2019 Interim Report

Interim report for the half-year ended 30 June 2019

BuildingIQ, Inc.
ARBN 605 422 160

Contents

Directors' Report

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as 'BuildingIQ', the 'consolidated entity' or 'Group') 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 half year ended 30 June 2019.

Directors

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

Alan Cameron (resigned 30 June 2019)
Tanya Cox
William Deane
Gerd Goette
Michael Nark

Principal activities

BuildingIQ is a leading provider of energy efficiency services for facilities throughout the United States, Canada, Singapore, Australia and Middle East. 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 or subsequent to the period.

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 for the six months to 30 June 2019 decreased from the prior corresponding period by approximately 12% to $3,681,852 (2018: $4,165,952). The key reasons for this decrease were the delay in the commencement of major greenfield projects, which were scheduled to commence in early Q2 FY19 and the completion of one-time utility and incentive/rebate programs, which were time duration and not recurring in FY 2019. Major contracted greenfield projects, scheduled to commence in early Q2 FY19, were expected to offset this reduction but where delayed. While the commencement of the major greenfield projects have been delayed, contracts remain in place and scheduled completion dates at this stage remain unchanged. Consequently, near term revenue has been affected but overall revenue from the projects is unaffected and is now expected to occur over a more compressed timeline.

The consolidated entity continues to benefit from the high level of new construction activity in Australia. While the growth in our customer base is positive, we recognise the importance of maintaining a strong focus on cash and ensuring our costs are tightly managed. Looking ahead, our focus will remain on delivering financially astute growth and operational efficiency.

The number of buildings active on the 5i Platform continues to grow. Services are now provided to more than 1,325 buildings globally, up from just 869 buildings three years ago.

New business globally is being secured through opportunities in a number of sectors.

In Australia, the Education and Health sectors are presenting new greenfield opportunities. For example, we recently secured contracts to deliver managed services for two schools – the new Oran Park Primary and High School (NSW), Wenona School (NSW) and a new hospital – Somerset Private Hospital (NSW).

Review of operations (continued)

The commercial building sector in North America is providing sales opportunities in the established building sector. For example, BuildingIQ recently secured new business for the delivery of complete 5i Services to more than 2m square feet across three new customers in the Northeast.

Expenses increased by 11% during the period to $5,116,053 (2018: $4,609,651). This was primarily due to increases in amortisation expense driven by amortisation of intangible assets related to Buildingsense acquisition and interest expenses on receivables financing facilities open during the period.

As a result of these factors the loss before income tax expense for the half year increased to $3,684,709 (2018: $2,001,969).

Changes in the state of affairs

In April 2019, the consolidated entity's majority owned subsidiary Buildingsense won a $4.6 million electrical and control contract for the HVAC (heating, ventilation and control) system by Salini Impregilo – NRW Joint Venture for the Public Transport Authority of Western Australia's major infrastructure project known as, the Forrestfield-Airport Link (Forrestfield). Planning work has already been initiated, major installation work will occur through 2019 and into 2020 with commissioning by September 2020.

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

Matters subsequent to the end of the financial period

There have not been any transactions or events of a material and unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors of the Company, significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

Likely developments and expected results of operations

On 23 August 2019, the consolidated entity received funds for tranche two of the equity capital raising announced to the ASX on 30 April 2019 and 25 June 2019. This resulted in receiving $1,060,000 of cash inflows subsequent to year end with no capital raising expenses, representing a total of $2,150,000 raised across all tranches of this capital raise. The consolidated entity also indicated it was considering offering all CDI holders the right to participate in a share purchase plan following completion of tranche two as part of its ASX announcement on 25 June 2019. This is likely to occur in September 2019.

The consolidated entity will raise further capital through borrowings or equity in the second half of FY 2019 to support operating costs and ongoing greenfield project opportunities.

BuildingIQ will continue to focus on expanding beyond the 1,325 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. The company's gross 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.

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 in Australia and Europe. Lisa is also company secretary for ASX listed RedHill Education Limited (ASX:RDH).

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 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

William Deane
Chair

27 August 2019
Sydney

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DECLARATION OF INDEPENDENCE BY CLAYTON EVELEIGH TO THE DIRECTORS OF BUILDINGIQ, INC.

As lead auditor for the review of BuildingIQ, Inc. for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Clayton Eveleigh
Partner

BDO East Coast Partnership

Sydney, 27 August 2019

General Information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors on 26 August 2019. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2019

	Notes	Consolidated 6 months ended 30 June 2019 $	Consolidated 6 months ended 30 June 2018 $
Revenue	3	2,892,138	3,660,229
Other income		789,714	505,723
Revenue & other income		3,681,852	4,165,952
Cost of sales		(2,251,047)	(1,560,225)
Gross Profit		1,430,805	2,605,727
Interest revenue		539	1,955
Sales and marketing	4	(953,845)	(947,095)
Research costs	4	(467,375)	(706,784)
Administrative expenses	4	(2,304,985)	(2,431,976)
Interest expense	11	(379,229)	-
Depreciation and amortisation		(1,010,619)	(523,796)
		(5,116,053)	(4,609,651)
Loss before income tax		(3,684,709)	(2,001,969)
Income tax expense	5	-	-
Loss after income tax expense for the period		(3,684,709)	(2,001,969)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(41,159)	382,999
Other comprehensive income for the period, net of tax		(41,159)	382,999
Total comprehensive income for the period		(3,725,868)	(1,618,970)
Net loss attributable to			
Owners of the parent entity		(3,587,286)	(2,001,969)
Non-controlling interest	17	(97,423)	-
		(3,684,709)	**(2,001,969)**
Total comprehensive income attributable to			
Owners of the parent entity		(3,628,445)	(1,618,970)
Non-controlling interest		(97,423)	-
		(3,725,868)	**(1,618,970)**
		Cents	**Cents**
Basic earnings per share		(1.5)	(0.9)
Diluted earnings per share		(1.5)	(0.9)

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

Consolidated Statement of Financial Position as at 30 June 2019

	Notes	Consolidated As at 30 June 2019 $	Consolidated As at 31 December 2018 $
Assets			
Current assets			
Cash and cash equivalents		532,488	1,975,777
Trade and other receivables	6	4,342,251	4,610,097
R&D grant receivable	7	1,468,758	2,570,796
Other current assets		450,999	811,380
Total current assets		6,794,496	9,968,050
Non-current assets			
Plant and equipment		62,709	106,707
ROU lease assets		739,099	-
Goodwill	8	4,859,669	4,844,899
Other intangible assets	9	3,849,199	3,839,364
Total non-current assets		9,510,676	8,790,970
Total assets		**16,305,172**	**18,759,020**
Liabilities			
Current liabilities			
Trade and other payables		1,365,515	1,026,409
Employee benefits	10	1,032,061	1,029,289
Deferred revenue		255,973	140,818
Borrowings	11	1,365,047	2,028,935
Lease liabilities		484,787	-
Other current liabilities	12	364,905	798,436
Total current liabilities		4,868,288	5,023,887
Non-current liabilities			
Employee benefits		41,996	55,318
Lease liabilities		287,788	-
Total non-current liabilities		329,784	55,318
Total liabilities		**5,198,072**	**5,079,205**
Net assets		**11,107,100**	**13,679,815**
Equity			
Issued capital	13	52,127,358	51,006,884
Reserves	14	447,931	456,411
Non-controlling interest	17	(487,604)	(390,181)
Accumulated losses		(40,980,585)	(37,393,299)
Total equity		**11,107,100**	**13,679,815**

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

Consolidated Statement of Changes in Equity
30 June 2019

Consolidated	**Issued Capital**	**Reserves**	**Accumulated Losses**	**Non-controlling interest**	**Total Equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 January 2018	44,632,556	(291,625)	(32,804,738)	-	11,536,193
Loss after income tax expense for the period	-	-	(2,001,969)	-	(2,001,969)
Other comprehensive income for the period, net of tax	-	382,999	-	- -	382,999
Total comprehensive income for the period	-	382,999	(2,001,969)	-	(1,618,970)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	5,490,434	-	-	-	5,490,434
Employee share schemes	-	28,526	-	-	28,526
Balance at 30 June 2018	50,122,990	119,900	(34,806,707)	-	15,436,183
Balance at 1 January 2019	51,006,884	456,411	(37,393,299)	(390,181)	13,679,815
Loss after income tax expense for the period	-	-	(3,587,286)	(97,423)	(3,684,709)
Other comprehensive income for the period, net of tax	-	(41,159)	-	-	(41,159)
Total comprehensive income for the period	-	(41,159)	(3,587,286)	(97,423)	(3,725,868)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 13)	1,120,474	-	-	-	1,120,474
Employee share schemes	-	32,679	-	-	32,679
Balance at 30 June 2019	52,127,358	447,931	(40,980,585)	(487,604)	11,107,100

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

Consolidated Statement of Cash Flows
30 June 2019

	Consolidated	
	6 months ended 30 June 2019 $	**6 months ended 30 June 2018 $**
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	3,999,072	2,362,483
Payments to suppliers and employees (inclusive of GST)	(6,405,871)	(5,748,738)
Interest (paid) / received	(226,113)	1,955
R&D tax refund received	2,487,526	2,019,627
Net cash used in operating activities	(145,386)	(1,364,673)
Cash flows from investing activities		
Proceeds / (payments) for plant and equipment	21,688	(24,769)
Payments for intangible assets	(1,385,488)	(1,161,059)
Payments for business acquisition	-	(960,478)
Net cash used in investing activities	(1,363,800)	(2,146,306)
Cash flows from financing activities		
Proceeds from issues of shares (exclusive of exchange differences)	1,120,474	5,931,097
Capital raising costs (capitalised)	-	(252,464)
Repayment of lease liabilities	(238,225)	-
Net repayments of borrowings	(759,135)	-
Net cash from financing activities	123,114	5,678,633
Net (decrease)/increase in cash and cash equivalents	(1,386,072)	2,167,654
Cash and cash equivalents at the beginning of the financial period	1,975,777	2,418,874
Effects of exchange rate changes on cash and cash equivalents	(57,217)	7,926
Cash and cash equivalents at the end of the financial period	532,488	4,594,454

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

Notes to the Financial Statements

1. Significant accounting policies

Basis of preparation
The consolidated half-year financial report has been prepared in accordance with the Corporations Act 2001 and the principles of Accounting Standard AASB 134 'Interim Financial Reporting'. The requirements of the Corporations Act are voluntarily applied to the extent they are not applicable to a Delaware incorporated company. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018. Comparative figures have been adjusted to conform to changes in presentation for the current financial period where required by accounting standards.

This consolidated half-year financial report does not include all the information, disclosures and notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any announcements made by the Company during the interim reporting period.

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

Going concern
The consolidated financial statements are prepared on a going concern basis. At 30 June 2019, the Company recorded a loss before income tax of $3,684,709 (30 June 2018: $2,001,969) and operating cash outflows of $145,386 (30 June 2018: $1,364,673). Management's forecasts also indicate that the consolidated entity will be required to raise further capital through borrowings or equity capital raising in the second half of the 2019 financial year to support operating costs and working capital requirements for ongoing greenfield project opportunities. These events and conditions, including the dependency on the proposed debt or capital raising, give rise to a material uncertainty at 30 June 2019 as to whether the consolidated entity will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the consolidated financial report.

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

- The consolidated entity is projecting improved operating performance in future years;
- The acquisition of Buildingsense boosts capabilities and growth prospects in greenfield buildings and is expected to deliver significant financial benefits over the forecast period;
- Management and the Directors are confident of the forecast pipeline over the next 12 months. Underperformance against the forecast for the current half year period was due to the delay in commencement of major greenfield projects, events outside the control of BuildingIQ;
- Management expect that revenue increases through new greenfield projects and acceleration of the cash collections cycle will further improve the net cash from operating activities in the second half of this financial year.
- R&D financing facility remains in place for FY 2019 with quarterly cash inflows expected at the end of each quarter; and
- Continuation of the existing receivable financing facility and prompt collection of trade receivables in accordance with expectations will continue to improve cash inflows in the second half of FY 2019 and FY 2020.

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. 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.

1. Significant accounting policies (continued)

Accounting Policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

As a result of adoption of AASB16 on 1 Jan 2019, EBITDA for the six months period ending 30 June 2019 improved by $289,945.

Impact of adoption

AASB 16 was adopted using the cumulative effect method and therefore comparative information has not been restated. The impact of adoption on opening retained profits as at 01 January 2019 was as follows:

	1 January 2019 $
Operating lease commitments as at 1 January 2019 (AASB 117)	1,083,341
Operating lease commitments discount based on the weighted average incremental borrowing rate of 15% (AASB 16)	(131,222)
Right-of-use assets (AASB 16)	952,119
Lease liabilities – current (AASB 16)	(441,185)
Lease liabilities – non-current (AASB 16)	(510,934)
Tax effect on the above adjustments	-
Reduction in opening retained profits as at 1 January 2019	-

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

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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

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

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. 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 Chief Executive (who is identified as the Chief Operating Decision Maker ('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 North America and Australasia. Both regions are supported by a mix of resources from the single reportable operating segment.

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	30 June 2019	**30 June 2018**	**30 June 2019**	**31 December 2018**
	$	**$**	**$**	**$**
Australasia	2,058,203	1,782,599	3,494,849	4,412,763
North America	833,935	1,877,630	6,015,827	4,378,207
	2,892,138	3,660,229	9,510,676	8,790,970

3. Revenue

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

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

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

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

	Consolidated	
	30 June 2019	**30 June 2018**
	$	**$**
Installation revenue	2,226,312	2,473,154
Subscription revenue	646,966	1,160,003
Other revenue	18,860	27,072
Total revenue	2,892,138	3,660,229

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

4. Expenses

	Consolidated	
	30 June 2019	**30 June 2018**
	$	**$**
Loss before income tax from continuing operations includes the following specific expenses:		
Employee benefit expenses	2,886,999	2,740,346
Wages and Salaries		
Infrastructure costs	276,857	258,377
Systems, servers and hosting fees		
Depreciation		
Plant and equipment	23,661	34,950
Right of use lease assets	213,020	-
Amortisation		
Development assets	773,938	488,846

4. Expenses (continued)	**Consolidated 30 June 2019 $**	**30 June 2018 $**
Net foreign exchange (gain)/loss		
Net foreign exchange (gain)/loss	539	(565)
Rental expense relating to short term operating leases		
Rental expenses for the period	11,682	258,066
Superannuation expense		
Defined contribution superannuation expense	128,007	122,268
Share-based payments expense		
Net change for issuance/(cancellation) of employee share options	32,679	28,526

5. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. Since the group is incurring tax losses the effective tax rate is estimated to be 0% for the half year ended 30 June 2019 (2018: 0%).

6. 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 expected credit losses. Trade receivables are generally due for settlement within 30-60 days.

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

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

	Consolidated As at 30 June 2019 $	**As at 31 December 2018 $**
Trade receivables	3,373,853	3,723,562
Less: Provision for expected credit losses on receivables	(456,116)	(317,351)
	2,917,737	3,406,211
Accrued income & other receivables	1,424,514	1,203,886
	4,342,251	4,610,097

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 $1,424,514 (31 December 2018: $1,203,886) of contracted but unbilled installation services. The typical term of these projects ranges from 6-9 months, with full billing for all projects in progress as at 30 June 2019 expected to complete before the end of the next financial year.

6. Trade and other receivables (continued)

Expected credit losses on receivables
The consolidated entity has recognised a loss of $138,765 (31 December 2018: $27,107) in the Statement of Profit or Loss and Other Comprehensive Income in respect of expected credit losses on receivables for the period ended 30 June 2019.

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

	Consolidated	
	As at 30 June 2019 $	As at 31 December 2018 $
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	456,116	317,351
	456,116	317,351

Movements in the expected credit losses on receivables are as follows:

	Consolidated	
	As at 30 June 2019 $	As at 31 December 2018 $
Opening balance	317,351	290,244
Additional provisions recognised	138,765	27,107
Receivables written off during the period as uncollectible	-	-
Closing balance	456,116	317,351

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $2,648,756 as at 30 June 2019 ($1,926,491 as at 31 December 2018).

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	
	As at 30 June 2019 $	As at 31 December 2018 $
0 to 3 months overdue	1,060,795	687,633
3 to 6 months overdue	1,248,825	206,982
Over 6 months overdue	339,135	1,031,876
	2,648,755	1,926,491

7. R&D grant receivable

	Consolidated	
	As at 30 June 2019	As at 31 December 2018
	$	$
Research & development grant receivable	1,468,758	2,570,796
	1,468,758	2,570,796

The Company is eligible for a research and development (R&D) grant which is received on an annual basis after the Australian Tax Office processes its tax return, which is based on the calendar year. The amount of the R&D grant receivable is accrued based on eligible expenses incurred. This is a non-linear estimate.

At 30 June 2019 the receivable represents an estimate of the receivable for 6 months of eligible expenses compared to the 12 months estimate as at 31 December 2018.

The consolidated entity secured a R&D tax incentive financing facility with FIFO Capital on 13 November 2018. The amount drawn against this facility stands at $409,018 as at 30 June 2019.

8. Intangible assets - Goodwill

On 13 April 2016 the consolidated entity completed the acquisition of the Energy WorkSite and Facility WorkSite businesses from NorthWrite Inc. for a total consideration of $3,844,971 (US$3m) (revalued as at 31 December 2018 for changes in foreign exchange rates).

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

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

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

Business Combination – Final

The purchase price allocation for this business combination has been finalised during the half-year ended 30 June 2019, following the completion of the measurement period. As a result of this allocation, amounts totalling $1,285,123 have been re-allocated from Goodwill to Customer Relationships and Supplier Relationships, as disclosed below.

The consolidated entity recognised $931,805 as goodwill on acquisition, being the excess of the purchase consideration paid over the fair value of net liabilities of Buildingsense Australia Pty Ltd.

8. Intangible assets - Goodwill (continued)

	$
Purchase consideration – Buildingsense Australia Pty Ltd	
Shares issue (13,636,364 shares @ $0.0605)	825,000
Deferred consideration	200,000
Total consideration	**1,025,000**
Allocation of purchase consideration	
Fixed assets	25,796
Supplier relationships	390,874
Customer relationships	894,249
Cash at bank	331,605
Trade receivables and accrued income	531,825
Other receivables	167,409
Trade creditors	(2,673,734)
Other liabilities	(85,655)
Net liabilities	**(417,631)**
Less: non-controlling interest recognised (30%)	(510,826)
	93,195
Goodwill recognised	**931,805**

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

Consolidated	Goodwill $
Energy Worksite and Facility Worksite Acquisition	3,913,094
Buildingsense acquisition	931,805
Balance at 31 December 2018	4,844,899
Foreign exchange movement	14,770
Balance at 30 June 2019	4,859,669

The excess of the purchase consideration over the fair value of net assets in a business combination is recognised as goodwill by the company. Goodwill recognised in connection with the Energy Worksite and Facility Worksite businesses is denominated in USD, and therefore subject to foreign exchange movements, captured in the foreign currency translation reserve. Goodwill recognised in connection with the Buildingsense business is denominated in Australian dollars. Goodwill is not amortised, and is subject to an impairment assessment on an annual basis. Refer to note 9 for details regarding impairment assessment.

9. 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.

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

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.

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 4-10 years.

Supplier relationships
Supplier 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 10 years.

Summary of closing balances:

	Consolidated	
	30 June 2019 $	**31 December 2018 $**
Development asset (net of R&D incentive) – at cost	7,990,670	7,206,409
Less: Accumulated amortisation	(5,497,291)	(4,982,385)
	2,493,379	2,224,024
CSIRO developed optimisation technology – at cost	468,315	468,315
Less: Accumulated amortisation	(413,828)	(337,614)
	54,487	130,701
NetSuite – at cost	198,479	198,479
Less: Accumulated amortisation	(162,283)	(129,982)
	36,196	68,497
Supplier relationships	390,874	390,874
Less: Accumulated Amortisation	(31,002)	-
	359,872	390,874
Customer contracts and relationships	1,296,314	1,294,802
Less: Accumulated Amortisation	(391,049)	(269,534)

9. Intangible assets - Others (continued)

Customer contracts and relationships	905,265	1,025,268
Total	3,849,199	3,839,364

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 2019 to demonstrate that the intangible assets, including goodwill, were not impaired.

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

(a) 17.3% (2018: 15.9%) post-tax discount rate;
(b) 97% projected revenue growth rate in year one, 12% in year two and thereafter;
(c) 2% per annum increase in operating costs and overheads in year one and thereafter

The discount rate of 17.3% 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 4% 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 3% 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**	**ERP**	**Supplier relationships**	**Customer relationships**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 January 2019	2,224,024	130,701	68,497	390,874	1,025,268	3,839,364
Additions (net of R&D incentive)	784,261	-	-		1,512	785,773
Amortisation expense	(513,547)	(76,214)	(32,301)	(31,002)	(120,874)	(773,938)
Foreign exchange	(1,359)	-	-		(641)	(2,000)
Balance at 30 June 2019	2,493,379	54,487	36,196	359,872	905,265	3,849,199

10. Current liabilities – employee benefits

	Consolidated	
	As at 30 June 2019 $	As at 31 December 2018 $
Employee benefits	1,032,061	1,029,289
	1,032,061	1,029,289

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments. The consolidated entity expects all employees to take the full amount of accrued leave within the next twelve months.

11. Current liabilities - borrowings

	Consolidated	
	As at 30 June 2019 $	As at 31 December 2018 $
Fifo Capital (R&D financing) [1]	409,018	2,028,935
Fifo Capital (Receivable financing) [2]	860,781	-
Fee payable	95,248	-
	1,365,047	2,028,935

[1] The consolidated entity set-up an R&D financing facility with Fifo Capital Australia Pty Ltd on 13 November 2018. A discount fee of 4.0% of the cash value of each R&D Tax Cash Benefit draw-down transaction is applicable with additional fees accruing at a rate of 15% per annum on each day until repaid.

The total amount drawn against this facility was $409,018 as at 30 June 2019, which is secured against the R&D research grant for FY 2019, expected to be received by 30 April 2020.

[2] The consolidated entity secured a receivable finance facility with Fifo Capital Australia Pty Ltd on 29 March 2019. A discount fee of 4.0% of the invoice amount is applicable upto 30 days with additional fees accruing at a rate of 15% per annum from 31 days to 50 days and 73% per annum from 51 days until repaid. The total amount drawn against this facility was $860,781 as at 30 June 2019.

Interest expense

The consolidated entity incurred interest expense of $379,229 on R&D and receivable financing facilities during the period ended 30 June 2019.

12. Other current liabilities

	Consolidated	
	As at 30 June 2019 $	As at 31 December 2018 $
Accrued expenses	252,347	683,267
Sales tax	(7,442)	(4,831)
Deferred settlement (Buildingsense acquisition)	120,000	120,000
	364,905	798,436

13. Reconciliation of contributed equity

Details	**No of shares**	**Issued $**
Balance at 31 December 2016	84,281,905	44,078,685
Share issue, net of transaction costs and tax	-	-
Balance at 30 June 2017	84,281,905	44,078,685
Share issue, net of transaction costs and tax	12,642,286	553,871
Balance at 31 December 2017	96,924,191	44,632,556
Share issue, net of transaction costs and tax	138,663,270	5,490,434
Balance at 30 June 2018	235,587,461	50,122,990
Share issue, net of transaction costs and tax	13,636,364	883,894
Balance at 31 December 2018	249,223,825	51,006,884
Share issue, net of transaction costs and tax	31,484,012	1,120,474
Balance at 30 June 2019	280,707,837	52,127,358

Common stock and CDIs

As a Delaware corporation, the company has issued common stock under Delaware law. The shares of common stock are held by CHESS Deposit Nominees Pty Ltd (CDN) on behalf of CDI holders who may trade CDIs on the ASX. CDIs entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number and amount paid on the common stock underlying the CDIs. The common stock has a par value of US$0.0001 per share.

Capital risk management

The consolidated entity’s objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for CDI holders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to CDI holders, return capital to CDI holders, issue new CDIs or sell assets to reduce debt. The capital risk management policy remains unchanged from the prior year.

14. Equity – reserves

	Options Reserve $	Foreign Currency $	Total $
Balance as at 1 January 2018	928,053	(1,219,678)	(291,625)
Net charge for issuance/cancellation of employee share options	28,526	-	28,526
Foreign currency translation	-	382,999	382,999
Balance as at 30 June 2018	956,579	(836,679)	119,900
Balance as at 1 January 2019	997,812	(541,401)	456,411
Net charge for issuance/cancellation of employee share options	32,679	-	32,679
Foreign currency translation	-	(41,159)	(41,159)
Balance as at 30 June 2019	1,030,491	(582,560)	447,931

15. Contingent liabilities

There are no contingent liabilities at the reporting date (31 December 2018: $nil).

16. Related party transactions

Parent entity
BuildingIQ, Inc. is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 18.

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

17. Non-controlling interest

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

Net loss of $97,423 attributable to the non-controlling interest represents a 30% share from operational results of Buildingsense Australia Pty Ltd, for the current reporting period ended on 30 June 2019.

18. 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:

		Ownership interest	
	Principal place of business / Country of incorporation	**2019 %**	**2018 %**
Name			
BuildingIQ Pty Ltd	Australia	100.00	100.00
BIQsense Pty Ltd	Australia	70.00	70.00
Buildingsense Australia Pty Ltd	Australia	70.00	70.00
BuildingIQ Singapore Pte Ltd	Singapore	100.00	100.00

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

19. Events after the reporting period

Other than items already reflected in the financial statements, there have not been any transactions or events of a material and unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors of the Company, significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

Directors' Declaration

In the directors' opinion:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors

On behalf of the directors

William Deane
Chair

27 August 2019
Sydney

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BuildingIQ, Inc.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of BuildingIQ, Inc. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Clayton Eveleigh
Partner

Sydney, 27 August 2019