BuildingIQ, Inc.
Appendix 4D
30 June 2020

1. Company details

Name of entity:	BuildingIQ, Inc.
ARBN:	605 422 160
Reporting period:	Half year ended 30 June 2020 (current period)
Previous period:	Half year ended 30 June 2019 (prior period)

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2. Unaudited results for announcement to the market

					Half year ended 30 June 2020 $
Revenues from ordinary activities	**up**	16,823	1%	to	2,908,961
Revenue and other income	**up**	149,488	4%	to	3,831,340
Loss from ordinary activities after tax attributable to the owners of BuildingIQ, Inc.	**down**	915,697	26%	to	(2,671,589)
Total comprehensive loss for the year attributable to the owners of BuildingIQ, Inc.	**down**	1,088,396	30%	to	(2,540,049)
EBITDA	**up**	632,433	28%	to	(1,662,967)
Cash & cash equivalents	**down**	494,959	93%	to	37,529

Dividends
Nil

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $2,975,231 (30 June 2019: $3,684,709 loss).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the underlying earnings of the consolidated entity. The following table summarises reconciling items between statutory profit after tax attributable to shareholders of BuildingIQ, Inc. and EBITDA:

	Consolidated	
	Half-year ended 30 June 2020 $	**Half-year ended 30 June 2019 $**
EBITDA	(1,662,967)	(2,295,400)
Interest income	1,230	539
Interest expense	(513,808)	(379,229)
Depreciation & amortisation	(799,686)	(1,010,619)
Net loss before income tax	(2,975,231)	(3,684,709)

Income tax	-	-
Net loss after income tax	(2,975,231)	(3,684,709)

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.0c	3.0c

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4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

Financial statements of BuildingIQ Inc. are currently being reviewed/audited. BuildingIQ Inc. is relying on the ASIC relief to extend the lodgement date for the audited/reviewed financial statements, and that it will immediately make a further announcement to the market if there is a material difference between its unaudited financial statements and the audited financial statements.

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5. Attachments

Details of attachments (if any):

The unaudited Interim Financial Statements (currently under review) of BuildingIQ, Inc. for the six months period ended 30 June 2020 are attached.

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6. Signed

Signed ________________________________ Date: 31 August 2020

Sanjay C. Patel
Executive Chair
Sydney

2020 Interim Report

Unaudited Interim report for the half-year ended 30 June 2020

BuildingIQ, Inc.
ARBN 605 422 160

Contents

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:

251 Little Falls Drive, City of Willmington,
COUNTY OF NEWCASTLE, DELAWARE, 19808-1674, USA

The financial statements were authorised for issue, in accordance with a resolution of directors on 31 August 2020. 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 2020

	Notes	Consolidated 6 months ended 30 June 2020 $	Consolidated 6 months ended 30 June 2019 $
Revenue	3	2,908,961	2,892,138
Other income	4	922,379	789,714
Revenue & other income		3,831,340	3,681,852
Cost of sales		(2,810,257)	(2,251,047)
Gross Profit		1,021,083	1,430,805
Interest revenue		1,230	539
Sales and marketing		(465,685)	(953,845)
Research costs		(406,603)	(467,375)
Administrative expenses		(1,811,762)	(2,304,985)
Interest expense	13	(513,808)	(379,229)
Depreciation and amortisation		(799,686)	(1,010,619)
	5	(3,997,544)	(5,116,053)
Loss before income tax		(2,975,231)	(3,684,709)
Income tax expense	6	-	-
Loss after income tax expense for the period		(2,975,231)	(3,684,709)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		131,540	(41,159)
Other comprehensive income for the period, net of tax		131,540	(41,159)
Total comprehensive income for the period		(2,843,691)	(3,725,868)
Net loss attributable to			
Owners of the parent entity		(2,671,589)	(3,587,286)
Non-controlling interest	19	(303,642)	(97,423)
		(2,975,231)	**(3,684,709)**
Total comprehensive income attributable to			
Owners of the parent entity		(2,540,049)	(3,628,445)
Non-controlling interest	19	(303,642)	(97,423)
		(2,843,691)	**(3,725,868)**
		Cents	**Cents**
Basic earnings per share		(0.7)	(1.5)
Diluted earnings per share		(0.7)	(1.5)

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 2020

	Notes	Consolidated As at 30 June 2020 $	Consolidated As at 31 December 2019 $
Assets			
Current assets			
Cash and cash equivalents		37,529	702,702
Trade and other receivables	7	2,932,057	3,600,896
R&D grant receivable	8	1,066,158	2,671,990
Other current assets		274,148	556,190
Total current assets		4,309,892	7,531,778
Non-current assets			
Plant and equipment		46,973	56,306
ROU lease assets	9	-	526,974
Goodwill	10	931,805	931,805
Other intangible assets	11	3,899,216	3,876,181
Total non-current assets		4,877,994	5,391,266
Total assets		**9,187,886**	**12,923,044**
Liabilities			
Current liabilities			
Trade and other payables		2,154,163	2,351,959
Employee benefits	12	557,614	605,122
Deferred revenue		182,428	254,831
Deferred income		500,000	-
Borrowings	13	2,151,813	2,983,368
Lease liabilities	9	-	283,974
Other current liabilities	14	621,848	416,313
Total current liabilities		6,167,866	6,895,567
Non-current liabilities			
Employee benefits	12	78,110	91,688
Lease liabilities	9	-	288,385
Total non-current liabilities		78,110	380,073
Total liabilities		**6,245,976**	**7,275,640**
Net assets		**2,941,910**	**5,647,404**
Equity			
Issued capital	15	54,467,679	54,467,679
Reserves	16	612,848	474,651
Non-controlling interest	19	(1,020,679)	(717,037)
Accumulated losses		(51,117,938)	(48,577,889)
Total equity		**2,941,910**	**5,647,404**

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

Consolidated Statement of Changes in Equity
30 June 2020

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
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 15)	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
Balance at 1 January 2020	54,467,679	474,651	(48,577,889)	(717,037)	5,647,404
Loss after income tax expense for the period	-	-	(2,540,049)	(303,642)	(2,843,691)
Other comprehensive income for the period, net of tax	-	131,540	-	-	131,540
Total comprehensive income for the period	-	131,540	(2,540,049)	(303,642)	(2,712,151)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 15)	-	-	-	-	-
Employee share schemes	-	6,657	-	-	6,657
Balance at 30 June 2020	54,467,679	612,848	(51,117,938)	(1,020,679)	2,941,910

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

Consolidated Statement of Cash Flows
30 June 2020

	Consolidated	
	6 months ended 30 June 2020 $	6 months ended 30 June 2019 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	3,273,740	3,999,072
Payments to suppliers and employees (inclusive of GST)	(5,401,946)	(6,405,871)
Interest paid	(282,548)	(226,113)
R&D tax refund received	2,671,990	2,487,526
Net cash from/(used in) operating activities	261,236	(145,386)
Cash flows from investing activities		
Proceeds / (payments) for plant and equipment	-	21,688
Payments for intangible assets	(592,660)	(1,385,488)
Net cash used in investing activities	(592,660)	(1,363,800)
Cash flows from financing activities		
Proceeds from issues of shares (exclusive of exchange differences)	-	1,120,474
Repayment of lease liabilities	(124,877)	(238,225)
Net repayments of borrowings	(126,749)	(759,135)
Net cash (used in)/from financing activities	(251,626)	123,114
Net decrease in cash and cash equivalents	(583,050)	(1,386,072)
Cash and cash equivalents at the beginning of the financial period	702,702	1,975,777
Effects of exchange rate changes on cash and cash equivalents	(82,123)	(57,217)
Cash and cash equivalents at the end of the financial period	37,529	532,488

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 2019. 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 2019 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 2020, the Company recorded a loss before income tax of $2,975,231 (30 June 2019: $3,684,709) and operating cash inflows of $261,236 (30 June 2019: $145,386 outflows).

As announced on ASX on 18 June 2020, BuildingIQ signed the investment agreement with SNAPS Holding Company. Key elements of the Investment Agreement are:

- A total of A$735,310 of funds has been provided up to 30 June 2020, convertible into a total of 75,353,889 shares of common stock
- SNAPS has agreed to fund certain payables and other claims and make further working capital contribution up to a total of A$4,027,727
- As a result of the agreement, SNAPS will invest up to A$4,763,037 and, in consideration of the investment in BuildingIQ, SNAPS will acquire and become owner of a total of 746,641,722 shares of common stock (in total, equal to approximately 66.26% of the total issued and outstanding shares, including the shares issuable on any conversion of the notes described above).

Prior to the investment agreement, management's forecasts also indicated that the consolidated entity would be required to raise further capital through debt and/or equity channels in the second half of 2020 financial year, in order to sustain its operating cash position. These events and conditions casted significant doubt on the ability to continue as a going concern.

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 private placement of A$4.7m is adequate to support the consolidated entity cash requirements to continue as a going concern for a period of 12 months from the date of the financial report;
- Management and the directors are satisfied with the key judgements and assumptions applied in relation to the realisation of the pipeline of installation contracts over the second half of FY2020, subject to any potential impacts of COVID19, which will provide ongoing operating cash inflows to supplement the capital injections provided under the transaction; and
- Management and the directors are continuing to assess the impact of COVID19 and are implementing plans to address any potential slowdown.

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

1. Significant accounting policies (continued)

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.

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.

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 2019	30 June 2020	31 December 2019
		$	$	$
Australasia	2,303,599	2,058,203	3,770,346	2,943,761
North America	605,362	833,935	1,107,648	2,447,505
	2,908,961	2,892,138	4,877,994	5,391,266

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.

3. Revenue (continued)

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Installation revenue	2,200,571	2,226,312
Subscription revenue	693,160	646,966
Other revenue	15,230	18,860
Total revenue	2,908,961	2,892,138

Installation revenue now includes initial, project and other service and software components.

Disaggregation of revenue

The group has disaggregated revenue from customer contracts into various categories in the following table, which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data.

Revenue stream Year-ended 30 June 2020	**Revenue recognition**	**Australasia** $	**North America** $	**Consolidated** $
Installation revenue	Over time	2,183,110	17,461	2,200,571
Subscription revenue	Over time	120,489	572,671	693,160
Other revenue	Over time	-	15,230	15,230
		2,303,599	605,362	2,908,961

Revenue stream Year-ended 30 June 2019	**Revenue recognition**	**Australasia** $	**North America** $	**Consolidated** $
Installation revenue	Over time	2,006,800	219,512	2,226,312
Subscription revenue	Over time	51,403	595,563	646,966
Other revenue	Over time	-	18,860	18,860
		2,058,203	833,935	2,892,138

4. Other income

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
R&D tax incentive	602,379	789,714
COVID-19 government grants	320,000	-
	922,379	789,714

During the period the Australian Tax Office had introduced the Cash Flow Boost and JobKeeper Payment grants to support businesses significantly affected by the coronavirus. The Australian entities have been eligible for available government grants.

5. Expenses

	Consolidated	
	30 June 2020 $	30 June 2019 $
Loss before income tax from continuing operations includes the following specific expenses:		
Employee benefit expenses	1,909,493	2,886,999
Wages and Salaries		
Infrastructure costs	143,114	276,857
Systems, servers and hosting fees		
Depreciation		
Plant and equipment	13,381	23,661
Right of use lease assets	198,420	213,020
	211,801	236,681
Amortisation		
Development assets	587,885	773,938
	799,686	1,010,619
Net foreign exchange (gain)/loss		
Net foreign exchange (gain)/loss	(72,937)	539
Rental expense relating to short term operating leases		
Rental expenses for the period	6,061	11,682
Superannuation expense		
Defined contribution of superannuation expense	107,763	128,007
Share based payments expense		
Net change for issuance/(cancellation) of employee share options	6,583	32,679

6. 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 2020 (2019: 0%).

7. 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 2020 $	As at 31 December 2019 $
Trade receivables	2,965,350	3,483,177
Less: Provision for expected credit losses on receivables	(1,144,540)	(945,004)
	1,820,810	2,538,173
Accrued income & other receivables	1,111,247	1,062,723
	2,932,057	3,600,896

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 $1,066,247 (31 December 2019: $981,496) 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 2020 expected to complete before the end of the next financial year.

Impairment of trade receivables
The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The consolidated entity has recognised a loss of $195,430 (30 June 2019 $138,765) 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 2020.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	30 June 2020 %	31 December 2019 %	30 June 2020 $	31 December 2019 $	30 June 2020 $	31 December 2019 $
Not overdue	0%	0%	639,004	1,264,998	-	-
0 to 3 months overdue	1%	1%	210,434	101,492	1,267	844
3 to 6 months overdue	2%	10%	152,312	23,853	2,912	2,385
Over 6 months overdue	58%	45%	1,963,600	2,092,834	1,140,361	941,775
			2,965,350	3,483,177	1,144,540	945,004

7. Trade and other receivables (continued)

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

	Consolidated	
	As at 30 June 2020 $	As at 31 December 2019 $
Opening balance	945,004	317,351
Additional provisions recognised	215,830	1,044,902
Receivables written off during the period as uncollectible	(16,294)	(417,249)
Closing balance	1,144,540	945,004

8. R&D grant receivable

	Consolidated	
	As at 30 June 2020 $	As at 31 December 2019 $
Research & development grant receivable	1,066,158	2,671,990
	1,066,158	2,671,990

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 2020 the receivable represents an estimate of the receivable for 6 months of eligible expenses compared to the 12 months estimate as at 31 December 2019.

The consolidated entity secured a R&D tax incentive financing facility with FIFO Capital on 13 November 2018. The Company has not drawn down on this facility as at 30 June 2020 ($409,018 as at 30 June 2019).

9. AASB 16 leases

Right of use assets	Consolidated	
	Office Building $	Total $
Balance at 1 January 2020	526,974	526,974
Depreciation expense	(194,726)	(194,726)
Disposal of right of use assets	(332,248)	(332,248)
	-	-

Lease liabilities	Consolidated	
	As at 30 June 2020 $	As at 31 December 2019 $
Current	-	283,974
Non-current	-	288,385
	-	572,359

9. AASB 16 leases (continued)

Maturity analysis	Consolidated	
	As at 30 June 2020 $	As at 31 December 2019 $
Less than one year	-	283,974
One to five years	-	288,385
More than five years	-	-
	-	572,359

Amounts recognised in statement of profit and loss and other comprehensive income	Consolidated	
	30 June 2020 $	30 June 2019 $
Interest on lease liabilities	31,816	59,432
Expenses relating to short-term leases	6,061	11,682
Variable expenses under lease agreements	4,447	13,895
	42,324	85,009

Amounts recognised in statement of cash flows	Consolidated	
	30 June 2020 $	30 June 2019 $
Interest payments	31,816	59,432
Repayment of principal amounts	93,061	178,793
Lease repayments	124,877	238,225

The consolidated entity leased buildings for its Sydney & San Mateo offices under an agreement of 3 & 6 years respectively. The Company had not renewed the Sydney office lease resulting in a loss on disposal of the right of use asset totalling $13,637 comprised of make-good costs. The Company had elected to undergo an early lease termination of the San Mateo office resulting in a loss on disposal of the right of use asset totalling $12,108 comprised of make-good costs.

When measuring the lease liabilities, the company discounted these lease payments using its incremental borrowing rate at the date of initial application or inception of the lease. For the two leases recognised, the incremental borrowing rate applied was 15%.

10. 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.

10. Goodwill (continued)

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.

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

	Energy WorkSite & Facility WorkSite $	Buildingsense Australia Pty Ltd. $	Total $
Balance as at 1 January 2019	3,913,094	931,805	4,844,899
Goodwill impairment during the year	(3,936,019)	-	(3,936,019)
Foreign exchange movement	22,925	-	22,925
Balance as at 31 December 2019	-	931,805	931,805
Balance as at 1 January 2020	-	931,805	931,805
Goodwill impairment during the period	-	-	-
Foreign exchange movement	-	-	-
Balance as at 30 June 2020	-	931,805	931,805

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 11 for details regarding impairment assessment.

11. Other intangible assets

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.

11. Other intangible assets (continued)

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 2020 $	**31 December 2019 $**
Development asset (net of R&D incentive) – at cost	9,281,896	8,671,302
Less: Accumulated amortisation	(6,437,780)	(5,950,395)
	2,844,166	2,720,907
NetSuite – at cost	198,479	198,479
Less: Accumulated amortisation	(198,479)	(194,583)
	-	3,896
Supplier relationships	390,874	390,874
Less: Accumulated amortisation	(70,089)	(50,546)
	320,785	340,328
Customer contracts and relationships	1,305,653	1,297,149
Less: Accumulated amortisation	(571,338)	(486,099)
	734,315	811,050
Total	3,899,216	3,876,181

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.

11. Other intangible assets (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) 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.

	Development $	ERP $	Supplier relationships $	Customer relationships $	Total $
Balance at 1 January 2020	2,720,907	3,896	340,328	811,050	3,876,181
Additions (net of R&D incentive)	602,379	-	-	-	602,379
Amortisation expense	(426,038)	(3,896)	(19,543)	(44,712)	(494,189)
Foreign exchange	(53,132)	-	-	(32,023)	(85,155)
Balance at 30 June 2020	2,844,116	-	320,785	734,315	3,899,216

12. Employee benefits

	Consolidated As at 30 June 2020 $	Consolidated As at 31 December 2019 $
Employee benefits	557,614	605,122
Long service leave	78,110	91,688
	635,724	696,810

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.

13. Borrowings

	Consolidated	
	As at 30 June 2020 $	**As at 31 December 2019 $**
Fifo Capital (R&D financing) [1]	166,696	1,996,778
Fifo Capital (Receivable financing) [2]	800,496	896,996
Fifo Capital (Supply chain financing)	243,800	89,594
Paycheck Protection Program	205,511	-
SNAPS loan	735,310	-
	2,151,813	2,983,368

Paycheck Protection Program
During the period the Company was eligible for the The Paycheck Protection Program from the U.S. Small Business Association. The Paycheck Protection Program is a loan for businesses affected by COVID-19 with the aim to assist in maintaining employment. The PPP loan has an interest rate of 1% maturing in two years with loan repayments being deferred for six months. The PPP loan is subject to forgiveness in the circumstance that the Company maintains the same level of full-time headcount including salaries and wages.

SNAPS Holding Company
SNAPS Holding Company has provided loans in two tranches. On April 10, 2020 the first tranche of $424,780 was received and is convertible into a total of 23,598,889 shares of common stock (approximately $0.018 per share). The second tranche, a loan of $310,530 was provided on May 6, 2020 and will be redeemed in return for the issue of convertible notes at a price of $0.006 per share of common stock resulting in 51,755,000 shares.

Fifo Capital
[1] The consolidated entity set-up an R&D financing facility with Fifo Capital Australia Pty Ltd on 13 November 2018 where Fifo Capital Australia Pty Ltd advances the Company with a maximum value of 80% of the assessed Australian Taxation Office R&D Tax Offset. 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.

As at 30 June 2020 the Company has not drawn down on this facility relating to the 2020 Australian Tax Office R&D Tax Offset. The Company has a balance of $166,696 remaining on the 2019 R&D financing facility as at 30 June 2020 including interest (31 December 2019: $1,996,778).

[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, including interest was $800,496 as at 30 June 2020 including interest. Fifo Capital Australia Pty Ltd has security against all BuildingIQ Pty Ltd trade receivables and is subsequently guaranteed by the Group.

[3] The consolidated entity secured a supply chain finance facility with Fifo Capital Australia Pty Ltd on 08 July 2019. A draw-down fee of 2.5% and interest rate of 2.65% (per month, or part thereof) upto 30 days is applicable with additional interest accruing at a rate of 0.2% daily from 31 days and beyond until repaid. The total amount drawn against this facility was $243,800 as at 30 June 2020 including interest. Fifo Capital Australia Pty Ltd has security over present and after-acquired property of the Group and is subsequently guaranteed by the Group.

13. Borrowings (continued)

Unused facility arrangements
The consolidated entity has access to the following facilities and unused limits in respect of its facilities with FIFO;

1. Access to an R&D Receivable financing facility, with a limit stated at 80% of the assessed cash value of the R&D receivable in the financial year to which the R&D receivable relates. For financial year 2020, the limit is noted at $2.0m (2018: $2.03m). The consolidated entity has not drawn against the facility at balance date (2019: $0.14m).
2. Access to a Trade Receivables financing facility, with no stated limit. Further draw-downs are available at the approval of the lender, FIFO Capital, following lodgement of claims by BuildingIQ, Inc.
3. Access to a Capital Trade financing facility, with no stated limit. Further draw-downs are available at the approval of the lender, FIFO Capital, following lodgement of claims by BuildingIQ, Inc.

Interest expense
The consolidated entity incurred interest expense of $464,335 on R&D, receivable and supply chain financing facilities during the period ended 30 June 2020.

14. Other current liabilities

	Consolidated	
	As at 30 June 2020 $	**As at 31 December 2019 $**
Accrued expenses	510,359	299,470
Sales tax	(8,511)	(3,157)
Deferred settlement (Buildingsense acquisition)	120,000	120,000
	621,848	416,313

15. Reconciliation of contributed equity

Details	**No of shares**	**Issued $**
Balance at 1 January 2019	249,223,825	51,006,884
Share issue, net of transaction costs and tax		
Share issue 8 March 2019	693,050	35,568
Share issue 29 April 2019	23,728,814	840,000
Share issue 25 June 2019	7,062,148	244,905
Share issue 23 August 2019	27,722,877	978,584
Share issue 4 October 2019	10,742,235	386,374
Share issue 16 December 2019	54,500,000	975,364
	124,449,124	3,460,795
Balance as at 31 December 2019	373,672,949	54,467,679
Share issues, net of transaction costs and tax	-	-
Balance as at 30 June 2020	373,672,949	54,467,679

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.

15. Reconciliation of contributed equity (continued)

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.

16. Equity – reserves

	Options Reserve $	Foreign Currency $	Total $
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
Balance as at 1 January 2020	1,039,617	(564,966)	474,651
Net charge for issuance/cancellation of employee share options	6,657	-	6,657
Foreign currency translation	-	131,540	131,540
Balance as at 30 June 2020	1,046,274	(433,426)	612,848

17. Contingent liabilities

There are no contingent liabilities at the reporting date (31 December 2019: $nil).

18. Related party transactions

Parent entity
BuildingIQ, Inc. is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 20.

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.

19. 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 $303,642 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 2020.

20. 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	2020 %	2019 %
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.

21. Events after the reporting period

Beginning in February 2020, governments worldwide have issued increasingly stringent orders to contain the spread of COVID-19, including shelter-in-place orders and travel bans. In response BuildingIQ has established a work-from-home policy for all employees with the exception of staff working on greenfield project sites. Travel has been reduced to an absolute minimum.

Support for 5i subscription customers is provided remotely, therefore the impact on customers is largely limited to changing regular account management meetings from in-person to virtual meetings.

To date, construction sites have not been affected by shutdowns or other restrictions. However, if such measures were implemented, BuildingIQ's revenue and customer receipts are likely to be at risk of significant delay. This shortfall would be partly compensated by an offsetting delay in COGS for third party equipment and services. In case of a prolonged shutdown of construction activities there is an increased risk of insolvency of customers, suppliers and subcontractors. The directors have reviewed their financial forecasts in response to COVID-19 and, where possible, adjusted for potential impacts to revenue, expenses and cash flows. However, the quantum of any such impact is currently unable to be accurately estimated and, as such, no adjustments to the financial statements have been made as a result of the COVID-19 situation.

On 18 June 2020, the Company announced that it had entered into an investment agreement with SNAPS Holding Company, a US-based diversified technology holdings firm.

The shareholders of the Company held a special general meeting on 25 August 2020 and:

- approved an amendment to the Company's Amended and Restated Certificate of incorporation to increase the authorized number of shares of common stock in the Company from 500,000,000 to 1,500,000,000
- approved the issue of 671,287,833 shares to SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the April Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the May Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the Amended and Restated Management Agreement dated 13 July 2020 between SNAPS and the Company

As a result of the above, SNAPS will invest up to $4,763,037 and, in consideration of the investment in the Company, SNAPS will acquire and become owner of a total of 746,641,722 shares of common stock (in total, equal to approximately 66.26% of the total issued and outstanding shares).

21. Events after the reporting period (continued)

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.

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 2020 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

Sanjay Patel
Executive Chair

31 August 2020
Sydney