

2017 Annual Report

Annual Report for the financial year ended 31 December 2017

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Dear Shareholders,

It gives us great pleasure to present the BuildingIQ, Inc. ("BuildingIQ") 2017 Annual Report.

The Annual Report summarises the Fiscal Year 2017, a year in which we focused our efforts on expanding our capabilities to address the energy needs of our clients, their comfort and operational needs. The technology enabled services that we deliver from the 5i Platform have given us the ability to expand our reach and target buildings that are not only in the operational phase of their lifecycle but also those in the construction. This is a key driver for our growth this year and further solidifies our role in supporting the entire lifecycle of a building.

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

The financial highlights for 2017 (all AUD):

- Revenue from ordinary activities grew 33% to \$5.26m;
- Revenue and other income grew 40% to \$7.02m;
- 2018 contracted revenue reached \$6.77m;
- Operating expenses were reduced by 32% to \$7.14m;
- Building count increased to 1,085 buildings; and
- BuildingIQ now has over 100m square feet under contract.

Operationally there were a number of exciting developments, which will provide financial benefits for BuildingIQ in the 2018 financial year and beyond.

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

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

Through the year we announced a number of key partnerships, including a Perth-based building retrofitter, providers of a leading suite of building management system (BMS) products and services for commercial real estate and a product manufacturer, who services an established global building install base. These partnerships further strengthen and expand the capabilities of our 5i Platform.

Importantly, we continue to solidify the commercial security over our unique intellectual property by submitting applications for the expansion of the capabilities of our United States patent footprint. This expansion is in addition to the previously awarded patents in Australia, Japan and China. This commercial security is vital and provides BuildingIQ with a solid footing as we continue our push into Asia.

The capital raising announced on 15 December 2017 was completed raising a total of \$6.50 million, with \$5.90 million of this received in January 2018, placing the company in a strong cash position.

On behalf of the Board, our thanks go to the team at BuildingIQ for their collective contributions. The year saw significant milestones achieved for BuildingIQ, as we continued to build scale and brought the latest generation of our services technology to market. We focused on expanding the services that the 5i Platform offers in the first half of the year, and executed on client adoption, cost management and cashflow in the second half. These efforts have positioned BuildingIQ well for a successful 2018.

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 continue to deliver more consistent growth and recurring revenue, increase client penetration and maintain our competitive advantage in the marketplace.

BuildingIQ, Inc.
Letter from Chairman and CEO
31 December 2017

We look forward to meeting many of our shareholders at the Company's Annual General Meeting on 20 March, 2018.

Yours sincerely,

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

Alan Cameron
Chair

A handwritten signature in blue ink, appearing to be 'Michael Nark'.

Michael Nark
President & CEO

BuildingIQ, Inc.
Corporate Directory
31 December 2017

Directors	Alan Cameron Tanya Cox William Deane Gerd Goette Michael Nark Ken Pentimonti
Company secretary	Lisa Jones
Notice of annual general meeting	The details of the annual general meeting of BuildingIQ, Inc. are: Level 4, 60 Carrington Street (Offices of Computershare) Sydney NSW 2000 2.00 pm on 20 March 2018
US Company Registered office	251 Little Falls Drive, Wilmington, Delaware 19808-1674, USA
US Principal place of business	2121 South El Camino Real, Suite 200 San Mateo, CA 94403, USA
Australian Registered Office & Principal Place of Business	Suite 1102, 46 Market Street, Sydney, NSW, 2000
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067 www.computershare.com
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
Stock exchange listing	BuildingIQ's CDIs are quoted on the Australian Securities Exchange (ASX code: BIQ)
Website	www.BuildingIQ.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'BuildingIQ') consisting of BuildingIQ, Inc. (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors

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

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

Principal activities

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

Dividends

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

Review of operations

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

Revenue and other income increased from last year by approximately 40%, to \$7,024,658 (2016: \$5,006,843). The key reason for this increase was the growth in services delivered from BuildingIQ's 5i Platform which includes visualisation, analytics, control and optimisation. While growth was achieved across all services, significant growth was seen in our control services which includes deployment and commissioning of building management systems (BMS) and IoT devices from our cloud based 5i Platform in greenfield buildings.

Operating expenses decreased by 32% to \$7,139,288 (2016: \$10,515,268) primarily due to efficiency strategies employed by the Company, as well as currency fluctuations impacting US operations. The overall result of these factors was that the loss before income tax expense for the year decreased to \$3,535,583 (2016: \$7,770,900).

Changes in the state of affairs

Starting in December 2016, BuildingIQ expanded its service offering to include turn-key solutions to its clients, taking them on the 5i Platform journey. This began with strategic partnerships in Western Australia, that enabled deployment and commissioning of building management systems (BMS) from our cloud based 5i Platform, and culminated in the seamless integration/expansion of those deployments to other 5i Platform SaaS (Software-as-a-Service) subscription services in greenfield buildings. These services ensure that BuildingIQ is able to design to specification all components in a building to help serve the ultimate goal, delivery of energy savings through our optimisation service which utilises our Predictive Energy Optimisation (PEO) software algorithms. These activities resulted in a significant increase in revenue in Australia, as well as increased costs relating to hardware and labour. Cashflow from these greenfield buildings will occur in completion stages.

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

Matters subsequent to the end of the financial year

On 15 December 2017, BuildingIQ announced that it was undertaking a capital raising of up to A\$6.50 million through a combination of an Institutional Placement, Existing Securityholder Placement and pro-rata Entitlement Offer. On 21 December 2017, funds for the Existing Securityholder Placement (\$568,903 before transaction costs were received, with funds for the Institutional Placement and Entitlement Offer (\$5,931,097) being received by 30 January 2018.

On 26 January 2018, BuildingIQ settled the deferred NorthWrite acquisition liability for US\$750,000 (A\$929,114), US\$50,000 less than initially anticipated.

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

Likely developments and expected results of operations

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

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

Environmental regulation

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

Corporate Governance

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

Company secretary

Lisa Jones was appointed Company Secretary of the consolidated entity, based in Australia, on 17 May 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australian and in Europe. Lisa has particular experience working with high growth and emerging companies in the biotech, technology and oil & gas sectors. She was a senior associate in the corporate & commercial practice of Allen Allen & Hemsley and has held executive positions with private and publicly listed companies in Australia and Italy. Lisa is currently company secretary of RedHill Education Limited (ASX:RDH) and Sports and Leisure Education Group Pty Ltd.

Prior to Ms. Jones' appointment, Ian Gilmour served as Company Secretary for the period from 21 December 2016 until 17 May 2017.

Foreign exchange

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

Information on directors

Name:	Alan Cameron, AO
Title:	Non-Executive Independent Chairman
Qualifications:	BA, LL.M (Syd), FAICD, FAAL
Experience and expertise:	Alan was a partner in a major law firm for 12 years before becoming Commonwealth Ombudsman in 1991, and was chairman of the Australian Securities Commission (ASC) and its successor, the Australian Securities and Investments Commission (ASIC), from January 1993 to November 2000. Since leaving ASIC in 2000, Alan has been a company director and consultant on regulatory projects and governance reviews of various kinds. He is currently chair of Property Exchange Australia Limited and various companies in the BT Financial Group. He was appointed a Member of the Order of Australia in 1997, and an Officer in 2011. Alan joined the Board of the company in April 2015 as Chairman. Non-Executive Director of Property Exchange Australia Limited (since January 2010)
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman, Chair of Nomination Committee and member of the Audit & Risk Management Committee and the Remuneration Committee
Interests in shares:	880,000
Interests in options:	50,000
Contractual rights to shares:	None
Name:	Tanya Cox
Title:	Non-Executive Independent Director
Qualifications:	M.B.A., FAICD, FGIA, FCIS
Experience and expertise:	Tanya has more than 15 years' experience as a non-executive director and is currently Chair of Equiem Pty Ltd, a director of ASX listed OtherLevels Holdings, the Green Building Council of Australia and the World Green Building Council. Tanya is also a member of the NSW Climate Change Council, and the CSIRO Property Strategy Advisory Committee. In her executive career, Tanya was most recently Chief Operating Officer of the DEXUS Property Group from 2003 to 2014. Tanya joined the Board of the company in August 2015.
Other current directorships:	Non-Executive Director of Other Level Holdings (ASX:OLV) (since February 2015)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit & Risk Management Committee and the Remuneration Committee and member of the Nomination Committee
Interests in shares:	80,000
Interests in options:	40,000
Contractual rights to shares:	None
Name:	William Deane
Title:	Non-Executive Director
Qualifications:	LL.B., BA
Experience and expertise:	William is a Managing Director of Exto Partners Pty Ltd, a 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. Non-Executive Director of RedHill Education (ASX:RDH)
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee, the Remuneration Committee and the Nomination Committee
Interests in shares:	4,634,796, held as a beneficial interest in CDIs through Exto Partners Australia Pty Ltd. William does not control the company but holds greater than 20% of its voting securities.
Interests in options:	None
Contractual rights to shares:	None

Information on directors (continued)

Name:	Gerd Goette
Title:	Non-Executive 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, LO3 Energy, RePower Capital, 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:	Michael Nark
Title:	Executive Director, President & CEO
Qualifications:	B.S. Engineering
Experience and expertise:	Michael brings over 25 years' experience in software and technology-enabled service delivery businesses. He recently served as President and CEO of Power Analytics. He has a proven track record of building successful, efficient organisations and experience in leading companies to profitable growth. Michael was appointed President and CEO and joined the Board of the company in October 2014.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	President and CEO, member of the Nomination Committee
Interests in shares:	552,000
Interests in options:	2,703,089
Contractual rights to shares:	None
Name:	Ken Pentimonti
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.
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

Information on directors (continued)

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

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

'Interest in shares' is in accordance with the Appendix 3X/3Y lodged with the ASX in respect of each director. This number differs from the amount set out in the table on pages 14-15 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 2017, and the number of meetings attended by each director were:

	Board		Remuneration		Audit & Risk	
	Attended	Held	Attended	Held	Attended	Held
Alan Cameron, AO	21	21	5	5	4	4
Tanya Cox	20	21	5	5	4	4
William Deane	20	21	5	5	4	4
Gerd Goette	20	21	5	5		
Michael Nark	19	21				
Ken Pentimonti*	12	21				

* As Mr Pentimonti now resides in the UK, various board meetings, called at short notice, were scheduled at times he was unable to attend.

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 information provided in this Remuneration Report has been audited.

Remuneration Report – audited (continued)

A Key Management Personnel disclosed in this report

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

Alan Cameron, AO	Independent Chair (Non-executive)
Tanya Cox	Independent Director (Non-executive)
William Deane	Director (Non-executive)
Gerd Goette	Director (Non-executive)
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, and is now headquartered in San Mateo, CA. BuildingIQ Pty Ltd was acquired in the same year and since that time has been operated as a wholly owned subsidiary of Building IQ, Inc. As a consequence, BuildingIQ's executive remuneration framework is international in flavour.

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

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

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

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

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

Securities Trading Policy

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

C Executive remuneration policy and framework

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

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

The executive KMP remuneration framework has three components:

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

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

Remuneration Report – audited (continued)

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.

There was no change in base pay for executive KMP during the year to 31 December 2017.

Retirement benefits for KMP

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

Short-term incentive (STI)

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

Executive KMP have the opportunity to earn an annual STI if pre-defined targets are achieved. 50% of each executives' total STI opportunity is tied to corporate performance. The remaining 50% is tied to personal Key Performance Indicators (KPIs). The maximum STI opportunity for each 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 2017 included:

KMP	Key Performance Indicators
Michael Nark	<ul style="list-style-type: none"> • 50% based on the consolidated entity's financial performance, including bookings, revenue and EBITDA • 50% based on individual KPIs linked to the consolidated entity's strategic plan, including business growth, geographic expansion, employee retention and other strategic initiatives.

The target remuneration mix for executive KMP to 31 December 2017 was:

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

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

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

With respect to KPIs based on the consolidated entity's financial performance, 91% of stretch (above budget) financial targets were met.

With respect to KPIs based on the President and Chief Executive Officer's individual contribution to the achievement of BuildingIQ's strategic objectives, 80% of strategic targets, including business growth and 5i Platform integration were met.

Prior Period 2016:

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

KMP	Performance	Target	Awarded	Forfeit
Michael Nark	Financial KPIs	A\$93,696	A\$28,109	A\$65,587
	Strategic KPIs	A\$93,696	A\$66,866	A\$26,830

Remuneration Report – audited (continued)

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 2017 the President and Chief Executive was granted 500,000 options over common stock, with strike prices of 10.0, 12.5, 15.0 and 17.5 cents, approved at the Annual General Meeting on 16 May 2017.

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

Further details are provided in the table **Equity instruments held by Key Management Personnel (options)** below.

Prior Period 2016:

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

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 2017 the President and Chief Executive Officer was awarded a total of A\$80,184 (US\$62,563), for achievement of target bookings in excess of A\$9.5 mil, EBITDA loss of better than (A\$5.2 mil) and revenue of greater than A\$5.0 mil.

Earnings of the consolidated entity for the five years to 31 December 2017 are summarised below:

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Sales revenue	5,263,762	3,958,342	4,272,887	1,418,646	875,507
Other income	1,760,896	1,048,501	893,401	548,139	715,611
EBITDA	(1,929,716)	(7,098,507)	(4,503,817)	(4,410,261)	(3,942,557)
EBIT	(3,536,950)	(7,783,293)	(5,278,898)	(5,113,587)	(4,447,547)
Loss after income tax	(3,535,583)	(7,770,900)	(5,273,890)	(5,345,132)	(4,447,547)

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

	2017	2016	2015	2014	2013
Share price at financial year end	\$0.14	\$0.09	\$1.02	N/A	N/A
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(4.2)	(9.2)	(8.4)	(19.8)	N/A

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\$384,497 (US\$300,000) per annum. Aggregate total Directors' fees for 2017 were A\$140,000 per annum (2016: A\$140,000).

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

Base fees	2017
Chair	A\$40,000
Other Non-executive Directors	A\$20,000

Remuneration Report – audited (continued)

Committee fees

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 11 to 14.

Retirement allowance for Directors

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

F Details of remuneration of Directors and Key Management Personnel

Current Period - 2017

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

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

Prior period – 2016

Non-executive Directors		Short-term benefits			Post-Employment Benefits	Option-based payments	Total
		Salary and fees	Cash Bonus ¹	Other	Super		
		\$	\$	\$	\$	\$	\$
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
Robert Goss ²	2016	284,750	-	-	24,058	-	308,808
Michael Nark	2016	348,363	96,698	19,079	-	16,628	480,768
Ken Pentimonti	2016	20,000	-	-	-	-	20,000
Total		773,113	96,698	19,079	24,058	16,628	929,576

¹ STI was earned/awarded in 2016 and paid in 2017.

² Robert Goss resigned effective 21 December 2016

Remuneration Report – audited (continued)

G Service agreements

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

Michael Nark	Annual base salary	A\$352,456 (US\$275,000) plus health insurance
	Performance bonus	A\$176,228 (US\$137,500)
	Options	First Options – 5% of fully diluted capital of the company as at the date of hire
	Termination	Accrued wage and leave entitlements are paid. Unvested options lapse. Consistent with US employment arrangements employment may be terminated at any time, with or without cause and with or without notice at the option of either the company or the CEO. In either case a four month severance obligation is payable on termination.

H Share-based compensation

Options

Michael Nark was issued 500,000 options for nil consideration in four equal tranches with exercise prices of 10c, 12.5c, 15c and 17c. Apart from disclosures above, there were no options over common stock issued to Directors in the current year. Refer to tables below for options over common stock issued to Directors in 2016. Further information on options and performance rights are set out in note 30 of the financial statements.

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

I Equity instruments held by Key Management Personnel (options)

Current Period - 2017

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

Key Management Personnel	Balance at start of period	Granted as compensation	Exercised	Other changes	Balance at end of period	Vested and exercisable to date	Unvested at 31 Dec 2017
Alan Cameron	50,000	-	-	-	50,000	50,000	Nil
Tanya Cox	40,000	-	-	-	40,000	40,000	Nil
William Deane	-	-	-	-	-	-	-
Gerd Goette	-	-	-	-	-	-	-
Michael Nark	2,203,089	500,000	-	-	2,703,089	1,800,432	902,657
Ken Pentimonti	-	-	-	-	-	-	-

Remuneration Report – audited (continued)

Prior 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.

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

¹Robert Goss resigned effective 21 December 2016 and his options lapsed at that time.

Share holdings

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

Current Period – 2017

Key Management Personnel	Balance at start of the period	Received during the period on exercise of options	Other changes during the period	Balance at end of the period
Alan Cameron	440,000	-	-	440,000
Tanya Cox	40,000	-	-	40,000
William Deane ¹	1,598,782	-	-	1,598,782
Gerd Goette ²	15,802,534	-	-	15,802,534
Michael Nark	-	-	276,000	276,000
Ken Pentimonti ³	16,272,869	-	-	16,272,869

¹William Deane holds the beneficial interest in CDIs through Exto Partners Australia Pty Ltd. William does not control that company but holds greater than 20% of its voting securities and due to its ownership structure claims an interest in 50% of these CDIs.

²Siemens held 15,802,534 CDIs at 31 December 2016. Gerd Goette has an employment relationship with Siemens but has no control over the entity and disclaims any interest in the CDIs.

³Various Paladin entities held 16,272,869 CDIs at 31 December 2016. Ken Pentimonti has an employment relationship with Paladin but has no control over the entities and disclaims any interest in the CDIs.

Prior Period – 2016

Key Management Personnel	Balance at start of the period	Received during the period on exercise of options	Other changes during the period	Balance at end of the period
Alan Cameron	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
Robert Goss	-	-	-	-
Michael Nark	-	-	-	-
Ken Pentimonti	16,272,869	-	-	16,272,869

Remuneration Report – audited (continued)

J Additional information

Loans to Directors and Executives

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

Shares under option

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

Grant date	Expiry date	Fair value	Exercise Price	2017 Share options
Dec 2012	Mar 2018	US 5.1 cents	AUD 82.0 cents	33,750
Dec 2015	Dec 2018	AUD 31.8 cents	AUD 100.0 cents	90,000
Dec 2015	Dec 2020	AUD 36.5 cents	AUD 115.0 cents	2,112,500
Mar 2013	Mar 2023	US 2.0 cents	AUD 26.2 cents	159,878
Oct 2013	Oct 2023	US 10.4 cents	AUD 26.2 cents	1,129,134
Jan 2014	Jan 2024	US 0.3 cents	AUD 26.2 cents	5,328
Aug 2014	Aug 2024	US 0.3 cents	AUD 26.2 cents	21,314
Nov 2014	Nov 2024	US 0.3 cents	AUD 26.2 cents	10,658
Jun 2015	Jun 2025	US 0.3 cents	AUD 26.2 cents	822,652
Oct 2015	Oct 2025	US 0.3 cents	AUD 26.2 cents	510,474
Feb 2016	Feb 2026	AUD 21.5 cents	AUD 100.0 cents	85,000
Apr 2016	Apr 2026	AUD 19.8 cents	AUD 100.0 cents	425,000
May 2016	May 2026	AUD 13.6 cents	AUD 100.0 cents	500,000
Feb 2017	Feb 2027	AUD 10.0 cents	AUD 100.0 cents	75,000
Feb 2017	Feb 2027	AUD 10.0 cents	AUD 10.0 cents	50,000
Feb 2017	Feb 2027	AUD 10.0 cents	AUD 12.5 cents	50,000
Feb 2017	Feb 2027	AUD 10.0 cents	AUD 15.0 cents	50,000
Feb 2017	Feb 2027	AUD 10.0 cents	AUD 17.5 cents	50,000
Apr 2017	Apr 2027	AUD 6.0 cents	AUD 10.0 cents	308,750
Apr 2017	Apr 2027	AUD 6.0 cents	AUD 12.5 cents	508,750
Apr 2017	Apr 2027	AUD 6.0 cents	AUD 15.0 cents	308,750
Apr 2017	Apr 2027	AUD 6.0 cents	AUD 17.5 cents	308,750
May 2017	May 2027	AUD 5.1 cents	AUD 10.0 cents	125,000
May 2017	May 2027	AUD 5.1 cents	AUD 12.5 cents	140,000
May 2017	May 2027	AUD 5.1 cents	AUD 15.0 cents	125,000
May 2017	May 2027	AUD 5.1 cents	AUD 17.5 cents	125,000
Total				8,130,688

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

No common stock of the company were issued during the year ended 31 December 2017 and up to the date of this report on the exercise of options granted.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements. There were no non-audit services provided by BDO in 2017.

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors

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

Alan Cameron, AO
Chair
28 February 2018
Sydney

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

As lead auditor of BuildingIQ, Inc. for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 28 February 2018

BuildingIQ, Inc.
General Information
31 December 2017

General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2018. 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 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue	4	5,263,762	3,958,342
Other income	5	1,760,896	1,048,501
Revenue & other income		<u>7,024,658</u>	<u>5,006,843</u>
Cost of sales		<u>(1,815,086)</u>	<u>(1,590,082)</u>
Gross Profit		<u>5,209,572</u>	<u>3,416,761</u>
Interest income		<u>1,367</u>	<u>12,393</u>
Sales and marketing		(1,573,051)	(3,017,615)
Research costs		(687,350)	(968,000)
Administrative expenses		(4,878,887)	(5,689,169)
Depreciation & amortisation		(1,607,234)	(684,786)
Transaction advisory costs		-	(121,091)
Write-off of accrued income		-	(719,393)
Expenses	6	<u>(8,746,522)</u>	<u>(11,200,054)</u>
Loss before income tax expense		<u>(3,535,583)</u>	<u>(7,770,900)</u>
Income tax expense	7	<u>-</u>	<u>-</u>
Loss after income tax expense for the year		<u>(3,535,583)</u>	<u>(7,770,900)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,186,277)</u>	<u>(258,586)</u>
Other comprehensive income/(loss) for the year, after tax		<u>(1,186,277)</u>	<u>(258,586)</u>
Total comprehensive income for the year attributable to owners of BuildingIQ, Inc.		<u>(4,721,860)</u>	<u>(8,029,486)</u>
		Cents	Cents
Basic earnings per share	31	(4.2)	(9.2)
Diluted earnings per share	31	(4.2)	(9.2)

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

BuildingIQ, Inc.
Consolidated Statement of Financial Position
As at 31 December 2017

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	8	2,418,874	10,439,188
Trade and other receivables	9	3,687,012	1,509,848
R&D grant receivable	9	2,008,418	1,805,556
Other current assets	10	703,070	495,849
Total current assets		<u>8,817,374</u>	<u>14,250,441</u>
Non-current assets			
Property, plant and equipment	11	104,464	157,047
Intangible assets - Goodwill	12	3,538,376	3,830,806
Intangible assets - Other	13	2,065,032	2,010,286
Total non-current assets		<u>5,707,872</u>	<u>5,998,139</u>
Total assets		<u>14,525,246</u>	<u>20,248,580</u>
Liabilities			
Current liabilities			
Trade and other payables	14	522,492	567,422
Employee benefits	15	1,098,127	876,570
Deferred revenue		175,774	133,854
Other current liabilities	16	1,192,660	2,938,613
Total current liabilities		<u>2,989,053</u>	<u>4,516,459</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>2,989,053</u>	<u>4,516,459</u>
Net assets		<u>11,536,193</u>	<u>15,732,121</u>
Equity			
Issued capital	17	44,632,556	44,078,685
Reserves	18	(291,625)	922,591
Accumulated losses	19	(32,804,738)	(29,269,155)
Total equity		<u>11,536,193</u>	<u>15,732,121</u>

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 2017

	Issued capital \$	Reserves \$	Accumulated losses \$	Total Equity \$
Consolidated				
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	(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
	Issued capital \$	Reserves \$	Accumulated losses \$	Total Equity \$
Consolidated				
Balance at 1 January 2017	44,078,685	922,591	(29,269,155)	15,732,121
Loss after income tax expense for the year			(3,535,583)	(3,535,583)
Other comprehensive income for the year, net of tax	-	(1,186,277)	-	(1,186,277)
Total comprehensive income for the year	-	(1,186,277)	(3,535,583)	(4,721,860)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	553,871	-	-	553,871
Net movement in share options (note 18)	-	(27,939)	-	(27,939)
Balance at 31 December 2017	44,632,556	(291,625)	(32,804,738)	11,536,193

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 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (including GST)		3,025,562	3,135,734
Payments to suppliers (including GST)		(4,428,710)	(4,215,926)
Payments to employees (including GST)		(5,817,493)	(7,103,014)
Interest received		-	12,393
Transaction advisory costs paid		-	(328,844)
R&D tax incentive		2,205,632	1,679,797
		<u> </u>	<u> </u>
Net cash used in operating activities	29	(5,015,009)	(6,819,860)
Cash flows from investing activities			
Payments for plant and equipment	11	(41,475)	(114,912)
Payments for intangible assets		(2,138,037)	(2,111,483)
Payments for business acquisition	12	(1,612,120)	(1,304,917)
		<u> </u>	<u> </u>
Net cash used in investing activities		(3,791,632)	(3,531,312)
Cash flows from financing activities			
Proceeds from issues of shares		568,903	-
Capital raising costs		(167,018)	(119,485)
		<u> </u>	<u> </u>
Net cash generated/(used) by financing activities	17	401,885	(119,485)
Net decrease in cash and cash equivalents		(8,404,756)	(10,470,657)
Cash and cash equivalents at the beginning of the financial year		10,439,188	20,982,621
Effects of exchange rate changes on cash and cash equivalents		384,442	(72,776)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	8	<u>2,418,874</u>	<u>10,439,188</u>

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2. The annual financial statements are prepared on a going concern basis, as disclosed in note 32.

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 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BuildingIQ as at 31 December 2017 and the results of all subsidiaries for the year then ended. BuildingIQ, Inc. and its subsidiaries together are referred to in these financial statements as the consolidated entity.

Foreign currency translation

The financial statements are presented in Australian dollars. BuildingIQ's functional currency is USD.

Foreign currency transactions

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

Foreign operations

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

Current and non-current classification

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

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

Note 1. Significant accounting policies (continued)

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

Intangible assets

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

Impairment of non-financial assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Provisions

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

Employee benefits

Short-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

Fair value measurement

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

Note 1. Significant accounting policies (continued)

Fair value measurement (continued)

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

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

Goods and Services Tax ('GST') and other similar taxes

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

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

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 2017. 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 will adopt this standard from 1 January 2018 and adoption may have an impact on the allowance for trade receivables and accrued income. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance and will be measured under a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard also introduces additional disclosures. When this standard is adopted, the entity's loss allowance on trade receivables and accrued income may increase due to the change to an expected credit loss method. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.

AASB 15 Revenue from Contracts with Customers

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

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The consolidated entity's revenue comprises of a mix of installation revenue arising from work performed when installing hardware, and subscription revenue earned from providing optimisation via SaaS subscriptions. In situations where the consolidated entity provides installation services, it is expected that revenue recognition will continue to be recognised on a percentage of completion basis. Where the consolidated entity provides SaaS subscriptions, it is expected that revenue will continue to be recognised over time.

The consolidated entity intends to apply the standard from 1 July 2018 and is in the process of assessing any impact of this new standard to its operations and financial results. The focus of this assessment is to determine whether any distinct performance obligations exist in performing the installation services or whether revenue should continue to be recorded based on the stage of completion of the contract as a whole. In relation to subscription revenue, it is expected that revenue will continue to be recorded over time due to the nature of the contracts with customers and the services provided by the consolidated entity. No material adjustments to the past or future financial statements are expected, however the assessment is still ongoing.

AASB 16 Leases

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

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets

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

Recovery of trade receivables and accrued income

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

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

Revenue recognition

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

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

Note 3. Operating segments

Identification of reportable operating segments

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

Throughout the year we announced a number of key partnerships, including a Perth-based building retrofitter, a provider of a leading suite of BMS products and services for commercial real estate. This partnership is responsible for revenue of \$2,131,580, which equates to 40.5% of total revenue.

Geographical information

	Revenue from external Customers		Geographical non-current assets	
	2017 \$	2016 \$	2017 \$	2016 \$
Australia	2,393,560	288,868	1,324,313	1,636,340
USA	2,870,202	3,669,474	3,982,793	4,361,799
	<u>5,263,762</u>	<u>3,958,342</u>	<u>5,307,106</u>	<u>5,998,139</u>

Note 4. Revenue

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

Note 4. Revenue (continued)

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

The majority of revenue arrangements involve multiple deliverables which the entity has determined it is unable to separate. Revenue is therefore recognised on a stage-of-completion basis under for installation services, and over time for the duration of SaaS subscription services. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Subscription revenue is recognised on transferring of significant risks and rewards of ownership of the software under the contract arrangement.

	Consolidated	
	2017	2016
	\$	\$
<i>Sales revenue</i>		
Sale of goods and services	4,400,529	2,504,321
Government cooperative agreement	862,233	1,454,021
Revenue from continuing operations	<u>5,263,762</u>	<u>3,958,342</u>

Note 5. Other income

R&D Tax Incentive

R&D tax incentives are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the rebates will be received. The total R&D tax incentive receivable is apportioned between other income and the development asset based on the split of expenditure in the claim. R&D tax incentives are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the rebates are intended to compensate. Other income of \$1,760,896 (2016: \$1,048,501) includes a \$400,766 increase from the estimated receivable recognised at the end of the previous financial year for the R&D tax incentive programs managed by BuildingIQ.

	Consolidated	
	2017	2016
	\$	\$
R&D tax incentive	1,760,896	1,048,501
Other income	<u>1,760,896</u>	<u>1,048,501</u>

Note 6. Expenses

	Consolidated	
	2017	2016
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	94,058	67,592
<i>Amortisation</i>		
Development	1,513,176	617,193
<i>Salaries and wages</i>		
Salaries and wages	6,343,679	8,847,869
<i>Net foreign exchange (gain)/loss</i>		
Net foreign exchange (gain)/loss	278,524	1,011
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	545,470	410,033

BuildingIQ, Inc.
Notes to the Financial Statements
31 December 2017

Note 6. Expenses (continued)

<i>Superannuation expense</i>		
Defined contribution superannuation expense	199,765	227,977
<i>Share-based payments</i>		
Net share-based payments expense	(27,939)	(126,024)

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

Note 7. Income tax expense

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction. BuildingIQ's loss before income tax is \$3,535,583 (2016: \$7,770,900), and no income tax expense is recognised.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax asset has been recognised.

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

	Consolidated	
	2017	2016
	\$	\$
<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	12,045,766	11,961,522
USA – Californian	7,242,905	11,408,021
Australian	9,958,289	9,030,027
Total unused tax losses	29,246,961	32,399,570

Tax losses – potential benefit

Unused tax losses applicable tax rate for which no deferred tax asset has been recognised		
USA – Federal (2017: 21%, 2016: 34%)	3,035,426	4,079,032
USA – Californian (8.84%)	640,273	742,970
Australian (2017: 27.5%, 2016: 30%)	2,738,530	2,709,008
Total potential benefit	6,414,229	7,531,011

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

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

Note 8. Current assets - cash and cash equivalents

Cash and cash equivalents

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

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	2,418,874	10,439,188
	<u>2,418,874</u>	<u>10,439,188</u>

Note 9. Current assets - trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. 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

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	2,398,068	1,023,270
Less: Provision for impairment of receivables	(290,244)	(249,373)
	<u>2,107,824</u>	<u>773,897</u>
Accrued income & other receivables	1,579,188	735,951
	<u>3,687,012</u>	<u>1,509,848</u>
R&D tax incentive receivable	<u>2,008,418</u>	<u>1,805,556</u>

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

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

The R&D tax incentive receivable is anticipated to be settled by the ATO in the first quarter of the 2018 calendar year.

Impairment of receivables

The consolidated entity has recognised a loss of \$59,106 (2016: \$64,275) in the Statement of Profit or Loss and Other Comprehensive Income in respect of impairment of receivables for the year ended 31 December 2017.

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

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

	Consolidated	
	2017	2016
	\$	\$
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	290,244	249,373
	<u>290,244</u>	<u>249,373</u>
	<u>290,244</u>	<u>249,373</u>

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

	Consolidated	
	2017	2016
	\$	\$
Opening balance	249,373	191,819
Additional provisions recognised	99,977	121,829
Receivables written off during the year as uncollectible	(59,106)	(64,275)
	<u>290,244</u>	<u>249,373</u>
Closing balance	<u>290,244</u>	<u>249,373</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$536,255 as at 31 December 2017 (\$614,817 as at 31 December 2016).

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

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

	Consolidated	
	2017	2016
	\$	\$
0 to 3 months overdue	41,451	375,601
3 to 6 months overdue	197,921	124,611
Over 6 months overdue	296,883	114,605
	<u>536,255</u>	<u>614,817</u>
	<u>536,255</u>	<u>614,817</u>

Note 10. Current assets – other

	Consolidated	
	2017	2016
	\$	\$
Prepayments	265,229	207,878
Deferred expenses for installation service contracts	393,897	28,772
Security deposits	87,881	150,464
PAYG & GST (payable)/receivable	(43,937)	108,735
	<u>703,070</u>	<u>495,849</u>
	<u>703,070</u>	<u>495,849</u>

Note 11. Non-current assets - property, plant and equipment

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

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

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

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

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

	Consolidated	
	2017	2016
	\$	\$
Plant and equipment - at cost	246,507	431,588
Less: Accumulated depreciation	(142,043)	(274,541)
	<u>104,464</u>	<u>157,047</u>
	Plant and equipment	Total
	\$	\$
Consolidated		
Balance at 1 January 2017	157,047	157,047
Additions	41,475	41,475
Depreciation expense	(94,058)	(94,058)
	<u>104,464</u>	<u>104,464</u>

Note 12. Intangible assets – Goodwill

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 \$3,844,971 (US\$3m) (revalued as at 31 December 2017 for changes in foreign exchange rates).

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

During 2017, the consolidated entity paid \$1,612,120 (2016: \$1,304,917) towards the deferred settlement liability to NorthWrite, Inc. The final tranche of USD \$750,000 (A\$929,114) was settled subsequent to year end, and the acquisition is now complete. Refer to notes 16 and 28.

	Consolidated	
	2017	2016
	\$	\$
Goodwill recognized as part of business combination	<u>3,538,376</u>	<u>3,830,806</u>

Note 12. Intangible assets – Goodwill (continued)

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

Note 13. Intangible assets – Other

Research and development

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

Software (ERP)

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

CSIRO 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 recognized by the company and valued using a multi-period excess earnings approach, and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Summary of closing balances:

	Consolidated	
	2017	2016
	\$	\$
Development asset (net of R&D incentive) – at cost	4,731,738	3,561,433
Less: Accumulated amortisation	(3,290,713)	(2,578,936)
	<u>1,441,025</u>	<u>982,497</u>
CSIRO developed optimisation technology	<u>283,128</u>	<u>470,887</u>
NetSuite	<u>133,098</u>	<u>168,241</u>
Customer contracts ad relationships	<u>207,781</u>	<u>388,661</u>
Total	<u>2,065,032</u>	<u>2,010,286</u>

Impairment testing

The recoverable values of the consolidated entity's intangible assets are determined based on a value in use calculation which uses cash flow projections based on the financial budgets approved by the Board. The budget is then extrapolated for a further four years at projected growth rates for both revenue and costs, which management consider appropriate for the markets in which the consolidated entity operates, together with a terminal value. Given the sensitivity of growth rates for both revenue and expenses, due to the early stage of development of the consolidated entity and its markets, a range of possible scenarios are modelled to assess the carrying value of the intangible assets for impairment. Management modelled a range of discount rates based on the risk-free rate of return plus a risk margin. A range of likely scenarios were modelled at 30 June 2017 to demonstrate that the intangible assets, including goodwill, were not impaired.

Note 13. Intangible assets – Other (continued)

Impairment testing (continued)

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

- (a) 13.9% (2016: 13.9%) post-tax discount rate;
- (b) 24% projected revenue growth rate in year one, 23% in year two, 22% in year three, 21% in year four, 20% per annum thereafter;
- (c) 7.5% (2016: 12%) 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, the risk free rate and the volatility of the share price relative to market movements.

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

Sensitivity

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

- (a) Revenue would need to decrease by more than 6% before goodwill and other intangible assets would be impaired, with all other assumptions remaining constant.
- (b) The discount rate would be required to increase by 21.4% before goodwill and other intangible assets would be impaired, with all other assumptions remaining constant.

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

Consolidated

	Development	CSIRO	NetSuite	Customer contracts and relationships	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2016	887,255	-	-	-	887,255
Additions (net of R&D incentive)	712,435	470,887	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
Additions, including acquired customer contracts and relationships (net of R&D incentive)	1,170,305	-	30,237	367,380	1,567,922
Amortisation expense	(711,777)	(187,759)	(65,380)	(548,260)	(1,513,176)
Balance at 31 December 2017	1,441,025	283,128	133,098	207,781	2,065,032

Note 14. Current liabilities - trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

	Consolidated	
	2017	2016
	\$	\$
Trade payables	522,492	567,422

Note 15. Current liabilities - employee benefits

	Consolidated	
	2017	2016
	\$	\$
Employee benefits	1,081,486	876,570
Long service leave	16,641	-
	<u>1,098,127</u>	<u>876,570</u>

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 16. Current liabilities – other current liabilities

	Consolidated	
	2017	2016
	\$	\$
Accrued expenses	183,465	154,843
Sales tax	1,273	8,610
Deferred settlement (NorthWrite acquisition)	<u>1,007,922</u>	<u>2,775,160</u>
	<u>1,192,660</u>	<u>2,938,613</u>

Settlement payments to NorthWrite made during the year totalled A\$1,612,120. These payments were US-denominated, and translated at the prevailing foreign exchange rate for each transaction. The deferred settlement liability is denominated in USD, and is subject to foreign exchange movements at each reporting date. These differences are recorded in the foreign currency translation reserve and realised in profit and loss on payment. The deferred settlement liability was extinguished subsequent to year end. Refer to note 28.

Note 17. Equity - issued capital

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

	Consolidated			
	2017	2016	2017	2016
	Shares	Shares	\$	\$
Common stock - fully paid	<u>96,924,191</u>	<u>84,281,905</u>	<u>44,632,556</u>	<u>44,078,685</u>

Movements in ordinary share capital

Details	Date	No of Shares #	Issue Value \$
Balance	31 December 2016	<u>84,281,905</u>	<u>44,078,685</u>
Share issue		12,642,286	568,903
Share issue transaction costs, net of tax			<u>(15,032)</u>
Balance	31 December 2017	<u>96,924,191</u>	<u>44,632,556</u>

Note 17. Equity - issued capital (continued)

Common stock

Common stock entitle the holder to participate in dividends and the proceeds of the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid common stock have no par value and the company has an authorised capital of 500,000,000 shares of common stock. On 21 December 2017, 12,642,286 shares of common stock were issued at \$0.045 per share (before transaction costs) to existing Securityholders. Refer to note 28.

Note 18. Equity – reserves

	Consolidated	
	2017	2016
	\$	\$
Options reserve	928,053	955,992
Foreign currency reserve	(1,219,678)	(33,401)
	<u>(291,625)</u>	<u>922,591</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:

Consolidated	Options reserve	Foreign currency	Total
	\$	\$	\$
Balance at 1 January 2016	1,082,016	225,185	1,307,201
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>
Balance at 1 January 2017	955,992	(33,401)	922,591
Employee share options	69,697	-	69,697
Options cancelled or forfeited during the year	(97,636)	-	(97,636)
Foreign currency translation	-	(1,186,277)	(1,186,277)
Balance at 31 December 2017	<u>928,053</u>	<u>(1,219,678)</u>	<u>(291,625)</u>

Note 19. Equity - accumulated losses

	Consolidated	
	2017	2016
	\$	\$
Accumulated losses at the beginning of the financial year	(29,269,155)	(21,498,255)
Loss after income tax expense for the year	<u>(3,535,583)</u>	<u>(7,770,900)</u>
Accumulated losses at the end of the financial year	<u>(32,804,738)</u>	<u>(29,269,155)</u>

Note 20. Financial instruments

Financial risk management objectives

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

Market risk

Foreign currency risk

A large proportion of the consolidated entity's operations are denominated in USD, which are translated into the consolidated entity's presentation currency of Australian dollars. A 10% strengthening of the Australian dollar against the USD would have a net impact from continuing operations of approximately \$393,635. Conversely a 10% weakening of the Australian dollar against the USD would have a net impact from continuing operations of (\$393,635).

The Foreign Currency Translation Reserve reflects the effect of the decline in USD-denominated foreign assets values due to the decline in USD:AUD foreign exchange rates in FY17.

Price risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

Remaining contractual maturities

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

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

Note 20. Financial instruments (continued)

Consolidated - 2016	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	0%	567,422	-	-	-	567,422
Deferred settlement liability	0%	2,775,160	-	-	-	2,775,160
Total non-derivatives		3,342,582	-	-	-	3,342,582

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

Note 21. Key management personnel disclosures

Compensation

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

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

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	528,168	912,948
Share-based payments	23,560	16,628
	<u>551,728</u>	<u>929,576</u>

Note 22. Remuneration of auditors

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

	2017	2016
	\$	\$
<i>Audit services – BDO East Coast Partnership</i>		
Audit or review of the financial statements, half year and full year	76,000	73,875
	<u>76,000</u>	<u>73,875</u>
<i>Other services – BDO USA, LLP</i>		
Tax compliance services	-	10,000
	<u>76,000</u>	<u>83,875</u>

Note 23. Contingent liabilities

There are no contingent liabilities at the reporting date (2016: \$nil).

BuildingIQ, Inc.
Notes to the Financial Statements
31 December 2017

Note 24. Commitments

	Consolidated	
	2017	2016
	\$	\$
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	503,610	360,276
One to five years	1,008,876	790,918
	<u>1,512,486</u>	<u>1,151,193</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 25. Related party transactions

Parent entity

BuildingIQ, Inc. is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Terms and conditions

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

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$	\$
Loss after income tax	<u>(3,535,583)</u>	<u>(7,770,900)</u>
Total comprehensive income	<u>(4,721,860)</u>	<u>(8,029,486)</u>

BuildingIQ, Inc.
Notes to the Financial Statements
31 December 2017

Note 26. Parent entity information (continued)

Statement of financial position

Total current assets	3,422,341	11,118,535
Total assets	13,704,871	19,604,217
Total current liabilities	2,168,678	3,872,096
Total liabilities	2,168,678	3,872,096
Equity		
Issued capital	44,632,556	44,078,685
Reserves	(291,625)	922,591
Accumulated losses	(32,804,738)	(29,269,155)
Total equity	11,536,193	15,732,121

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017. (2016: \$nil)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017. (2016: \$nil).

Significant accounting policies

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

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

Note 27. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
BuildingIQ, Pty. Ltd	Australia	100.00%	100.00%

No other subsidiaries are incorporated in the consolidated financial statements.

Note 28. Events after the reporting period

On 15 December 2017, BuildingIQ announced that it was undertaking a capital raising of up to A\$6.50 million through a combination of an Institutional Placement, Existing Securityholder Placement and pro-rata Entitlement Offer. On 21 December 2017, funds for the Existing Securityholder Placement (\$568,903 before transaction costs, or approximately 9% of the total raising) were received. The funds for the Institutional Placement and Entitlement Offer (\$5,931,097) were received in January 2018. The total number of shares and options issued in connection with the capital raising (including underwriters' fees settled with equity) were 151,305,556 CDIs and 6,861,792 options with $\frac{1}{3}$ having an exercise price of \$0.065, $\frac{1}{3}$ having an exercise price of \$0.1125 and $\frac{1}{3}$ having an exercise price of \$0.135.

On 26 January 2018, the consolidated entity settled the deferred NorthWrite acquisition liability for US\$750,000 (A\$929,114).

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

Note 29. Reconciliation of loss after income tax to net cash from operating activities

	2017	2016
	\$	\$
Loss after income tax expense for the year	(3,535,583)	(7,770,900)
Adjustments for:		
Depreciation and amortisation	1,607,234	684,786
Share-based expenses	(27,939)	126,024
Net impairment and reclassifications in accrued income	-	719,393
Foreign exchange translation	(649,151)	(715,955)
Change in operating assets and liabilities:		
(Increase) in provision for impairment of trade receivables	(40,871)	(57,554)
(Increase) in trade and other receivables	(2,380,026)	(108,733)
Increase in deferred revenue	41,920	31,641
(Increase) in prepayments & other assets	(207,220)	(147,006)
(Decrease) in trade and other payables	(44,930)	(21,376)
Increase in employee benefits	221,557	439,820
Net cash used in operating activities	<u>(5,015,009)</u>	<u>(6,819,860)</u>

Note 30. Share-based payments

2012 Equity Incentive Plan and AU Plan

Under the 2012 Equity Incentive Plan and the AU Plan the Board may grant stock options to employees, officers, directors, consultants, independent contractors and advisors to the company. The purpose of these Plans is to attract, retain, and motivate eligible persons whose present and potential contributions are important to BuildingIQ's success by offering them an opportunity to participate in the company's future performance through equity awards of stock options. Under the terms of the Plans, the exercise price of stock options may not be less than 100% of the fair market value on the date of grant.

Note 30. Share-based payments (continued)

Valuation of Stock-Based Awards

The fair value of each stock option granted under the company's equity incentive plans is based on independent valuations and estimated on the grant date using a Black-Scholes option-pricing model. The following weighted-average assumptions would apply as at 31 December 2017:

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 table below sets out details of the movements in options granted for the period ending 31 December 2017.

Consolidated	Number of Options
Balance at 31 December 2016	<u>7,031,924</u>
Options granted to employees	2,725,000
Options forfeited	(1,626,236)
Balance at 31 December 2017	<u>8,130,688</u>
Unvested employee options	4,502,396
Vested options comprise:	3,628,292
- employees' options	1,425,792
- Directors' options	90,000
- KTM options	2,112,500
	<u>8,130,688</u>

The majority of outstanding employee options issued prior to 1 January 2016 are exercisable at AUD 26.2 cents and vest over the next two years. Employee options issued during FY16 are exercisable at A\$1.00 and vest over the next three years. Employee options issued during FY17 are exercisable at values ranging between AUD 10 and 17.5c and vest over the next four years. During 2017, 1,626,236 options were forfeited due to employee departures.

Note 31. Earnings per share

	2017	2016
	\$	\$
<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.	3,535,583	7,770,990
less other items affecting common equity holders of the company	-	-
Adjusted loss attributable to common equity holders of the company	<u>3,535,583</u>	<u>7,770,990</u>

Note 31. Earnings per share (continued)

	Number	Number
Weighted average number of common stock used in calculating basic earnings per share	84,808,650	84,281,887
Adjustments for calculation of diluted earnings per share:		
Options	3,628,292	1,025,000
Adjustment for options (anti-dilutive)	<u>(3,628,292)</u>	<u>(1,025,000)</u>
Weighted average number of common stock used in calculating diluted earnings per share	<u>84,808,650</u>	<u>84,281,887</u>
	Cents	Cents
Basic earnings per share	(4.2)	(9.2)
Diluted earnings per share	(4.2)	(9.2)

Note 32. Going concern

As disclosed in the consolidated financial statements, the consolidated entity's loss after income tax for the year ended 31 December 2017 was \$3,535,583 (31 December 2016 \$7,770,900) and the consolidated entities net cash outflows from operating activities for the year ended 31 December 2017 were \$5,015,009 (31 December 2016: \$6,819,860).

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

- As previously noted, an equity raising of \$6.50 million was announced on 15 December 2017 and closed on 29 January 2018.
- The consolidated entity is projecting improved operating performance in future years.
- The consolidated entity is due to receive R&D tax incentive proceeds in the first quarter of the 2018 calendar year.

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

BuildingIQ, Inc.
Directors' Declaration
31 December 2017

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 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors

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

Alan Cameron, AO
Chair

28 February 2018
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 2017, 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 2017 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.

Recoverability of goodwill and other intangible assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has recognised intangible assets consisting of goodwill of \$3,538,376 (refer to note 12) and other intangible assets consisting of development assets and other intangible assets of \$1,664,266 (refer to Note 13).</p> <p>This was determined to be a key audit matter as the determination of the value-in-use of intangible assets recognised, and whether or not an impairment charge is necessary, involved judgements by management about the future growth rates of the business, discount rates applied to future cash flows and sensitivities of inputs and assumptions used in the cash flow models.</p>	<p>Our audit procedures to address the key audit matter included the following:</p> <ul style="list-style-type: none"> Assessing the appropriateness of identified CGU's and the allocation of carrying value of assets to identified CGU's; Obtaining the Group's value in use model performed at 30 June 2017 and reviewing consistency of the cash flows with historical trends, future budgets approved by management and those charged with governance and future contracted revenue; Updated our assessment of the reasonableness of the key assumptions used in the value-in-use model based on the performance of the Group for the year ended 31 December 2017 to ensure that no indicators of impairment exist; Corroborating the assumptions for the key inputs in the value in use model such as forecast revenue, costs, discount rates and terminal growth rates; Performing tests over the mathematical accuracy of the model and underlying calculations; Performing a sensitivity analysis on the key financial assumptions in the models; <p>For development assets and other intangible assets, we also performed the following specific tests:</p> <ul style="list-style-type: none"> Reviewing the reasonableness of the useful life of development assets and checking the accuracy of amortisation expenses recognised during the year; Comparing trends in sales by product with the specific development assets to ensure the assets capitalised were expected to generate future economic benefits to the Group; and Reviewing the treatment of research and development incentives received and receivable to ensure the appropriate recognition in accordance with relevant accounting standards.

Recognition of revenue

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 2, recognition of revenue from contracts is considered a key judgement on the basis of the following:</p> <ol style="list-style-type: none"> 1. The entity recognises revenue based on the best estimate of consideration expected to be received for individual contracts; and 2. Revenue is recognised by reference to the stage of completion of individual contracts and there is judgement associated with the determination of the stage of completion. <p>Due to the nature of the key estimates and judgements, this has been determined as a key audit matter.</p>	<p>Our audit procedures to address the key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing the appropriateness of management's judgements associated with the fair value of consideration expected to be received by reference to the terms of the individual contract and the history of receipt for each individual customer; • Reviewing a sample of contracts entered into during the year to ensure that the Group has accurately recorded the appropriate amount of revenue, cost of sales, accrued income and deferred revenue based on the terms of the contract and the stage of completion of the contract; • Evaluating the accuracy of managements judgements associated with the stage of completion of individual contracts by testing the accuracy of assumptions in relation to services performed to date against the expected total services to be provided under the contact; and • Assessing the appropriateness of the recognised revenue and cost of sales by reference to the stage of completion identified in accordance with AASB 118 <i>Revenue</i>.

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 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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



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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of BuildingIQ, Inc. for the year ended 31 December 2017, 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, 28 February 2018

Additional Shareholder Information

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

Unless stated otherwise, the information and details in the tables below is current as at 23 February 2018.

Overview

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

The company has a total of 235,587,461 shares of common stock on issue, equivalent to 235,587,461 CDIs. There are 431 shareholders who hold their securities in the form of CDIs. There are 5 shareholders who hold shares of common stock (i.e. these holders have not elected to hold those securities in the form of CDIs).

The company has a total of 14,992,480 options on issue which are not quoted on ASX at 23 February 2018.

Shareholder Information

Substantial holders

The names of substantial holders in the company and their respective equity holdings (to the best of the company's knowledge) as at 23 February 2018 are set out below:

NAME OF HOLDERS	NUMBER AND CLASS OF EQUITY SECURITIES IN WHICH HOLDER, TOGETHER WITH ASSOCIATES, HAS A RELEVANT INTEREST	PERCENTAGE OF VOTING POWER
Welas Pty Ltd	52,766,620	22.40%
Siemens Venture Capital GMBH	34,313,644	14.57%
Paladin Capital Group*	16,272,885	6.91%
Rhett Morson	12,773,844	5.53%

* Includes shares of common stock and CDIs held by various entities associated with Paladin Capital Group.

Number of Holders and Distribution of Holdings

The following table is a distribution schedule of the number of holders of CDIs and Shares (as converted to CDIs):

CATEGORY	NUMBER OF HOLDERS
1 – 1,000	22
1,001 – 10,000	171
10,001 – 100,000	117
100,001 – 500,000	74
500,001 – 1,000,000	16
1,000,001 and over	34
Total	434

Unmarketable Parcels

There are 161 holders of CDIs and shares (as converted to CDIs) holding less than a marketable parcel of CDIs (being a parcel of securities less than \$500).

Top 20 Holders

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

Rank	Name	Number of Securities	Percentage Voting Power
1	WELAS PTY LTD <WALES FAMILY NO 2 A/C>	45,320,405	19.51
2	SIEMENS VENTURE CAPITAL GMBH\C	34,313,644	14.77
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD <A/C 2>	20,880,765	8.99
4	PALADIN GLOBAL ALTERNATIVE ENERGY FUND LP	12,204,817	5.25
5	EMERALD SHARES PTY LIMITED <EMERALD UNIT A/C>	10,000,000	4.30
6	SPENCELEY MANAGEMENT PTY LTD <SPENCELEY FAMILY A/C>	8,750,000	3.77
7	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	6,841,500	2.95
8	WELAS PTY LTD <WALES FAMILY A/C>	6,321,143	2.72
9	ASTER CAPITAL PARTNERS SAS	5,771,267	2.48
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,869,521	2.10
11	EXTO PARTNERS AUSTRALIA PTY LTD	4,634,796	2.00
12	18 KNOT VENTURES PTY LTD <GREEN ARROWS A/C>	3,369,723	1.45
13	AKHENATEN PTY LIMITED <AKHENATEN A/C>	2,987,626	1.29
14	GE EQUITY INVESTMENTS PTY LTD	2,843,750	1.22
15	CG NOMINEES (AUSTRALIA) PTY LTD	2,257,212	0.97
16	UBS NOMINEES PTY LTD	2,150,000	0.93
17	THE GENUINE SNAKE OIL COMPANY PTY LTD <MORSON GROUP SUPER FUND A/C>	2,021,929	0.87
18	FIRST TRUSTEE COMPANY (NZ) LIMITED <IAN ROGER MOORE A/C>	2,000,000	0.86
18	MR JOHN ALAN MACBRIDE PRICE	2,000,000	0.86
18	SPENCELEY MANAGEMENT PTY LTD <SPENCELEY FAMILY S/F A/C>	2,000,000	0.86
Totals: Top 20 holders of CHESSE DEPOSITARY INTERESTS (Total)		181,542,333	78.15
Total Remaining Holders Balance		50,760,879	21.85

Restricted Securities

The company has no securities subject to ASX imposed or voluntary escrow.

Options

As at 23 February 2018 there were 14,992,480 options on issue to purchase shares (equivalent to 14,992,480 CDIs). The total number of holders of options as at 23 February 2018 was 37. The options on issue include:

- 6,018,188 options issued to directors, executives and employees under the Company's 2012 Equity Incentive Plan;
- 2,112,500 options issued to the underwriter of the Company's initial public offering
- 6,861,792 options issued to Canaccord Genuity (Australia) Limited.

The following table is a distribution schedule of the number of holders of options as at 23 February 2018.

CATEGORY	NUMBER OF HOLDERS
1-1,000	-
1,001-5,000	7
5,001-10,000	3
10,001-100,000	17
100,001 and over	10

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

Voting Rights

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

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

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

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

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

Required Statements

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

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

- (h) The register of CDIs is:

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

- (i) The register of shares is:

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

Foreign Ownership Restriction

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