

BuildingIQ, Inc.
Appendix 4E
Preliminary final report

1. Company details

Name of entity: BuildingIQ, Inc.
 ARSN: 605 422 166
 Reporting period: For the year ended 31 December 2016
 Previous period: For the year ended 31 December 2015

2. Results for announcement to the market

	Change \$	%		2016 \$
2.1 Revenues from ordinary activities	(314,545)	(7%)	to	3,958,342
2.2 Revenue and other income	(159,445)	(3%)	to	5,006,843
2.3 Profit/(loss) from ordinary activities after tax attributable to the members of BuildingIQ, Inc.	(2,497,010)	(47%)	to	(7,770,900)
2.4 Profit/(loss) for the year attributable to the members of BuildingIQ, Inc.	(5,646,166)	(237%)	to	(8,029,486)
2.5 Earnings before interest, tax & depreciation (EBITDA)	(2,594,690)	(58%)	to	(7,098,507)

2.6 Dividends

Nil

2.7 Comments

Total comprehensive income for the year attributable to owners of BuildingIQ, Inc. for the consolidated entity amounted to \$8,029,486 (31 December 2015: \$2,383,320).

3. Statement of comprehensive income

	Consolidated	
	2016 \$	2015 \$
Revenue from continuing operations	3,958,342	4,272,887
Other income	1,048,501	893,401
Revenue & other income	5,006,843	5,166,288
Cost of sales	(1,590,082)	(1,519,973)
Gross Profit	3,416,761	3,646,315
Interest income	12,393	5,008

3. Statement of comprehensive income (Continued)

	Consolidated	
	2016	2015
	\$	\$
Expenses		
Sales and marketing	(3,017,615)	(2,823,347)
Research costs	(968,000)	(731,545)
Administrative expenses	(5,689,169)	(3,778,951)
Depreciation & amortisation	(684,786)	(681,221)
Transaction advisory costs	(121,091)	(821,342)
Finance costs	-	(88,807)
Write-off of accrued income	(719,393)	
Loss before income tax expense from continuing operations	(7,770,900)	(5,273,890)
Income tax expense	-	
Loss after income tax expense for the year	(7,770,900)	(5,273,890)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(258,586)	2,890,570
Other comprehensive income/(loss) for the year, net of tax	(258,586)	2,890,570
Total comprehensive income for the year attributable to owners of BuildingIQ, Inc.	(8,029,486)	(2,383,320)

4. Statement of financial position

	Consolidated	
	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	10,439,188	20,982,621
Trade and other receivables	1,509,848	1,616,404
R&D grant receivable	1,805,556	1,647,822
Other current assets	495,849	348,859
Total current assets	14,250,441	24,595,706

4. Statement of financial position (Continued)

	Consolidated	
	2016	2015
	\$	\$
Non-current assets		
Property, plant and equipment	157,047	92,103
Intangible assets - Goodwill	3,830,806	-
Intangible assets - Other	2,010,286	887,255
Total non-current assets	5,998,139	979,358
Total assets	20,248,580	25,575,064
Liabilities		
Current liabilities		
Trade and other payables	567,422	588,798
Employee benefits	876,570	436,750
Deferred revenue	133,854	102,213
Other current liabilities	2,938,613	462,415
Total current liabilities	4,516,459	1,590,176
Non-current liabilities		
Total non-current liabilities	-	-
Total liabilities	4,516,459	1,590,176
Net assets	15,732,121	23,984,888
Equity		
Issued capital	44,078,685	44,175,942
Reserves	922,591	1,307,201
Accumulated losses	(29,269,155)	(21,498,255)
Total equity	15,732,121	23,984,888

5. Statement of cash flows

	Consolidated	
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (including GST)	3,135,734	2,224,810
Payments to suppliers (including GST)	(4,215,926)	(2,869,335)
Payments to employees (including GST)	(7,103,014)	(4,784,897)
Interest received	12,393	5,008
Transaction advisory costs paid	(328,844)	(437,970)

5. Statement of cash flows (Continued)

	Consolidated	
	2016	2015
	\$	\$
R&D tax refund received	1,679,797	1,549,542
Net cash used in operating activities	(6,819,860)	(4,312,842)
Cash flows from investing activities		
Payments for plant and equipment	(114,912)	(60,246)
Payments for intangible assets	(2,111,483)	(1,261,234)
Payments for business acquisition	(1,304,917)	-
Net cash used in investing activities	(3,531,312)	(1,321,480)
Cash flows from financing activities		
Proceeds from issues of shares	-	27,577,560
Proceeds from borrowings	-	3,600,000
Repayment of borrowings	-	(3,600,000)
Capital Raising Costs (capitalised)	(119,485)	(1,332,679)
Net cash from financing activities	(119,485)	26,244,881
Net increase/(decrease) in cash and cash equivalents	(10,470,657)	20,610,559
Cash and cash equivalents at the beginning of the financial year	20,982,621	579,766
Effects of exchange rate changes on cash and cash equivalents	(72,776)	(207,704)
Cash and cash equivalents at the end of the financial year	10,439,188	20,982,621

6. Statement of changes in equity

	Issued capital	Convertible notes	Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 January 2016	41,288,540	-	4,194,603	(21,498,255)	23,984,888
Prior period adjustment	2,887,402	-	(2,887,402)	-	
Restated balance at 1 January 2016	44,175,942	-	1,307,201	(21,498,255)	23,984,888
Loss after income tax expense for the year	-	-	-	(7,770,900)	(7,770,900)
Other comprehensive income for the year, net of tax	-	-	(258,586)	-	(258,586)

6. Statement of changes in equity (Continued)

	Issued capital \$	Convertible notes \$	Reserves \$	Accumulated losses \$	Total Equity \$
Total comprehensive income for the year	-	-	(258,586)	(7,770,900)	(8,029,486)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	(97,257)	-	-	-	(97,257)
Employee share schemes	-	-	(126,024)	-	(126,024)
Balance at 31 December 2016	44,078,685	-	922,591	(29,269,155)	15,732,121

7. Details of individual and total dividends or distributions and dividend or distribution payments

Nil

8. Details of dividend or distribution reinvestment plans in operation

Nil

9. Net tangible assets per ordinary security

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	12	27

Net tangible assets decreased as a result of the increase in Goodwill (following the acquisition outlined in item 12 below) and other Intangible Assets.

10. Details of entities over which control has been gained or lost during the period

No changes from previous period.

11. Details of associates and joint venture entities

Nil

12. Any other significant information

On 13 April 2016 BuildingIQ Inc. completed the acquisition of the Energy WorkSite (EWS) and Facility WorkSite (FWS) businesses from NorthWrite Inc. for approximately USD \$3m. The company paid USD \$1m at closing with the remaining USD \$2m payable in two tranches. The first tranche (\$850k) has been settled in January 2017 and the final tranche will be settled in April 2017, in the event specific performance hurdles are met. Income from EWS and FWS have been incorporated into BuildingIQ's 5i revenue streams, contributing recurring annuity income.

13. Accounting Standards Used

BuildingIQ, Inc.'s financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

14. Commentary on the results for the period

14.1 EPS & Dilutive Aspects

	Reporting Period (Cents)	Prior Period (Cents)
Basic earnings per share	(9)	(8)
Diluted earnings per share	(9)	(8)

There were no dilutive instruments issued in 2016 or 2015.

14.2 Returns to shareholders including distributions and buy-backs

Nil

14.3 Significant features of operating performance

BuildingIQ secured a number of new customers during the year, adding 774 net new buildings for FY2016 to the 5i platform. The purchase of the EIMS assets from Northwrite included a significant volume of recurring customer contracts, increasing our overall portfolio to 927 buildings as at 31 December 2016.

The full impact of these new buildings and customers, which are typically for terms of between 12 and 36 months, will flow through in the 2017 financial results.

The Company commenced a strategic review in the 2nd half of FY2016 focused on expanding BuildingIQ's 5i Platform sales through alternate, cost effective distribution models, including:

- Strategic partnerships, like our recently announced relationship with GE Current, which services an established building install base, and
- Relationships that will deliver accelerated customer acquisition in markets, such as Asia Pacific where the Company has chosen not to establish direct sales capabilities, and inorganic opportunities that enable customers to gain the full benefit of the 5i Platform.

14. Commentary on the results for the period (continued)

14.4 Results of segments

	Sales to external Customers		Geographical non-current assets	
	2016	2015	2016	2015
	\$	\$	\$	\$
Australia	288,868	365,302	1,636,340	958,220
USA	3,669,474	3,907,585	4,361,799	114,592
	<u>3,958,342</u>	<u>4,272,887</u>	<u>5,998,139</u>	<u>1,072,812</u>

14.5 Trends in performance

Revenue for the 2nd half was A\$1.94 million, a slight decrease on the 1st half revenue of A\$2.02 million following the renegotiation of terms relating to buildings within Nevada Energy's portfolio; using the original revenue run rate this would have been approximately A\$2.09 million in the 2nd half of 2016. Total income for the 12 months was A\$5.01 million, including an R&D tax rebate of A\$1.05 million.

Cash receipts from customers for the 2nd half of 2016 were A\$1.78 million. This amount, which was in line with management expectations, reflects initial receipts from the new Nevada Energy contract (A\$0.2 million), sales from new customers and improved collections.

Since the first half of FY2016, management has taken steps to reduce the cost base across the business. Net cash payments were reduced by A\$0.84 million, which is 14.9% over the 2nd half (or 8% on a full year basis). Cost savings in the 2nd half of FY2016 reflected the headcount reduction and stricter budgets in marketing, advertising and general administration.

In addition to these cost reductions, approximately A\$0.40 million of cash outflows per quarter will be recouped by the receipt of the R&D tax rebate, which is generally received in the June quarter of each year. Management's current estimate for the 2017 receipt is a total R&D tax rebate of approximately A\$1.97 million.

14.6 Other factors

Since listing in December 2015, US residents had been restricted from investing in BuildingIQ through the Chess Depository Interests (CDIs). Following an application from the Company, the ASX advised that this restriction was removed effective 1 February 2017.

15. Statement relating to the status of the audit

This report is based on accounts which are in the process of being audited.

16. Expected audit opinion

The independent audit report is expected to contain an unqualified, unmodified opinion.

From 15 December 2016, all listed entities auditor's reports will be required to provide information about Key Audit Matters (KAMs). KAMs are those matters that required significant auditor attention in performing the audit. The implementation of KAMs is the biggest change auditors have seen to the auditing standards since the introduction of the clarity standards in 2004. The platform for change was to provide insights to shareholders on the conduct of the audit, previously only viewed by those in the board room.

KAMs for 31 December 2016 results are expected to report on:

- i. Carrying value of intangible assets
- ii. Accounting for the acquisition of Energy Worksite and Facility Worksite
- iii. Revenue recognition

KAMs do not alter the unqualified, unmodified audit opinion expressed in the independent audit report.