

# 2016 Annual Report

*Annual Report for the financial year ended 31 December 2016*

## **Table of Contents**

Message from the Chairman & CEO	Page 2
Corporate Directory	Page 4
Directors' Report	Page 5
Auditor's Independence Declaration	Page 21
General Information	Page 22
Consolidated Statement of Profit or Loss and other Comprehensive Income	Page 23
Consolidated Statement of Financial Position	Page 24
Consolidated Statement of Changes in Equity	Page 25
Consolidated Statement of Cash Flows	Page 26
Notes to the Financial Statements	Page 27
Directors' Declaration	Page 51
Independent Auditor's Report	Page 52
Shareholder Information	Page 54

**BuildingIQ, Inc.**  
**Message from Chairman and CEO**  
**31 December 2016**

Dear Shareholders,

It gives us great pleasure to present the BuildingIQ, Inc. ("BuildingIQ") 2016 Annual Report.

The Report summarises the Fiscal Year 2016, a pivotal year for us in which we focused our efforts on expanding our capabilities to address the energy needs of our clients as well as their comfort and operational needs. The culmination of these efforts saw the successful launch of our 5i Platform.

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 2016 (all AUD):

- Revenue from ordinary activities of \$3.9m;
- Revenue and other income of more than \$5.0m;
- Achieving a monthly recurring revenue run rate of \$0.35m;
- New contract bookings amounting to \$4.5m for the year;
- Future annual contracted revenue reaching \$4.2m;
- Operating expenses were improved in the 2<sup>nd</sup> half resulting in a 12% reduction in cash payments and a 27% reduction in operating expenses from 1H2016;
- Building count increased to more than 920 buildings under contract; and
- 65m square feet under contract was reached.

Operationally there were a number of exciting developments, which will contribute to providing financial benefits for BuildingIQ in the 2017 financial year and beyond.

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

Importantly, we solidified the commercial security over our unique intellectual property by successfully obtaining a patent in the United States. This patent is in addition to the previously awarded patents in Australia, Japan and China. This commercial security is important and provides BuildingIQ with a solid footing as we begin our expansion into Asia in 2017.

In respect to governance matters, since BuildingIQ's listing in December 2015, US residents have been restricted from investing in the Company. Post the end of the 2016 financial year that restriction has been removed, which positively opens the US financial market for us.

On behalf of all the Board, our thanks go to the team at BuildingIQ for their collective contributions. The year presented significant challenges for the Company, as outlined in releases from time to time during the year. Nevertheless, it was one which saw significant milestones for BuildingIQ, as we continued to build scale and brought the latest generation of our services technology to market. We placed a focus on getting the Platform to market 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 2017.

Looking ahead, BuildingIQ is focused on four core strategic growth initiatives – strengthening our position in current markets; expanding into new geographies, particularly Asia; delivering additional services to existing customers and continuing to invest in technology R&D. Our view is these strategies will enable us to deliver more consistent growth, recurring revenue, increase client penetration and maintain our competitive advantage in the marketplace.

**BuildingIQ, Inc.**  
**Message from Chairman and CEO**  
**31 December 2016**

We look forward to meeting many of our shareholders at the Company's Annual General Meeting on 16 May, 2017.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Alan', followed by a long horizontal line.

**Alan Cameron**  
Chair

A handwritten signature in dark ink, appearing to be 'Michael Nark', written in a cursive style.

**Michael Nark**  
President & CEO



**BuildingIQ, Inc.  
Corporate Directory  
31 December 2016**

Directors	Alan Cameron Tanya Cox William Deane Gerd Goette Michael Nark Ken Pentimonti
Company secretary	Ian Gilmour
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 on 16 May 2017
Registered office	2121 South El Camino Real, Suite 200 San Mateo, CA 94403, USA
Principal place of business	2121 South El Camino Real, Suite 200 San Mateo, CA 94403, USA
Share register	Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street Sydney NSW 2000 <a href="http://www.computershare.com">www.computershare.com</a>
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
Stock exchange listing	BuildingIQ, Inc. shares are listed on the Australian Securities Exchange (ASX code: BIQ)
Website	<a href="http://www.BuildingIQ.com">www.BuildingIQ.com</a>

**BuildingIQ, Inc.  
Directors' Report  
31 December 2016**

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 2016.

**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

**Principal activities**

BuildingIQ is a leading provider of energy efficiency solutions for facilities throughout the United States and Australia. BuildingIQ's principal service is the development, design, engineering and installation of integrated software projects that reduce the energy, operations and maintenance costs of customers' facilities. These projects typically include a variety of measures customised 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 support. BuildingIQ also receives grants and tax incentives in Australia.

Revenue and other income decreased from last year by approximately 3%, to \$5,006,843 (2015: \$5,166,288). The key reasons for this decrease were the renegotiation of BuildingIQ's utility and government programs. Other income increased by 17%, to \$1,048,501 (2015: \$893,401), reflecting an increase in the government grants (R&D tax incentive).

Operating expenses (which exclude finance costs) increased to \$11,200,054 (2015: \$8,836,406) primarily due to currency fluctuations impacting US operations and a once-off customer collection correction of \$719,393. The overall result of these factors was that the loss before income tax expense from continuing operations for the year increased to \$7,770,900 (2015: \$5,273,890).

**Changes in the state of affairs**

In April 2016 the company completed the acquisition of Energy WorkSite and Facility WorkSite from NorthWrite Inc. This acquisition formed an important component of the new 5i platform which was released in July 2017 broadening the product offering beyond Predictive Energy Optimization. Apart from this there were no other significant changes to the affairs of BuildingIQ, Inc.

**Matters subsequent to the end of the financial year**

There have not been any 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.

On 1 February 2017, in accordance with ASX Settlement Operating Rule 5.18.9(a), BuildingIQ Inc. Chess Depository Interests 1:1 were removed from Schedule 1 of the ASX Settlement Operating Rules, allowing US investors to trade in securities previously held in escrow.

### **Likely developments and expected results of operations**

BuildingIQ will continue to focus on expanding the install base of its 5i platform beyond the 927 buildings currently in its portfolio. This will be achieved via a combination of existing sales channels and through alternate, cost effective distribution channels including strategic partnerships with industry participants and relationships that will deliver accelerated customer acquisition in new markets. Yield improvement is also expected within the existing building portfolio as customers acquired via the Energy WorkSite and Facility WorkSite acquisition are progressed onto a broader, higher value service offering.

The company will continue to consider inorganic opportunities where they expand the potential install base of the 5i platform, in conjunction with additional human capital and complementary technology offerings.

### **Environmental regulation**

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

### **Corporate Governance**

The company, as a Delaware incorporated company, seeks to achieve substantive compliance with the governance recommendations set out in the 'Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition', published by the ASX Corporate Governance Council (the ASX Principles). Upon listing on the Australian Securities Exchange the consolidated entity adopted a Corporate Governance Charter and Corporate Governance Statement which may be viewed at <https://buildingiq.com/investor-relations/>.

### **Company secretary**

Ian Gilmour was appointed Company Secretary of the consolidated entity on 21 December 2016. Mr Gilmour currently serves as Company Secretary of Property Exchange Australia Ltd, RedHill Education Ltd (ASX:RDH), Clarius Group Ltd (ASX:CND) and Optalert Holdings Pty Ltd, and Company Secretary/CFO Sydney Institute of Marine Science. Mr Gilmour is Director and Company Secretary for Gilmour & Co Pty Ltd. His previous positions include: Director and Company Secretary, Audit Quality Review Board Limited, Director, IEG Holdings Corporation (US) (OTC: IEGH), Company Secretary, Goodman Fielder Ltd, and Auditor, Coopers & Lybrand (now PwC). Prior to Mr Gilmour's appointment, Robert Goss served as Company Secretary for the period from 17 December 2015 until 21 December 2016.



## Information on Directors

Name:	<b>Alan Cameron, AO</b>
Title:	Non-Executive Independent Chairman
Qualifications:	BA, LL.M (Syd)
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 a consultant on regulatory projects and governance reviews of various kinds. He is currently chair of Property Exchange Australia Limited and various companies in the BT Financial Group. He was appointed as a Member of the Order of Australia in 1997, and as 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:	440,000
Interests in options:	50,000
Contractual rights to shares:	None
Name:	<b>Tanya Cox</b>
Title:	Non-Executive Independent Director
Qualifications:	M.B.A., FAICD, FGIA, FCIS
Experience and expertise:	Tanya has more than 10 years' experience as a non-executive director and is currently Chair of the Green Building Council of Australia and Equiem Pty Ltd, a director of ASX listed OtherLevels Holdings, a director of the World Green Building Council and a member of the NSW Climate Change Council. In her executive career, Tanya was most recently Chief Operating Officer of the \$17 billion 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:	40,000
Interests in options:	40,000
Contractual rights to shares:	None
Name:	<b>William Deane</b>
Title:	Non-Executive Director
Qualifications:	LL.B., BA
Experience and expertise:	William is a Managing Director of Exto Partners Pty Ltd, a private investment 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:	None
Interests in options:	None
Contractual rights to shares:	None

**BuildingIQ, Inc.  
Directors' Report  
31 December 2016**

Name:	<b>Gerd Goette</b>
Title:	Non-Executive Director
Qualifications:	M.A. Engineering
Experience and expertise:	Gerd is a Partner at Siemens Venture Capital (SVC) based in Silicon Valley, California. He currently manages SVC's investments in BuildingIQ, ChargePoint, QBotix, Sensys, Sunverge, Tendril and Wirescan. Prior to joining SVC, Gerd was Vice President and Head of CableTV Solutions in Siemens Information and Communication Networks. 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:	<b>Michael Nark</b>
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:	None
Interests in options:	2,203,089
Contractual rights to shares:	None
Name:	<b>Ken Pentimonti</b>
Title:	Non-Executive Director
Qualifications:	M.B.A., B.A. Economics and Political Science
Experience and expertise:	Ken has been a Director of BuildingIQ since December 2012. Ken is a Principal at Paladin Capital Group, a multi-stage private equity firm. Ken is now based in London. Ken focuses on sourcing, negotiating and monitoring investment opportunities in the renewable energy and cleantech sectors. Prior to joining Paladin, Ken spent six years as an Investment Banker with JPMorgan Chase (and the growth-focussed investment bank, Hambrecht & Quist, which was acquired by JPMorgan Chase). While at JPMorgan, he led the execution of over twenty equity offerings, ten M&A transactions, and various other public and private capital raising transactions. Ken joined the Board of the company in December 2012.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination Committee
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None



**BuildingIQ, Inc.**  
**Directors' Report**  
**31 December 2016**

'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 of the directors. This number differs to the amount set out in the table on pages 16 -17 of the Remuneration Report which includes shares held by director related entities.

**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 2016, and the number of meetings attended by each director were:

	<b>Board</b>		<b>Remuneration</b>		<b>Audit &amp; Risk</b>	
	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>
Alan Cameron, AO	17	17	6	6	5	5
Tanya Cox	17	17	6	6	5	5
William Deane	17	17	6	6	5	5
Gerd Goette	14	17	5	6	-	-
Michael Nark	17	17	-	-	-	-
Ken Pentimonti	15	17	-	-	-	-

### **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 to be Key Management Personnel ("KMP").

The Remuneration Report contains the following sections:

- A Key Management Personnel disclosed in this report
- B Remuneration governance
- C Executive remuneration policy and framework
- D Relationship between remuneration and the consolidated entity's performance
- E Non-executive Director remuneration policy
- F Details of remuneration of Directors and Key Management Personnel
- G Service agreements
- H Share-based compensation
- I Equity instruments held by Key Management Personnel (options)
- J Additional information

The information provided in this Remuneration Report has been audited.

#### **A Key Management Personnel disclosed in this report**

Key Management Personnel 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	Director (Non-executive)
Robert Goss	Chief Financial Officer (resigned 21 December 2016)
Michael Nark	Executive Director, President and Chief Executive Officer
Ken Pentimonti	Director (Non-executive)

#### **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, with headquarters based in Foster City 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 and reflects the sales orientation of the company.

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 and 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.



## **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) and the Employee Share Option Plan (ESOP), which have been approved by the Board and outlined in the prospectus dated 30 October 2015.

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

### *Base pay*

The 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.

### *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 executive's 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 executive KMP varies depending on the role, responsibility and ability to influence the performance of the consolidated entity.

KPI's for executive KMP to 31 December 2016 included:

<b>KMP</b>	<b>Key Performance Indicators</b>
Michael Nark	<ul style="list-style-type: none"> <li>• 50% based on the consolidated entity's annual performance, including bookings, revenue and EBITDA.</li> <li>• 50% based on individual KPIs linked to the consolidated entity's strategic plan, including business growth and global expansion.</li> </ul>
Robert Goss	<ul style="list-style-type: none"> <li>• 50% based on the consolidated entity's annual performance, including bookings, revenue and EBITDA.</li> <li>• 50% based on individual KPIs linked to the consolidated entity's strategic plan, including further development of the finance function, planning and forecasting capabilities, company secretarial and investor relations responsibilities.</li> </ul>

The target remuneration mix for executive KMP to 31 December 2016 was:

<b>KMP</b>	<b>Fixed</b>	<b>STI</b>	<b>Total</b>
Michael Nark	66%	33%	100%
Robert Goss	75%	25%	100%

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

<b>KMP</b>	<b>Performance</b>	<b>Target</b>	<b>Awarded</b>	<b>Forfeit</b>
Michael Nark	Company	A\$93,696	A\$28,109	A\$65,587
	Individual	A\$93,696	A\$66,866	A\$26,830
Robert Goss <sup>1</sup>		A\$100,000	Nil	A\$100,000

<sup>1</sup>Robert Goss was not eligible for a STI award as he resigned effective 21 December 2016.

## C Executive remuneration policy and framework (continued)

With respect to KPIs based on the consolidated entity's annual performance the President and Chief Executive Officer was awarded a bonus of A\$28,109 (US\$20,625) out of a maximum A\$93,696 (US\$68,750), the balance being forfeited.

With respect to KPIs based on the President and Chief Executive Officer's individual contribution to the achievement of BuildingIQ's strategic objectives, Michael was awarded a bonus of A\$66,866 (US\$49,063), which included a discretionary component recognising his above expectations personal contribution.

2015:

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

KMP	Performance	Target	Awarded	Forfeit
Michael Nark	Company	A\$86,433	A\$69,147	A\$17,286
	Individual	A\$86,433	A\$138,293	-

### 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')

In 2016 the President and Chief Executive was granted 500,000 options over common stock, with a strike price of \$1.00, which were approved at the Annual General Meeting in 2016.

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

During 2016 the Chief Financial Officer was granted 300,000 options over common stock, on the same terms as those described above. These options did not meet the vesting criteria and were forfeited upon the resignation of Robert Goss effective 21 December 2016.

Further details are provided in table **Equity instruments held by Key Management Personnel (options)** in section I on pages 16 and 17..

## 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, with 50% of STI awarded based on consolidated entity performance against financial targets. For this component of STI in 2016 the President and Chief Executive Officer was awarded a total of A\$28,109 (US\$20,625), or 30% of his maximum potential award.

# **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\$408,856 (US\$300,000) per annum. Aggregate total Directors' fees for 2016 were A\$140,000 per annum (2015: A\$140,000 pro-rated).

Fees earned are based on responsibilities and vary for the Board's Chair and for the Chair of each Board Committee. Fees and payments to Non-executive Directors reflect the demands made on and the responsibilities of the Directors.

	2016
<b>Base fees</b>	
Chair	A\$40,000
Other Non-executive Directors	A\$20,000
<b>Committee fees</b>	
Audit and Risk Management Committee Chair	A\$10,000
Audit and Risk Management Committee Member	Nil
Remuneration Committee Chair	A\$10,000
Remuneration Committee Member	Nil
Nomination Committee Chair/Member	Nil

For further information in relation to Directors' remuneration, refer to pages 14 to 15.

## *Retirement allowance for Directors*

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



**F Details of remuneration of Directors and Key Management Personnel**

*Amounts of remuneration*

		Short-term benefits			Post-Employment Benefits Super	Option-based payments	Total
Non-executive Directors		Salary and fees	Cash bonus	Other			
		\$	\$	\$	\$	\$	\$
Alan Cameron	2016	40,000	-	-	-	-	40,000
Tanya Cox	2016	40,000	-	-	-	-	40,000
William Deane	2016	20,000	-	-	-	-	20,000
Gerd Goette	2016	20,000	-	-	-	-	20,000
Ken Pentimonti	2016	20,000	-	-	-	-	20,000
<b>Total</b>		<b>\$140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$140,000</b>

		Short-term benefits			Post-Employment Benefits Super	Option-based payments	Total
Other Key Management Personnel		Salary and fees	Cash Bonus <sup>1</sup>	Other			
		\$	\$	\$	\$	\$	\$
Michael Nark	2016	348,363	96,698	19,079	-	16,628	480,768
Robert Goss <sup>2</sup>	2016	284,750	-	-	24,058	-	308,808

<sup>1</sup> This STI was earned/awarded in 2016 and paid in 2017.

<sup>2</sup> Robert Goss resigned effective 21 December 2016.

*Prior period – 2015*

		Short-term benefits			Post-Employment Benefits Super	Option-based payments	Total
Non-executive Directors		Salary and fees	Cash Bonus	Other			
		\$	\$	\$	\$	\$	\$
Alan Cameron*	2015	25,041	-	-	-	15,900	40,941
Tanya Cox**	2015	16,438	-	-	-	12,720	29,158
William Deane	2015	767	-	-	-	-	767
Gerd Goette	2015	767	-	-	-	-	767
Ken Pentimonti	2015	767	-	-	-	-	767
<b>Total</b>		<b>\$43,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$28,620</b>	<b>\$72,400</b>

\* Alan Cameron was appointed to BuildingIQ Pty Ltd effective 14 April 2015.

\*\* Tanya Cox was appointed to BuildingIQ Pty Ltd effective 17 August 2015.

Fees for the longer serving directors commenced on listing date, being 17 December 2015.

		Short-term benefits			Post-Employment Benefits Super	Option-based payments	Total
Other Key Management Personnel		Salary and fees	Cash bonus <sup>1</sup>	Other			
		\$	\$	\$	\$	\$	\$
Michael Nark	2015	345,734	207,440	23,390	-	-	576,654

<sup>1</sup> This STI was earned/awarded in 2015 and paid in 2016.

## **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	A\$374,784 (US\$275,000) plus health insurance
	Performance bonus	A\$187,392 (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.

Details of the service agreement for Robert Goss are not provided as he resigned effective 21 December 2016.

## **H Share-based compensation**

### *Options*

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

Non-executive Directors	Number of options granted during the period 2015	Number of options vested during the period 2015
Alan Cameron	50,000	50,000
Tanya Cox	40,000	40,000

The assessed fair value at the reporting date of options granted 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 at grant date 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.

**BuildingIQ, Inc.**  
**Directors' Report**  
**31 December 2016**

**I Equity instruments held by Key Management Personnel (options)**

*Current Period - 2016*

The number of options over common stock in the company held during the 2016 period by each Key Management Personnel of the company are set out below.

<b>Non-executive Directors</b>	<b>Balance at start of period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of period</b>	<b>Vested and exercisable to date</b>	<b>Unvested at 31 Dec 2016</b>
Alan Cameron	50,000	-	-	-	50,000	50,000	Nil
Tanya Cox	40,000	-	-	-	40,000	40,000	Nil
William Deane	-	-	-	-	-	-	-
Gerd Goette	-	-	-	-	-	-	-
Ken Pentimonti	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>	<b>Balance at start of period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of period</b>	<b>Vested and exercisable to date</b>	<b>Unvested at 31 Dec 2016</b>
Michael Nark	1,703,089	500,000	-	-	2,203,089	1,163,103	1,039,986
Robert Goss <sup>1</sup>	-	300,000	-	(300,000)	-	-	-

<sup>1</sup>Robert Goss resigned effective 21 December 2016

*Prior Period - 2015*

The number of options over common stock in the company held during the 2015 period by each Key Management Personnel of the company are set out below.

<b>Non-executive Directors</b>	<b>Balance at start of period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of period</b>	<b>Vested and exercisable to date</b>	<b>Unvested at 31 Dec 2015</b>
Alan Cameron	-	50,000	-	-	50,000	50,000	Nil
Tanya Cox	-	40,000	-	-	40,000	40,000	Nil
William Deane	-	-	-	-	-	-	-
Gerd Goette	-	-	-	-	-	-	-
Ken Pentimonti	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>	<b>Balance at start of period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of period</b>	<b>Vested and exercisable to date</b>	<b>Unvested at 31 Dec 2015</b>
Michael Nark	312,811	166,548	-	1,223,730	1,703,089	666,618	1,036,471

*Share holdings*

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

*Current Period - 2016*

<b>Non-executive Directors</b>	<b>Balance at start of the period</b>	<b>Received during the period on exercise of options</b>	<b>Other changes during the period</b>	<b>Balance at end of the period</b>
Alan Cameron	40,000	-	400,000	440,000
Tanya Cox	40,000	-	-	40,000
William Deane	1,598,782	-	-	1,598,782
Gerd Goette	15,802,534	-	-	15,802,534
Ken Pentimonti	16,272,869	-	-	16,272,869



**BuildingIQ, Inc.**  
**Directors' Report**  
**31 December 2016**

**I Equity instruments held by Key Management Personnel (options) (continued)**

*Prior Period – 2015*

<b>Non-executive Directors</b>	<b>Balance at start of the period</b>	<b>Received during the period on exercise of options</b>	<b>Other changes during the period</b>	<b>Balance at end of the period</b>
Alan Cameron	-	-	40,000	40,000
Tanya Cox	-	-	40,000	40,000
William Deane <sup>1</sup>	450,000	-	1,148,782	1,598,782
Gerd Goette <sup>1</sup>	1,868,531	-	13,934,003	15,802,534
Ken Pentimonti <sup>1</sup>	1,868,515	-	14,404,354	16,272,869

<sup>1</sup> Other changes during the period relate to conversion of notes to shares and a pre-IPO share split

Executive KMP held no common stock in the company, in addition to their options, at 31 December 2016 (2015: nil).

**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.

<b>Grant date</b>	<b>Expiry date</b>	<b>Fair value</b>	<b>Exercise Price</b>	<b>2016 Share options</b>
December 2012	December 2017	US 5.1c	AUD 82.0c	8,882
December 2012	December 2017	US 2.8c	AUD 161.0c	14,211
December 2012	December 2017	US 2.0c	AUD 240.0c	15,986
March 2013	March 2023	US 2.0c	AUD 26.2c	159,878
October 2013	October 2023	US 10.4c	AUD 26.2c	1,129,134
January 2014	January 2024	US 0.3c	AUD 26.2c	15,986
August 2014	August 2024	US 0.3c	AUD 26.2c	21,314
November 2014	November 2024	US 0.3c	AUD 26.2c	14,210
June 2015	June 2025	US 0.3c	AUD 26.2c	829,756
October 2015	October 2025	US 0.3c	AUD 26.2c	200,731
December 2015	December 2018	AUD 31.8c	AUD 100c	90,000
December 2015	December 2020	AUD 36.5c	AUD 115c	2,112,500
February 2016	February 2026	AUD 21.5c	AUD 100c	85,000
April 2016	April 2026	AUD 19.8c	AUD 100c	440,000
May 2016	May 2026	AUD 13.6c	AUD 100c	500,000
<b>Total</b>				<b>5,637,588</b>

**J Additional information (continued)**

The earnings of the consolidated entity for the five years to 31 December 2016 are summarised below:

	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$
Sales revenue	3,958,342	4,272,887	1,418,646	875,507	N/A
Other income	1,048,501	893,401	548,139	715,611	N/A
EBITDA	(7,098,507)	(4,503,817)	(4,410,261)	(3,942,557)	N/A
EBIT	(7,783,293)	(5,278,898)	(5,113,587)	(4,447,547)	N/A
Loss after income tax	(7,770,900)	(5,273,890)	(5,345,132)	(4,447,547)	N/A

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

	2016	2015	2014	2013	2012
Share price at financial year end	\$0.09	\$1.00	N/A	N/A	N/A
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(9.2)	(8.4)	(19.8)	N/A	N/A

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.

***This concludes the remuneration report, which has been audited.***

**Shares issued on the exercise of options**

No common stock of the company were issued during the year ended 31 December 2016 and up to the date of this report on the exercise of options granted.



### **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 23 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

### **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.

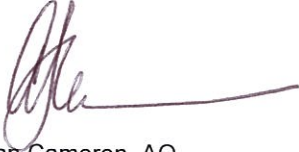
### **Auditor**

BDO East Coast Partnership was appointed as 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.

**BuildingIQ, Inc.  
Directors' Report  
31 December 2016**

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

On behalf of the directors

A handwritten signature in dark ink, appearing to be 'Alan Cameron', with a long horizontal flourish extending to the right.

Alan Cameron, AO  
Chair  
24 February 2017  
Sydney

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

As lead auditor for the review of BuildingIQ, Inc. for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of BuildingIQ, Inc. and the entities it controlled during the period.



Ian Hooper  
Partner

**BDO East Coast Partnership**

Sydney, 24 February 2017

**BuildingIQ, Inc.**  
**General Information**  
**31 December 2016**

**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 registered office and 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 24 February 2017. 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 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Revenue from continuing operations	4	3,958,342	4,272,887
Other income	5	1,048,501	893,401
<b>Revenue &amp; other income</b>		<u>5,006,843</u>	<u>5,166,288</u>
Cost of sales		(1,590,082)	(1,519,973)
<b>Gross Profit</b>		<u>3,416,761</u>	<u>3,646,315</u>
Interest income		12,393	5,008
Expenses	7		
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)	-
<b>Loss before income tax expense from continuing operations</b>	7	(7,770,900)	(5,273,890)
Income tax expense	8	-	-
<b>Loss after income tax expense for the year</b>		(7,770,900)	(5,273,890)
<b>Other comprehensive income</b>			
<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
<b>Total comprehensive income for the year attributable to owners of BuildingIQ, Inc.</b>		<u>(8,029,486)</u>	<u>(2,383,320)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	32	(9.2)	(8.4)
Diluted earnings per share	32	(9.2)	(8.4)

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 2016**

		<b>Consolidated</b>	
		<b>2016</b>	
	<b>Note</b>	<b>Restated</b>	<b>2015 Restated</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	10,439,188	20,982,621
Trade and other receivables	10	1,509,848	1,616,404
R&D grant receivable	10	1,805,556	1,647,822
Other current assets	11	495,849	348,859
Total current assets		<u>14,250,441</u>	<u>24,595,706</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	157,047	92,103
Intangible assets - Goodwill	13	3,830,806	-
Intangible assets - Other	14	2,010,286	887,255
Total non-current assets		<u>5,998,139</u>	<u>979,358</u>
<b>Total assets</b>		<b><u>20,248,580</u></b>	<b><u>25,575,064</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	567,422	588,798
Employee benefits	16	876,570	436,750
Deferred revenue		133,854	102,213
Other current liabilities	17	2,938,613	462,415
Total current liabilities		<u>4,516,459</u>	<u>1,590,176</u>
<b>Non-current liabilities</b>			
Total non-current liabilities		<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<b><u>4,516,459</u></b>	<b><u>1,590,176</u></b>
<b>Net assets</b>		<b><u>15,732,121</u></b>	<b><u>23,984,888</u></b>
<b>Equity</b>			
Issued capital	18	44,078,685	44,175,942
Reserves	19	922,591	1,307,201
Accumulated losses	20	(29,269,155)	(21,498,255)
<b>Total equity</b>		<b><u>15,732,121</u></b>	<b><u>23,984,888</u></b>

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 2016**

	<b>Issued capital \$</b>	<b>Convertible notes \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total Equity \$</b>
<b>Consolidated</b>					
Balance at 1 January 2015	13,651,233	4,716,222	419,968	(16,224,365)	2,563,058
Loss after income tax expense for the year	-	-	-	(5,273,890)	(5,273,890)
Other comprehensive income for the year, net of tax	-	-	2,890,570	-	2,890,570
Total comprehensive income for the year	-	-	2,890,570	(5,273,890)	(2,383,320)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	27,637,307	(4,716,222)	-	-	22,921,085
Options cancelled or forfeited during the year	-	-	-	-	-
KTM share options	-	-	771,062	-	771,062
Employee share schemes	-	-	113,003	-	113,003
Balance at 31 December 2015	41,288,540	-	4,194,603	(21,498,255)	23,984,888

	<b>Issued capital \$</b>	<b>Convertible notes \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total Equity \$</b>
<b>Consolidated</b>					
Balance at 1 January 2016	41,288,540	-	4,194,603	(21,498,255)	23,984,888
Prior period adjustment (Note 33)	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)
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 (note 18)	(97,257)	-	-	-	(97,257)
Net movement in share options	-	-	(126,024)	-	(126,024)
Balance at 31 December 2016	44,078,685	-	922,591	(29,269,155)	15,732,121

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 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
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)
Government grants (R&D tax incentive)		1,679,797	1,549,542
Net cash used in operating activities	30	(6,819,860)	(4,312,842)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(114,912)	(60,246)
Payments for intangible assets		(2,111,483)	(1,261,234)
Payments for business acquisition	6	(1,304,917)	-
Net cash used in investing activities		(3,531,312)	(1,321,480)
<b>Cash flows from financing activities</b>			
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 (used)/generated by financing activities		(119,485)	26,244,881
Net (decrease)/increase 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	9	10,439,188	20,982,621

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**

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

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with 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 34.

### **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, Inc. (the 'company' or 'parent entity') as at 31 December 2016 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.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity.

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

### **Foreign currency translation**

The financial statements are presented in Australian dollars. BuildingIQ, Inc.'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.



**Note 1. Significant accounting policies (continued)**

**Revenue recognition**

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

Revenues consist primarily of software licence fees, software implementation, hardware sales, project management services, installation, consulting, and post-sale maintenance support. The majority of revenue arrangements involve multiple deliverables, which the entity has determined it is unable to separate. As such, these revenues are recognised on a straight line basis over the term of the arrangement.

*Interest*

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

*Government co-operative agreement*

The consolidated entity receives government assistance (compensation) for discounts (cost relief) given to new customers in order to expand the use of the technology owned by the consolidated entity. The consolidated entity recognises this assistance as a separate component of sales revenue as cost relief is provided to new customers (i.e. a portion of the co-operative agreement is recognised equal to the discount (cost relief) provided to the customer).

**Government grants**

Government grants and the ATO R&D tax incentive are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

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.

**Income tax**

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

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

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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. BuildingIQ's loss before income tax is \$7,770,900 (2015: \$5,273,890), and no deferred tax is recognised on tax losses. See note 8.

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

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



**Note 1. Significant accounting policies (continued)**

**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 unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

**Cash and cash equivalents**

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

**Trade and other receivables**

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

**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.

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

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

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.



**Note 1. Significant accounting policies (continued)**

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

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

**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.

*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 asset; 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.

*Goodwill*

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 is not amortised, and is subject to an impairment assessment on an annual basis.

*CSIRO License*

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 recognised 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.

**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.

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

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the 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 30 days of recognition.

**Finance costs**

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

**Note 1. Significant accounting policies (continued)**

**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.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

No long-term employee benefits have been recognised at reporting date.

*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 either the Binomial or Black-Scholes option 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. Under ASX Listing Rules, BuildingIQ is prohibited from substituting equity-settled awards.



**Note 1. Significant accounting policies (continued)**

**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.

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 a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**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.

**Convertible notes**

Convertible notes are classified as equity as they have a fixed conversion ratio and no right to be redeemed for cash. Where these notes attract a non-discretionary interest component then the fair value of the expected payments is shown as a financial liability.

**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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.



**Note 1. Significant accounting policies (continued)**

**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 2016. 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. The consolidated entity is likely to adopt this standard from 1 July 2018 and the impact of its adoption is currently being considered by the consolidated entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. 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. The consolidated entity is likely to adopt this standard from 1 July 2019 and the impact of its adoption is currently being considered by the consolidated entity.

**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 (refer to the respective notes) within the next financial year are discussed below.

*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 the date at which they are granted. 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.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

*Impairment of development asset or customer contracts and relationships*

The consolidated entity reviews annually whether any external or internal indicators of impairment exist regarding its development assets and customer contracts and relationships. Where such indicators exist an impairment test is performed to test the recoverable amount of the assets. Further detail is set out in Note 14.

*Revenue recognition*

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 where performance can be demonstrated and measured. The consolidated entity recognises this revenue as the services are performed to the extent that it can be reliably measured. To the extent that revenue is not reliably measurable then it is not recognised as income.

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**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. There is no aggregation of operating segments.

*Major customers*

The consolidated entity operates major agreements with the U.S. Government Department of Energy and NV Energy Inc. and the revenue recognised from these projects was approximately \$0.64m and \$0.29m for the current year respectively, (2015: A\$1.70m and A\$0.7m, respectively).

*Geographical information*

	Revenue from 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>

**Note 4. Revenue from continuing operations**

	Consolidated	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Sale of goods and services	2,504,321	2,615,701
Government cooperative agreement	1,454,021	1,657,186
Revenue from continuing operations	<u>3,958,342</u>	<u>4,272,887</u>

**Note 5. Other income**

	Consolidated	
	2016	2015
	\$	\$
Government grants (R&D tax incentive)	1,048,501	893,401
Other income	<u>1,048,501</u>	<u>893,401</u>



**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 6. Business Combinations**

<b>Name of business acquired</b>	<b>Principal activity</b>	<b>Acquisition Date</b>	<b>Ownership acquired %</b>	<b>Cost at acquisition \$</b>
Energy WorkSite & Facility WorkSite	Building software	13 April 2016	100	3,992,117

On 13 April 2016 the company completed the acquisition of the Energy WorkSite and Facility WorkSite businesses from NorthWrite Inc. for a total consideration of \$3,992,117 (US\$3m) (revalued as at 31 December 2016 for changes in foreign exchange rates, below). The Energy WorkSite application is a monitoring and data analytics software toolkit that allows commercial and industrial facilities to accurately track and benchmark energy use. The Facility WorkSite application is a low cost management platform for facilities that provide work order management, preventative maintenance and asset performance reporting services.

These businesses coupled with the company's monitoring-based commissioning services created the Energy Information Management Services (EIMS) platform. This acquisition enables the consolidated entity to create additional free cash flow and service the needs of owners of commercial building portfolios.

Deferred consideration is payable in two future tranches: \$1,179,443 (US\$850,000) in January 2017; and \$1,595,717 (US\$1,150,000) in April 2017. The amounts are payable in USD and include thresholds regarding retention of key customer contracts.

The acquisition accounting has been completed and accordingly the excess of the purchase consideration over the fair value of net assets acquired has been classified as provisional goodwill. An intangible asset was recognised for customer contracts and relationships. This asset was valued using a multi-period excess earnings approach running off the existing customer base over seven years (the average customer life as at acquisition date) using the same discount rate utilised for impairment purposes. The resultant asset will be amortised on a straight-line basis over four years representing the period that the benefits will be achieved.

	<b>\$</b>
<b>Purchase consideration</b>	
Cash consideration paid	1,304,917
Deferred consideration <sup>1</sup>	<u>2,687,200</u>
Total consideration	3,992,117
<b>Allocation of purchase consideration</b>	
Trade receivables and fixed assets	218,610
Deferred revenue	(206,360)
Other liabilities	(67,180)
Customer contracts and relationships	388,661
Goodwill <sup>1</sup>	<u>3,658,386</u>
Net assets	<u>3,992,117</u>

<sup>1</sup>Goodwill and deferred consideration are revalued on the consolidated statement of financial position at 31 December 2016 for changes in foreign exchange rates

The impact of the acquisition was to contribute revenue of \$715,012 to the results of the consolidated entity for the period since acquisition. The marginal contribution to earnings before interest, tax and depreciation (EBITDA) is positive however, as not all overheads are fully allocated, it is not possible to disclose the impact on net profit/(loss). The Directors do not consider it practical to estimate consolidated revenue and profit/(loss) for the period ended 31 December 2016 as if the acquisition had occurred on 1 January 2016 because the capital and cost structure of the business under its previous ownership was significantly different to its structure and operations under the consolidated entity. Transaction costs are disclosed as a separate line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.



**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	67,592	54,688
<i>Amortisation</i>		
Development	617,193	626,543
<i>Salaries and wages</i>		
Salaries and wages	8,847,869	6,171,446
<i>Net foreign exchange (gain)/loss</i>		
Net foreign exchange (gain)/loss	1,011	(101,741)
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	410,033	356,521
<i>Superannuation expense</i>		
Defined contribution superannuation expense	227,977	226,623
<i>Share-based payments</i>		
Net share-based payments expense	(126,024)	113,003
Finance costs (8% interest on convertible notes)	-	88,807

**Note 8. Income tax expense**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
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	11,961,522	8,749,712
USA – Californian	11,408,021	8,197,011
Australian	9,030,027	5,009,249
Total unused tax losses	<u>32,399,570</u>	<u>21,955,972</u>

**Tax losses – potential benefit**

Unused tax losses * applicable tax rate for which no deferred tax asset has been recognised		
USA – Federal (34%)	4,079,032	2,974,902
USA – Californian (8.84%)	742,970	724,615
Australian (30%)	2,709,008	1,502,775
Total potential benefit	<u>7,531,011</u>	<u>5,202,292</u>

USA Federal and Californian 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.

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 8. Income tax expense (continued)**

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 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	10,439,188	20,982,621
	<u>10,439,188</u>	<u>20,982,621</u>

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,023,270	483,039
Less: Provision for impairment of receivables	(249,373)	(191,819)
	<u>773,897</u>	<u>291,220</u>
Accrued income & other receivables	735,951	1,325,184
	<u>1,509,848</u>	<u>1,616,404</u>
Government grant (R&D tax incentive) receivables	1,805,556	1,647,822
	<u>3,315,404</u>	<u>3,264,226</u>

*Impairment of receivables*

The consolidated entity has recognised a loss of \$57,554 (2015: \$119,028) in the Statement of Profit or Loss and Other Comprehensive Income in respect of impairment of receivables for the year ended 31 December 2016.

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	249,373	191,819
	<u>249,373</u>	<u>191,819</u>

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Opening balance	191,819	82,905
Additional provisions recognised	121,829	108,914
Receivables written off during the year as uncollectable	(64,275)	-
Closing balance	<u>249,373</u>	<u>191,819</u>

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 10. Current assets - trade and other receivables (continued)**

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$1,304,523 as at 31 December 2016 (\$317,477 as at 31 December 2015).

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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	375,601	26,840
3 to 6 months overdue	124,611	146,935
Over 6 months overdue	114,605	143,702
	<u>614,817</u>	<u>317,477</u>

**Note 11. Current assets – other**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Prepayments	236,650	196,726
Security Deposits	150,464	93,454
GST receivable	108,735	58,679
	<u>495,849</u>	<u>348,859</u>

**Note 12. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment - at cost	431,588	702,705
Less: Accumulated depreciation	(274,541)	(610,602)
	<u>157,047</u>	<u>92,103</u>
	<u>157,047</u>	<u>92,103</u>

<b>Consolidated</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 January 2015	76,591	60,246
Additions	60,246	60,246
Foreign exchange differences	5,340	5,340
Depreciation expense	(50,074)	(54,668)
Balance at 31 December 2015	<u>92,103</u>	<u>92,103</u>

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 12. Non-current assets - property, plant and equipment (continued)**

	Plant and equipment \$	Total \$
Additions	114,912	114,912
Disposals		
Nil value assets written off: Cost	386,029	386,029
Nil value assets written off: Accumulated Depreciation	(386,029)	(386,029)
Foreign exchange differences	17,624	17,624
	<hr/>	<hr/>
Depreciation expense	(67,592)	(67,888)
	<hr/>	<hr/>
Balance at 31 December 2016	157,047	157,047
	<hr/>	<hr/>

**Note 13. Intangible assets - Goodwill**

	Consolidated 2016 \$	2015 \$
Goodwill recognised as part of business combination (note 6)	3,830,806	-
	<hr/>	<hr/>

**Note 14. Intangible assets - Other**

	Consolidated 2016 \$	2015 \$
Development asset (net of R&D incentive) – at cost	3,561,433	2,848,998
Less: Accumulated amortisation	(2,578,936)	(1,961,743)
	<hr/>	<hr/>
	982,497	887,255
	<hr/>	<hr/>
CSIRO developed optimisation technology – at cost	468,315	-
	<hr/>	<hr/>
NetSuite – at cost	168,241	-
	<hr/>	<hr/>
Customer contracts and relationships – at cost	388,661	-
	<hr/>	<hr/>

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 for the 2017 financial year. The budget is then extrapolated for a further four years at projected growth rates for both revenue and costs, which management consider are appropriate for the markets the consolidated entity operates in. 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 appropriate for the markets the consolidated entity operates in. A range of likely scenarios have been modelled to demonstrate that the development asset, CSIRO, ERP, customer contracts and relationships are not impaired at 31 December 2016.

*Impairment testing*

In the opinion of the Directors, the business is comprised of only one cash-generating unit.



**Note 14. Intangible assets – Other (continued)**

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

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 for the computer retailing division:

- (a) 13.9% (2015: 15.4%) post-tax discount rate;
- (b) 70% projected revenue growth rate in year one, 60% in year two, 50% in year three, 40% in year four and 30% per annum thereafter; and
- (c) 12% (2015: 18%) per annum increase in operating costs and overheads.

The discount rate of 13.9% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer retailing division, 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 customers pipeline and signed contracts currently in place.

Compared to prior years, management have reduced their estimation of the increase in operating costs and overheads, due to the lower inflation rate and also an effort by the consolidated entity to contain costs.

There were no other key assumptions.

Based on the above, the recoverable amount exceeded the carrying amount of all intangible assets by \$14,597,000.

*Sensitivity*

As disclosed in note 2, 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 6% before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.
- (b) The discount rate would be required to increase by 63.1% before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

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

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the computer retailing division's goodwill.

**Consolidated**

	Development \$	CSIRO \$	ERP \$	Customer contracts and relationships \$	Total \$
Balance at 1 January 2015	1,007,031	-	-	-	1,007,031
Additions (net of R&D incentive)	506,767	-	-	-	506,767
Amortisation expense	(626,543)	-	-	-	(626,543)
Balance at 31 December 2015	887,255	-	-	-	887,255
Additions, including acquired customer contracts and relationships (net of R&D incentive)	712,435	470,285	168,241	388,661	1,740,224
Amortisation expense	(617,193)	-	-	-	(617,193)
Balance at 31 December 2016	982,497	470,887	168,241	388,661	2,010,286

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables	567,422	588,798

Refer to note 21 for further information on financial instruments.

**Note 16. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	876,570	436,750

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits comprises accrued bonus and commission, PAYG tax withheld, provision for holiday pay and superannuation, as well as unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The consolidated entity expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

**Note 17. Current liabilities – other current liabilities**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accrued expenses	154,843	454,183
Sales tax	8,610	8,232
Deferred settlement (note 6)	2,775,160	-
	2,938,613	462,415

**Note 18. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Common stock - fully paid	84,281,887	84,281,887	44,078,685	44,175,942

*Movements in ordinary share capital*

	<b>Date</b>	<b>No of Shares #</b>	<b>Issue Price \$</b>
<b>Details</b>			
Balance	31 December 2015	84,281,887	44,175,942
Share issue transaction costs, net of tax		-	(97,257)
Balance	31 December 2016	84,281,887	44,078,685

*Convertible notes*

During 2014 the company issued 1,534,904 convertible notes (at issue prices ranging between US\$3.09 to US\$3.27) amounting to \$4,716,222. In February 2015, these notes converted into shares, together with the outstanding accrued interest.

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 18. Equity - issued capital (continued)**

There are no convertible notes outstanding at 31 December 2016 (31 December 2015: \$nil). These notes were converted into common stock at 1:1 and did not carry additional features such as cash redemption or rights to guaranteed dividend payments.

*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 does not have a limited amount of authorised capital.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the prior year.

**Note 19. Equity – reserves**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Options reserve	955,992	1,168,647
Foreign currency reserve	(33,401)	138,554
	<u>922,591</u>	<u>1,307,201</u>

*Options reserve*

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

*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:

<b>Consolidated</b>	<b>Options reserve \$</b>	<b>Foreign Currency \$</b>	<b>Total \$</b>
Balance at 1 January 2015	197,951	222,017	419,968
KTM Options	771,062		771,062
Employee share options	113,003	-	113,003
Foreign currency translation	-	2,890,570	2,890,570
Prior period adjustment (Note 33)	-	(2,887,402)	(2,887,402)
Balance at 31 December 2015	<u>1,082,016</u>	<u>225,185</u>	<u>1,307,201</u>
Employee share options	52,142	-	52,142
Options cancelled or forfeited during the year	(178,166)	-	(178,166)
Foreign currency translation	-	(258,586)	(258,586)
Balance at 31 December 2016	<u>955,992</u>	<u>(33,401)</u>	<u>922,591</u>



**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 20. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(21,498,255)	(16,224,365)
Total comprehensive income for the year	(7,770,900)	(5,273,890)
Accumulated losses at the end of the financial year	<u>(29,269,155)</u>	<u>(21,498,255)</u>

**Note 21. Financial instruments**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board').

***Market risk***

***Foreign currency risk***

The majority 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 USD would have decreased revenue from continuing operations by approximately \$36,926. Conversely a 10% weakening of the Australian dollar against the USD would have increased revenue from continuing operations by \$34,607.

***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.

***Liquidity risk***

Vigilant 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.

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 21. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up 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 tables include 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.

<b>Consolidated – 2016</b>	<b>Weighted average interest rate %</b>	<b>1 year or less \$</b>	<b>Between 1 and 2 years \$</b>	<b>Between 2 and 5 years \$</b>	<b>Over 5 Years \$</b>	<b>Remaining contractual maturities \$</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	567,422	-	-	-	567,422
Total non-derivatives		567,422	-	-	-	567,422

<b>Consolidated - 2015</b>	<b>Weighted average interest rate %</b>	<b>1 year or less \$</b>	<b>Between 1 and 2 years \$</b>	<b>Between 2 and 5 years \$</b>	<b>Over 5 years \$</b>	<b>Remaining contractual maturities \$</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	588,798	-	-	-	588,798
Total non-derivatives		588,798	-	-	-	588,798

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

**Note 22. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and key management personnel of the consolidated entity 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, and the Chief Financial Officer of the company.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	912,948	576,564
Share-based payments	16,628	-
	<u>929,576</u>	<u>576,564</u>

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 23. Remuneration of auditors**

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

	2016 \$	2015 \$
<i>Audit services – BDO East Coast Partnership</i>		
Audit or review of the financial statements, half year and full year	73,875	47,500
<i>Other services – BDO East Coast Partnership</i>		
Investigating Accountant services	-	122,673
	<u>73,875</u>	<u>170,173</u>
<i>Audit services – BDO USA, LLP</i>		
Audit or review of the financial statements	-	-
<i>Other services - BDO USA, LLP</i>		
Preparation of tax returns	10,000	-
	<u>83,875</u>	<u>170,173</u>

**Note 24. Contingent liabilities**

There are no contingent liabilities at the reporting date (2015: \$nil).

**Note 25. Commitments**

	Consolidated 2016 \$	2015 \$
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	360,276	309,812
One to five years	790,918	206,926
	<u>1,151,193</u>	<u>516,738</u>

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.

*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.



**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(7,770,900)	(2,720,828)
Total comprehensive income	(7,770,900)	(204,262)

*Statement of financial position*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Total current assets	11,118,535	18,815,425
Total assets	19,604,217	27,037,016
Total current liabilities	3,872,096	1,139,476
Total liabilities	3,872,996	1,139,476
Equity		
Issued capital	44,078,685	44,175,942
Reserves	922,591	1,307,021
Accumulated losses	(29,269,155)	(21,498,255)
Total equity	15,732,121	23,984,888

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2016.

*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 28. Interests in subsidiaries**

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

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2016</b>	<b>2015</b>
		<b>%</b>	<b>%</b>
BuildingIQ, Pty. Ltd	Australia	100.00%	100.00%

No other subsidiaries are incorporated in the consolidated financial statements.

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 29. Events after the reporting period**

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.

On 1 February 2017, in accordance with ASX Settlement Operating Rule 5.18.9(a), BuildingIQ Inc. Chess Depository Interests 1:1 were removed from Schedule 1 of the ASX Settlement Operating Rules, allowing U.S. investors to trade in securities previously held in escrow.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(7,770,900)	(5,273,890)
Adjustments for:		
Depreciation and amortisation	684,786	681,208
Share-based expenses	126,024	113,013
Non-cash finance costs	-	88,807
Net impairment and reclassifications in accrued income	719,393	-
Foreign exchange translation	(715,955)	1,201,841
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(108,733)	(1,224,709)
Increase in deferred revenue	31,641	34,248
(Increase) in prepayments & other assets	(147,006)	(201,957)
(Decrease)/increase in trade and other payables	(21,376)	268,844
Increase in employee benefits	439,820	129,793
(Increase)/decrease in provision for impairment of trade receivables	(57,554)	(130,040)
Net cash used in operating activities	<u>(6,819,860)</u>	<u>(4,312,842)</u>

**Note 31. Share-based payments**

**2012 Equity Incentive Plan and AU Plan**

Under the 2012 Equity Incentive Plan and the AU Plan the company's Board of Directors may grant stock options to employees, officers, directors, consultants, independent contractors, and advisors to the company, or to any parent, subsidiary, or affiliate of 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 date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions as of 31 December 2016:

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.

The company also issued options in the prior year to certain directors and to KTM Capital Pty Ltd as part of the underwriting agreement for the initial public offering. The valuation of these options also used expected volatility of 44.4%, a risk-free interest rate of 2% and no expected dividends. The expected life reflected the contractual maturity of the options of 3 and 5 years respectively.



**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 31. Share-based payments (continued)**

The table below sets out the details of the movements in options granted for the period ending 31 December 2016.

<b>Consolidated</b>	<b>Number of Options</b>
Balance at 1 January 2015	2,365,367
Options granted to employees	1,460,402
Options forfeited	(21,345)
Options granted to directors	90,000
Options granted to KTM Capital	2,112,500
Balance at 31 December 2015	<u>6,006,924</u>
Options granted to employees	1,855,000
Options forfeited	(830,000)
Balance at 31 December 2016	<u>7,031,924</u>
Unvested employee options	4,360,876
Vested options comprise:	
- employees' options	468,548
- Directors' options	90,000
- KTM options	2,112,500
	<u>7,031,924</u>

The majority of the outstanding employee options issued prior to 2016 are exercisable at AU\$26.2 cents and vest over the next two years, however there were 1,845,000 employee options issued during 2016 which are exercisable at AU\$1.00 and vest over the next four years. Of these options issued, 830,000 were forfeited due to changes in the employee grouping. The options granted to Directors and to KTM Capital Pty Ltd in the prior year vested in December 2015 and are exercisable at AU\$1.00 and AU\$1.15 respectively

**Note 32. Earnings per share**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Loss attributable to the ordinary equity holders of the company used in basic and diluted earnings per share</i>		
Loss after income tax attributable to the owners of BuildingIQ, Inc.	7,770,990	5,273,890
less Interest expense on convertible notes	-	(88,807)
Adjusted loss attributable to common equity holders of the company	<u>7,770,990</u>	<u>5,185,083</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of common stock used in calculating basic earnings per share	84,281,887	61,496,660
Adjustments for calculation of diluted earnings per share:		
Options	1,025,000	3,121,160
Adjustment for options (anti-dilutive)	<u>(1,025,000)</u>	<u>(3,121,160)</u>
Weighted average number of common stock used in calculating diluted earnings per share	<u>84,281,887</u>	<u>61,496,660</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(9.2c)	(8.4c)
Diluted earnings per share	(9.2c)	(8.4c)

**BuildingIQ, Inc.**  
**Notes to the Financial Statements**  
**31 December 2016**

**Note 33. Prior period adjustment and restatement of comparatives for contributed equity and foreign currency reserve**

The restatement relates to historical transactions for which the foreign currency impact had not been correctly allocated between contributed equity and the foreign currency reserve. This restatement represents a reallocation within equity, and has no impact on the consolidated statement of cash flows, consolidated statement of profit or loss or consolidated statement of financial position.

<b>Equity</b>	<b>2015 Reported</b>	<b>Adjustment</b>	<b>2015 Restated</b>
Issued capital	41,288,540	2,887,402	44,175,942
Reserves	4,194,603	(2,887,402)	1,307,201
Total equity	45,483,143	-	45,483,143

**Note 34. Going concern**

As disclosed in the consolidated financial statements, the consolidated entity's loss after income tax for the year ended 31 December 2016 was \$7,770,900 (31 December 2015 \$5,283,890) and the consolidated entities net cash outflows from operating activities for the year ended 31 December 2016 were \$6,819,860 (31 December 2015: \$4,312,842).

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

- The consolidated entity is projecting significantly improved operating performance for future years.
- The consolidated entity is due to receive significant government grants (R&D tax incentive) proceeds in the first half of the 2017 financial year.

Accordingly, the directors believe that 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.

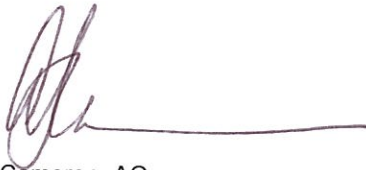
**BuildingIQ, Inc.**  
**Directors' Declaration**  
**31 December 2016**

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 2016 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 declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors.

A handwritten signature in dark ink, appearing to be 'Alan Cameron', followed by a long horizontal line extending to the right.

Alan Cameron, AO  
Chair

24 February 2017  
Sydney



## 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 2016, 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 BuildingIQ, Inc., 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 2016 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.

#### *Impairment of goodwill and other intangible assets*

Goodwill is tested for impairment at least on an annual basis. Other intangible assets are tested for impairment when a triggering event has been identified that indicates the carrying amount may not be recoverable. The valuation of goodwill and other intangible assets is significant to our audit because the balance of goodwill of \$3,830,806 and other intangibles of \$2,010,286 as at 31 December 2016 are material to the financial statements.



Disclosures about goodwill and other intangible assets are included in Notes 13 and 14 respectively. Management's assessment process is complex, judgemental and is based on assumptions, specifically in relation to revenue growth, which are affected by future market or economic conditions.

Our audit procedures included, amongst others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to discount rates. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that will have the most significant effect on the determination of the recoverable amount.

#### *Accounting for the acquisition of Energy Worksite and Facility Worksite*

As disclosed in note 6, the Group acquired the Energy WorkSite and Facility WorkSite businesses from NorthWrite Inc. during the year ended 31 December 2016. As required by AASB 3 *Business Combinations*, management performed a review for other intangible assets acquired as part of the acquisition, treating the remaining excess of purchase consideration over the identifiable net assets acquired as goodwill. This is significant to our audit because it resulted in the recognition of goodwill of \$3,658,386 and customer contracts and relationships of \$388,661.

The value of the customer contracts and relationships was determined using an excess earnings approach, based on the tapering of revenue associated with the acquired customer base over seven years. Management's valuation process is judgemental and is based on assumptions, specifically in relation to contract renewal and tapering of revenue, which are affected by the underlying customer base acquired.

Our audit procedures included, amongst others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by the Group to value the customer contracts and relationships asset, in particular those relating to discount rates and tapering approach to forecast revenue.

#### *Revenue recognition*

As disclosed in note 3, total revenue for the year ended 31 December 2016 generated from US contracts of \$3,669,474 is material to the Group and therefore significant to our audit. The majority of the US contracts are for more than 12 months and include a number of milestones or deliverables within the terms of the contract. Determination of the milestones reached is a key judgemental area and impacts on when revenue is recognised. Refer to Note 2 to the financial report for critical accounting judgements, estimates and assumptions.

Our audit procedures included, amongst others:

- Selecting a sample of US based customers and obtained corresponding sales contracts, identifying key information including; start date; contract value; deliverables; and billings schedule to ensure that revenue from these contracts has been recognised in accordance with the Group's revenue recognition policies and AASB 118 *Revenue*.
- Developing expectations of revenue for the year, deferred income and accrued income based on the information extracted from the sales contracts. We then compared expected balances to the actual balances, investigating any significant variances.
- Reviewing material accrued income balances for recoverability, agreeing to any post year end invoices issued by the Group, tracing subsequent receipts to banks statements were applicable.





### **Other Information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, 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\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.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 pages 7 to 15 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of BuildingIQ, Inc., for the year ended 31 December 2016, 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

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

Ian Hooper  
Partner

Sydney, 24 February 2017

## Additional securities exchange information as at 23 March 2017

### Number of holders of equity securities

#### *Ordinary share capital*

84,281,887 fully paid ordinary shares are held by 339 individual shareholders. In addition there are 5,911,354 unlisted options on issue.

All issued ordinary shares carry one vote per share.

The Company did not participate in any on-market share buy-back programs during 2016.

There are ASX escrow restrictions in place until 17 December 2017 in respect of 34,035,004 shares (and any CDIs held in respect of those shares) and in respect of 3,905,589 options. In addition, voluntary escrow restrictions are applicable 755,443 shares (and any CDIs held with respect to those shares) until 17 December 2017.

### Substantial shareholders as at date of last notice to the company

Ordinary shareholders	Number of equity securities	% Voting power
Welas Pty Ltd	19,994,060 CDIs	23.72%
Siemens Venture Capital GmbH	15,802,533 CDIs	18.75%
Paladin	16,272,885 Shares / CDIs	19.31%

### Distribution of Share/CDI holders

Range	Number of Share/CDI holders as at 23 March 2017
1-1000	17
1,001 – 5,000	158
5,0001 – 10,000	33
10,0001 – 100,000	74
100,001 and over	57
Total number of holders	339
Holders of less than a marketable parcel	175

Twenty largest holders of quoted equity securities

Name	Equity Securities	
	Number	%
WELAS PTY LTD <WALES FAMILY NO 2 A/C>	19,431,524	23.06
SIEMENS VENTURE CAPITAL GMBH	15,802,533	18.75
PALADIN GLOBAL ALTERNATIVE ENERGY FUND LP	12,204,817	14.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD <A/C 2>	3,840,000	4.56
BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	3,324,500	3.94
ASTER CAPITAL PARTNERS SAS	2,500,200	2.97
CITICORP NOMINEES PTY LIMITED	1,860,488	2.21
THE GENUINE SNAKE OIL COMPANY PTY LTD <MORSON GROUP SUPER FUND A/C>	1,800,000	2.13
EXTO PARTNERS AUSTRALIA PTY LTD	1,598,782	1.90
PALADIN III LP	1,352,228	1.60
PALADIN III (NY CITY) LP	1,141,278	1.35
SPENCELEY MANAGEMENT PTY LTD <SPENCELEY FAMILY S/F A/C>	1,028,823	1.22
AKHENATEN PTY LIMITED <AKHENATEN A/C>	909,813	1.08
PALADIN III (CAYMAN ISLANDS) LP	783,819	0.93
UBS NOMINEES PTY LTD	774,307	0.92
MCC VENTURE CAPITAL I HOLDINGS LIMITED	625,000	0.74
MR RHETT ANTHONY JOHN MORSON	600,000	0.71
VIRTUS TRUST LIMITED <ZIMMERMAN FAMILY A/C>	576,133	0.68
WELAS PTY LTD <THE WALES FAMILY SUPER A/C>	562,536	0.67
MR LENG KUAN NG + MS JUNISILVER TAIJ + MR LENG MING NG <TNG SUPERFUND A/C>	553,200	0.66
Total Top 20	71,269,981	84.56%
Total Issued Capital	84,281,887	