2018
Annual Report

Annual Report for the financial year ended 31 December 2018

BuildingIQ, Inc.
ARBN 605 422 160

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Dear Shareholders,

It gives us great pleasure to present the BuildingIQ, Inc. ("BuildingIQ") 2018 Annual Report.

The Annual Report summarises the Fiscal Year 2018, a year in which we focused our efforts on expanding our capabilities to address the energy needs of our clients, their comfort and operational needs. The technology enabled services that we deliver from the 5i Platform have given us the ability to expand our reach and target not only buildings that are in the operational phase of their lifecycle but also those under construction. This is a key driver for our growth this year and further solidifies our role in supporting the entire lifecycle of a building.

BuildingIQ is in a strong competitive position as the 5i Platform is the market's only integrated offering that brings visualisation, analytics, control and optimisation services together enabling a complete building portfolio benefit.

The financial highlights for 2018 (all AUD):

- Revenue from ordinary activities grew 40% to $7.36m (2017: 33% to $5.26m);
- Revenue and other income grew by 26% to $8.82m (2017: 40% to $7.02m);
- 2019 contracted revenue reached $8.0m (2018: $6.77m);
- Operating expenses increased by 13% to $8.09m (2017: reduced by 32% to $7.14m);
- Building count increased to 1,268 buildings (2017: 1,085 buildings); and
- BuildingIQ now has over 121million (2017: 100million) square feet under contract.

Operationally there were a number of exciting developments, which will provide financial benefits for BuildingIQ in the 2019 financial year and beyond.

In 2016 BuildingIQ acquired and integrated onto the 5i Platform the Energy and Facility Worksite applications, adding a new dimension to the core technology, Predictive Energy Optimisation™ (PEO), originally acquired from CSIRO. These technologies enabled BuildingIQ to expand its go-to-market strategy to include the Higher Education and Healthcare markets, and provide a complete portfolio versus a building specific solution. This delivered significant wins in both sectors over the past year.

We expanded the focus of some of our product and sales resources to utilise the 5i Platform in greenfield buildings from construction through to operations. This resulted in strong revenue growth in Australia. Cashflow from these buildings will occur based on stages of completion.

As part of this expansion into greenfield buildings, we acquired Buildingsense Australia Pty Ltd (Buildingsense) in 2018 to boost our capabilities and growth prospects in the sector and this is expected to deliver significant financial benefits moving forward. Buildingsense was a Perth-based building retrofitter and provider of a leading suite of building management system (BMS) products and services for commercial real estate. The acquisition enables the integration of the BuildingIQ platform into buildings from construction and further strengthens and expands the capabilities of our 5i Platform.

The capital raising announced on 15 December 2017 was completed raising a total of $6.50 million, with $5.90 million of this received in January 2018.

On behalf of the Board, our thanks go to the team at BuildingIQ for their collective contributions. The year saw significant milestones achieved for BuildingIQ, as we continued to build scale and brought the latest generation of our services technology to market. We focused on expanding the services that the 5i Platform offers in the first half of the year, and executed on client adoption, cost management and cashflow in the second half. These efforts have positioned BuildingIQ well for a successful 2019.

Looking ahead, BuildingIQ will be focused on achieving financially astute growth. We will continue to strengthen our position in current markets through new greenfield and established buildings growth; expand into North America with a brownfield (retrofit) buildings approach to complement our successful established buildings presence, and look to continue our organic growth with appropriate inorganic growth to drive increased shareholder value. We will also continue to drive more of our services to existing clients while investigating new geographies to exploit and drive a competitive advantage.

We look forward to meeting many of our shareholders at the Company's Annual General Meeting on 28 March 2019.

Yours sincerely,

Alan Cameron	**Michael Nark**
Chair	President & CEO

BuildingIQ, Inc.
Corporate Directory
31 December 2018

Directors	Alan Cameron Tanya Cox William Deane Gerd Goette Michael Nark
Company secretary	Lisa Jones
Notice of annual general meeting	The details of the Annual General Meeting of BuildingIQ, Inc. are: Level 4, 60 Carrington Street (Offices of Computershare) Sydney NSW 2000 2.00 pm (AEDT) on 28 March 2019
US Company Registered office	251 Little Falls Drive, Wilmington, Delaware 19808-1674, USA
US Principal place of business	2121 South El Camino Real, Suite 200 San Mateo, CA 94403, USA
Australian Registered Office & Principal Place of Business	Suite 1102, 46 Market Street, Sydney, NSW, 2000
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067 www.computershare.com
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
Stock exchange listing	BuildingIQ's CDIs (CHESS Depository Interests) are quoted on the Australian Securities Exchange (ASX code: BIQ)
Website	www.BuildingIQ.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'BuildingIQ') consisting of BuildingIQ, Inc. (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Alan Cameron, AO
Tanya Cox
William Deane
Gerd Goette
Michael Nark
Ken Pentimonti (resigned on 20 March 2018)

Principal activities
BuildingIQ is a leading provider of energy efficiency services for facilities throughout the United States, Canada and Australia. BuildingIQ's principal service is the development, design, engineering and installation of integrated software solutions that reduce the energy, operations and maintenance costs of customers' facilities. These solutions typically include a variety of measures deployed for each facility and are designed to improve the efficiency of major building systems, such as heating, ventilation and air conditioning systems.

Dividends
No dividends were paid during the year or subsequent to the year end.

Review of operations

Revenues consist primarily of software license fees, software implementation, hardware sales, project management services, installation, consulting and post-sale maintenance and support. BuildingIQ also receives grants and tax incentives in Australia.

Revenue and other income increased from last year by approximately 26% to $8,817,475 (2017: 40%, to $7,024,658). The key reason for this increase was the growth in services delivered from BuildingIQ's 5i Platform which includes visualisation, analytics, control and optimisation. While growth was achieved across all services, significant growth was seen in our control services which includes deployment and commissioning of building management systems (BMS) and IoT devices from our cloud based 5i Platform in greenfield buildings.

Operating expenses increased by 13% to $8,089,999 (2017: $7,139,288) primarily due to an increase in administrative, sales and marketing costs, as well as currency fluctuations impacting US operations. The overall result of these factors was that Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) for the year decreased by $1,219,231 to $3,148,947 (2017: $1,929,716). EBITDA is a financial measure that is not prescribed by the Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The expansion into the greenfield segment via partnership and subsequent acquisition solidified the go to market strategy for the company in Asia Pacific. It is expected that BuildingIQ will see continued growth in the future from this segment and it has a very healthy bid pipeline of potential clients. This growth will drive moderate cost of sales increases as it strives to deliver EBITDA profitability in the coming year. In order to continue to support further revenue growth increase, the company will look to access supply chain, project and receivables based financing vehicles.

Changes in the state of affairs

In September 2018, BuildingIQ acquired Buildingsense Australia Pty Ltd to further expand its service offering to include turn-key solutions to its clients, taking them on the 5i Platform journey. This enabled a closer relationship with greenfield customers for the deployment and commissioning of building management systems (BMS) from our cloud based 5i Platform and expansion of those deployments to other 5i Platform SaaS (Software-as-a-Service) subscription services in greenfield buildings. These services ensure that BuildingIQ is able to design to specification all components in a building to help serve the ultimate goal, delivery of energy savings through our optimisation service which utilises our Predictive Energy Optimisation (PEO) software algorithms. These activities resulted in a significant increase in revenue in Australia, as well as increased costs relating to hardware and labour. Cashflow from these greenfield buildings will occur in completion stages.

The consolidated entity, through a 70% interest in BIQSense Pty Ltd, acquired 100% of Buildingsense Australia Pty Ltd, for a total consideration of $1,025,000, which was executed through an issue of 13,636,364 shares @ $0.0605 and deferred settlement of $200,000 as per the below details:

First deferred settlement of $80,000 paid on 15 December 2018;
Second deferred settlement of $90,000 payable on 15 August 2019; and
Third and final deferred settlement of $30,000 payable on 17 September 2020.

The consolidated entity recognised $2,216,928 as goodwill on acquisition, being excess of the purchase consideration paid over the fair value of net assets of Buildingsense Australia Pty Ltd, which is provisional at 31 December 2018, pending the finalisation of the purchase price allocation.

There were no other significant changes to the affairs of BuildingIQ during the year.

Matters subsequent to the end of the financial year

There have been no other transactions or events of a material or unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors, significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

Likely developments and expected results of operations

BuildingIQ will continue to focus on expanding beyond the 1,268 (2017: 1,085) buildings currently deployed on the 5i Platform. This will be achieved via a combination of existing sales channels and alternate, cost effective distribution channels including strategic partnerships with industry participants and relationships that will deliver accelerated customer acquisition in new markets. General margin is expected to decrease as the consolidated entity increases activity in greenfield buildings.

The company will continue to consider inorganic opportunities that bring more buildings onto the 5i Platform while providing additional human capital and complementary technology that can be integrated and delivered from the 5i Platform.

Environmental regulation

The consolidated entity is not directly subject to any significant environmental regulation.

Corporate Governance

The company, as a Delaware incorporated corporation, seeks to achieve substantive compliance with the governance recommendations set out in the 'Corporate Governance Principles and Recommendations 3rd Edition', published by the ASX Corporate Governance Council (the ASX Principles). The company's Corporate Governance Statement can be viewed at www.buildingiq.com/investor-relations.

Company secretary

Lisa Jones was appointed Company Secretary of the consolidated entity, based in Australia, on 17 May 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australian and in Europe.

Foreign exchange

All 31 December 2018 figures translated from Australian Dollars to U.S. Dollars use an exchange rate of A$1.417386 (2017: A$1.281657) to US$1.000000, unless otherwise noted.

Information on directors

Name:	**Alan Cameron, AO**
Title:	Non-Executive Independent Chairman
Qualifications:	BA, LLM (Syd), FAICD, FAAL
Experience and expertise:	Alan was a partner in a major law firm for 12 years before becoming Commonwealth Ombudsman in 1991, and was chairman of the Australian Securities Commission (ASC) and its successor, the Australian Securities and Investments Commission (ASIC), from January 1993 to November 2000. Since leaving ASIC in 2000, Alan has been a company director and consultant on regulatory projects and governance reviews of various kinds. He is currently chair of Property Exchange Australia Limited. He was appointed a Member of the Order of Australia in 1997, and an Officer in 2011. Alan joined the Board of the company in April 2015 as Chairman.
Other current directorships:	Non-Executive Director of Property Exchange Australia Limited (since January 2010)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman, Chair of Nomination Committee and member of the Audit & Risk Management Committee and the Remuneration Committee
Interests in shares:	880,000
Interests in options:	None
Contractual rights to shares:	None

Name:	**Tanya Cox**
Title:	Non-Executive Independent Director
Qualifications:	M.B.A., FAICD, FGIA, FCIS
Experience and expertise:	Tanya has more than 15 years' experience as a non-executive director and is currently Chair of Equiem Holdings Ltd, Deputy Chair of the World Green Building Council, a director of ASX listed OtherLevels Holdings and the Green Building Council of Australia. Tanya is also a member of the NSW Climate Change Council, and the CSIRO Property Strategy Advisory Committee. In her executive career, Tanya was most recently Chief Operating Officer of the DEXUS Property Group from 2003 to 2014. Tanya joined the Board of the company in August 2015.
Other current directorships:	Non-Executive Director of Other Level Holdings (ASX:OLV) (since February 2015)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit & Risk Management Committee and the Remuneration Committee and member of the Nomination Committee
Interests in shares:	80,000
Interests in options:	None
Contractual rights to shares:	None

Name:	**William Deane**
Title:	Non-Executive Director
Qualifications:	LL.B., BA
Experience and expertise:	William is a Managing Director of Exto Partners Pty Ltd, a venture capital firm based in Sydney. He has successfully managed IPOs, mergers and acquisitions for Exto's portfolio companies. Prior to joining Exto Partners, William was a corporate lawyer in New York with Sidley Austin LLP and Skadden, Arp, Slate, Meagher and Flom LLP, and in Australia with Ashursts (formerly Blake Dawson Waldron). Will joined the Board of the company in October 2012 and was previously a director of BuildingIQ Pty Ltd from 2009.
Other current directorships:	Non-Executive Director of RedHill Education (ASX:RDH)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee, the Remuneration Committee and the Nomination Committee
Interests in shares:	4,634,796, held as a beneficial interest in CDIs through Exto Partners Australia Pty Ltd. William does not control Exto Partners Australia but he holds greater than 20% of its voting securities.
Interests in options:	None
Contractual rights to shares:	None

Information on directors (continued)

Name:	**Gerd Goette**
Title:	Non-Executive Independent Director
Qualifications:	M.S. Electrical Engineering
Experience and expertise:	Gerd is a seasoned venture capital investor, board member and strategic advisor with deep domain expertise in energy, transportation and the built environment. He is the Managing Director of Lupine Growth Advisors, an advisory firm helping start-ups navigate the growth challenges from minimum viable product to tens of millions in revenue. Gerd serves on the board of directors of Sunverge Energy and Zen Ecosystem; he also serves on the Investor Advisory Board of the National Renewable Energy Laboratory (NREL). Previously, Gerd spent 18 years at Siemens Venture Capital, where as a Managing Partner he was the global head of the energy practice. Gerd joined the Board of the company in December 2012.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration Committee and the Nomination Committee
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

Name:	**Michael Nark**
Title:	Executive Director, President & CEO
Qualifications:	B.S. Engineering
Experience and expertise:	Michael brings over 25 years' experience in software and technology-enabled service delivery businesses. He recently served as President and CEO of Power Analytics. He has a proven track record of building successful, efficient organisations and experience in leading companies to profitable growth. Michael was appointed President and CEO and joined the Board of the company in October 2014.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	President and CEO, member of the Nomination Committee
Interests in shares:	552,000
Interests in options:	2,703,089
Contractual rights to shares:	None

Information on directors (continued)

'Other current directorships' noted above are current directorships for ASX listed entities only and exclude directorships of all other types of entities.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and exclude directorships of all other types of entities.

'Interest in shares' is in accordance with the Appendix 3X/3Y lodged with the ASX in respect of each director.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2018, and the number of meetings attended by each director were:

	Board		Remuneration		Nomination		Audit & Risk	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Alan Cameron, AO	13	13	3	3	2	2	8	8
Tanya Cox	13	13	3	3	2	2	8	8
William Deane	13	13	3	3	2	2	8	8
Gerd Goette	13	13	3	3	2	2	6*	8
Michael Nark	13	13	2*	3	2	2	5*	8
Ken Pentimonti	4	4	-	-	-	-	-	-

* Attended as an observer

Remuneration Report – audited

This remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the consolidated entity for Non-executive and Executive Directors, and executives determined by the Board to be Key Management Personnel ("KMP").

The information provided in this Remuneration Report has been audited.

A Key Management Personnel disclosed in this report

Key Management Personnel (KMP) include those personnel who have the authority and responsibility to plan, direct and control the major activities of the consolidated entity.

Alan Cameron, AO	Independent Chair (Non-executive)
Tanya Cox	Independent Director (Non-executive)
William Deane	Director (Non-executive)
Gerd Goette	Independent Director (Non-executive)
Michael Nark	Executive Director, President and Chief Executive Officer
Ken Pentimonti	Director (Non-executive) (resigned 20 March 2018)

B Remuneration governance

BuildingIQ Pty Ltd was founded in Sydney, Australia in 2009. BuildingIQ, Inc. a U.S based entity was formed in 2012 as a Delaware Corporation, and is now headquartered in San Mateo, CA. BuildingIQ Pty Ltd was acquired in the same year and since that time has been operated as a wholly owned subsidiary of BuildingIQ Inc. As a consequence, BuildingIQ's executive remuneration framework is international in flavour.

The Remuneration Committee's objectives for BuildingIQ's remuneration framework are for the framework to be:

- competitive and reasonable, enabling BuildingIQ to attract and retain key talent in the jurisdictions in which it operates;
- aligned to BuildingIQ's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood, and
- acceptable to shareholders.

The objectives of BuildingIQ's remuneration policies are to ensure that remuneration packages for executive KMP reflect their duties, responsibilities and level of performance - as well as to ensure that all executive KMP are motivated to pursue the long-term growth and success of the consolidated entity.

Fundamental to all remuneration arrangements is that executive KMP must contribute to the achievement of short and long-term objectives, enhance shareholder value, avoid unnecessary or excessive risk taking and discourage behaviour that is contrary to BuildingIQ's values.

Details of the short and long-term incentive schemes are set out below in the "Executive remuneration policy and framework" section C of the Remuneration Report.

Securities Trading Policy

The trading of CHESS Depository Interests & shares issued to eligible employees under any of BuildingIQ's employee equity plans is subject to, and conditional upon, compliance with BuildingIQ's Securities Trading Policy. KMP must not use BuildingIQ securities in connection with a margin loan or similar financing arrangement, nor are they permitted to engage in hedging activities, deal in derivatives or enter into other arrangements that limit the economic risk associated with BuildingIQ securities. US Persons are subject to additional restrictions in accordance with US regulations and per the FOR US restriction imposed by ASX.

Remuneration Report – audited (continued)

C Executive remuneration policy and framework

The Board reviews the remuneration packages for executive KMP annually by reference to performance against individual objectives and BuildingIQ's consolidated results. The performance review of the President and Chief Executive Officer is undertaken by the Board.

BuildingIQ aims to reward executive KMP with a level of remuneration commensurate with their responsibilities and position within the consolidated entity and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the consolidated entity.

The executive KMP remuneration framework has three components:

- fixed base pay and benefits, including superannuation (where applicable);
- short-term incentives (STIs); and
- long-term incentives (LTIs) through participation in the 2012 Equity Incentive Plan (EIP).

The combination of these components comprise the total remuneration package of executive KMP.

Base pay

Base pay may be delivered as a combination of cash and prescribed non-financial benefits at the discretion of the KMP. Executive KMP are offered a modest base pay that comprises cash salary, superannuation and non-monetary benefits. Base pay for executive KMP is reviewed annually by the Remuneration Committee, which takes into account capability, experience, value to the organisation and performance of the individual.

There has been no change in base pay for the President and Chief Executive Officer since 1 January 2016.

Retirement benefits for KMP

There are no retirement benefits made available to KMP, other than as required by law.

Short-term incentive (STI)

To ensure that remuneration for executive KMP is aligned to BuildingIQ's performance, a significant component of each executive KMP's remuneration package is performance based and therefore "at risk".

Executive KMP have the opportunity to earn an annual STI if pre-defined targets are achieved. 50% of each executives' total STI opportunity is tied to corporate performance. The remaining 50% is tied to personal Key Performance Indicators (KPIs). The maximum STI opportunity for each KMP is based on the role, responsibility and ability to influence the performance of the consolidated entity.

KPI's for executive KMP to 31 December 2018 included:

KMP	Key Performance Indicators
Michael Nark	• 50% based on the consolidated entity's financial performance, comprising bookings, revenue and EBITDA targets • 50% based on individual KPIs linked to the consolidated entity's strategic plan, including business growth, profitability, cash and capital management targets

The target remuneration mix for executive KMP to 31 December 2018 was:

KMP	Fixed	STI	Total
Michael Nark	67%	33%	100%

Details of the performance based remuneration awarded and forfeit during the period were:

KMP	Performance	Target	Awarded	Forfeit
Michael Nark	Financial KPIs	$97,445	$32,482	$64,968
	Strategic KPIs	$97,445	$64,314	$33,131
	Discretionary		$35,435	

With respect to KPIs based on the consolidated entity's financial performance, 33% of stretch financial targets were met.

Remuneration Report – audited (continued)

With respect to KPIs based on the President and Chief Executive Officer's individual contribution to the achievement of BuildingIQ's strategic objectives, 66% of strategic targets were met.

In addition to the STI award detailed above and in recognition of his exceptional personal contribution the Remuneration Committee exercised its discretion and awarded the President and Chief Executive Officer an additional payment of $35,435 (US$25,000).

***Prior Period 2017*:**

Details of the performance based remuneration awarded and forfeit during the prior period were:

KMP	Performance	Target	Awarded	Forfeit
Michael Nark	Financial KPIs	$88,114	$80,184	$7,930
	Strategic KPIs	$88,114	$70,491	$17,623

Long-term incentive (LTI)

The objective of the LTI scheme is to deliver long-term shareholder value by incentivising executive KMP to achieve sustained financial performance. BuildingIQ grants directors and key employees options under its:

- 2012 Equity Incentive Plan ('EIP'), and
- Employee Share Option Plan ('ESOP')

The President and Chief Executive Officer was offered, subject to shareholder approval, options exercisable for 500,000 shares of common stock, at exercise prices of 10.0, 12.5, 15.0 and 17.5 cents, with vesting subject to continued service over a three year period from the first vesting date (estimated to be 28 March 2019) as announced to the ASX on 27 April 2018. The Board elected not to convene a general meeting of stockholders for the sole purpose of seeking approval for the issue of these options and accordingly is seeking approval at the upcoming Annual General Meeting scheduled for 28 March 2019.

During 2018 the Remuneration Committee reviewed the effectiveness of the 2012 Equity Incentive Plan, which was designed to provide the opportunity for KMP to acquire an interest in the company and align those interests and efforts with the long-term interests of shareholders. As the Plan has generally not achieved this objective the Remuneration Committee determined to grant a once-off award of up to 5,000,000 Stock Units to the President and Chief Executive Officer under the Company's 2012 Equity Incentive Plan which will vest as follows:

- 1,650,000 Stock Units will vest immediately upon obtaining of shareholder approval in accordance with Listing Rule 10.14 (approval being sought at AGM on 28 March 2019);
- 1,680,000 Stock Units will vest monthly during the 24 month period commencing 1 January 2019. As vesting is subject to shareholder approval, assuming that stockholder approval is obtained at the 2019 Annual General Meeting on 28 March 2019 then on 31 March 2019 a total of 210,000 Performance Stock Units would vest immediately and the balance would vest in equal monthly tranches of 70,000 each month until 31 December 2020;
- 1,670,000 Stock Units will vest in three equal tranches of 556,666 each on 1 January 2020, 1 January 2021 and 1 January 2022 subject to continued service and satisfaction of agreed performance hurdles for the 12 month performance periods ending on 31 December 2019, 31 December 2020 and 31 December 2021, respectively. The performance hurdles will be 50% based on achievement of budgeted revenue and cash flow targets and 50% based on achievement of total shareholder return targets, for each of the 12 month performance periods. The Company will provide further details relating to the performance hurdles in its Annual Report following the relevant performance period

All vesting is subject to continued employment as at the applicable vesting date. Upon exercise, each Stock Unit entitles Mr Nark to one share of common stock with no further consideration payable. Further details in relation to the vesting and other applicable terms and conditions of the Stock Units are set out in the Company's 2019 Notice of Annual Meeting, expected to be despatched in early March 2019.

Remuneration Report – audited (continued)

***Prior Period 2017*:**

The President and Chief Executive Officer was granted 500,000 options over common stock, at strike prices of 10.0, 12.5, 15.0 and 17.5 cents, with vesting subject to continued employment over a four year period. This grant was approved at the Annual General Meeting held on 16 May 2017.

The options vest over a four year period with the first 25% vesting on the first anniversary and the balance vesting thereafter in equal monthly increments.

D Relationship between remuneration and the consolidated entity's performance

The overall level of reward for executive KMP takes into account the performance of the consolidated entity. 50% of STI awards for KMP are based on performance against predetermined financial targets. For this component of STI in 2018 the President and Chief Executive Officer was awarded a total of $32,482 (2017: A$80,184), for achievement of target bookings in excess of A$9.5 mil. The Company did not achieve stretch EBITDA or revenue targets.

Earnings of the consolidated entity for the five years to 31 December 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Sales revenue	7,358,880	5,263,762	3,958,342	4,272,887	1,418,646
Other income	1,458,595	1,760,896	1,048,501	893,401	548,139
EBITDA	(3,148,947)	(1,929,716)	(7,098,507)	(4,503,817)	(4,410,261)
EBIT	(4,472,163)	(3,536,950)	(7,783,293)	(5,278,898)	(5,113,587)
Loss after income tax	(4,467,916)	(3,535,583)	(7,770,900)	(5,273,890)	(5,345,132)

The factors considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015	2014
Share price at financial year end	$0.04	$0.14	$0.09	$1.02	N/A
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(2.0)	(4.2)	(9.2)	(8.4)	(19.8)

E Non-executive Director remuneration policy

Non-executive Director's fees are determined within an aggregate Directors' fee pool limit.

The maximum annual aggregate Directors' fee pool limit is A$425,216 (US$300,000) per annum. Aggregate total Directors' fees for 2018 were $125,000 (2017: $140,000).

Fees earned vary for the Board's Chair and for the Chair of each Board Committee, as follows.

Base fees	**2018**
Chair	$40,000
Other Non-executive Directors	$20,000

Committee fees	
Audit and Risk Management Committee Chair	$10,000
Audit and Risk Management Committee Member	Nil
Remuneration Committee Chair	$10,000
Remuneration Committee Member	Nil
Nomination Committee Chair/Member	Nil

Remuneration Report – audited (continued)

During 2018 the Remuneration Committee reviewed the remuneration of Non-executive Directors and acknowledged that the Company's Non-executive directors' fees were significantly below that of similar sized ASX listed companies. Given the Board's focus on cash retention and profitability, the Committee deemed it inappropriate to increase the cash remuneration of Non-executive Directors in 2019.

Retirement allowance for Directors

There are no retirement allowances paid to Non-executive Directors.

F Details of remuneration of Directors and Key Management Personnel

Current Period - 2018

		Short-term benefits			Post-Employment Benefits		
Key Management Personnel		**Salary and fees $**	**Cash Bonus[1] $**	**Other $**	**Super $**	**Option-based payments $**	**Total $**
Alan Cameron	2018	40,000	-	-	-	-	40,000
Tanya Cox	2018	40,000	-	-	-	-	40,000
William Deane	2018	20,000	-	-	-	-	20,000
Gerd Goette	2018	20,000	-	-	-	-	20,000
Michael Nark	2018	389,781	166,998	-	-	21,386	578,165
Ken Pentimonti[2]	2018	5,000	-	-	-	-	5,000
Total		**514,781**	**166,998**	**-**	**-**	**21,386**	**703,165**

[1] STI was earned/awarded in 2018 and paid in 2019.

[2] Mr Pentimonti resigned on 20 March 2018

Prior period – 2017

		Short-term benefits			Post-Employment Benefits		
Key Management Personnel		**Salary and fees $**	**Cash Bonus[1] $**	**Other $**	**Super $**	**Option-based payments $**	**Total $**
Alan Cameron	2017	40,000	-	-	-	-	40,000
Tanya Cox	2017	40,000	-	-	-	-	40,000
William Deane	2017	20,000	-	-	-	-	20,000
Gerd Goette	2017	20,000	-	-	-	-	20,000
Michael Nark	2017	352,456	150,675	25,037	-	23,560	551,728
Ken Pentimonti	2017	20,000	-	-	-	-	20,000
Total		**492,456**	**150,675**	**25,037**	**-**	**23,560**	**691,728**

[1] STI was earned/awarded in 2017 and paid in 2018.

Remuneration Report – audited (continued)

G Service agreements

Remuneration and other employment benefits for executive KMP are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

Michael Nark	Annual base salary	US$275,000 plus health insurance
	Performance bonus	US$137,500
	Options	First Options – 5% of fully diluted capital of the company as at the date of hire
	Termination	Accrued wage and leave entitlements are paid. Unvested options lapse. Consistent with US employment arrangements employment may be terminated at any time, with or without cause and with or without notice at the option of either the company or the CEO. In either case a four month severance obligation is payable on termination.

H Share-based compensation

Options

There were no options over common stock issued to Directors in the current year. Further information on options and performance rights are set out in note 31 of the financial statements.

The assessed fair value at the grant date of options awarded to individuals is allocated over the period from grant date to expiry date, and the amount for the current period is included in the remuneration table in this report. Fair values are determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option.

I Equity instruments held by Key Management Personnel (options)

Current Period - 2018

The number of options exercisable for shares of common stock in the company held during the 2018 period by each Key Management Personnel of the company are set out below.

Key Management Personnel	Balance at start of period	Granted as compensation	Exercised	Other changes[2]	Balance at end of period	Vested and exercisable to date	Unvested at 31 Dec 2018
Alan Cameron	50,000	-	-	(50,000)	-	-	-
Tanya Cox	40,000	-	-	(40,000)	-	-	-
William Deane	-	-	-	-	-	-	-
Gerd Goette	-	-	-	-	-	-	-
Michael Nark	2,703,089	-	-	-	2,703,089	1,111,370	1,591,719
Ken Pentimonti[1]	-	-	-	-	-	-	-

[1] Mr Pentimonti resigned on 20 March 2018

[2] Number of options which expired during the year

Remuneration Report – audited (continued)

Prior Period - 2017

The number of options exercisable for shares of common stock in the company held during the 2017 period by each Key Management Personnel of the company are set out below.

Key Management Personnel	Balance at start of period	Granted as compensation	Exercised	Other changes	Balance at end of period	Vested and exercisable to date	Unvested at 31 Dec 2017
Alan Cameron	50,000	-	-	-	50,000	50,000	Nil
Tanya Cox	40,000	-	-	-	40,000	40,000	Nil
William Deane	-	-	-	-	-	-	-
Gerd Goette	-	-	-	-	-	-	-
Michael Nark	2,203,089	500,000	-	-	2,703,089	1,111,370	1,591,719
Ken Pentimonti	-	-	-	-	-	-	-

Share holdings

The number of shares in the company held during the period by each director of BuildingIQ, Inc. including their personally related parties, are set out below.

Current Period – 2018

Key Management Personnel	Balance at start of the period	Received during the period on exercise of options	Other changes during the period	Balance at end of the period
Alan Cameron	440,000	-	440,000	880,000
Tanya Cox	40,000	-	40,000	80,000
William Deane[1]	1,598,782	-	3,036,014	4,634,796
Gerd Goette	-	-	-	-
Michael Nark	276,000	-	276,000	552,000

[1]William Deane holds the beneficial interest in CDIs through Exto Partners Australia Pty Ltd. William does not control that company but holds greater than 20% of its voting securities and due to its ownership structure claims an interest in 50% of these CDIs. The increase in shares held was a result of participation in and underwriting of the capital raising announced in December 2017.
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Prior Period – 2017

Key Management Personnel	Balance at start of the period	Received during the period on exercise of options	Other changes during the period	Balance at end of the period
Alan Cameron	440,000	-	-	440,000
Tanya Cox	40,000	-	-	40,000
William Deane[1]	1,598,782	-	-	1,598,782
Gerd Goette	-	-	-	-
Michael Nark	-	-	276,000	276,000
Ken Pentimonti[2]	16,272,869	-	-	16,272,869

[1]William Deane holds the beneficial interest in CDIs through Exto Partners Australia Pty Ltd. William does not control that company but holds greater than20% of its voting securities and due to its ownership structure claims an interest in 50% of these CDIs.
[2]Various Paladin entities held 16,272,869 CDIs at 31 December 2016. Ken Pentimonti had an employment relationship with Paladin but had no control over the entities and disclaims any interest in the CDIs.

Remuneration Report – audited (continued)

J Additional information

Loans to Directors and Executives

There were no loans to Directors or other KMP during the period.

Shares under option

Unissued common stock of BuildingIQ Inc. under option at the date of this report are as follows.

Grant date	Expiry date	Fair value	Exercise Price	2018 Share options
Mar-13	Feb-23	US 2.0 cents	AUD 6.7 cents	188,300
Jun-13	Jun-23	US 2.0 cents	AUD 6.7 cents	10,658
Oct-13	Oct-23	US 10.4 cents	AUD 6.7 cents	1,129,134
Jan-14	Jan-24	US 0.3 cents	AUD 6.7 cents	5,328
Aug-14	Aug-24	US 0.3 cents	AUD 6.7 cents	28,420
Nov-14	Nov-24	US 0.3 cents	AUD 6.7 cents	10,658
Jun-15	Jun-25	US 0.3 cents	AUD 6.7 cents	893,709
Oct-15	Oct-25	US 0.3 cents	AUD 6.7 cents	140,334
Dec-15	Dec-20	AUD 76.2 cents	AUD 115.0 cents	2,112,500
Feb-16	Feb-26	AUD 75.4 cents	AUD 100.0 cents	85,000
Apr-16	Apr-26	AUD 60.9 cents	AUD 100.0 cents	400,000
May-16	May-26	AUD 47.2 cents	AUD 100.0 cents	500,000
Feb-17	Feb-27	AUD 7.6 cents	AUD 10.0 cents	50,000
Feb-17	Feb-27	AUD 7.6 cents	AUD 12.5 cents	50,000
Feb-17	Feb-27	AUD 7.6 cents	AUD 15.0 cents	50,000
Feb-17	Feb-27	AUD 7.6 cents	AUD 17.5 cents	50,000
Feb-17	Feb-27	AUD 7.6 cents	AUD 100.0 cents	75,000
Apr-17	Apr-27	AUD 4.6 cents	AUD 10.0 cents	308,750
Apr-17	Apr-27	AUD 4.6 cents	AUD 12.5 cents	508,750
Apr-17	Apr-27	AUD 4.6 cents	AUD 15.0 cents	308,750
Apr-17	Apr-27	AUD 4.6 cents	AUD 17.5 cents	308,750
May-17	May-27	AUD 3.9 cents	AUD 10.0 cents	125,000
May-17	May-27	AUD 3.9 cents	AUD 12.5 cents	135,000
May-17	May-27	AUD 3.9 cents	AUD 15.0 cents	125,000
May-17	May-27	AUD 3.9 cents	AUD 17.5 cents	125,000
Jan-18	Dec-20	AUD 13.0 cents	AUD 13.5 cents	6,861,792
Mar-18	Mar-28	AUD 6.8 cents	AUD 10.0 cents	261,672
Mar-18	Mar-28	AUD 6.8 cents	AUD 12.5 cents	461,672
Mar-18	Mar-28	AUD 6.8 cents	AUD 15.0 cents	261,672
Mar-18	Mar-28	AUD 6.8 cents	AUD 17.5 cents	261,671
Total				**15,832,520**

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No common stock of the company was issued during the year ended 31 December 2018 and up to the date of this report on the exercise of options granted.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers
As permitted under Delaware law, the company has agreements whereby officers and directors are indemnified for certain events or occurrences while the officer or director is, or was, serving at the company's request in such capacity. The maximum potential amount of future payments the company could be required to make under these indemnification agreements is not limited; however, the company has directors' and officers' insurance coverage that reduces the exposure and may enable the company to recover a portion of any future amounts paid. The company has determined that estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements. There were no non-audit services provided by BDO East Coast Partnership in 2018.

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

Auditor
BDO East Coast Partnership was appointed auditor of the company on 7 December 2015. BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Alan Cameron, AO
Chair
15 March 2019
Sydney

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF BUILDINGIQ, INC.

As lead auditor of BuildingIQ, Inc. for the year ended 31 December 2018, 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 BuildingIQ, Inc. and the entities it controlled during the period.

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 15 March 2019

General information

The financial statements cover BuildingIQ, Inc. as a consolidated entity consisting of BuildingIQ, Inc. and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is BuildingIQ, Inc.'s presentation currency.

BuildingIQ, Inc. is incorporated in Delaware USA. Its principal place of business is:

2121 South El Camino Real, Suite 200
San Mateo CA 94403 USA

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2019. The directors have the power to amend and reissue the financial statements.

BuildingIQ, Inc.
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	4	7,358,880	5,263,762
Other income	5	1,458,595	1,760,896
Revenue & other income		8,817,475	7,024,658
Cost of sales		(3,876,423)	(1,815,086)
Gross Profit		4,941,052	5,209,572
Interest income		4,247	1,367
Sales and marketing		(2,090,723)	(1,573,051)
Research costs		(480,882)	(687,350)
Administrative expenses		(5,518,394)	(4,878,887)
Depreciation & amortisation		(1,323,216)	(1,607,234)
Expenses	6	(9,413,215)	(8,746,522)
Loss before income tax expense		**(4,467,916)**	**(3,535,583)**
Income tax expense	7	-	-
Loss after income tax expense for the year		(4,467,916)	(3,535,583)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		678,277	(1,186,277)
Other comprehensive income for the year, after tax		678,277	(1,186,277)
Total comprehensive income for the year		**(3,789,639)**	**(4,721,860)**
Net (loss) / profit attributable to;			
Owners of the parent entity		(4,588,561)	(3,535,583)
Non-controlling interest		120,645	-
		(4,467,916)	**(3,535,583)**
Total comprehensive income attributable to;			
Owners of the parent entity		(3,910,284)	(4,721,860)
Non-controlling interest	27	120,645	-
		(3,789,639)	**(4,721,860)**
		Cents	**Cents**
Basic earnings per share	32	(2.0)	(4.2)
Diluted earnings per share	32	(2.0)	(4.2)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BuildingIQ, Inc.
Consolidated Statement of Financial Position
As at 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	8	1,975,777	2,418,874
Trade and other receivables	9	4,610,097	3,687,012
R&D grant receivable	9	2,570,796	2,008,418
Other current assets	10	811,380	703,070
Total current assets		9,968,050	8,817,374
Non-current assets			
Property, plant and equipment	11	106,707	104,464
Intangible assets - Goodwill	12	6,130,022	3,538,376
Intangible assets - Other	13	2,554,241	2,065,032
Total non-current assets		8,790,970	5,707,872
Total assets		**18,759,020**	**14,525,246**
Liabilities			
Current liabilities			
Trade and other payables	14	1,026,409	522,492
Employee benefits	15	1,084,607	1,098,127
Deferred revenue		140,818	175,774
Borrowings	16	2,028,935	-
Other current liabilities	17	798,436	1,192,660
Total current liabilities		5,079,205	2,989,053
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		**5,079,205**	**2,989,053**
Net assets		**13,679,815**	**11,536,193**
Equity			
Issued capital	18	51,006,884	44,632,556
Reserves	19	456,411	(291,625)
Non-controlling interest	27	(390,181)	-
Accumulated losses	20	(37,393,299)	(32,804,738)
Total equity		**13,679,815**	**11,536,193**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

BuildingIQ, Inc.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total Equity $**
Balance at 1 January 2017	44,078,685	922,591	(29,269,155)	-	15,732,121
Loss after income tax expense for the year	-	-	(3,535,583)	-	(3,535,583)
Other comprehensive income for the year, net of tax	-	(1,186,277)	-	-	(1,186,277)
Total comprehensive income for the year	-	(1,186,277)	(3,535,583)	-	(4,721,860)
Transactions with owners in their capacity as owners:					
Recognition of non-controlling interest on acquisition	-	-	-	-	-
Contributions of equity, net of transaction costs	553,871	-	-	-	553,871
Options cancelled or forfeited during the year (note 19)	-	(97,636)	-	-	-
Share option expenses (note 19)	-	69,697	-	-	(27,939)
Balance at 31 December 2017	44,632,556	(291,625)	(32,804,738)	-	11,536,193

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total Equity $**
Balance at 1 January 2018	44,632,556	(291,625)	(32,804,738)	-	11,536,193
Loss after income tax expense for the year	-	-	(4,588,561)	120,645	(4,467,916)
Other comprehensive income for the year, net of tax	-	678,277	-	-	678,277
Total comprehensive income for the year	-	678,277	(4,588,561)	120,645	(3,789,639)
Transactions with owners in their capacity as owners:					
Recognition of non-controlling interest on acquisition	-	-	-	(510,826)	(510,826)
Contributions of equity, net of transaction costs (note 18)	6,374,328	-	-	-	6,374,328
Share option expenses (note 19)	-	69,759	-	-	69,759
Balance at 31 December 2018	**51,006,884**	**456,411**	**(37,393,299)**	**(390,181)**	**13,679,815**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

BuildingIQ, Inc.
Consolidated Statement of Cash flows
For the year ended 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (including GST)		6,680,563	3,025,562
Payments to suppliers (including GST)		(6,822,719)	(4,428,710)
Payments to employees		(6,700,670)	(5,817,493)
R&D tax incentive		2,027,793	2,205,632
Net cash used in operating activities	30	(4,815,033)	(5,015,009)
Cash flows from investing activities			
Payments for plant and equipment	11	(64,066)	(41,475)
Payments for intangible assets		(2,571,384)	(2,138,037)
Cash acquired on business acquisition	12	331,605	-
Payments for business acquisition	12	(1,143,040)	(1,612,120)
Net cash used in investing activities		(3,446,885)	(3,791,632)
Cash flows from financing activities			
Proceeds from borrowings		2,028,935	-
Proceeds from issues of shares	18	5,894,884	568,903
Capital raising costs		(110,585)	(167,018)
Net cash generated/(used) by financing activities		7,813,234	401,885
Net decrease in cash and cash equivalents		(448,684)	(8,404,756)
Cash and cash equivalents at the beginning of the financial year		2,418,874	10,439,188
Effects of exchange rate changes on cash and cash equivalents		5,587	384,442
Cash and cash equivalents at the end of the financial year	8	1,975,777	2,418,874

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

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 consolidated entity'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. The annual financial statements are prepared on a going concern basis, as disclosed in note 33.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BuildingIQ as at 31 December 2018 and the results of all subsidiaries for the year then ended. BuildingIQ, Inc. and its subsidiaries together are referred to in these financial statements as the consolidated entity.

Foreign currency translation
The financial statements are presented in Australian dollars. BuildingIQ’s functional currency is USD.

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

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. The foreign currency reserve will be recognised in profit or loss when the foreign operation or net investment is disposed of.

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 the 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. All other assets are classified as non-current.

Note 1. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the 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.

Intangible assets
Intangible assets are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually.

Impairment of non-financial assets
Intangible 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.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. There are no cash-settled share-based compensation benefits.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value, therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied. No equity-settled awards have been modified.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value measurement (continued)
Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Accounting Policies
Other than the implementation of the two new accounting policies noted below, the accounting policies adopted are consistent with the most recent annual financial statements and the corresponding half-year reporting period.

Changes in significant accounting policies
The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018. Further information is detailed below. The changes in accounting policies will also be reflected in the consolidated entity’s annual financial statements for the year ending 31 December 2018. A number of other new standards are effective from 1 January 2018 but the Group has determined that they do not have a material effect on the financial statements.

New, revised or amending Accounting Standards and Interpretations adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

AASB 9 replaces the ‘incurred loss’ model in AASB 139 with an ‘expected credit loss’ (‘ECL’) model. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at fair value through Other Comprehensive Income.

ECLs are a probability-weighted estimate of credit losses, the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The consolidated entity has adopted the simplified approach for trade receivables on the initial transition date (1 January 2018) with an amount equal to full ECL to be recognised. As the ECL assessment has resulted in an immaterial credit loss, no additional impairment allowance has been recognised by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract–based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determination of the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

The consolidated entity has adopted AASB 15 using the cumulative effect method (by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 January 2018). The transition exercise on adopting AASB 15 did not result in an adjustment to the opening balance of equity at 1 January 2018.

The consolidated entity’s revenue comprises of a mix of installation revenue arising from work performed when installing hardware and subscription revenue earned from providing optimisation via SaaS subscriptions.

Based on the consolidated entity’s assessment, SaaS subscriptions revenue will continue to be recognised over time as the customer reasonably expects that the entity will undertake activities that will improve or modify the software over the term of the subscription period and that the customer’s benefit will be directly linked to the entities activities over this term.

In relation to installation services, the customer is considered to control the asset being created or enhanced. This, combined with an enforceable right to payment for performance completed to date, results in the entity continuing to record revenue over time in accordance with the term of the implementation. This revenue will be continued to be recognised on an over time basis in accordance with the judgements disclosed in note 2.

Comparative information has not been restated and continues to be reported under AASB 118.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity’s assessment of the impact of this new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. This standard replaces AASB 117 ‘Leases’ and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, the ‘right-of-use’ of an asset will be capitalised in the statement of financial position, measured as the net present value of the unavoidable future lease payments to be made for the lease term. A liability corresponding to the capitalised lease will be recognised, adjusted for ancillary costs in securing the leased asset. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense incurred on the recognised lease liability. The consolidated entity will adopt this standard from 1 January 2019. It is not expected to significantly impact the financial statements, as the consolidated entity is a lessee of non-complex contracts for its office premises in both the USA and Australia.

The consolidated entity will adopt this standard from 1 January 2019 which will result in the recognition of a right-of-use asset and related liabilities for leases in relation to office spaces in Australia and the US.

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 various other 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 within the next financial year are discussed below and within the respective notes.

Goodwill and other indefinite life intangible assets
The consolidated entity 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 policies stated 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 discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of trade receivables and accrued income
Trade receivables and accrued income are recognised only to the extent that the consolidated entity considers it probable that the contractual amounts due will be received. The recoverability of trade receivables and accrued income requires the use of assumptions and judgment based each customer's inherent credit risk, their credit terms, and the underlying contractual arrangements.

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

Revenue recognition
There are two key judgements associated with sales of good and services and these are as follows:

a) Revenue is recognised at the fair value of consideration received or receivable and there is judgement associated with the expected revenue to be received over the life of a contract with a customer. Management recognise revenue based on the best estimate of expected revenue to be received for individual contracts. There are some instances where the consolidated entity enters into trial programs or other arrangements where billing does not occur until the conclusion of a trial period when performance can be measured. The consolidated entity recognises this revenue as the services are performed to the extent that it can be reliably measured; and
b) Revenue in relation to installation services provided to customers is determined by reference to the stage of completion of the transaction at reporting date. There is judgement associated with determining the stage of completion of each individual contract with a customer.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity has only one reportable segment which is the development, design, engineering, sale and installation of integrated software projects that reduce the energy, operations and maintenance costs of the customers' facilities. All geographic locations are interdependent and share common infrastructure, including both tangible and intangible assets. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The consolidated entity's single reportable segment operates mainly in two geographic regions, the United States of America and Australia. Both regions are supported by a mix of resources from the single reportable operating segment.

On 17 September 2018, the consolidated entity announced the acquisition of Buildingsense Pty Ltd, a Perth-based building retrofitter, a provider of a leading suite of BMS products and services for commercial real estate.

Note 3. Operating segments (continued)

Geographical information

	Revenue from external Customers		Geographical non-current assets	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Australia	3,721,705	2,393,560	4,412,763	2,077,224
USA	3,637,175	2,870,202	4,378,207	3,630,648
	7,358,880	5,263,762	8,790,970	5,707,872

Note 4. Revenue

The 5i Platform is a comprehensive set of activities provided by BuildingIQ to enhance and optimise its customers' buildings, by installing heating, ventilation and air-conditioning systems (HVAC), setting up building management systems (BMS), configuring mechanical/electrical support systems (Mechelec) and placing Internet-of-Things (IoT) devices at key control points. From this hardware foundation, BuildingIQ is able to maximise energy savings and customer comfort by using Software-as-a-Service (SaaS) subscriptions to enable Automated Measurement and Verification (AM&V), Demand Response (DR), Outcomes-based Fault Detection (OFD) and Predictive Energy Optimisation (PEO). Revenue is recognised on a stage-of-completion basis for construction-type hardware installations in greenfield buildings, and on a monthly basis for the duration of SaaS subscription services in greenfield and established buildings.

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

Installation services revenue is recognised over time as the performance obligation is satisfied over the term of the implementation. The revenue is recognised by reference to the stage of completion of the individual contract as disclosed in note 2. Stage of completion is derived from the estimated time to completion which is measured on a monthly basis. The timing of invoicing may differ to the revenue recognition due to contract milestones included with the contract with a customer, which will result in the recognition of accrued income or deferred revenue.

SaaS subscription revenue is recognised over time as the performance obligation is satisfied over the term of the subscription. The revenue is recognised equally over the term of the subscription or in cases where it is billed up front, results in deferred revenue to ensure it is recognised over the subscription term.

	Consolidated	
	2018	**2017**
	$	**$**
Installation revenue	5,245,806	1,947,443
Subscription revenue	2,043,628	3,197,832
Other revenue	69,446	118,487
Total revenue	7,358,880	5,263,762

Installation revenue now includes initial, project and other service and software components. Historical subscription revenue also included one-time utility and incentive / rebate programs which were time duration and not recurring.

Note 5. Other income

R&D Tax Incentive

R&D tax incentives are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the rebates will be received. The total R&D tax incentive receivable is apportioned between other income and the development asset based on the split of expenditure in the claim. R&D tax incentives are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the rebates are intended to compensate. Other income $1,458,595 (2017: $1,760,896).

	Consolidated	
	2018 $	2017 $
R&D tax incentive	1,458,595	1,760,896
Other income	1,458,595	1,760,896

Note 6. Expenses

	Consolidated	
	2018 $	2017 $
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Plant and equipment	61,823	94,058
Amortisation		
Development	1,261,393	1,513,176
Salaries and wages		
Salaries and wages	6,342,527	6,343,679
Net foreign exchange (gain)/loss		
Net foreign exchange (gain)/loss	(10,735)	278,524
Rental expense relating to operating leases		
Minimum lease payments	496,383	545,470
Superannuation expense		
Defined contribution superannuation expense	245,187	199,765
Share-based payments		
Net share-based payments expense	69,759	(27,939)

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

Note 7. Income tax expense

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. BuildingIQ’s loss before income tax is $4,467,916 (2017: $3,535,583), and no income tax expense is recognised.

Note 7. Income tax expense (continued)

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. No deferred tax asset has been recognised.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Previously unrecognised deferred tax assets will be recognised when it is probable that there are future taxable profits available to recover the asset.

	Consolidated	
	2018 $	2017 $
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
USA – Federal	17,988,812	17,073,500
USA – Californian	10,545,537	10,265,993
Australian	5,263,846	5,160,320
Total unused tax losses	33,798,195	32,499,813
Tax losses – potential benefit		
Unused tax losses applicable tax rate for which no deferred tax asset has been recognised		
USA – Federal (2017: 21%, 2016: 34%)	4,514,109	4,302,371
USA – Californian (8.84%)	932,225	907,514
Australian (2018: 27.5%, 2017: 27.5%, 2016: 30%)	1,568,286	1,539,817
Total potential benefit	7,014,620	6,749,702

USA Federal and California losses expire on various dates beginning 2031. Australian losses can be carried forward indefinitely. The benefit will only be obtained if: a) the consolidated entity derives future foreseeable income to utilise the losses; b) the consolidated entity continues to satisfy the conditions for deductibility imposed by law; and c) there are no changes in tax legislation which adversely impact the consolidated entity's ability to realise the benefit from the deduction for the losses.

Individual items reconciling net loss before tax to taxable income and prima facie tax are not included within these accounts as they are considered to be immaterial. The consolidated entity also has an immaterial amount of other deferred tax assets and liabilities which are offset by tax losses not recognised above.

Note 8. Current assets - 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.

	Consolidated	
	2018 $	2017 $
Cash at bank	1,975,777	2,418,874
	1,975,777	2,418,874

Note 9. Current assets - trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. The consolidated entity adopted AASB 9 from 1 January 2018 and uses a simplified “provision matrix” for calculating expected losses. The provision matrix is based on the entity’s historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

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

	Consolidated	
	2018	**2017**
	$	**$**
Trade receivables	3,723,562	2,398,068
Less: Provision for impairment of receivables	(317,351)	(290,244)
	3,406,211	2,107,824
Accrued income & other receivables	1,203,886	1,579,188
	4,610,097	3,687,012
R&D tax incentive receivable	2,570,796	2,008,418

Trade receivables include invoices issued to Software-as-a-Service customers, billed monthly on 30 day settlement terms, as well as installation customers, billed on a stage-of-completion basis, when key installation milestones are met, on 60 day settlement terms.

Accrued income & other receivables includes $1,122,625 (2017: $1,414,996) of unbilled installation services. The typical term of these projects ranges from 6-9 months, with full billing for all projects in progress as at 31 December 2018 expected to complete before the end of the next financial year.

During the period ended 31 December 2018, the consolidated entity secured a R&D tax incentive financing facility with FIFO Capital. The amount drawn against this facility stands at $2,028,935 (refer to note 16) as at 31 December 2018. The R&D tax incentive receivable of $2,570,796 is anticipated to be settled by the ATO in the first quarter of the 2019 calendar year.

Impairment of receivables
The consolidated entity has recognised a loss of $27,107 (2017: $99,977) in the Statement of Profit or Loss and Other Comprehensive Income in respect of impairment of receivables for the year ended 31 December 2018.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2018	**2017**
	$	**$**
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	317,351	290,244
	317,351	290,244

Note 9. Current assets – trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018	**2017**
	$	**$**
Opening balance	290,244	249,373
Additional provisions recognised	27,107	99,977
Receivables written off during the year as uncollectible	-	(59,106)
Closing balance	317,351	290,244

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,926,491 as at 31 December 2018 ($536,255 as at 31 December 2017).

The consolidated entity did not consider these customers a credit risk on the aggregate balances after reviewing the credit terms of customers based on contractual arrangements and recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018	**2017**
	$	**$**
0 to 3 months overdue	687,633	41,451
3 to 6 months overdue	206,982	197,921
Over 6 months overdue	1,031,876	296,883
	1,926,491	536,255

Note 10. Current assets – other

	Consolidated	
	2018	**2017**
	$	**$**
Prepayments	291,741	265,229
Deferred expenses for installation service contracts	349,509	393,897
Security deposits	79,352	87,881
PAYG & GST receivable/(payable)	90,778	(43,937)
	811,380	703,070

Note 11. Non-current 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:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

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

11. Non-current assets - property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

	Consolidated	
	2018	**2017**
	$	**$**
Plant and equipment - at cost	349,935	246,507
Less: Accumulated depreciation	(243,228)	(142,043)
	106,707	104,464

Consolidated	**Plant and equipment $**	**Total $**
Balance at 1 January 2017	157,047	157,047
Additions	41,475	41,475
Depreciation expense	(94,058)	(94,058)
Balance at 31 December 2017	104,464	104,464
Balance at 1 January 2018	104,464	104,464
Additions	64,066	64,066
Depreciation expense	(61,823)	(61,823)
Balance at 31 December 2018	106,707	106,707

Note 12. Intangible assets – Goodwill

On 13 April 2016 the consolidated entity completed the acquisition of the Energy WorkSite and Facility WorkSite businesses from NorthWrite Inc. for a total consideration of $3,844,971 (US$3m) (revalued as at 31 December 2017 for changes in foreign exchange rates).

On 17 September 2018 the consolidated entity, through a 70% interest in BIQSense Pty Ltd, acquired 100% of Buildingsense Australia Pty Ltd, for a total consideration of $1,025,000, which was executed through an issue of 13,636,364 shares @ $0.0605 and deferred settlement of $200,000 as per the below details:

First deferred settlement of $80,000 paid on 15 Dec 2018;
Second deferred settlement of $90,000 payable on 15 August 2019; and
Third and final deferred settlement of $30,000 payable on 17 September 2020

Acquisition of Buildingsense Australia Pty Ltd is part of the group's expansion into greenfield buildings, to boost their capabilities and growth prospects in the sector, which is expected to deliver significant financial benefits moving forward.

Note 12. Intangible assets – Goodwill (continued)

	$
Purchase consideration	
Shares issue (13,636,364 shares @ $0.0605)	825,000
Deferred consideration	200,000
Total consideration	**1,025,000**
Provisional allocation of purchase consideration	
Fixed assets	25,796
Cash at bank	331,605
Trade receivables and accrued income	531,825
Other receivables	167,409
Trade creditors	(2,673,734)
Other liabilities	(85,655)
Net liabilities	**(1,702,754)**
Less: non-controlling interest recognised (30%)	(510,826)
	(1,191,928)
Goodwill recognised	**2,216,928**

The consolidated entity recognised $2,216,928 as goodwill on acquisition, being the excess of the purchase consideration paid over the fair value of net liabilities of Buildingsense Australia Pty Ltd, which is provisional at 31 December 2018, pending the finalisation of the purchase price allocation.

Name of business acquired	Principal activity	Acquisition Date	Ownership acquired %	Cost at acquisition $
Energy WorkSite & Facility WorkSite	Building software	13 April 2016	100	3,992,117
Buildingsense Australia Pty Ltd.	Building and Energy Management System	17 September 2018	100	1,025,000

During 2018, the consolidated entity paid AUD $1,063,040 (2017: $1,612,120) towards the deferred settlement liability to NorthWrite, Inc. and the acquisition is now complete.

First deferred settlement of $80,000 for the acquisition of Buildingsense Australia Pty Ltd was paid in December 2018. Refer to notes 17 and 29.

Consolidated	**Goodwill $**
Balance at 1 January 2017	3,830,806
Foreign exchange movement	(292,430)
Balance at 31 December 2017	3,538,376
Balance at 1 January 2018	3,538,376
Foreign exchange movement	374,718
Goodwill recognised on Buildingsense acquisition	2,216,928
Balance at 31 December 2018	6,130,022

Note 12. Intangible assets – Goodwill (continued)

The excess of the purchase consideration over the fair value of net assets in a business combination is recognised as goodwill by the company. Goodwill recognised in connection with the Energy Worksite and Facility Worksite businesses is denominated in USD, and therefore subject to foreign exchange movements, captured in the foreign currency translation reserve. Goodwill recognised in connection with the Buildingsense business is denominated in Australian dollars. Goodwill is not amortised, and is subject to an impairment assessment on an annual basis. Refer to note 13 for details regarding impairment assessment.

Note 13. Intangible assets – Other

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the assets; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Software (ERP)
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

CSIRO Technology License
Costs associated with intellectual property acquired from the CSIRO are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer contracts and relationships
Customer contracts and relationships identified in a business combination are recognized by the company and valued using a multi-period excess earnings approach, and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Summary of closing balances:

	Consolidated	
	2018	**2017**
	$	**$**
Development asset (net of R&D incentive) – at cost	7,206,409	4,731,738
Less: Accumulated amortisation	(4,982,385)	(3,290,713)
	2,224,024	1,441,025
CSIRO developed optimisation technology	468,315	468,315
Less: Accumulated amortisation	(337,614)	(185,187)
	130,701	283,128
NetSuite	198,479	198,479
Less: Accumulated amortisation	(129,982)	(65,381)
	68,497	133,098
Customer contracts and relationships	400,553	362,196
Less: Accumulated amortisation	(269,534)	(154,415)
	131,019	207,781
Total	2,554,241	2,065,032

Note 13. Intangible assets – Other (continued)

The recoverable values of the consolidated entity's intangible assets are determined based on a value in use calculation which uses cash flow projections based on the financial budgets approved by the Board. The budget is then extrapolated for a further four years at projected growth rates for both revenue and costs, which management consider appropriate for the markets in which the consolidated entity operates, together with a terminal value. Given the sensitivity of growth rates for both revenue and expenses, due to the early stage of development of the consolidated entity and its markets, a range of possible scenarios are modelled to assess the carrying value of the intangible assets for impairment. Management modelled a range of discount rates based on the risk-free rate of return plus a risk margin. A range of likely scenarios were modelled at 31 December 2018 to demonstrate that the intangible assets, including goodwill, were not impaired.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

(a) 15.9% (2017: 13.9%) post-tax discount rate;
(b) 89% projected revenue growth rate in year one, 9% in year two, 15% in year three and thereafter;
(c) 2% per annum increase in operating costs and overheads in year one, 4% increase in year two and thereafter

The discount rate of 15.9% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rates are prudent and justified, based on the current new business pipeline and contracts currently in place.

Sensitivity
The directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

(a) Revenue would need to decrease by more than 10% before goodwill and other intangible assets would be impaired, with all other assumptions remaining constant.
(b) The discount rate would be required to increase by 21.4% before goodwill and other intangible assets would be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Consolidated

	Development	**CSIRO**	**NetSuite**	**Customer contracts and relationships**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 January 2017	982,497	470,887	168,241	388,661	2,010,286
Additions (net of R&D incentive)	1,170,305	-	30,237	367,380	1,567,922
Amortisation expense	(711,777)	(187,759)	(65,380)	(548,260)	(1,513,176)
Balance at 31 December 2017	1,441,025	283,128	133,098	207,781	2,065,032
Additions, including acquired customer contracts and relationships (net of R&D incentive)	1,716,782	-	-	-	1,716,782
FX movement	21,176	-	-	12,644	33,820
Amortisation expense	(954,959)	(152,427)	(64,601)	(89,406)	(1,261,393)
Balance at 31 December 2018	2,224,024	130,701	68,497	131,019	2,554,241

Note 14. Current liabilities - trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity 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 60 days of recognition.

	Consolidated	
	2018	**2017**
	$	**$**
Trade payables	1,026,409	522,492

Note 15. Current liabilities – employee benefits

	Consolidated	
	2018	**2017**
	$	**$**
Employee benefits	1,029,289	1,081,486
Long service leave	55,318	16,441
	1,084,607	1,098,127

Note 16. Borrowings

	Consolidated	
	2018	**2017**
	$	**$**
Fifo Capital (R&D financing)	2,028,935	-
	2,028,935	-

During FY 2018, the consolidated entity set-up an R&D financing facility with Fifo Capital Australia Pty Ltd. A discount fee of 4.0% of the cash value of each R&D Tax Cash Benefit draw-down transaction is applicable with additional fees accruing at a rate of 15% per annum on each day until repaid.

The total amount drawn against this facility was $2,028,935 as at 31 December 2018, which is secured against the R&D research grant for FY 2018, expected to be received by 30 April 2019.

The consolidated entity has access to a line of credit from Silicon Valley Bank of USD 500,000, which is secured against 100% cash collateral. No cash has been drawn against the line of credit as at 31 December 2018.

Note 17. Current liabilities – other current liabilities

	Consolidated	
	2018	**2017**
	$	**$**
Accrued expenses	683,267	183,465
Sales tax	(4,831)	1,273
Deferred settlement (Buildingsense acquisition)	120,000	-
Deferred settlement (NorthWrite acquisition)	-	1,007,922
	798,436	1,192,660

Settlement payments made to NorthWrite during the year totalled A$1,036,040 (2017: A$1,612,120). These payments were US-denominated, and translated at the prevailing foreign exchange rate for each transaction and realised in profit and loss on payment.

Note 17. Current liabilities – other current liabilities (continued)

The deferred settlement liability of $120,000 for Buildingsense Australia Pty Ltd acquisition is denominated in AUD. The initial tranche of AUD $80,000 has been paid for the acquisition of Buildingsense Australia Pty Ltd during 2018. Refer to note 12.

Note 18. Equity - issued capital

Common stock 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.

	Consolidated			
	2018 Shares	2017 Shares	2018 $	2017 $
Common stock - fully paid	249,223,825	96,924,191	51,006,884	44,632,556

Movements in ordinary share capital

Details	Date	No of Shares #	Issue Value $
Balance	31 December 2017	96,924,191	44,632,556
Share issue – January 2018[1]		138,663,270	5,894,884
Share issue – September 2018 Buildingsense acquisition[2]		13,636,364	825,000
Share issue transaction costs, net of tax		-	(345,556)
Balance	31 December 2018	249,223,825	51,006,884

Common stock
Common stock entitle the holder to participate in dividends and the proceeds of the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid common stock have no par value and the company has an authorised capital of 500,000,000 shares of common stock.

[1]On 25 January 2018, 138,663,270 shares of common stock were issued at $0.045 per share (before transaction costs) to existing security holders and the institutional placement to new investors.

[2]On 17 September 2018, 13,636,364 shares of common stock were issued at $0.0605 per share to acquire 100% of Buildingsense Australia Pty Ltd, through a 70% interest in the acquiring company BIQSense Pty Ltd. Refer to Note 12.

Note 19. Equity – reserves

	Consolidated	
	2018 $	2017 $
Options reserve	997,812	928,053
Foreign currency reserve	(541,401)	(1,219,678)
	456,411	(291,625)

Options reserve
The options reserve is used to recognise the fair value of options issued but not exercised.

Note 19. Equity – reserves (continued)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Options reserve $	Foreign currency $	Total $
Balance at 1 January 2017	955,992	(33,401)	922,591
Employee share options	69,697	-	69,697
Options cancelled or forfeited during the year	(97,636)	-	(97,636)
Foreign currency translation	-	(1,186,277)	(1,186,277)
Balance at 31 December 2017	928,053	(1,219,678)	(291,625)
Balance at 1 January 2018	928,053	(1,219,678)	(291,625)
Employee share options	69,759	-	69,759
Foreign currency translation	-	678,277	678,277
Balance at 31 December 2018	997,812	(541,401)	456,411

Note 20. Equity - accumulated losses

	Consolidated	
	2018 $	2017 $
Accumulated losses at the beginning of the financial year	(32,804,738)	(29,269,155)
Loss after income tax expense for the year	(4,588,561)	(3,535,583)
Accumulated losses at the end of the financial year	(37,393,299)	(32,804,738)

Note 21. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks including credit risk and liquidity risk. Risk management is carried out by senior finance executives under policies approved by the Board.

Market risk

Foreign currency risk
A large proportion of the consolidated entity's operations are denominated in USD, which are translated into the consolidated entity's presentation currency of Australian dollars. A 10% strengthening of the Australian dollar against the USD would have a net impact from continuing operations of approximately $10,039. Conversely a 10% weakening of the Australian dollar against the USD would have a net impact from continuing operations of ($9,126).

The Foreign Currency Translation Reserve reflects the effect of the movements in USD-denominated foreign assets values due to the decline in USD:AUD foreign exchange rates in FY18.

Note 21. Financial instruments (continued)

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity is not exposed to any significant interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including contracting payment in advance where possible, obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral. Refer to note 9 for details of the consolidated entities credit risk.

Liquidity risk
Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) or available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves, continuously monitoring actual and forecast cash flows and matching maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following table details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2018	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 Years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Trade payables	0%	1,026,409	-	-	-	1,026,409
Deferred settlement liability	0%	120,000	-	-	-	120,000
Borrowings	15%	2,028,935	-	-	-	2,028,935
Total non-derivatives		3,175,344	-	-	-	3,175,344

Consolidated – 2017	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 Years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Trade payables	0%	522,492	-	-	-	522,492
Deferred settlement liability	0%	1,007,922	-	-	-	1,007,922
Borrowings	-	-	-	-	-	-
Total non-derivatives		1,530,414	-	-	-	1,530,414

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed.

Note 22. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and key management personnel is set out below.

Following a review by the Remuneration Committee in the current financial year, it was determined that executive key management personnel comprised the President and Chief Executive Officer only.

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	556,779	528,168
Share-based payments	21,386	23,560
	578,165	551,728

Note 23. Remuneration of auditors

The following fees were paid or payable for services provided by the auditor of the company and its network firms:

	2018	2017
	$	$
Audit services – BDO East Coast Partnership		
Audit or review of the financial statements, half year and full year	90,500	76,000
	90,500	76,000

Note 24. Contingent liabilities

There are no contingent liabilities at the reporting date (2017: $nil).

Note 25. Commitments

	Consolidated	
	2018	2017
	$	$
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	479,580	503,610
One to five years	603,761	1,008,876
	1,083,341	1,512,486

Operating lease commitments include contracted amounts for various offices under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 26. Related party transactions

Parent entity
BuildingIQ, Inc. is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Note 26. Related party transactions (continued)

Terms and conditions
The only related party transactions occurred between the parent entity and its subsidiary. All transactions were made on normal commercial terms and conditions and at market rates and were fully eliminated on consolidation.

Note 27. Parent entity information and non-controlling interest

Parent entity information
Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	**2017**
	$	**$**
Loss after income tax	(6,183,541)	(3,535,583)
Total comprehensive income	(5,505,264)	(4,721,860)

Statement of financial position

Total current assets	4,060,118	3,422,341
Total assets	13,148,949	13,704,871
Total current liabilities	673,933	2,168,678
Total liabilities	673,933	2,168,678
Equity		
Issued capital	51,006,884	44,632,556
Reserves	456,411	(291,625)
Accumulated losses	(38,988,279)	(32,804,738)
Total equity	12,475,016	11,536,193

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2018. (2017: $nil)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018. (2017: $nil).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 27. Parent entity information and non-controlling interest (continued)

Non-controlling interest
Former shareholders of Buildingsense Australia Pty Ltd have 30% shareholding (non-controlling interest) in BIQSense Pty Ltd, which owns 100% of Buildingsense Australia Pty Ltd.

Net profit of $120,645 attributable to non-controlling interest represents 30% profit share from operational results of Buildingsense Australia Pty Ltd, from 17 September 2018 (business acquisition date) to 31 December 2018 (end of the current reporting period).

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business /	2018	2017
Name	Country of incorporation	%	%
BuildingIQ, Pty. Ltd	Australia	100.00%	100.00%
BIQSense Pty Ltd	Australia	70.00%	0%
Buildingsense Australia Pty Ltd	Australia	70.00%	0%
BuildingIQ Singapore Pte Ltd	Singapore	100.00%	0%

No other subsidiaries are incorporated in the consolidated financial statements.
BIQSense Pty Ltd owns 100% of Buildingsense Australia Pty Ltd

Note 29. Events after the reporting period

Other than what is disclosed in these financial statements, there have been no transactions or events of a material and unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors of the company, significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

Note 30. Reconciliation of loss after income tax to net cash from operating activities

	2018 $	2017 $
Loss after income tax expense for the year	(4,467,916)	(3,535,583)
Adjustments for:		
Depreciation and amortisation	1,323,216	1,607,234
Share-based expenses	(69,759)	(27,939)
Foreign exchange translation	(68,018)	6,611
Change in operating assets and liabilities:		
(Increase) in R&D receivable	(562,378)	(655,762)
(Increase) in provision for impairment of trade receivables	-	(40,871)
(Increase) in trade and other receivables	(923,085)	(2,380,026)
(Decrease)/increase in deferred revenue	(34,956)	41,920
(Increase) in prepayments & other assets	(108,310)	(207,220)
Increase/(decrease) in trade and other payables	109,693	(44,930)
(Decrease)/increase in employee benefits	(13,520)	221,557
Net cash used in operating activities	(4,815,033)	(5,015,009)

Note 31. Share-based payments

2012 Equity Incentive Plan and AU Plan

The consolidated entity has adopted two equity incentive plans for employees and other relevant persons, a plan under US law known as the 2012 Equity Incentive Plan and a plan under Australian law known as the AU Plan. Under the 2012 Equity Incentive Plan and the AU Plan the Board may grant stock options to employees, officers, directors, consultants, independent contractors and advisors to the company. The purpose of these Plans is to attract, retain, and motivate eligible persons whose present and potential contributions are important to BuildingIQ's success by offering them an opportunity to participate in the company's future performance through equity awards of stock options. Under the terms of the Plans, the exercise price of stock options may not be less than 100% of the fair market value on the date of grant.

Valuation of Stock-Based Awards

The fair value of each stock option granted under the company's equity incentive plans is based on independent valuations and estimated on the grant date using a Black-Scholes option-pricing model. The following weighted-average assumptions would apply as at 31 December 2018:

Expected life	4.95 years
Expected volatility	44.4%
Risk-free interest rate	1.48%
Expected dividends	- %

Expected volatility is based on the average of the historical volatility of the company's issued shares. The risk free interest rate is equal to the U.S. Treasury constant maturity rates for the period equal to the expected life. The company does not currently pay cash dividends on the company's issued shares and does not anticipate doing so in the foreseeable future. Accordingly, the company's expected dividend yield is zero.

Note 31. Share-based payments (continued)

The table below sets out details of the movements in options granted for the period ending 31 December 2018.

Consolidated	**Number of Options**
Balance at 31 December 2017	8,130,688
Options granted to employees	1,246,688
Options granted to Canaccord Genuity (Australia) Pty Ltd	6,861,792
Options forfeited	(406,648)
Balance at 31 December 2018	15,832,520
Unvested employee options	4,713,524
Vested options comprise:	11,118,996
- employees' options	2,144,704
- Directors' options	-
- KTM options	2,112,500
- Canaccord options	6,861,792
	15,832,520

The majority of outstanding employee options issued prior to 1 January 2016 are exercisable at AUD 26.2 cents and vest over the next two years. Employee options issued during FY16 are exercisable at AUD 100.0 cents and vest over the next three years. Employee options issued during FY17 are exercisable at values ranging between AUD 10.0 cents and AUD 17.5 cents and vest over the next four years. During 2018, 137,000 options were forfeited due to employee departures and expirations.

Note 32. Earnings per share

	2018 $	**2017 $**
Loss attributable to the ordinary equity holders of the company used in basic and diluted earnings per share		
Loss after income tax attributable to the owners of BuildingIQ, Inc.	4,588,561	3,535,583
Less non-controlling interest	(120,645)	-
Adjusted loss attributable to common equity holders of the company	4,467,916	3,535,583

	Number	**Number**
Weighted average number of common stock used in calculating basic earnings per share	230,430,026	84,808,650
Adjustments for calculation of diluted earnings per share:		
Options	3,518,292	3,628,292
Adjustment for options (anti-dilutive)	(3,518,292)	(3,628,292)
Weighted average number of common stock used in calculating diluted earnings per share	230,430,026	84,808,650

	Cents	**Cents**
Basic earnings per share	(2.0)	(4.2)
Diluted earnings per share	(2.0)	(4.2)

Note 33. Going concern

As disclosed in the consolidated financial statements, the consolidated entity's loss after income tax for the year ended 31 December 2018 was $4,467,916 (31 December 2017 $3,535,583) and the consolidated entities net cash outflows from operating activities for the year ended 31 December 2018 were $4,815,033 (31 December 2017: $5,015,009).

The directors believe that there are reasonable grounds to conclude that the consolidated entity will continue as a going concern, after consideration of the following factors:

- The consolidated entity is projecting improved operating performance in future years;
- Acquisition of Buildingsense boosts capabilities and growth prospects in greenfield buildings and is expected to deliver significant financial benefits;
- The consolidated entity is due to receive R&D tax incentive proceeds in the first quarter of the 2019 calendar year;
- R&D financing facility remains in place for FY 2019 with quarterly cash inflows expected at the end of each quarters;
- Management and the Directors are confident of the forecast pipeline over the next 12 months; and
- Margins have stabilised over the forecast period and management expect that revenue increase through new greenfield projects and decrease in the cash collections cycle will further improve the net cash from operating activities in the next financial year.

Accordingly, the directors believe the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report. Should the consolidated entity be unable to continue as a going concern it may be required to release its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

BuildingIQ, Inc.
Directors' Declaration
31 December 2018

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 consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors

Alan Cameron, AO
Chair

15 March 2019
Sydney

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of BuildingIQ, Inc.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BuildingIQ, Inc. ('the Company') and its subsidiaries ('the Group'), which comprises the consolidated statement of financial position as at 31 December 2018, 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 31 December 2018 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Revenue recognition and the adoption of AASB 15 Revenue from Contracts with Customers

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 2, recognition of revenue from contracts is considered a key judgement on the basis of the following: • The entity recognises revenue based on the best estimate of consideration expected to be received for individual contracts; and • Revenue is recognised by reference to the stage of completion of individual contracts and there is judgement associated with the determination of the stage of completion. Due to the nature of these key estimates and judgements, and in conjunction with the transition to AASB 15 *Revenue from Contracts with Customers* ('AASB 15'), revenue recognition has been identified as a key audit matter.	Our audit procedures to address the key audit matter included, but were not limited to, the following: • Reviewing the appropriateness of management's judgements associated with the fair value of consideration expected to be received by reference to the terms of the individual contract and the history of receipt for each individual customer; • Reviewing a sample of contracts entered into during the year to ensure that the Group has accurately recorded the appropriate amount of revenue, cost of sales, accrued income and deferred revenue based on the terms of the contract and the stage of completion of the contract; • Evaluating the accuracy of managements judgements associated with the stage of completion of individual contracts by testing the accuracy of assumptions in relation to services performed to date against the expected total services to be provided under the contract; • Assessing the appropriateness of the recognised revenue and cost of sales by reference to the stage of completion identified in accordance with AASB 15; • Reviewing and evaluating managements' revenue recognition accounting policy on adoption of AASB 15; • Reviewing managements' assessment of any potential transitional adjustments associated with the adoption of AASB 15; and • Evaluating the completeness and accuracy of disclosures associated with revenue recognition under the principles of AASB 15.

Acquisition of Buildingsense Australia Pty Ltd ('Buildingsense')

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 12, the Group acquired a 70% interest in Buildingsense during the year and has applied provisional accounting for the year ended 31 December 2018. The accounting for the acquisition has been identified as a key audit matter due to the material nature of the acquisition and the related estimates and judgements associated with the identification and determination of the fair value of net assets and liabilities acquired and the correct treatment of pre-existing relationships between the acquirer and acquiree.	Our procedures performed to address the identified risk in relation to the acquisition included; • Reviewing the purchase and sale agreements to understand the terms and conditions of the acquisition including the consideration payable and evaluating management's application of AASB 3 *Business Combinations;* • Evaluating the assumptions and methodology in management's determination of the fair value assets and liabilities acquired; • Reviewing the purchase price allocation, including the recognition of goodwill and the non-controlling interest in the BuildingIQ, Inc. Group; • Reviewing the treatment of pre-existing relationships between the acquirer and acquiree to ensure they are treated in accordance with the principles of AASB 3 *Business Combinations*. • Assessed the adequacy of the Group's disclosures relating to the acquisition in accordance with accounting standards.

Recoverability of goodwill & other intangible assets

Key audit matter	*How the matter was addressed in our audit*
The Group has recognised intangible assets consisting of goodwill of $6,130,022 (refer to note 12) and other intangible assets consisting of development assets and other intangible assets of $2,554,241 (refer to Note 13). This was determined to be a key audit matter as the determination of the value-in-use of intangible assets recognised, and whether or not an impairment charge is necessary, involved judgements by management about the future growth rates of the business, discount rates applied to future cash flows and the sensitivities of inputs and assumptions used in the cash flow models.	Our audit procedures to address the key audit matter included, but were not limited to, the following: • Assessing the appropriateness of identified Cash Generating Units ('CGU's') and the allocation of carrying value of assets to identified CGU's; • Reviewing management's value in use model performed at 31 December 2018 and assessing the reasonableness of the cash flows with historical trends, future budgets approved by management and those charged with governance and future contracted revenue; • Updating our assessment of the reasonableness of the key assumptions used in the value-in-use model based on the performance of the Group for the year ended 31 December 2018; • Corroborating the assumptions for the key inputs in the value in use model such as forecast revenue, costs, discount rates and terminal growth rates, and performing sensitivity analysis on these key inputs. • Performing tests over the mathematical accuracy of the model and underlying calculations; and • Performing a sensitivity analysis on the key financial assumptions in the models. For development assets and other intangible assets, we also performed the following specific tests: • Reviewing the reasonableness of the useful life of development assets and checking the accuracy of amortisation expenses recognised during the year; • Comparing trends in sales by product with the specific development assets to ensure the assets capitalised were expected to generate future economic benefits to the Group; and • Reviewing the treatment of research and development incentives received and receivable to ensure the appropriate recognition in accordance with relevant accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Letter from the Chairman & CEO, Directors' Report and Additional Shareholder Information, for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

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.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 31 December 2018.

In our opinion, the Remuneration Report of BuildingIQ, Inc., for the year ended 31 December 2018, 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 East Coast Partnership

BDO

Ian Hooper
Partner

Sydney, 15 March 2019

Additional Shareholder Information

Below we set out additional information in relation to the company's corporate structure and shareholders. This includes the information required under ASX Listing Rule 4.10.

Unless stated otherwise, the information and details in the tables below is current as at 18 February 2019.

Overview
The company's securities are listed for quotation in the form of CHESS Depositary Interests (***CDI***s) on the Australian Securities Exchange (***ASX***) and trade under the symbol 'BIQ'. Each share of common stock is equivalent to one CDI.

The company has a total of 249,223,825 (2017: 96,924,191) shares of common stock on issue, equivalent to 249,223,825 (2017: 96,924,191) CDIs. There are 406 (2017: 431) shareholders who hold their securities in the form of CDIs. There are 5 (2017: 5) shareholders who hold shares of common stock (i.e. these holders have not elected to hold those securities in the form of CDIs).

The company has granted options exercisable for a total of 15,832,520 shares of common stock (2017: 8,130,688) which are not quoted on ASX.

Shareholder Information
Substantial holders
The names of substantial holders in the company and their respective equity holdings (to the best of the company's knowledge) as at 18 February 2019 are set out below:

NAME OF HOLDERS	NUMBER AND CLASS OF EQUITY SECURITIES IN WHICH HOLDER, TOGETHER WITH ASSOCIATES, HAS A RELEVANT INTEREST	PERCENTAGE OF VOTING POWER
Welas Pty Ltd	57,266,620	22.98%
Siemens Venture Capital GmbH	34,313,644	13.77%
Rhett Morson	16,800,000	6.74%
Paladin Capital Group[1]	16,272,885	6.53%
Hareshwar Singh[2]	13,636,364[2]	5.47%

1. Includes shares of common stock and CDIs held by various entities associated with Paladin Capital Group.
2. CDIs are subject to a 12 month holding lock in accordance with a voluntary restriction deed under which the restriction period will expire on 17 September 2019.

Number of Holders and Distribution of Holdings
The following table is a distribution schedule of the number of holders of CDIs and shares of common stock (as converted to CDIs) as at 18 February 2019:

CATEGORY	NUMBER OF HOLDERS
1 – 1,000	25
1,001 – 10,000	156
10,001 – 100,000	111
100,001 – 500,000	60
500,001 – 1,000,000	22
1,000,001 and over	37
Total	**411**

Includes 406 holders of CDIs and 5 holders of shares of common stock (excluding CDN).

Unmarketable Parcels
There are 187 holders of CDIs and shares (as converted to CDIs) holding less than a marketable parcel of CDIs (being a parcel of securities less than $500).

BuildingIQ, Inc.
Shareholder Information
31 December 2018

Top 20 Holders

Set out below is a schedule of the 20 largest holders of securities (CDIs and shares, as converted to CDIs) in the company accurate as at 22 February 2018. (Related but separate legal entities are not aggregated for the purpose of the table below).

Rank	Name	Units	% Units*
1	WELAS PTY LTD <WALES FAMILY NO 2 A/C>	45,320,405	18.43
2	SIEMENS VENTURE CAPITAL GMBH\C	34,313,644	13.95
3	HARESHWAR RAMNATH SINGH <SINGH FAMILY A/C>	13,636,364	5.54
4	PALADIN GLOBAL ALTERNATIVE ENERGY FUND LP	12,204,817	4.96
5	EMERALD SHARES PTY LIMITED <EMERALD UNIT A/C>	11,500,000	4.68
6	NATIONAL NOMINEES LIMITED	10,400,957	4.23
7	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	6,841,500	2.78
8	WELAS PTY LTD <WALES FAMILY A/C>	6,321,143	2.57
9	ASTER CAPITAL PARTNERS SAS	5,771,267	2.35
10	AKHENATEN PTY LIMITED <AKHENATEN A/C>	4,909,829	2.00
11	EXTO PARTNERS AUSTRALIA PTY LTD	4,634,796	1.88
12	CATCH 88 PTY LTD <MITCHELL SUPER FUND A/C>	4,567,072	1.86
13	WELAS PTY LTD <WALES FAMILY A/C>	4,500,000	1.83
14	THE GENUINE SNAKE OIL COMPANY PTY LTD <MORSON GROUP SUPER FUND A/C>	3,550,000	1.44
15	MR ANDREW MACBRIDE PRICE <EST JOHN AM PRICE A/C>	3,500,000	1.42
16	18 KNOT VENTURES PTY LTD <GREEN ARROWS A/C>	3,369,723	1.37
17	FIRST TRUSTEE COMPANY (NZ) LIMITED <IAN ROGER MOORE A/C>	3,341,200	1.36
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,165,445	1.29
19	LYNTER PTY LTD <HERFORT SUPER FUND A/C>	3,000,000	1.22
20	EQUITAS NOMINEES PTY LIMITED <PB - 601541 A/C>	2,927,153	1.19
Totals: Top 20 holders of CHESS DEPOSITARY INTERESTS (Total)		**187,775,315**	**76.35**
Total Remaining Holders Balance		**58,164,261**	**23.65**

*The company has a total of 249,223,825 shares on issue but currently only 245, 939,576 are held in the form of CDIs with five holders in the US not having elected to hold their shares of common stock in the form of CDIS. The above percentages are calculated based on total CDIs held.

Restricted Securities

The company has 13,636,364 securities subject to a 12 month holding lock under a voluntary restriction deed under which the restriction period expires on 17 September 2019. These securities were issued to the vendor of Buildingsense Australia Pty Ltd (refer to ASX announcement on 23 August 2018 and Appendix 3B lodged on 24 September 2018).

Options

As at 18 February 2019 there were 15,832,520 options on issue to purchase shares (equivalent to 15,832,520 CDIs). The total number of holders of options is thirty five (35). The options on issue include:

- 6,858,228 options issued to directors, executives and employees under the Company's 2012 Equity Incentive Plan;
- 2,112,500 options issued to KTM Capital Pty Ltd, underwriter of the Company's initial public offering
- 6,861,792 options issued to Canaccord Genuity (Australia) Limited

The following table is a distribution schedule of the number of holders of options as at February 18, 2019.

CATEGORY	NUMBER OF HOLDERS
1-1,000	0
1,001-5,000	6
5,001-10,000	2
10,001-100,000	16
100,001 and over	11

Canaccord Genuity (Australia) Limited holds a total of 6,861,792 (2017: 6,861,792) options expiring on 31 December 2020, representing a total of 43.34% (2017: 45.77%) of the options on issue.

Voting Rights

At a meeting of the company, every holder of common stock, present in person or by proxy is entitled to one vote for each share of common stock held on the record date for the meeting on all matters submitted to a vote of shareholders.

CDI holders may attend and vote at BuildingIQ's general meetings. The company must allow CDI holders to attend any meeting of the shareholders unless relevant US law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

- Instruct CDN, as the legal owner, to vote the shares underlying their CDIs in a particular manner. A voting instruction form is sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the share registry before the meeting;
- Informing the company that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting at the general meeting;
- Converting their CDIs into a holding of shares of common stock before the record date for the meeting and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on the ASX it would need to convert the shares back to CDIs).

As holders of CDIs do not appear on the company's share register as the legal holder of the shares, they will need to undertake one of the steps above in order to be entitled to vote at general meetings of shareholders. As each CDI is equivalent to one share of common stock, each CDI holder is entitled to one vote for every one CDI that they hold.

Required Statements

(a) There is no current on-market buy back of the company's securities;
(b) The company is incorporated in the state of Delaware in the United States of America;
(c) The company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).
(d) The company's securities are not quoted on any exchange other than ASX.
(e) Under the Delaware General Corporation Law ('DGCL'), shares are generally freely transferable subject to restrictions imposed by US federal or state securities laws, by the company's certificate of incorporation or bylaws, or by an agreement signed with the holders of the shares. The company's amended and restated certificate of incorporation and amended and restated bylaws do not impose any specific restrictions on transfer
(f) The name of the Australian company secretary is Lisa Jones.
(g) The address and phone number of our registered office and principal administrative office in Australia is:

Suite 1102
46 Market Street
SYDNEY NSW 2000
Telephone: +61 2 9360 0602

(h) The register of CDIs is:

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford, VIC, AUSTRALIA, 3067
Telephone (within Australia) 1300 850 505
Telephone (outside Australia) +61 3 9415 4000

(i) The register of shares is:

Computershare
PO Box 505000
Louisville KY 40233-5000
+1 (800) 736 – 3001

Foreign Ownership Restriction

The CDIs are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933, as amended (**Securities Act**) for offers of securities which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are "restricted securities" under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable future except in very limited circumstances after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a 'FOR US' designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.