,917)	(333,476)	(2,048,973)	(3,462,592)
Depreciation & amortisation	(4,503,012)	-	-	-	(4,503,012)
Finance costs	(337,544)	(3,182)	(223)	(989,451)	(1,330,400)
Impairment	(21,000,000)	-	(3,068,962)	-	(24,068,962)
Profit / (loss) before income tax expenses	(25,810,782)	(1,113,099)	(3,402,661)	(3,038,424)	(33,364,966)
Income tax expense	(475,597)	-	-	-	(475,597)
Profit / (loss) after income tax expenses	(26,286,379)	(1,113,099)	(3,402,661)	(3,038,424)	(33,840,563)
Consolidated – 30 June 2023					
<i>Assets</i>					
Segment assets	78,379,728	1,441,236	74,032	2,493,967	82,388,963
<i>Liabilities</i>					
Segment liabilities	(28,651,552)	(479,638)	(100,836)	(14,673,266)	(43,905,292)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: REVENUE AND OTHER INCOME

	2023 \$	2022 \$
Revenue:		
– Software subscription revenue	23,988,398	42,574,553
– Software related services revenue	4,596,001	9,349,197
– EX services revenue	2,021,820	905,789
Total revenue	30,606,219	52,829,539
Other income:		
– Interest income	207,970	175,337
– Other grant income	53,421	173,778
– Other income	89,728	51,366
Total other income	351,119	400,481
Total revenue and other income	30,957,338	53,230,020

NOTE 5: EMPLOYEE BENEFIT EXPENSE

	2023 \$	2022 \$
Employee benefit expense		
Wages and salaries - staff	13,879,538	13,612,228
Wages and salaries - Directors	1,749,286	1,902,039
Commission and bonus expense / (reversal)	(315,197)	741,619
Payroll tax and other on costs	887,094	1,050,045
Employee insurance costs	525,017	658,691
Pension and superannuation expense	1,245,522	1,251,474
Annual leave and long service leave expense	701,565	540,434
Other employee benefits expense	23,842	74,376
Total employee benefit expense	18,696,667	19,830,906

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: INCOME TAX EXPENSE

	2023 \$	2022 \$
<i>Income tax expense</i>		
Current tax	(1,323,790)	(901,673)
Deferred tax	848,193	19,742
Aggregate income tax expense	(475,597)	(881,931)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit / (loss) before income tax expense	(33,364,966)	63,524
Tax at the statutory tax rate of 25% (2022: 30%)	8,341,242	(19,057)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Difference in tax rates in overseas jurisdictions	(173,649)	(21,156)
- Impairment not tax deductible	(6,017,240)	-
- Withholding tax expense	-	(270,096)
- Other temporary differences	(1,175,675)	(428,200)
- Other permanent differences	(181,990)	(427,761)
- Current year losses not recognised	(1,830,481)	(2,927,702)
- Utilisation of prior period losses	562,196	3,212,041
Income tax expense	(475,597)	(881,931)

NOTE 7: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2023 \$	2022 \$
Cash on hand	30	30
Cash at bank	6,562,818	13,046,720
Term deposits	131,491	130,321
	6,694,339	13,177,071

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows:

Balances as above	6,694,339	13,177,071
Balance as per statement of cash flows	6,694,339	13,177,071

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2023 \$	2022 \$
CURRENT		
Trade receivables	5,012,667	7,133,724
Accrued revenue	14,252	1,390,509
Provision for doubtful debts	(322,451)	(384,787)
	<u>4,704,468</u>	<u>8,139,446</u>

Provision for doubtful debts

The Group makes use of a simplified approach in accounting for the impairment of trade and other receivables as well as other current assets and records the loss allowance at the amount equal to the lifetime expected credit loss (ECL). In using this practical expedient, the Group uses its historical experience, external indicators, and forward-looking information to calculate the ECL using a provision matrix. From this calculation, it was determined that the ECL in trade and other receivables was immaterial to be disclosed separately.

During the period, the Group recognised a bad debt expense of \$16,788 (2022: \$276,195). This is shown within Other Expenses of \$795,745 (2022: \$5,116,989) and includes balances written off during the period.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia, Asia, North America, Europe and the Middle East. The Group’s exposure to credit risk for trade receivables at the end of the reporting period in those regions is as follows:

AUD	2023 \$	2022 \$
Asia Pacific	1,076,330	2,621,086
North America	1,186,312	982,076
Europe, Middle East & Africa	2,750,025	3,530,562
Total receivables exposed to credit risk	<u>5,012,667</u>	<u>7,133,724</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The following table details the Group's trade and other receivables exposed to credit with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

\$	Gross Amount	Within Initial Trade Terms	Past Due but Not Impaired (Days Overdue)				Past Due and Impaired
			< 30	31–60	61–90	> 90	
2023							
Trade and term receivables	5,012,667	2,498,831	1,524,382	284,257	214,158	390,210	100,829
2022							
Trade and term receivables	7,133,724	4,647,995	1,490,471	112,303	496,016	301,281	85,658

NOTE 9: CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	2023 \$	2022 \$
Investment in BindTuning	7,379,809	-
	<u>7,379,809</u>	<u>-</u>

The Directors' have assessed the investment in Bind Soluções Informáticas, Design Web e Gráfico, Lda (BindTuning), should be classified as an asset held for sale as it was deemed highly probable at 30 June 2023 that the Group would resell their 19.99% shareholding and their right to acquire the remaining 80.01% of the shares ('call option') back to the Bindtuning shareholders holding the remaining 80.01% of the shares as at 30 June 2023.

On 6 July 2023, the Group announced it had mutually agreed to conclude its arrangement, dated 14 December 2021, with Bindtuning. In exchange for the Group's 19.99% shareholding and the call option, the Group received Bindtuning IP, US\$100,000 in cash, and 2,250,000 LiveTiles shares to be returned (refer to Note 38). The return of the LiveTiles shares is subject to LiveTiles's shareholder approval.

NOTE 10: CURRENT AND NON-CURRENT – OTHER ASSETS

	Note	2023 \$	2022 \$
CURRENT			
Deposits paid		92,877	96,189
Prepaid expenses		151,510	690,520
Loans to related parties	34	-	1,340,870
		<u>244,387</u>	<u>2,127,579</u>
NON-CURRENT			
Rental Deposits		200,571	292,283
		<u>200,571</u>	<u>292,283</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2023 \$	2022 \$
Computers – at cost	340,986	408,319
Less: Accumulated depreciation	(200,871)	(170,555)
	<u>140,115</u>	<u>237,764</u>
Office furniture and equipment – at cost	839,174	1,057,378
Less: Accumulated depreciation	(621,684)	(514,377)
	<u>217,490</u>	<u>543,001</u>
	<u>357,605</u>	<u>780,765</u>

NOTE 12: NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

	2023 \$	2022 \$
Properties – right-of-use	4,096,146	4,096,146
Less: Accumulated depreciation	(2,361,095)	(2,012,442)
	<u>1,735,051</u>	<u>2,083,704</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Properties \$	Equipment \$	Total \$
Balance at 1 July 2021	2,478,786	25,608	2,504,394
Additions	234,451	-	234,451
Depreciation expense	(732,940)	(22,937)	(755,877)
Foreign exchange	103,407	(2,671)	100,736
	<u>2,083,704</u>	<u>-</u>	<u>2,083,704</u>
Balance at 30 June 2022	2,083,704	-	2,083,704
Additions	-	-	-
Depreciation expense	(434,972)	-	(434,972)
Foreign exchange	86,319	-	86,319
	<u>1,735,051</u>	<u>-</u>	<u>1,735,051</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS

	2023 \$	2022 \$
Capitalised development costs	21,945,308	19,196,990
Less: Accumulated amortisation	(17,640,655)	(15,908,640)
	<u>4,304,653</u>	<u>3,288,350</u>
Software intellectual property	20,847,744	19,048,876
Less: Accumulated amortisation	(8,358,343)	(5,749,395)
	<u>12,489,401</u>	<u>13,299,481</u>
Customer contracts and relationships	8,766,690	8,045,732
Less: Accumulated amortisation	(8,766,690)	(8,045,732)
	<u>-</u>	<u>-</u>
Goodwill	66,582,597	58,154,106
Less: Impairment	(24,068,962)	-
	<u>42,513,635</u>	<u>58,154,106</u>
	<u>59,307,689</u>	<u>74,741,937</u>

Reconciliations of the written down intangible asset values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised development costs \$	Software intellectual property \$	Customer contracts and relationships \$	Goodwill \$	Total \$
Balance at 1 July 2021	-	15,091,683	486,051	56,931,259	72,508,993
Additions	3,902,094	-	-	923,754	4,825,848
Amortisation expense	(613,744)	(1,909,618)	(501,542)	-	(3,024,904)
Foreign exchange	-	117,416	15,491	299,093	432,000
Balance at 30 June 2022	<u>3,288,350</u>	<u>13,299,481</u>	<u>-</u>	<u>58,154,106</u>	<u>74,741,937</u>
Additions	2,748,318	-	-	3,068,962	5,817,280
Amortisation expense	(1,732,015)	(1,990,108)	-	-	(3,722,123)
Foreign exchange	-	1,180,028	-	5,359,529	6,539,557
Impairment	-	-	-	(24,068,962)	(24,068,962)
Balance at 30 June 2023	<u>4,304,653</u>	<u>12,489,401</u>	<u>-</u>	<u>42,513,635</u>	<u>59,307,689</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

The cash-generating units (CGUs) of the Group as at 30 June 2023 are:

Employee Experience ("EX") Platform	Represents the revenue and operating expenses attributable to sale of software and software related services.
Employee Experience ("EX") Programs	Represents the revenue and operating expenses attributable to employee experience related services.
My Net Zero ("MNZ")	Represents the revenue and operating expenses attributable to employer and employee climate change consultancy services.

Goodwill acquired through business combinations have been allocated to the following CGUs:

	2023 \$	2022 \$
EX Platform	41,589,880	57,230,351
EX Programs	923,755	923,755
MNZ	-	-
	<u>42,513,635</u>	<u>58,154,106</u>

Reconciliations of the CGUs at the beginning and end of the current and previous financial year are set out below:

Consolidated	EX Platforms	EX Programs	MNZ	Total
Balance at 1 July 2021	56,931,259	-	-	56,931,259
Additions	-	923,755	-	923,755
Foreign exchange	299,092	-	-	299,092
Balance at 30 June 2022	57,230,351	923,755	-	58,154,106
Additions	-	-	3,068,962	3,068,962
Foreign exchange	5,359,529	-	-	5,359,529
Impairment	(21,000,000)	-	(3,068,962)	(24,068,962)
Balance at 30 June 2023	<u>41,589,880</u>	<u>923,755</u>	<u>-</u>	<u>42,513,635</u>

Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value.

Impairment EX Platform CGU

A review of indicators of impairment relating to goodwill, software IP and capitalised development costs was conducted as at 30 June 2023. For the EX Platform CGU an impairment indicator was identified as a result of the ongoing cash burn and the underperformance of the CGU in comparison to budget for the period ended 30 June 2023. As a result, management performed a detailed impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)**

The following key assumptions were used in the discount cash flow for the EX Platform CGU:

- 10% - 20% (2022. 5% - 16%) annual growth revenue rate;
- 13.7% (2022. 11.57%) compound annual revenue growth rate;
- 2.0% (2022. 2.0%) terminal growth rate;
- 16.85% (2022. 14.60%) post tax discount rate.

Based on the results of the value-in-use model, the carrying value of the EX Platform CGU exceed the recoverable amount by \$5,000,000, this was in addition to the \$16,000,000 which was already impaired in the half-year ended 31 December 2022.

My Net Zero CGU

On 18 October 2022, the Group signed a share purchase agreement to obtain the right to acquire the remaining 80.03% of the shares in My Net Zero R&D Pty Ltd (MNZ) in several tranches, resulting in a shareholding of 54.13% as at 30 June 2023. The acquisition resulted in the Group recognising goodwill of \$3,068,962 and the recognition of a new identifiable MNZ CGU.

For the MNZ CGU an impairment indicator was identified due to the underperformance and related cash burn of the CGU in the comparison to management expectations. As a result of the performance and a lack of other inputs to reasonably determine value, the Director's formed the opinion there was no reasonable basis to attribute value to goodwill, accordingly the goodwill value in relation to the MNZ CGU is fully impaired.

NOTE 14: NON-CURRENT ASSETS – FINANCIAL ASSETS

	Consolidated Group	
	30 June 2023	30 June 2022
	\$	\$
Investment in BrainPac	-	900,000
Investment in My Net Zero	-	985,000
Investment in Hide and Seek	1,765,044	250,000
	<u>1,765,044</u>	<u>2,135,000</u>

The Directors have determined the Group does not have significant influence over the designated financial assets of BrainPac or Hide and Seek as at 30 June 2023. The Directors' determination is on the basis the Group does not participate in the financial and operating policy decisions of these entities, and the Group holds an ownership interest of less than 20% in the respective companies.

The Directors' have determined the minority investment in BrainPac Plus Laboratories Pty Ltd (BrainPac) is impaired. In forming this opinion, the Directors' have considered the lack of inputs to reasonably determine the value, the estimated future cash flows the entity expects to derive from the investment, the expectations about possible variations in the amount or timing of those future cash flows, and the lack of liquidity of the investment. After considering these factors, the Directors' formed the opinion there was no reasonable basis to attribute value to the investment, accordingly the investment in its entirety has been impaired.

On 18 October 2022, the Group announced the accelerated acquisition of My Net Zero R&D Pty Ltd (MNZ) after executing an agreement to acquire in tranches, the remaining 80.03% of issued shares in MNZ. The acquisition meets the requirements of AASB 3 Business Combinations, therefore MNZ has been consolidated into the financial statements of the Group from the date control was obtained, being 18 October 2022 (refer to Note 36). Subsequent to 30 June 2023, the Group completed the acquisition of the remaining issued capital of MNZ (refer to Note 38).

On 6 June 2023, the Group exercised their right to a call option to purchase an additional 9.97% of the issued capital of Hide and Seek Group Pty Ltd (Hide and Seek) for a total consideration of \$250,000, pursuant to the Subscription Agreement dated 7 June 2022. The Group had agreed with Hide and Seek to extend the exercise completion date until 8 September 2023, allowing the parties to conduct an internal strategic review process. Unless extended further, the subscription moneys were due within seven days of the amended date. The extension to the exercise completion date does not affect the enforceability of either parties' rights or obligations under the initial subscription agreement, hence the Group has recognised the investment and respective subscription monies owed at the time the exercise notice was given. On 25 September 2023 both parties mutually agreed to not exercise the call option.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: NON-CURRENT ASSETS – INVESTMENT IN ASSOCIATES

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name of subsidiary	Principal place of business	Ownership interest held by Group	
		30 June 2023	30 June 2022
Bindtuning - Bind Soluções Informáticas, Design Web e Gráfico, Lda	Portugal	19.99%	19.99%
Summarised statement of financial position		30 June 2023	30 June 2022
Current assets		1,799,008	1,265,150
Non-current assets		300,024	141,614
Total assets		2,099,032	1,406,764
Current liabilities		131,875	186,518
Non-current liabilities		39,309	-
Total liabilities		171,184	186,518
Net assets		1,927,848	1,220,246
Summarised statement of profit or loss and other comprehensive income		2023	2022
Revenue		2,131,696	895,393
Expenses		(1,587,219)	(745,352)
Profit before income tax expense		544,477	150,041
Income tax expense		-	(25,496)
Profit after income tax expense		544,477	124,545
Other comprehensive income		-	-
Total comprehensive income		544,477	124,545
Share of comprehensive income		108,841	24,897
Reconciliation of consolidated entity's carrying amount	Note	2023	2022
Opening balance		6,567,019	-
Acquisition of interest in BindTuning		-	6,552,492
LiveTiles Limited's aggregate share of associate's profit / (loss)		108,841	24,897
Foreign exchange movements		703,949	(10,370)
Reclassification to asset held for sale	9	(7,379,809)	-
Closing carrying amount		-	6,567,019

BindTuning has no contingent liabilities as at 30 June 2023 (30 June 2022: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	2023 \$	2022 \$
CURRENT			
Trade payables		3,480,811	6,234,088
Employee benefits accruals		1,033,234	1,362,004
Employee benefits accruals to related parties		34,773	59,450
Other payables and accruals		630,330	433,255
		<u>5,179,148</u>	<u>8,088,797</u>

NOTE 17: CURRENT AND NON-CURRENT LIABILITIES – INCOME TAX PAYABLE

	2023 \$	2022 \$
CURRENT		
Income tax payable	927,420	502,313
Withholding tax payable	69,845	154,983
	<u>997,265</u>	<u>657,296</u>
NON-CURRENT		
Income tax payable	<u>1,348,620</u>	<u>871,251</u>
	<u>1,348,620</u>	<u>871,251</u>

The income tax payable reflects income tax payable and withholding tax payable at the end of the reporting period. The non-current income tax payable of \$1,348,620 is related to income tax owed to Danish taxation authorities not payable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: CURRENT AND NON-CURRENT LIABILITIES – LEASES

	2023 \$	2022 \$
CURRENT		
Properties	638,963	605,254
Equipment	-	-
	<u>638,963</u>	<u>605,254</u>
NON-CURRENT		
Properties	1,764,908	2,186,974
Equipment	-	-
	<u>1,764,908</u>	<u>2,186,974</u>
	<u>2,403,871</u>	<u>2,792,228</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Properties	Equipment	Total
Balance at 1 July 2021	3,201,040	25,974	3,227,014
Finance costs	263,666	333	263,999
Additions	234,451	-	234,451
Payments	(1,060,768)	(22,291)	(1,083,059)
Foreign exchange	153,839	(4,016)	149,823
	<u>2,792,228</u>	<u>-</u>	<u>2,792,228</u>
Balance at 30 June 2022	2,792,228	-	2,792,228
Finance costs	207,279	-	207,279
Additions	-	-	-
Payments	(708,030)	-	(708,030)
Foreign exchange	112,394	-	112,394
	<u>2,403,871</u>	<u>-</u>	<u>2,403,871</u>
Balance at 30 June 2023	2,403,871	-	2,403,871

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 19: EMPLOYEE BENEFITS PROVISION

	2023 \$	2022 \$
Current	2,017,725	2,442,300
Non-current	55,347	199,608
	<u>2,073,072</u>	<u>2,641,908</u>

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. It is expected that \$701,565 will be taken in the next 12 months.

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

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

NOTE 20: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS FOR BUSINESS COMBINATIONS

	2023 \$	2022 \$
CURRENT		
Provision for contingent consideration – CYCL settlement	1,078,000	6,861,201
Provision for contingent consideration – Human Link	-	250,000
	<u>1,078,000</u>	<u>7,111,201</u>
NON-CURRENT		
Provision for contingent consideration - BindTuning	-	5,814,780
	<u>-</u>	<u>5,814,780</u>

Provision for contingent consideration – CYCL AG

On 29 June 2023 a dispute with the original shareholders of CYCL (CYCL Sellers) AG over the earn out calculation was settled for a total payment from the Group to the CYCL Sellers of US\$550k, to be made over the 3 payments in the year ending 30 June 2024, and 25 million shares, with half to be vested and free from escrow and the balance to be unvested and in escrow for 12 months following issue date. The 25 million shares were issued on 7 July 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21: CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS

	2023 \$	2022 \$
CURRENT		
Government program repayable	66,146	63,732
Loans	2,034,601	438,661
	<u>2,100,747</u>	<u>502,393</u>
NON-CURRENT		
Government program repayable	60,090	121,629
Loans	3,315,557	2,813,848
Convertible notes	3,485,855	2,040,823
	<u>6,861,502</u>	<u>4,976,300</u>

Loan / convertible notes

In September 2021, the Group entered into a new facility agreement to provide funds to finance growth and strategic activities. The total available amount under the facility is \$10,000,000 of which \$6,000,000 was drawn as on 27 September 2021 and \$4,000,000 was drawn down on 27 September 2022. The facility is interest only for the first 18 months, following each drawdown, principal is then repayable in monthly instalments over a further 24 months. The total term of each drawdown being 42 months. The interest only period for the first drawdown ended on 31 March 2023, with full repayment due by 31 March 2025.

The first drawdown of \$6,000,000 is comprised of two components, a loan, of \$3,600,000 and a convertible note, of \$2,400,000. The loan component has an interest rate of 13.5% and the convertible note has an interest rate of 9.5%. The convertible note includes a fixed for fixed conversion feature at 20 cents per ordinary share equating to 12m ordinary shares. The terms of the convertible note agreement include a cash settlement requirement which cannot be avoided, therefore the convertible note is accounted for as a compound instrument. \$245,203 was therefore designated as equity (refer to Note 26).

The second drawdown of \$4,000,000 is comprised of two components, a loan, of \$2,400,000 and a convertible note, of \$1,600,000. The convertible note includes a fixed for fixed conversion feature at 20 cents per ordinary share equating to 8 million ordinary shares. The terms of the convertible note agreement include a cash settlement requirement which cannot be avoided, therefore the convertible note is accounted for as a compound instrument. \$181,228 was therefore designated as equity (refer to Note 26).

The facility agreement contains an early redemption clause, which is considered to be a derivative asset. However an assessment over the value concluded that this was immaterial and therefore the balance has not been recognised. The loan is a fixed rate, Australian dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk. Arrangement fees of \$150,000 were paid to the lender upon signing the facility agreement. Total transaction costs, including the arrangement fees were \$578,454, which were debited proportionally to the loan and convertible note accounts. No loan covenants exist.

NOTE 22: CURRENT LIABILITIES – LIABILITIES DIRECTLY ASSOCIATED WITH ASSET HELD FOR SALE

	2023 \$	2022 \$
Provision for contingent consideration - BindTuning	6,453,033	-
	<u>6,453,033</u>	<u>-</u>

Provision for contingent consideration – BindTuning

The provision for contingent consideration owed to BindTuning represents preliminary estimates of amounts payable under the Shareholders Agreement which was in effect on 30 June 2023. Subsequent to 30 June 2023, on 6 July 2023, the Group entered into an agreement to divest their holding in BindTuning which was disclosed to the ASX on July 2023 (Refer to Note 38).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 23: CURRENT AND NON-CURRENT OTHER LIABILITIES

	2023 \$	2022 \$
CURRENT		
Unearned revenue	11,913,680	12,950,664
Unearned grant income	1,031,234	1,046,043
Other current liabilities	305,617	-
	<u>13,250,531</u>	<u>13,996,707</u>
NON-CURRENT		
Unearned revenue	162,560	276,633
	<u>162,560</u>	<u>276,633</u>

Unearned income is carried at amortised cost and represents amounts billed to customers in advance of the revenue being recognised in accordance with the revenue recognition policy outlined in Note 1. Unearned income is presented as a current liability unless the performance obligations associated with the revenue will be satisfied in greater than 12 months.

NOTE 24: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITY

	2023 \$	2022 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
- Defined benefit pension liabilities of CYCL AG	117,455	197,996
- Carry forward losses of CYCL AG	986,962	360,000
	<u>1,104,417</u>	<u>557,996</u>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Intangible assets on acquisition of:		
- Hyperfish, Inc.	127,372	147,582
- Wizdom A/S	1,143,194	1,234,620
- CYCL AG	1,104,418	1,160,669
	<u>2,374,984</u>	<u>2,542,871</u>
Net deferred tax liability	<u>1,270,567</u>	<u>1,984,875</u>

The net tax effect of carried forward losses not brought to account total \$64,949,389 (2022: \$65,487,708).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 25: NON-CURRENT LIABILITIES – PENSION LIABILITIES**

The Group's pension liabilities relate to the defined benefit plans in Switzerland, which were acquired in December 2019 upon the completion of the acquisition of CYCL AG. As at 30 June 2023, the fund has a funding ratio of 106%. As required under Swiss law, the plans are co-funded by the Group with equal co-contributions required by the employees ranging from 4.85% - 10.35% of the employee's salary. Upon retirement, employees are entitled to either receive a lump sum payment to the value of their accumulated retirement balance; or receive an ongoing annual annuity calculated as a percentage (conversion rate) of their accumulated balance – as at 30 June 2023 this conversion rate is 5.80%.

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' (the fund), which is a collective pension fund, which is common in Switzerland. Under this structure, members own a proportionate share of the aggregated collective investments, rather than an individual share of the underlying assets, as is common in Australia. The Group's members consist of 19 of the total 62,353 members as at 30 June 2023.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

	Present value of obligations	Fair value of plan assets	Balance
	\$	\$	\$
Balance at 30 June 2022	(13,998,806)	12,774,339	(1,224,467)
Current service cost	(551,478)	-	(551,478)
Interest income / (expense)	(265,828)	239,906	(25,922)
Defined benefit pension expense recognised in profit or loss	(817,306)	239,906	(577,400)
Contributions by fund participants:			
Employer	-	300,243	300,243
Plan participants	(306,469)	306,469	-
Total contributions	(306,469)	606,712	300,243
Remeasurements:			
Return on plan assets, excluding amounts included in interest income	-	(445,720)	(445,720)
Gain from change in experience	1,670,361	-	1,670,361
Gain from change in demographic assumptions	-	-	-
Loss from change in financial assumptions	(318,137)	-	(318,137)
Defined benefit pension actuarial losses/(gains) recognised in other comprehensive income	1,352,224	(445,720)	906,504
Benefits paid	6,577,171	(6,577,171)	-
Foreign exchange rate changes	(1,500,595)	1,369,339	(131,256)
Balance at 30 June 2023	(8,693,780)	7,967,404	(726,376)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: NON-CURRENT LIABILITIES – PENSION LIABILITIES (CONTINUED)

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

	30 June 2023	30 June 2022
Plan assets		
Plan assets	4,085,338	9,335,697
<i>Adjustments for AASB 119</i>		
Estimation of the value of Pensions in Payment	3,882,067	3,438,642
Fair value of plan assets	7,967,405	12,774,339
Plan obligations		
Plan obligations	4,085,338	9,335,697
<i>Adjustments for AASB 119</i>		
Estimation of the obligation of Pensions in Payment	3,882,067	3,438,642
Projected unit credit method actuarial adjustment	726,376	1,224,467
Projected plan obligations	8,693,781	13,998,806
Net Pension Liabilities	726,376	1,224,467

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

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

	30 June 2023	30 June 2022
Actuarial assumptions		
Discount Rate	1.85%	2.15%
Growth in future salaries	1.00%	1.00%
Pension increase rate	0.00%	0.00%

The following table depicts the sensitivity of estimated fiscal year 2023 pension expense to incremental changes in the discount rate and the expected long-term rate of return on assets.

Actuarial assumptions	Reasonably Possible Change	Defined benefit obligation	
		Increase	Decrease
Discount Rate	(+/- 0.50%)	8,175,473	9,277,223
Growth in future salaries	(+/- 0.50%)	8,772,308	8,619,252

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26: EQUITY – ISSUED CAPITAL

Consolidated Group				
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	930,691,305	890,691,305	209,147,793	206,466,565
<hr/>				
Movements in ordinary share capital	Date	Shares No.	Issue Price \$	Total \$
Balance	30-Jun-2021	879,859,403		205,044,070
Share capital issued	(a) 22-Nov-2021	2,564,847	\$0.105	269,309
Share capital issued	(b) 1-Dec-2021	508,834	\$0.1025	52,155
Share capital issued	(c) 16-Dec-2021	3,157,740	\$0.12	378,929
Compound equity instrument issued	(d) 24-Dec-2021	-	-	245,202
Share capital issued	(e) 7-Apr-2022	4,450,481	\$0.105	467,300
Share capital issued	(f) 18-April-2022	150,000	\$0.064	9,600
Balance	30-Jun-2022	890,691,305		206,466,565
Compound equity instrument issued	(g) 30-Sep-2022	-	-	181,228
Share capital issued	(h) 25-Oct-2022	40,000,000	\$0.06	2,500,000
Balance	30-Jun-2023	930,691,305		209,147,793
Restricted shares MNZ	(h) 25-Oct-2022	28,294,390	-	-
Restricted shares Chief Executive Officer	(i) 24-Nov-2022	25,000,000	-	-
Restricted shares on issue MITP	(j) 30-Jun-2023	63,380,001	-	-
Total issued capital	30-Jun-2023	1,047,365,696		209,147,793

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26: EQUITY – ISSUED CAPITAL (CONTINUED)

- (a) On 22 November 2021, LiveTiles Limited issued 2,564,847 shares at \$0.105 per share at \$nil consideration under the Employee Share Plan in lieu of cash bonuses.
- (b) On 1 December 2021, LiveTiles Limited issued 508,834 options issued under the Long Term Incentive Plan at \$0.1025 per share which were exercised at \$nil consideration in lieu of cash bonuses.
- (c) On 16 December 2021, LiveTiles Limited issued 3,157,740 shares as consideration for 19.99% of the shares in Bind Soluções Informáticas, Design Web e Gráfico, Lda. The fair value of the shares issued is based on a floor price of \$0.12 per share of LiveTiles Limited at the date of the acquisition.
- (d) On 24 December 2021, LiveTiles Limited issued 2,400,000 unlisted convertible notes to shares to 1V Venture Credit Trusco Pty Ltd under the terms of the facility agreement, refer to Note 21.
- (e) On 7 April 2022, LiveTiles Limited issued 4,450,481 shares as consideration for 100% of the shares in Human Link Consulting Pty Ltd, Human Link Programs Pty Ltd and Cordis Digital Pty Ltd. The fair value of the shares issued is based on a floor price of \$0.105 per share of LiveTiles Limited at the date of the acquisition.
- (f) On 18 May 2022, LiveTiles Limited issued 150,000 options issued under the Long Term Incentive Plan at \$0.064 per share which were exercised at \$nil consideration in lieu of cash bonuses.
- (g) On 30 September 2022, LiveTiles Limited issued 1,600,000 unlisted convertible notes to 1V Venture Credit Trusco Pty Ltd under the terms of the facility agreement, refer to Note 21.
- (h) On 25 October 2022, LiveTiles limited issued 68,294,390 shares comprised out of 28,294,390 unvested restricted shares and 40,000,000 ordinary shares as base consideration for the acquisition of My Net Zero R&D Pty Ltd. Refer to Note 36.
- (i) On 24 November 2022, LiveTiles Limited issued 25,000,000 shares under the Employee Incentive Plan. These are restricted shares and will vest upon achieving certain vesting conditions.
- (j) As at 30 June 2023, LiveTiles Limited had issued 63,380,001 shares under the Management Incentive Plan.
Tranches A, B and C – 26,250,000 shares were issued under the Management Incentive Plan on 25 August 2015
Tranches D, E and F - 1,200,000 shares were issued under the Management Incentive Plan on 5 April 2016
Tranches G, H and I - 300,000 shares were issued under the Management Incentive Plan on 2 June 2017
Tranches J, K and L - 600,000 shares were issued under the Management Incentive Plan on 20 November 2017
Tranches M, N and O - 800,001 shares were issued under the Management Incentive Plan on 6 May 2019
Tranches P, Q and R – 1,680,000 shares were issued under the Management Incentive Plan on 16 March 2020
Tranches S, T and U – 300,000 shares were issued under the Management Incentive Plan on 25 January 2021
Tranches V, W and X – 1,400,000 shares were issued under the Management Incentive Plan on 8 March 2021
Tranches Y – 30,850,000 shares were issued under the Management Incentive Plan on 24 November 2022 by means of a non-recourse loan and vested immediately, but remain restricted for a period of one year.
Refer to Note 41(a).
Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in Note 40.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 27: EQUITY – RESERVES

	2023	2022
	\$	\$
Share based payments reserve	5,752,341	4,295,847
Foreign currency translation reserve	2,863,703	(4,991,052)
Pension revaluation reserve	6,524,182	5,663,437
Fair value revaluation reserve	365,044	-
Total	15,505,270	4,968,232

a. **Share based payments reserve**

The share-based payments reserve records items recognised as expenses on valuation of share-based payments.

Movements in share-based payments reserve	Note	2023	2022
		\$	\$
Opening balance		4,295,847	3,374,167
Share based payment expenses:			
- management incentive plan	41(a)	38,119	122,083
- long-term incentive plan	41(b)	270,571	344,611
- contingent payment on acquisition of Human Link	41(c)	-	454,986
- executive incentive plan	41(d)	220,833	-
- My Net Zero shares	41(e)	334,576	-
- Non-recourse loan on MIP shares immediately vested	41(a)	1,047,381	-
- Reversal of unvested performance-based shares	41(f)	(454,986)	-
Closing balance		5,752,341	4,295,847

b. **Foreign currency translation reserve**

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

Movements in foreign currency translation reserve	2023	2022
	\$	\$
Opening balance	(4,991,052)	(4,353,583)
Foreign currency translation of subsidiaries within the Group	7,854,755	(637,469)
Closing balance	2,863,703	(4,991,052)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 27: EQUITY – RESERVES

c. **Pension revaluation reserve**

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

Movements in pension revaluation reserve	2023	2022
	\$	\$
Opening balance	5,663,437	1,329,328
Actuarial (gain)/loss, net of tax	860,745	4,334,109
Closing balance	6,524,182	5,663,437

d. **Fair value revaluation reserve**

The fair value revaluation through OCI relate to fair value gains and losses on the revaluation of the Group's financial asset.

Movements in fair value revaluation reserve	Note	2023	2022
		\$	\$
Opening balance		-	-
Fair value adjustment to:			
- Hide & Seek	14	1,265,044	-
- Brainpac	14	(900,000)	-
Closing balance		365,044	-

NOTE 28: EQUITY – ACCUMULATED LOSSES

	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(152,328,829)	(151,510,422)
Loss after income tax for the year	(33,840,563)	(818,407)
Accumulated losses at the end of the year	(186,169,392)	(152,328,829)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 29: FINANCIAL RISK MANAGEMENT**

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

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

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

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

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

Risks exposures and responses*(i) Interest rate risk*

The Group's is exposed to interest rate risk given the Group has borrowings. The interest rate on borrowings are 9.5% per annum. Refer to Note 21.

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

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

	Note	2023	2022
		\$	\$
Cash and cash equivalents	7	6,694,339	13,177,071
Borrowings	21	(8,962,249)	(5,478,693)
Net exposure		<u>(2,267,910)</u>	<u>7,698,378</u>

	(Loss) / profit		Equity	
	Higher / (lower)		Higher / (lower)	
Judgements of reasonable possible movements	2023	2022	2023	2022
	\$	\$	\$	\$
<i>Cash and cash equivalents</i>				
+0.50%	33,472	65,885	33,472	65,885
-0.50%	(33,472)	(65,885)	(33,472)	(65,885)
<i>Loans</i>				
+2.00%	(179,245)	(109,574)	(179,245)	(109,574)
-2.00%	179,245	109,574	179,245	109,574

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign currency risk

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

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

AUD	2023	2022
	\$	\$
Cash and cash equivalents - USD	864,710	2,405,837
Cash and cash equivalents - EUR	1,978,920	1,564,091
Cash and cash equivalents - DKK	1,241,962	2,580,380
Cash and cash equivalents - CHF	722,491	1,024,896
Trade and other receivables - USD	1,295,127	1,083,300
Trade and other receivables - DKK	1,223,816	427,566
Trade and other receivables - CHF	1,417,394	1,276,367
Trade and other payables - USD	140,269	195,847
Trade and other payables - EUR	11,607	55,935
Trade and other payables - DKK	318,587	74,880
Trade and other payables - CHF	486,393	332,742
Net exposure	9,701,276	11,021,841

(ii) Foreign currency risk (continued)

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

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

	Post tax loss		Equity	
	Higher / (lower)		Higher / (lower)	
Judgements of reasonable possible movements	2023	2022	2023	2022
	\$	\$	\$	\$
AUD/USD +10%	230,011	368,498	230,011	368,498
AUD/USD -10%	(230,011)	(368,498)	(230,011)	(368,498)
AUD/EUR +10%	199,053	162,003	199,053	162,003
AUD/EUR -10%	(199,053)	(162,003)	(199,053)	(162,003)
AUD/DKK +10%	278,437	308,283	278,437	308,283
AUD/DKK -10%	(278,437)	(308,283)	(278,437)	(308,283)
AUD/CHF +10%	262,628	263,400	262,628	797,890
AUD/CHF -10%	(262,628)	(263,400)	(262,628)	(797,890)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

	Weighted Average Interest Rate %	Less than 6 months	6 to 12 months	1 to 5 years	Total
2023					
<i>Non-interest bearing</i>					
Trade and other payables		5,179,148	-	-	5,179,148
Lease liabilities		319,481	319,482	1,764,908	2,403,871
Income tax payable		997,265	-	1,348,620	2,345,885
Provisions for business combinations (cash component)		557,044	270,956	-	828,000
Liabilities directly associated with asset held for sale		6,453,033	-	-	6,453,033
<i>Interest bearing – fixed rate</i>					
Borrowings	9.5%	883,550	1,217,197	6,861,502	8,962,249
		14,389,521	1,807,635	9,975,030	26,172,186
2022					
<i>Non-interest bearing</i>					
Trade and other payables		8,088,797	-	-	8,088,797
Lease liabilities		302,627	302,627	2,186,974	2,792,228
Income tax payable		657,296	-	871,251	1,528,547
Provisions for business combinations (cash component)		250,000	2,095,681	3,283,977	5,629,658
<i>Interest bearing – fixed rate</i>					
Borrowings	9.5%	31,866	470,527	4,976,300	5,478,693
		9,330,586	2,868,835	11,318,502	23,517,923

(iv) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) *Fair value of financial instruments*

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

(w) *Fair value hierarchy*

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

	Level 1	Level 2	Level 3	Total
2023				
Financial assets	-	-	1,765,044	1,765,044
Liabilities directly associated with asset held for sale	-	-	(6,453,033)	(6,453,033)
Provisions for business combinations	-	-	(1,078,000)	(1,078,000)
	-	-	(5,765,989)	(5,765,989)
2022				
Financial assets	-	-	2,135,000	2,135,000
Provisions for business combinations	-	-	(12,925,981)	(12,925,981)
	-	-	(10,790,981)	(10,790,981)

Financial assets

A fair value assessment of these investment was performed as at 30 June 2023. Depending on the circumstances surrounding the particular investment the directors made the decision to revalue (either upwards or downwards) to its fair value. Refer to Note 14.

Provision for business combinations

The Group measures performance-based payments (earn-out payments) for acquired entities estimating the probability of the targets being met and using an appropriate discount rate to reflect payment periods. Management continually evaluates its judgements and estimates, which are based on various factors including historical experience and expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates seldom equal the related actual results. The provisions for business combinations are considered to be a key estimate. Refer to Note 20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 30: KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below

	2023	2022
	\$	\$
Short-term employee benefits	1,783,981	2,324,011
Post-employment benefits	38,568	75,740
Termination benefits	574,808	-
Share-based payments	222,976	18,297
	2,620,333	2,418,048

NOTE 31: AUDITOR'S REMUNERATION

	2023	2022
	\$	\$
Remuneration of the auditor for:		
(a) Auditors of the Group – BDO and related network firms:		
- audit and review of the financial statements	301,000	223,400
- other assurance services	-	-
Total remuneration for audit and other assurance services	301,000	223,400
(b) Other auditors and their related network firms:		
- audit and review of the financial statements	92,035	97,816
- taxation services	31,131	3,321
Total remuneration of network firms of other auditors	123,166	101,137

NOTE 32: CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2023.

NOTE 33: CAPITAL AND LEASING COMMITMENTS

There are no material capital and lease commitments as at 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 34. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

LiveTiles Limited is the legal parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 37.

Key management personnel

- (a) For key management personnel remuneration please refer to note 30
 (b) Receivable and payables to Key Management Personnel for services.

	Note	2023	2022
		\$	\$
Current receivables:			
- Loans to key management personnel	(1)	-	1,340,870
Current payables:			
- Accrued short term benefits to key management personnel	(2)	(186,822)	(359,249)
Net (payables) / receivables to key management personnel		(186,822)	981,621

(1) Loans to key management personnel

In April 2009, loans were made to Karl Redenbach (Managing Director of LiveTiles) and Peter Nguyen Brown (form Executive Director of LiveTiles) of \$475,000 per person to assist with in their defence of litigation in the NSW Supreme Court.

Karl Redenbach and Peter Nguyen Brown had a right to indemnity of legal costs under respective Indemnity, Insurance and Access Deeds and the LiveTiles' Constitution. Accordingly, these loans will not be repaid and have been forgiven from the effective date in which they asserted their right to indemnity. The total amount forgiven (principal and interest) for the year ended 30 June 2023 was \$1,542,000.

(2) Accrued short term benefits to key management

Includes \$15,819 employee benefits payable to the Chief Executive Officer and \$171,003 payable towards KUR Technology Pty Ltd which is the management company of Karl Redenbach invoicing for his role as Executive Director.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)***Financial Assets and Associates*

Financial Assets and Associates are detailed in Note 14 and Note 15.

		2023	2022
		\$	\$
<i>Payments to Financial Assets and Associates for services:</i>			
- Hide & Seek	(3)	268,308	191,265
<i>Current payables:</i>			
- Hide & Seek	(3)	-	166,100

(3) Services provide by Hide & Seek

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

*Transactions with other corporate entities, under partnership agreements**Transactions with Map Of Me Labs Pty Ltd*

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

During the financial year Map Of Me Labs paid the Group an annual licence and support fee of \$0.5m (2022: \$2m), excluding GST, in line with the research and development licence agreement between the parties. This agreement provides Map Of Me Labs with a non-exclusive, internal use licence to access LiveTiles Software environment and the LiveTiles support team as it continues to develop and build the Personal Values Game offering to its customers through its own platform. The Group continues to obtain benefits from the ongoing research and development activity and is exploring the opportunity for future licensing arrangements with Map Of Me Labs.

During the financial year the Group paid Map Of Me Labs supplier costs for services rendered including marketing, training, consultancy and other services amounting to \$0.5m (2022: \$2m), excluding GST.

Transactions with Social Scale.AI Pty Ltd

Social Scale.AI Pty Ltd ('Social Scale') is managed and owned 100% by a former employee of the Group. Social Scale is also a shareholder of BrainPac Laboratories Pty Ltd, which is a Financial Asset of the Group, as per Note 14, and Social Scale is a shareholder of MyNetZero R&D Pty Ltd of which LiveTiles holds 54.13% of the shares as at 30 June 2023 (refer to note 36).

During the financial year Social Scale paid the Group an annual license and support fee of \$nil (2022: \$3.6m), excluding GST, in line with the research and development license agreement between the parties. This agreement enables Social Scale to a non-exclusive, internal use licence to access LiveTiles Software environment and the LiveTiles support team as it continues to develop building out a unique and scalable robotic process automation (RPA platform), utilising the LiveTiles Limited's Intelligent Experience platform as the software layer to achieve this.

LiveTiles Limited paid Social Scale supplier costs for services rendered in line with the service agreement for services rendered for a total amount of \$1.39m (2022: \$2.94m), excluding GST, during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 35: PARENT INFORMATION

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

Statement of Financial Position	Parent entity	
	2023 \$	2022 \$
ASSETS		
Current assets	367,751	3,973,926
Non-current assets	53,335,206	66,645,303
TOTAL ASSETS	53,702,957	70,619,229
LIABILITIES		
Current liabilities	(8,417,875)	(9,113,121)
Non-current liabilities	(6,801,412)	(4,854,671)
TOTAL LIABILITIES	(15,219,287)	(13,967,792)
EQUITY		
Issued capital	(531,962,853)	(531,781,789)
Reserves	(4,587,384)	(4,512,847)
Accumulated losses	468,698,911	479,643,198
TOTAL EQUITY	67,851,326	(56,651,438)
Statement of Profit or Loss and Other Comprehensive Income		
Total profit / (loss)	10,944,288	206,702
Total comprehensive loss	10,944,288	206,702

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

All intercompany balances within the Group are eliminated upon consolidation. Investments in subsidiaries within the parent entity are impaired to the recoverable value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 36: ACQUISITION OF MY NET ZERO

On 18 October 2022, the Group signed a share purchase agreement to obtain the right to acquire the remaining 80.03% of the shares of My Net Zero R&D Pty Ltd (MNZ) in several tranches, resulting in a shareholding of 54.13% as at 30 June 2023.

MNZ is a climate advisory, tech company and marketplace enabling employees to involve and activate their people in positive climate action manner. With the climate crisis in the top three concerns of employees across all demographics, MNZ provides a framework of communication and support to respond to employee concerns and support their desired actions.

MNZ offers employers both the behavioural-change advice and practical tech platform to translate, connect and implement tangible action on climate change not only from employees but also other stakeholders (consumers, students, members).

The acquisition of MNZ will enable the Group to achieve its strategic vision more quickly, and allow the Group to deliver new capabilities to market.

Under the Share Purchase Agreement, the total amount payable for the acquisition of the remaining 80.03% of the remaining shares, comprises the following components:

- Base consideration of \$2,500,000 payable in either cash or shares using a fixed share price, as included in the Share Sale agreement, of \$0.062 per share or 40 million shares.
- Earn-out payments of \$7,500,000 contingent upon revenue performance hurdles being met and the continued employment of the CEO of MNZ. The earn-out is payable in either cash or shares using a fixed share price of \$0.062 per share capped at 120 million shares. The amount of cash or shares that will ultimately vest is subject to the achievement of the revenue performance targets with LiveTiles sole discretion in terms of settlement in either cash or shares.

The acquisition meets the requirements of AASB 3 Business Combinations therefore MNZ has been consolidated into the financial statements of the Group from the date of the acquisition, being 18 October 2022. As at 30 June 2023 the Group has a shareholding of 54.13% in MNZ. Given the immaterial nature of the MNZ net assets acquired no Non-Controlling Interest (NCI) split has been recorded in the statement of changes in equity.

On 25 October 2022, 68,294,390 shares were issued representing 40,000,000 shares that vested immediately relating to the \$2,500,000 base consideration and 28,294,390 shares that remained restricted (refer to note 26).

Goodwill has been measured as the excess of consideration over the identifiable net assets of MNZ and the fair value of the 19.97% minority stake acquired on 13 December 2021 accounted for as a financial asset with a fair value of \$985,000 as at 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 36: ACQUISITION OF MY NET ZERO (CONTINUED)

Fair value assessment upon acquisition:

	Note	Fair value at acquisition date \$
Net identifiable assets acquired		54,867
Representing:		
Base consideration		2,500,000
Fair value 19.97% minority stake as at 30 June 2022		985,000
Fair value movement through profit and loss for 19.97% stake upon acquisition		(361,171)
Fair value of consideration		3,123,829
Goodwill recognised on acquisition of MNZ	(a)	3,068,962

Expenses related to the acquisition of MNZ

		2023 \$
Share based payment expense for post combination services	(b)	334,576
Transaction costs	(c)	121,611

- (a) Goodwill of \$3,068,962 has been subsequently impaired due to underperformance of the CGU in comparison to budget for the period ended 30 June 2023 (refer to Note 13).
- (b) Part of the total amount payable to MNZ is contingent on the continued employment of the CEO of MNZ and is therefore deemed to be a share-based payment for post combination services. The fair value of the share-based payment has been determined using the market price of the Group's shares at the date of the acquisition and considering the probability of the revenue performance and service conditions being met the number of equity instruments to vest have been reassessed as at 30 June 2023 (refer to Note 41).
- (c) The Group incurred costs of \$121,611 in relation to the acquisition of MNZ which have been expensed in the Statement of Profit or Loss and Other Comprehensive Income as professional fees. The transactional costs have been paid in the period.

If MNZ was acquired as of 1 July 2022 contributions to revenue would be approximately \$242,385 and would contribute a loss of \$289,577 to the Group for the current period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 37: INTERESTS IN SUBSIDIARIES

a. Information about subsidiaries

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

Name of subsidiary	Principal place of business	Ownership interest	
		2023	2022
		%	%
LiveTiles Holdings Pty Ltd	Australia	100%	100%
LiveTiles APAC Pty Ltd	Australia	100%	100%
LiveTiles R and D Pty Ltd	Australia	100%	100%
LiveTiles Corporation	USA	100%	100%
Modun Resources Pte Ltd	Singapore	100%	100%
LiveTiles Ireland Limited	Ireland	100%	100%
Hyperfish, Inc	USA	100%	100%
LiveTiles Europe A/S (formerly Wizdom A/S)	Denmark	100%	100%
LiveTiles Switzerland (formerly CYCL AG)	Switzerland	100%	100%
LiveTiles Portugal, Unipessoal LDA	Portugal	100%	100%
Human Link Consulting Pty Ltd	Australia	100%	100%
Human Link Programs Pty Ltd	Australia	100%	100%
Cordis Digital Pty Ltd	Australia	100%	100%
My Net Zero R&D Pty Ltd	Australia	54.13%	19.97%

b. Significant restrictions

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

c. Acquisition of controlled entities

During the year, on 18 October 2022, the Group signed a share purchase agreement to obtain the right to acquire the remaining 80.03% of the shares of My Net Zero R&D Pty Ltd (MNZ) in several tranches, resulting in a shareholding of 54.13% as at 30 June 2023. (refer to Note 36).

d. Disposal of controlled entities

There were no disposals of controlled entities.

NOTE 38: EVENTS AFTER THE REPORTING PERIOD

On 6 July 2023, LiveTiles announced that it had completed its acquisition of My Net Zero by issuing the second and final tranche of 91,705,611 shares of the total consideration of 160,000,000 shares and given LiveTiles 100% ownership of My Net Zero.

On 6 July 2023, the Group announced it had mutually agreed to conclude its arrangement, dated 14 December 2021, with Bindtuning. In exchange for the Group's 19.99% shareholding and the call option, the Group received Bindtuning IP, US\$100,000 in cash, and 2,250,000 LiveTiles shares to be returned subject to LiveTiles's shareholder approval.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 39: CASH FLOW INFORMATION

	2023 \$	2022 \$
a. Reconciliation of cash flows used in operating activities with after tax loss		
Loss after income tax expense	(33,840,563)	(818,407)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss:		
– share based payments expense	1,456,494	921,680
– foreign exchange differences	(483,552)	372,635
– depreciation and amortisation	4,503,012	4,112,397
– fair value movement in contingent consideration liability	(4,026,776)	(3,976,929)
– impairment	24,068,962	-
– loan forgiveness	1,542,000	-
– deferred tax	714,308	94,633
Changes in current and non-current assets and liabilities:		
– (increase) / decrease in trade and other receivables	3,434,978	450,553
– (increase) / decrease in other assets	1,974,904	(418,100)
– increase / (decrease) in trade and other payables	(2,909,649)	(225,564)
– Increase / (decrease) in other liabilities	(2,365,511)	(1,684,568)
– increase in provisions	(568,836)	443,746
– net current assets of acquired entities	-	(155,286)
Cash flows used in operating activities	(6,500,229)	(883,210)

NOTE 40: EARNINGS PER SHARE

	2023 \$	2022 \$
Loss after income tax	(33,840,563)	(818,407)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	917,650,209	883,264,387
	2023 \$ Cents	2022 \$ Cents
Basic (loss) / earnings per share	(3.69)	(0.09)
Diluted (loss) / earnings per share	(3.69)	(0.09)

There are 116,674,391 restricted shares outstanding at 30 June 2023, see Note 26. The options on issue have not been considered in the diluted earnings per share as their effect is anti-dilutive meaning reducing the loss per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 41: SHARE BASED PAYMENTS EXPENSE

		2023 \$	2022 \$
	Non-cash share-based payment expense		
–	Management Incentive Plan shares	(a) (1,085,500)	(122,083)
–	Long Term Incentive Plan shares	(b) (270,571)	(344,611)
–	Contingent payment on acquisition of Human Link	(c) -	(454,986)
–	Executive Incentive Plan shares	(d) (220,833)	-
–	My Net Zero shares	(e) (334,576)	-
–	Reversal of unvested performance-based shares	(f) 454,986	-
Total share-based payments expense		(1,456,494)	(921,680)

(a) Management Incentive Plan shares

On 25 August 2015, LiveTiles Limited issued 35,000,000 shares to certain Directors via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the Directors an option to purchase the shares at \$0.15. These shares were issued in Tranches A, B and C.

On 5 April 2016, LiveTiles Limited issued 1,200,000 shares to senior employees of the Company via a loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employees an option to purchase the shares at \$0.285. These shares were issued in Tranches D, E and F.

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

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

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

On 3 March 2020, LiveTiles Limited issued 1,680,000 shares to senior employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at \$0.15. These shares were issued in Tranches P, Q and R.

On 25 January 2021, LiveTiles Limited issued 300,000 shares to senior employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at \$0.23. These shares were issued in Tranches S, T and U.

On 1 March 2021, LiveTiles Limited issued 1,400,000 shares to senior employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at \$0.25. These shares were issued in Tranches V, W and X.

On 24 November 2022, LiveTiles Limited issued 30,850,000 shares to employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employee an option to purchase the shares at \$0.06. These shares were issued in Tranche Y.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 41: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

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

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

Tranche	Share price	Effective exercise price	Term of loan to fund acquisition of shares (yrs)	Compounded risk-free interest rate	Volatility	Discount to reflect vesting conditions	Discounted value per share
A, B, C	\$0.15	\$0.15	9	3.1%	75%	40%	\$0.06
D, E, F	\$0.25	\$0.285	6	3.1%	75%	40%	\$0.10
G, H, I	\$0.235	\$0.245	6	3.1%	75%	40%	\$0.09
J, K, L	\$0.27	\$0.25	6	3.1%	75%	40%	\$0.11
M, N, O	\$0.445	\$0.57	6	3.1%	75%	40%	\$0.17
P, Q, R	\$0.15	\$0.15	6	3.1%	75%	40%	\$0.06
S, T, U	\$0.23	\$0.23	6	3.1%	75%	40%	\$0.09
V, W, X	\$0.25	\$0.25	6	3.1%	75%	40%	\$0.10
Y	\$0.06	\$0.06	1	4%	85%	n/a	\$0.06

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 41: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

The value of the loan shares issued under the Management Incentive Plan has been expensed as a share based payment for the period ended 30 June 2023 as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2023 \$
Tranche A	15,000,000	25/8/2015	24/8/2017	\$0.25	-
Tranche B	10,000,000	25/8/2015	24/8/2018	\$0.35	-
Tranche C	10,000,000	25/8/2015	24/8/2019	\$0.45	-
Tranche D	400,000	5/4/2016	6/4/2017	\$0.285	-
Tranche E	400,000	5/4/2016	6/4/2018	\$0.285	-
Tranche F	400,000	5/4/2016	6/4/2019	\$0.285	-
Tranche G	100,000	2/6/2017	2/6/2018	\$0.245	-
Tranche H	100,000	2/6/2017	2/6/2019	\$0.245	-
Tranche I	100,000	2/6/2017	2/6/2020	\$0.245	-
Tranche J	200,000	20/11/2017	20/11/2018	\$0.25	-
Tranche K	200,000	20/11/2017	20/11/2019	\$0.25	-
Tranche L	200,000	20/11/2017	20/11/2020	\$0.25	-
Tranche M	266,667	6/5/2019	5/5/2020	\$0.57	-
Tranche N	266,667	6/5/2019	5/5/2021	\$0.57	-
Tranche O	266,667	6/5/2019	5/5/2022	\$0.57	-
Tranche P	560,000	16/3/2020	16/3/2021	\$0.15	-
Tranche Q	560,000	16/3/2020	16/12/2022	\$0.15	-
Tranche R	560,000	16/3/2020	16/12/2023	\$0.15	4,490
Tranche S	100,000	15/1/2021	15/10/2021	\$0.23	-
Tranche T	100,000	15/1/2021	15/10/2022	\$0.23	-
Tranche U	100,000	15/1/2021	15/10/2023	\$0.23	2,143
Tranche V	467,000	1/3/2021	1/3/2022	\$0.25	-
Tranche W	467,000	1/3/2021	1/3/2024	\$0.25	15,789
Tranche X	467,000	1/3/2021	1/3/2024	\$0.25	15,697
Tranche Y	30,850,000	24/11/2022	24/11/2022	\$0.06	1,047,381
Total					<u>1,085,500</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 41: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

(b) Long Term Incentive Plan Options

On 16 November 2018, LiveTiles Limited issued 4,056,200 options to certain employees under the Long-Term Incentive Plan.

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

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

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

On 1 March 2021, LiveTiles Limited issued 7,818,700 options to certain employees under the Long-Term Incentive Plan.

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share. The value of the loan shares issued under the Management Incentive Plan has been expensed as a share based payment for the period ended 30 June 2023 as follows:

Number of options	Date issued	Vesting date	Vesting price	Expense for 12 months ended 30 June 2023
				\$
200,000	16/11/2018	16/11/2019	\$0.41	-
200,000	16/11/2018	16/11/2020	\$0.41	-
940,000	16/11/2018	16/11/2020	\$0.41	-
940,000	16/11/2018	16/11/2021	\$0.41	-
888,100	16/11/2018	16/11/2020	\$0.59	-
888,100	16/11/2018	16/11/2021	\$0.59	25
185,000	16/1/2018	16/1/2020	\$0.52	-
185,000	16/1/2018	16/1/2021	\$0.52	-
185,000	16/1/2018	16/1/2022	\$0.52	-
611,325	25/11/2019	25/11/2021	\$0.43	1,246
611,325	25/11/2019	25/11/2022	\$0.43	2,050
1,468,500	25/11/2019	25/11/2021	\$0.30	3,569
1,468,500	25/11/2019	25/11/2022	\$0.30	5,872
181,000	25/11/2019	25/11/2021	\$0.30	967
181,000	25/11/2019	25/11/2022	\$0.30	1590
450,000	16/3/2020	16/12/2021	\$0.15	-
450,000	16/3/2020	16/12/2022	\$0.15	-
2,605,000	1/3/2021	1/3/2023	\$0.25	118,999
2,605,000	1/3/2021	1/3/2024	\$0.25	79,257
1,304,350	1/3/2021	1/3/2023	\$0.36	34,210
1,304,350	1/3/2021	1/3/2024	\$0.36	22,786
Total				<u>270,571</u>

(c) Contingent payment on acquisition of Human Link

On 7 April 2022, LiveTiles acquired Human Link. Because part of the total amount payable is contingent on the continued employment of key staff, such amount is deemed to be a share-based payment for post combination services. The fair value of the contingent liability was raised as an expense in the year ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The fair value of this liability and its corresponding share-based payment expense was revisited in the 2023 financial year and it was considered no amount was payable under the share sale agreement. As a result the contingent liability and subsequent expense have been reversed in the 2023 accounts.

(d) Executive Investment Plans

On 24 November 2022, as an incentive to commence the Chief Executive Office role, LiveTiles Limited issued 25,000,000 shares to David Vander via an Executive Investment Plan (EIP). The shares will vest evenly over the next three years subject to achieving certain share price hurdles which can be summarised as below.

	Number of shares	End of vesting period	Share price - Performance hurdles ¹
Tranche 1	8,333,333	25 November 2023	1.30 times
Tranche 2	8,333,333	24 November 2024	1.69 times
Tranche 3	8,333,334	24 November 2025	2.20 times
	25,000,000		

1. Multiple of share price compared to date of issue (24 November 2022). Fair value was determined applying a share price of \$0.06 at the grant date and a volatility of 65%.

(e) My Net Zero shares

On 25 October 2022 an agreement was entered into to acquire 100% of My Net Zero R & D Pty Ltd which was to be settled per Note 36. The expense recognised in note 41 represents the pro-rated portion of the share proceeds vested after taking into account the partial achievement of the earn-out targets under the sale agreement.

(f) Reversal of unvested performance-based shares

The Share Based Payment reversal of \$454,986 related to the acquisition of Human Link for not achieving the performance conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 42: COMPANY DETAILS

The registered office of the Company is:

LiveTiles Limited
Level 22/60 Margaret Street
Sydney 2000

The principal places of business are:

- Australia: Level 22/60 Margaret Street
Sydney 2000
- USA: 55 Broadway
Suite 428
New York NY 10006
- Denmark: Lautrupgade 13
Copenhagen
2100
- Switzerland: Malzgasse 7a,
Basel
4052
- Ireland: 14 Teeling Street,
Sligo
F91 HD3T
- Portugal: Via castelo do queijo 395,
Porto
4100-429

DIRECTORS DECLARATION


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Jesse Todd

Chairman

Sydney

29 September 2023

INDEPENDENT AUDITOR'S REPORT

To the members of LiveTiles Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of LiveTiles Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of intangible assets

Key audit matter	How the matter was addressed in our audit
<p>As at 30 June 2023, the Group recognised intangible assets with a carrying value of \$59,307,689 as disclosed in Note 13 of the financial report. During the financial year, two of the three Cash Generating Units ('CGUs') recorded impairment losses comprising \$21,000,000 in respect to the EX Platform CGU and \$3,068,962 in relation to the My Net Zero (MNZ) CGU.</p> <p>The assessment of the carrying value of intangible assets was considered a key audit matter due to the significant value of these assets in the Consolidated Statement of Financial Position in addition to the key estimates and judgements applied by management in determining the recoverable value of these assets under AASB 136 <i>Impairment of Assets</i>.</p>	<p>Our audit procedures for assessing the carrying value of the Group's intangible assets included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Evaluated management's assessment pertaining to the identification and classification of each CGU as a result of the acquisition of MNZ during the financial year. • Evaluated and assessed whether management's operating segments and CGU assessment were in accordance with AASB 8 <i>Operating Segments</i> and AASB 136 <i>Impairment of Assets</i>. • Evaluated the discounted cash flow models prepared by management and challenged the assumptions and judgements made. This included considering historical performance in comparison to forecast future cash flows. • Together with BDO valuation specialists, assessed the reasonableness of the discount rates applied by management. • Performed sensitivity analysis on the key inputs applied to the discounted cash flow models to assess the impact that reasonable changes in the assumptions would make to the recoverable value of the CGU. • Assessed the adequacy of the Group's disclosures in respect of the intangible asset carrying values and impairment assessment assumptions as disclosed in Note 13 of the financial report against the requirements of Australian Accounting Standards.

Accounting for the BindTuning investment and the MNZ acquisition

Key audit matter	How the matter was addressed in our audit
<p>During the financial year the Group made or held the following investments:</p> <ul style="list-style-type: none"> Assets classified as held for sale, related to the BindTuning investment, with a carrying value of \$7,379,809 as at 30 June 2023 as disclosed in Note 9 and Note 15. Acquisition of My Net Zero R&D Pty Ltd (MNZ) as disclosed in Note 36. <p>These investments were considered to be a key audit matter due to the judgement and complexity involved in assessing the appropriate accounting treatment and fair value in accordance with the applicable accounting standards.</p>	<p>Our audit procedures for addressing this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> Reviewed the share purchase and acquisition agreements and subsequent agreements, for each investment to verify the key terms in order to assess the appropriate accounting treatment on initial recognition and subsequent to acquisition. Together with BDO IFRS specialists, evaluated and assessed the accounting treatment adopted by management against the requirements of Australian Accounting Standards. Evaluated the assumptions and methodology in management's determination of the subsequent measurement for both investments taking into account contractual obligations at the reporting date. Assessed management's estimation of the contingent consideration arrangements related to MNZ by challenging the key assumptions and probability of achievement of future targets as at 30 June 2023. Assessed the adequacy of the Group's disclosures of the investments within Notes 9,15 and 36 of the financial report against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report (excluding the audited remuneration report) for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to shareholders, which is expected to be made available to use after that date.

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of LiveTiles Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

This block contains the BDO logo, which is the letters 'BDO' in a stylized font, and a handwritten signature in black ink that appears to read 'M. Coyle'.

Martin Coyle
Director

Sydney, 29 September 2023