



ASX MARKET RELEASE

ASX APPENDIX 4E - Preliminary Final Report for the Year Ended 30 June 2019

August 30, 2019 – Adelaide, South Australia

Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2019
Previous Corresponding Period: 30 June 2018

Results for announcement to the market

(All comparisons to year ended 30 June 2018)

	\$A'000	Up/Down	% Movement
Revenue from ordinary activities	8,905	up	227%
Revenue from ordinary activities excluding interest income	10,142	up	178%
Loss from ordinary activities after tax	(29,306)	up	111%
Loss attributable to members	(28,517)	up	123%

Dividends	Amount per share	Franked amount per share
Interim dividend	N/A	N/A
Final dividend	N/A	N/A
Record date for determining entitlements to dividends		N/A

Brief explanation of any figures reported above necessary to enable the figures to be understood

Refer to ASX Announcement and attached Review and Results of Operations.

Net tangible assets backing	30 June 2019	30 June 2018	30 June 2017
Net tangible assets/(liability) per security	(1.1) cents	2.2 cents	0.76 cents
Net asset backing per security	3.2 cents	2.2 cents	0.76 cents

Control gained or lost over entities having material effect

The company acquired Lifi Labs, Inc. trading as LIFX on 1 April 2019. Details contained in Note 2 & Note 4 of the Financial Report.

Material interest in entities which are not controlled entities

Nil

Compliance Statement

The preliminary final report has been prepared based on the 30 June 2019 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4E:

1. Financial Report

For and on behalf of Buddy Technologies Limited.



David P. McLauchlan

Executive Director & Chief Executive Officer
Buddy Technologies Limited.

About Buddy

Buddy Technologies Limited (ASX:BUD) helps customers of any size “make every space smarter”. Buddy has two core businesses – its Commercial Business and Consumer Business. **Buddy Ohm** and **Buddy Managed Services** are the company’s core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services licenses Buddy’s technology platforms to customers for integration into their own products.

Buddy’s Consumer Business trades under the **LIFX** brand and has established a leading market position as a provider of smart lighting solutions. The company’s suite of Wi-Fi enabled lights are currently used in nearly one million homes, viewed as second only to lighting giant, Philips Hue. LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and Canada).

Buddy is headquartered in Adelaide, Australia, with offices in Melbourne (AU), Seattle (US), Shenzhen (CN) and Silicon Valley (US).

For more information, visit www.buddy.com and www.lifx.com.

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Buddy Technologies Contact:
Stuart Usher, Company Secretary
Email: ir@buddy.com





BUDDY TECHNOLOGIES LIMITED

ACN 121 184 316

**PRELIMINARY FINAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

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BUDDY TECHNOLOGIES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2019

Corporate Information

Directors:

Richard Borenstein
Non-Executive Chairman

David McLauchlan
Group CEO & Executive Director

Marc Alexander
Group CTO & Executive Director

John van Ruth
Non-Executive Director

Rosey Batt
Non-Executive Director

Company Secretary:
Stuart Usher

Chief Financial Officer:
Richard Jacroux

Lawyers:
DLA Piper
Level 31, Central Park
152-158 St Georges Terrace
Perth, WA 6000

Auditors:
Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth, WA 6000

Home Stock Exchange:
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, WA 6000

Registered Office:

Level 1, 5 Peel Street
Adelaide SA 5000
Telephone: 1-800-831-317
Facsimile: +61-8-8125-5931

Website:

www.buddy.com

Seattle Office:

217 Pine Street
Seattle, WA 98101
United States of America
Telephone: +1-206-899-2525

Adelaide Office:

Level 1, 5 Peel Street
Adelaide, SA 5000
Telephone: 1-800-831-317
Facsimile: + 61 8 8125 5931

Share Registry:

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000

Bankers:

Westpac Banking Corporation
108 Stirling Highway
Nedlands WA 6009

Commonwealth Bank
100 King William Street
Adelaide, SA 5000

ASX Code:

BUD (Ordinary Shares)

BUDDY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPAL ACTIVITIES

Buddy Technologies Limited (ASX:BUD) helps customers of any size “make every space smarter”. Buddy has two core businesses – its Commercial Business and Consumer Business. Buddy Ohm and Buddy Managed Services are the company’s core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services team licenses Buddy’s technology platforms to customers for integration into their own products.

Buddy’s Consumer Business trades under the LIFX brand, which was acquired in 2019 and whose results have been included, for accounting purposes, beginning 1 April 2019. LIFX has established a leading market position as a provider of smart lighting solutions. The company’s suite of Wi-Fi enabled lights are currently used in nearly one million homes, viewed as second only to lighting giant, Philips Hue. LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple Stores, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and Canada).

SUMMARY OF OPERATIONS

Service revenues for the year ended 30, June 2019 were \$8.9 million, increasing \$6.8 million, or 227% from \$2.1 million in the previous year. This increase was primarily the result of the addition of Consumer Business revenues from 1 April 2019 which totaled \$6.5 million for the period 1 April 2019 through 30 June 2019 and, to a lesser extent, growth in Commercial Business revenues which totaled \$2.4 million for the year ended 30 June 2019.

Many of the Company’s expenses increased during the year from the addition of the Consumer business, most dramatically cost of sales, advertising & marketing expense and employee benefit expense.

The net loss for the year totaled \$29.3 million - which included \$5.8 million of expenses related to the acquisition and restructuring of the Company and \$9.0 million of non-cash based expenses (including depreciation) – which and amortisation) - grew from a loss of \$13.9 million in the prior year.

As part of the acquisition of LIFX, the Company incurred a total of \$3.1 million of acquisition costs. These costs of acquisition primarily include professional services such as legal, consulting, accounting and audit fees related to the entire acquisition process from due diligence through negotiation and finalisation of the various agreements, including the related debt and securitisations.

Beginning shortly after the acquisition, the Company undertook a series of cost-cutting measures, made specific decisions related to a low-volume Consumer business product and resolved other ongoing matters. Those restructuring and other one-time costs totaled \$2.7 million.

Also related to the acquisition, and as described more in Note 6, the Company entered into several debt agreements for a.) the assumption of existing LIFX lines of credit, b.) the establishment of a temporary loan and c.) deferred consideration for the purchase price itself. The interest on those loans, totaling \$1.1 million has been accrued and included in these financial statements. As part of the establishment of the deferred consideration, the Company issued options – recorded as non-cash option based payments - with a valuation of \$5.0 million in the year ended 30 June 2019.

BUDDY TECHNOLOGIES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

Accounting for the acquisition resulted in recording a total of \$83.6 million of intangible assets, including \$50.1 million of amortizable intangibles and \$33.5 million of goodwill. Amortization of intangibles totaled \$2.5 million in the year ended 30 June 2019.

Non-cash share based payments, representing the value of employee incentive performance rights that the Company issues as part of every employee's compensation plan, and which totaled \$1.0 million in 2019 – a decrease of \$2.5 million from \$3.5 million in the prior year. This decrease is primarily due to grants having a lower per unit valuation.

BUDDY TECHNOLOGIES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated	
	Buddy Technologies Limited	Buddy Technologies Limited
	30 June 2019	30 June 2018
	\$	\$
Service revenue	8,904,895	2,083,941
Government rebates received	1,237,502	1,563,926
Finance & other income	289,840	207,636
Cost of sales	(6,856,677)	(1,450,330)
Advertising & marketing expenses	(2,710,804)	(2,016,669)
Financial, administration, insurance and compliance costs	(2,522,143)	(2,207,769)
Depreciation	(512,669)	(145,649)
IT & web costs	(581,974)	(654,699)
Employee benefits expense	(9,314,665)	(6,443,788)
Share based payments	(1,009,267)	(3,460,854)
Research & development	(1,805,684)	(1,353,242)
Amortization of intangibles	(2,505,000)	-
Costs of acquisition	(3,085,106)	-
Restructuring and other one-time costs	(2,689,129)	-
Interest costs	(1,113,647)	-
Option based payments	(4,982,105)	-
Realised foreign currency losses	(86,194)	-
	<hr/>	<hr/>
Profit / (Loss) before income tax expense	(29,342,303)	(13,877,497)
Income tax benefit	35,764	-
	<hr/>	<hr/>
Loss for the year	(29,306,539)	(13,877,497)
<i>Other Comprehensive Income / (Loss):</i>		
Items that may be reclassified subsequently to profit or loss:		
Revaluation of investments	(1,089,876)	1,066,680
Foreign currency translation differences for foreign operations	1,879,280	13,983
Other comprehensive income / (loss) for the period, net of tax	789,404	1,080,663
Total Comprehensive Loss for the year	(28,517,135)	(12,796,834)
	<hr/>	<hr/>
Basic & Diluted Profit / (Loss) per share - cents per share	(0.02)	(0.01)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

BUDDY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Consolidated	
		Buddy Technologies Limited	Buddy Technologies Limited
		30 June 2019 \$	30 June 2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,958,055	22,377,919
Trade and other receivables	3	4,685,146	1,088,414
Inventory		12,334,485	662,230
Total current assets		19,977,686	24,128,563
Non-current assets			
Property, plant & equipment		1,095,837	321,978
Investments		-	1,497,580
Intangible assets	4	81,109,956	-
Total Non-Current Assets		82,205,793	1,819,558
TOTAL ASSETS		102,183,479	25,948,121
LIABILITIES			
Current Liabilities			
Trade and other payables	5	11,711,427	1,667,997
Provisions		513,981	119,329
Borrowings	6	14,731,751	-
Deferred acquisition consideration	6	17,240,950	-
Total Current Liabilities		44,198,109	1,787,326
TOTAL LIABILITIES		44,198,109	1,787,326
NET ASSETS		57,985,370	24,160,795
EQUITY			
Share capital		115,298,012	58,947,674
Reserves		34,033,168	27,907,462
Accumulated losses		(91,345,810)	(62,694,341)
Equity attributable to owners of the parent		57,985,370	24,160,795
TOTAL EQUITY		57,985,370	24,160,795

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements

BUDDY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated	
	Buddy Technologies Limited	Buddy Technologies Limited
	30 June 2019	30 June 2018
	\$	\$
Cash flows from operating activities		
Interest & other income received	289,840	207,636
Receipts from customers	10,851,981	1,583,988
Receipts of Government rebates	1,237,502	1,563,926
Payments for research & development	(2,387,134)	(2,007,941)
Payments to suppliers and employees	(20,955,646)	(11,752,511)
Net cash flows used in operating activities	(10,963,457)	(10,326,119)
Cash flows from investing activities		
Proceeds from sale of investment	407,704	-
Payment on acquisition of business	(74,650,150)	-
Payments for plant and equipment	(480,494)	(153,248)
Investment in notes receivable	(230,409)	(135,300)
Net cash flows used in investing activities	(74,953,349)	(288,548)
Cash flows from financing activities		
Proceeds from borrowings	22,108,333	-
Proceeds from share issue	57,544,938	23,000,000
Repayment of borrowings	(13,142,014)	-
Payments of deferred acquisition consideration	(698,995)	-
Proceeds from conversion of options	-	5,375,000
Capital Raising Costs	(1,194,600)	(1,518,000)
Net cash flows provided by financing activities	64,617,662	26,857,000
Net increase/(decrease) in cash and cash equivalents held	(21,299,144)	16,242,333
Effect of FX rate changes	1,879,280	13,983
Cash and cash equivalents at the beginning of the period	22,377,919	6,121,603
Cash and cash equivalents at the end of the period	2,958,055	22,377,919

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

BUDDY TECHNOLOGIES LIMITED

ACN: 121 184 316

Condensed Consolidated Statement of Changes in Equity

Consolidated 2019	Issued Capital \$	Share and Option Reserve \$	Foreign Currency Translation Reserve \$	Fair Value Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 1 July 2018	58,947,674	26,945,382	(104,600)	1,066,680	(62,694,341)	24,160,795
Adjustment(s) on initial application of AASB 9	-	-	-	(655,070)	655,070	-
Total Profit / (Loss) for the period	-	-	-	-	(29,306,539)	(29,306,539)
Other Comprehensive Income	-	-	1,879,280	(1,089,876)	-	789,404
Total Comprehensive Income / (Loss) for the period	-	-	1,879,280	(1,744,946)	(28,651,469)	(28,517,135)
Transactions with equity holders:						
Shares issued during the period:						
Shares and options issued pursuant to acquisition	39,444,938	-	-	-	-	39,444,938
Shares issued pursuant to capital raising	18,100,000	-	-	-	-	18,100,000
Costs of capital raising	(1,194,600)	-	-	-	-	(1,194,600)
Share based payments	-	1,009,267	-	-	-	1,009,267
Option based payments	-	4,982,105	-	-	-	4,982,105
Total equity at 30 June 2019	115,298,012	32,936,754	1,774,680	(678,266)	(91,345,810)	57,985,370

BUDDY TECHNOLOGIES LIMITED

ACN: 121 184 316

Condensed Consolidated Statement of Changes in Equity

Consolidated 2018	Issued Capital	Share and Option Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Total equity at 1 July 2017	32,090,674	23,484,528	(118,583)	-	(48,816,844)	6,639,775
Total Profit / (Loss) for the period	-	-	-	-	(13,877,497)	(13,877,497)
Other Comprehensive Income	-	-	13,983	1,066,680	-	1,080,663
Total Comprehensive Income / (Loss) for the period	-	-				(12,796,834)
Transactions with equity holders:						
Shares issued during the period:						
Options converted during the period	5,375,000	-	-	-	-	5,375,000
Shares issued pursuant to capital raising	23,000,000	-	-	-	-	23,000,000
Costs of capital raising	(1,518,000)	-	-	-	-	(1,518,000)
Share based payments	-	3,460,854	-	-	-	3,460,854
Total equity at 30 June 2018	58,947,674	26,945,382	(104,600)	1,066,680	(62,694,341)	24,160,795

NOTE 1. ACCOUNTING POLICIES

Basis of Preparation

This general purpose condensed financial report for the year ended 30 June 2019 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board.

Buddy Technologies Limited (the "Company") is a company domiciled in Australia. The consolidated preliminary financial report of the Company as at 30 June 2019 comprises the Company and its subsidiaries (collectively referred to as the "Group").

The financial information in this report does not include all the notes of the type normally included within the annual financial reports and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial reports.

Therefore, it is recommended that this report should be read in conjunction with the annual financial reports for the year ended 30 June 2019, when it becomes available, and be considered together with any public announcements made by Buddy Technologies Limited during the year ended 30 June 2019 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the adoption of new accounting standards as set out below.

New Accounting Standards

The following new accounting standards came into effect on 1 July 2018. The Group has adopted all of the new and revised standards issued by the AASB that are relevant to their operations and effective for annual reporting periods commencing on 1 July 2018. The impact of these standards are disclosed below;

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from contracts with Customers AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations, Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model. Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss. The AASB 9 impairment model is based on expected loss at day one, rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard at the date of initial application, being 1 July 2018, and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2018 has not been restated. The following is noted on the impact of AASB 9:

Investments in listed shares that are not held for trading

On initial application date, an election has been made to designate available-for-sale financial instruments that are non-derivative equity instruments not held for trading as fair value through other comprehensive income (FVOCI). Previously recognised impairment losses in profit or loss are transferred from retained earnings to the fair value reserve as from the initial application date, further gains or losses (except dividend income) will be recognised in the fair value reserve.

As this is material to the Group, an adjustment of \$658,250 has been made to retained earnings and fair value reserve as at 1 July 2018 and has been recognised in the Statement of Changes in Equity. Other than the change disclosed above there were no other material impacts to profit or loss or net assets on the adoption of AASB 9 in the current or comparative years.

NOTE 2. ACQUISITION

On 1 April 2019, the Company announced completion of its acquisition of the entire issued share capital of Lifi Labs, Inc. trading as LIFX, with the date of acquisition being 29 March 2019. This acquisition was first announced on 6 February 2019. For the purposes of these financial statements, the results of LIFX have been included beginning on 1 April 2019.

LIFX (pronounced “life-x”) pioneered the smart light in 2012 with the first WiFi-enabled, multi-coloured LED light controllable via a smart device. Designed to last over 22 years, LIFX offers the brightest, most flexible smart lighting solutions for home and office. Continuously developing their own technology and intellectual portfolio, LIFX has secured a strong position in the smart lighting and smart spaces market with a range of 12 products, each uniquely delighting customers while costing up to 85% less to operate than comparable incandescent lighting. LIFX has offices in Silicon Valley USA, Melbourne and Shenzhen, China.

The purchase price consisted of US\$51 million plus the issuance of options & employee incentive performance rights and the assumption of LIFX obligations.

NOTE 3. TRADE AND OTHER RECEIVABLES

Current

	30 June 2019	30 June 2018
	\$	\$
Trade receivables	3,638,965	533,925
Other receivables	365,708	247,865
Prepayments & deposits paid	680,473	306,624
Total current receivables	4,685,146	1,088,114

NOTE 4. INTANGIBLE ASSETS

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

As described in note 2, on 1 April 2019, the Company completed the acquisition of LIFX. For accounting purposes, the purchase price to be allocated to assets and liabilities (both tangible and intangible) totalled \$72,003,059. This amount is made up of stock and options issued, cash paid, and the establishment of deferred consideration (described in note 6). In addition, LIFX's tangible net assets were negative \$11,611,896 which increased the amount of goodwill. The value of client relationships and brand & intellectual property is being amortized over 5 years.

Intangibles

	30 June 2019	1 April 2019
	\$	\$
Client relationships	13,680,000	14,400,000
Brand & intellectual property	33,915,000	35,700,000
Goodwill	33,514,956	33,514,956
Total intangibles	<u>81,109,956</u>	<u>83,614,956</u>

The Company has engaged a valuation firm to perform a valuation of these tangible and intangible assets and liabilities in order to complete an allocation of the purchase price. This valuation is currently in process and the valuation may result in changes as at 30 June 2019 to the carrying values of the tangible and intangible assets and liabilities acquired. In addition, the assessment of the deferred tax impact of this transaction is in the process of being reviewed and as such no deferred tax balances have been recognized in the preliminary financial statements.

NOTE 5. TRADE AND OTHER PAYABLES

Current

	30 June 2019	30 June 2018
	\$	\$
Trade payables	8,500,291	1,465,112
Sundry payables and accrued expenses	2,911,136	202,885
Total current payables	<u>11,711,427</u>	<u>1,667,997</u>

NOTE 6. BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION

As part of the acquisition, the Company has entered into three short-term obligations as follows:

First, a Line of Credit which assumed (on 1 April 2019) the balance of amounts due from LIFX to their primary manufacturer and majority shareholder. This agreement calls for annual interest of 12% and is due in December 2019.

Second, on 19 April 2019, the Company entered into a temporary loan with a lender with a monthly interest rate of 1% until June 30 and 2% thereafter. The primary use of funds was to pay down the Line of Credit. This loan is due on 30 September 2019 and will be extinguished with the financial close of the new trade finance facility with Scottish Pacific which was finalized subsequent to year-end (see note 8).

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION (continued)

Borrowings

	30 June 2019
	\$
Line of Credit	10,753,913
Temporary Loan	3,977,838
Total borrowings	<u>14,731,751</u>

The third agreement is the establishment (on 1 April 2019) of a deferred consideration obligation for \$17,240,950 which represents the unpaid portion of the cash consideration of the acquisition. This obligation has an annual interest rate of 10% and is due in March 2020. In conjunction with this obligation, the Company issued 100 million options with an exercise price of \$0.0759 and a term of 5 years. The Company engaged a valuation firm who valued the options at \$4,982,105 which has been included in option based payments in the financial statements.

NOTE 7. SEGMENT REPORTING

Prior to the acquisition of LIFX, the chief operating decision makers, being the executive management team & the board, received operating results for the Company as a whole, therefore the Company was deemed to be one operating segment. The total column in the table below represents this basis of segmentation. Following the acquisition of LIFX, the Group's operations changed which resulted in a new basis of segmentation beginning 1 April 2019.

Beginning with the acquisition of LIFX, the chief operating decision makers received operating results for the following three segments:

- Commercial Business. This segment includes all activities related to Buddy Ohm and Buddy Managed Services as well as any future products or services sold where the end-customer is a commercial business.
- Consumer Business. This segment includes all activities related to LIFX as well as any future products or services sold where the end-customer is a consumer whether sold through retailers or directly.
- Corporate. This segment includes the costs and expenses for operating the corporate operating functions including the corporate-level officers, insurance, ASX/ASIC fees, legal, audit and professional service fees, etc. It also includes all government rebate revenue, investment gains and losses, interest income and expense, share and option-based payments and any amortization or impairment of intangibles.

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. SEGMENT REPORTING (continued)

Selected financial data for operating segments for the year ended 30, June 2019

	Company prior to 1 April 2019	Commercial Business	Consumer Business	Corporate	Total
	\$	\$	\$	\$	\$
External revenues	1,825,045	549,759	6,530,091	1,237,502	10,142,397
Inter-segment revenue	-	-	-	-	-
Total segment revenue	1,825,045	549,759	6,530,091	1,237,502	10,142,397
Result from operating activities	(11,453,736)	(1,643,317)	(3,590,168)	(6,762,976)	(23,450,197)
Loss before income tax	(11,373,555)	(1,643,317)	(3,590,168)	(12,735,263)	(29,342,303)
Income tax benefit	-	-	35,764	-	35,764
Loss after income tax	(11,373,555)	(1,643,317)	(3,554,404)	(12,735,263)	(29,306,539)
Interest & other income	157,679	-	-	132,161	289,840
Interest expense	-	-	-	(1,113,647)	(1,113,647)
Segment assets	n/a	2,415,238	18,658,285	81,109,956	102,183,479
Capital expenditures	(23,792)	(3,903)	(452,799)	-	(480,494)
Segment liabilities	n/a	1,598,015	17,902,696	24,697,398	44,198,109
<i>Material non-cash items</i>					
Depreciation and amortisation	(79,677)	(25,655)	(407,337)	(2,505,000)	(3,017,669)
Impairment expense	-	-	-	-	-
Share based payments	(1,436,654)	-	-	427,387	(1,009,267)
Option based payments	-	-	-	(4,982,105)	(4,982,105)

NOTE 8. EVENTS OCCURRING AFTER REPORTING DATE

The Company has made price-sensitive announcements since 30 June 2019. A summary of those announcements follows. The reader is invited to read the entire announcements which are available in the investor section of the Company's website at <https://buddy.com/asx-announcements/>.

On 2 July 2019, the Company issued a Prospectus. The primary purpose of the Prospectus was to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to the shares issued as part of the LIFX acquisition.

On 26 August 2019, Buddy's Board of Directors approved the release to market of new LIFX and Commercial products for late 2019, early 2020. This included LIFX Edison Vintage and LIFX Edison Spiral, LIFX Z-TV (a feature lighting form factor), and LIFX Switch (a smart light switch built upon the LIFX Control Module Platform).

NOTE 8. EVENTS OCCURRING AFTER REPORTING DATE (continued)

On 28 August 2019, the Company executed financing documentation with Scottish Pacific, the largest independent working capital lender in Australia and New Zealand, for the provision of a A\$20 million working capital facility.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in subsequent financial years.

NOTE 9. AUDIT STATUS

This preliminary financial report is based on accounts which are in the process of being audited. No disputes or qualifications are likely to occur. As the company and its controlled entities are currently engaged with a variety of financing vehicles, an emphasis of matter paragraph, which is not a qualification, regarding a material uncertainty related to going concern may be included in the audit report.