



Buddy

ACN 121 184 316

INTERIM FINANCIAL REPORT

for the Half year ended 31 December 2018

BUDDY PLATFORM LIMITED
ACN: 121 184 316

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This financial report covers the Buddy Platform Limited Group, consisting of Buddy Platform Limited and its subsidiaries. The financial report is presented in Australian dollars.

BUDDY PLATFORM LIMITED
ACN: 121 184 316

Corporate Information

Directors:

Richard Borenstein
Non-Executive Chairman

David McLauchlan
CEO & Executive Director

John van Ruth
Non-Executive Director

Alexander Gounares
Non-Executive Director

Rosemary Batt
Non-Executive Director

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

Bankers:

Westpac Banking Corporation
108 Stirling Highway
Nedlands WA 6009

Commonwealth Bank
100 King William Street
Adelaide SA 50002

Website:

www.buddy.com

Registered & Principal Office:

Level 2, 333 King William Street
Adelaide, SA 5000

Postal Address:

Level 2, 333 King William Street
Adelaide, SA 5000

Seattle Office:

217 Pine Street Suite 700
Seattle, Washington 98101
USA
Telephone: +1 206 745 9112

Home Stock Exchange:

Australian Securities Exchange Limited
Level 40
Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:

BUD (Ordinary Shares)

Share Registry:

Link Market Services Limited
Level 4, 152 St Georges Terrace
PERTH WA 6000

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Directors' Report

The Directors have pleasure in submitting their report on the Group, being the Company and its controlled entities, for the six months ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows:

DIRECTORS

The names and details of Directors in office at any time during the period were:

| | |
|--------------------|---|
| Richard Borenstein | Non Executive Chairman |
| David McLauchlan | CEO & Executive Director |
| Alexander Gounares | Non Executive Director |
| John van Ruth | Non Executive Director |
| Rosemary Batt | Non Executive Director (Appointed 30 November 2018) |

Directors have been in office since the start of the period to the date of this report.

PRINCIPAL ACTIVITIES

Buddy Platform Limited ([BUD.ASX](#)) provides highly scalable Internet of Things data aggregation and management infrastructure by way of three unique offerings – Buddy Cloud, Buddy Ohm and Parse on Buddy. The Buddy Cloud offers smart city providers a globally scalable data investment and management platform. Buddy Ohm, a complete and low-cost solution for facility resource monitoring and verification, connects systems that were never designed to work together, while turning energy savings into a strategic asset. Parse on Buddy is a mobile backend as a service (mBaaS) built on the world's most popular BaaS technology. Buddy Platform is headquartered in Seattle, Washington, with offices in Adelaide, Australia.

RESULTS

The net loss attributable to members of the parent entity for the period ended 31 December 2018 amounted to \$8,099,929 (2017: \$7,047,817).

OPERATING AND FINANCIAL REVIEW

For the six-months ending 31 December 2018, total service revenues were \$1.3 million representing a 55% increase over \$834 thousand in the same period in the prior year. In addition, the Company recognized \$116 thousand of finance income (221% increase over prior year).

After deducting total expenses of \$9.5 million, the Company recorded a loss for the period of \$8.1 million. In the prior year, total expenses were \$8.4 million resulting in a loss of \$7.0 million for the same period in the prior year.

Basic and diluted loss per share of \$0.007 narrowed slightly from \$0.008 for the same period in the prior year.

Total equity was \$16.7 million with total assets of \$17.6 million and liabilities of \$885 thousand. At 30 June 2018, there was \$25.9 million in assets and \$1.8 million in liabilities. Cash and cash equivalents comprised the majority of assets at \$15.1 million at 31 December 2018 compared to \$22.4 million as at 30 June 2018.

During the six-months ending 31 December 2017, the company generated net proceeds from financing activities of \$26.9 million. This included \$23 million from the issuance of shares and \$5.4 million from the exercise of options less \$1.5 million in transactions costs.

For the half year ended 31 December 2018 the net cash used in operating activities was \$7.2 million compared to \$4.4 million in the same period in the prior year. This includes cash receipts of \$1.8 million of which \$1.7 million was cash received from customers with the remainder coming from \$115 thousand of interest received. For the same period, prior year cash receipts \$824 thousand from customers, \$36 thousand was interest received and \$457 thousand was from research and development rebates.

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Net cash used in investing activities – for the purchase of property, plant and equipment and creation of notes receivable, was \$174k versus \$100k for the same period in the prior year.

SUBSEQUENT EVENT - ACQUISITION

Except as referred to in Note 6 of the Notes to the financial statements (Briefly described in the bullets below), no matter or circumstance has arisen since 31 December 2018 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.

Acquisition of Leading Global Smart Light Company LIFX and Share Placement to Raise A\$18.1 Million

- Buddy to acquire leading smart lighting technology company, LIFX, subject to the completion of acquisition financing and Buddy obtaining all requisite shareholder approvals (together with satisfaction of various other conditions precedent)
- LIFX generated A\$38.5M (unaudited) in revenues in CY2018, with -A\$3.4M in EBITDA and gross margins of 29%
- The acquisition will be revenue and earnings accretive for Buddy, with LIFX expected to reach profitability in CY2019
- Since 2015, LIFX has sold nearly two million lights in over a hundred countries with revenues growing between 70% and 100% year on year
- The acquisition will bring a globally deployed energy and sensing platform in LIFX's lights to Buddy's Ohm energy monitoring product, while bringing Buddy Ohm's energy monitoring platform to LIFX's smart lighting products
- LIFX's Chief Technology and Product Officer, Marc Alexander will join the Buddy Board of Directors following completion of the acquisition
- Strongly supported placement to raise A\$18.1M at an issue price of A\$0.08 per Share to partially fund the cash portion of the consideration. The Company's CEO and Chairman participated in the raise contributing \$150 thousand each.

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report. Further information as to likely developments in the operations of the Group and Company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the six months ended 31 December 2018 has been received and can be found on page 4.

AUDITOR

Nexia Perth Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporation Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



David McLauchlan
CEO, Executive Director
Dated 28 February 2019
Seattle

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Buddy Platform Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**Nexia Perth Audit Services Pty Ltd****TJ Spooner** FCA FCA(UK) AGIA ACIS AMIIA

Director
Perth 28 February 2019

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Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the Half-year ended 31 December 2018

| | | Consolidated | |
|--|-------------|--|--|
| | | Buddy Platform Limited Half year ended 31 December 2018 | Buddy Platform Limited Half year ended 31 December 2017 |
| | Note | \$ | \$ |
| Service revenue | | 1,293,974 | 834,519 |
| Finance income | | 115,956 | 36,079 |
| Research & Development Rebate | | - | 457,489 |
| Cost of sales | | (966,057) | (658,534) |
| Advertising, marketing & travel | | (852,784) | (640,465) |
| Financial, administration, insurance and compliance costs | | (945,667) | (948,676) |
| Depreciation | | (59,243) | (81,956) |
| Employee benefits expense | | (4,158,427) | (2,597,032) |
| IT & web costs | | (271,066) | (348,169) |
| Research & development | | (819,961) | (314,142) |
| Share based payments | | (1,436,654) | (2,786,930) |
| | | <hr/> | <hr/> |
| Loss before income tax expense | | (8,099,929) | (7,047,817) |
| Income tax benefit | | - | - |
| | | <hr/> | <hr/> |
| Loss for the period | | (8,099,929) | (7,047,817) |
| Other Comprehensive Income / (Loss): | | | |
| Items that may not be reclassified subsequently to profit or loss: | | | |
| Revaluation of financial assets at fair value through other comprehensive income | 3 | (862,243) | 930,537 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | 81,774 | (20,867) |
| | | <hr/> | <hr/> |
| Other comprehensive Income / (Loss) for the period, net of tax | | (780,469) | 909,670 |
| | | <hr/> | <hr/> |
| Total Comprehensive Income / (Loss) for the period | | (8,880,398) | (6,138,147) |
| | | <hr/> | <hr/> |
| Total Comprehensive Income / (Loss) attributable to: | | | |
| Owners of the parent | | (8,880,398) | (6,138,147) |
| Non-controlling interest | | - | - |
| Basic & Diluted Profit / (Loss) per share - cents per share | | (0.007) | (0.008) |

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

BUDDY PLATFORM LIMITED
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Condensed Consolidated Statement of Financial Position
As at 31 December 2018

| | Note | Consolidated | |
|---|------|-------------------|-------------------|
| | | 31 Dec 2018 | 30 June 2018 |
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 15,113,902 | 22,377,919 |
| Prepayments and Other Debtors | | 760,804 | 554,458 |
| Trade receivables | | 129,015 | 533,956 |
| Inventory | | 676,464 | 662,230 |
| Total current assets | | 16,680,185 | 24,128,563 |
| Non-current assets | | | |
| Property, plant & equipment | | 286,736 | 321,978 |
| Investments | 3 | 635,337 | 1,497,580 |
| Total Non-Current Assets | | 922,073 | 1,819,558 |
| TOTAL ASSETS | | 17,602,258 | 25,948,121 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 789,479 | 1,667,997 |
| Provisions | | 95,728 | 119,329 |
| Total Current Liabilities | | 885,207 | 1,787,326 |
| TOTAL LIABILITIES | | 885,207 | 1,787,326 |
| NET ASSETS | | 16,717,051 | 24,160,795 |
| EQUITY | | | |
| Share capital | 2 | 58,947,674 | 58,947,674 |
| Reserves | | 27,905,397 | 27,907,462 |
| Accumulated losses | | (70,136,020) | (62,694,341) |
| Equity attributable to owners of the parent | | 16,717,051 | 24,160,795 |
| TOTAL EQUITY | | 16,717,051 | 24,160,795 |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

| Consolidated 2018 | Issued Capital \$ | Option Reserve \$ | Foreign Currency Translation Reserve \$ | Fair Value Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|---|----------------------------------|----------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------|
| Total equity at 30 June 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 | - | - | - | (658,250) | 658,250 | - |
| Total Comprehensive Profit / (Loss) for the period | | | | | | |
| Total Loss for the half year to 31 December 2018 | - | - | - | - | (8,099,929) | (8,099,929) |
| Other Comprehensive Income/(Loss) | - | - | 81,774 | (862,243) | - | (780,469) |
| Total Comprehensive Loss for the period | - | - | 81,774 | (1,520,493) | (7,441,679) | (8,880,398) |
| Transactions with equity holders: | | | | | | |
| Shares issued during the period: | | | | | | |
| Options converted during the period | - | - | - | - | - | - |
| Shares issued pursuant to capital raising | - | - | - | - | - | - |
| Costs of capital raising | - | - | - | - | - | - |
| Share based payments | - | 1,436,654 | - | - | - | 1,436,654 |
| Total equity at 31 December 2018 | 58,947,674 | 28,382,036 | (22,826) | (453,813) | (70,136,020) | 16,717,051 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Condensed Consolidated Statement of Changes in Equity (continued)
For the half year ended 31 December 2018

| Consolidated 2017 | Issued Capital \$ | Option Reserve \$ | Foreign Currency Translation Reserve \$ | Fair Value Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|---|----------------------------------|----------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------|
| Total equity at 30 June 2017 | 32,090,674 | 23,484,528 | (118,583) | - | (48,816,844) | 6,639,775 |
| Total Comprehensive Profit / (Loss) for the period | | | | | | |
| Total Loss for the half year to 31 December 2017 | - | - | - | - | (7,047,817) | (7,047,817) |
| Other Comprehensive Income/(Loss) | - | - | (20,867) | 930,537 | - | 909,670 |
| Total Comprehensive Loss for the period | - | - | (20,867) | 930,537 | (7,047,817) | (6,138,147) |
| 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 | - | 2,786,930 | - | - | - | 2,786,930 |
| Total equity at 31 December 2017 | 58,947,674 | 26,271,458 | (139,450) | 930,537 | (55,864,661) | 30,145,558 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

| | | Consolidated | |
|---|-------------|--|--|
| | | Buddy Platform Limited 31 December 2018 | Buddy Platform Limited 31 December 2017 |
| <i>Cash flows from operating activities</i> | Note | \$ | \$ |
| Interest received | | 115,956 | 36,079 |
| Cash received from customers | | 1,721,496 | 824,303 |
| Research and Development Rebate | | - | 457,489 |
| Payments for research & development | | (1,219,646) | (655,961) |
| Payments to suppliers and employees | | (7,788,666) | (5,116,682) |
| Net cash used in operating activities | | (7,170,860) | (4,454,772) |
| <i>Cash flows from investing activities</i> | | | |
| Payments for notes receivable | | (150,930) | - |
| Payments for plant & equipment | | (24,001) | (100,136) |
| Net cash used in investing activities | | (174,931) | (100,136) |
| <i>Cash flows from financing activities</i> | | | |
| Proceeds from the issue of shares | | - | 23,000,000 |
| Proceeds from conversion of options | | - | 5,375,000 |
| Capital raising costs | | - | (1,518,000) |
| Net cash provided by financing activities | | - | 26,857,000 |
| Net increase/(decrease) in cash and cash equivalents | | (7,345,791) | 22,302,092 |
| Cash and cash equivalents opening balance | | 22,377,919 | 6,121,603 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | | 81,774 | (20,867) |
| Cash and cash equivalents at the end of the period | | 15,113,902 | 28,402,828 |

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements
For the half year ended 31 December 2018

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'. The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in a full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2019.

BASIS OF PREPARATION

The interim financial report has been prepared on a historical cost basis except for the investments in other Companies which are measured and reported at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted in the annual financial report at 30 June 2018 except for the adoption of the new accounting standards as set out below.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are disclosed in the relevant notes.

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.

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Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

STATEMENT OF COMPLIANCE

Buddy OHM

Buddy OHM is a building resource monitoring and verification solution. Buddy OHM provides real-time data across a variety of resource and building systems to support timely and informed decision making Buddy OHM has two components being:

- **Buddy OHM hardware:** The hardware collects the raw data readings from wired and wireless sensors distributed around the building, then sending those readings to the Buddy Cloud for processing and visualization.
- **Building Monitoring Solution (Data Services):** The Buddy Internet of Things (IOT) Cloud Platform processes the data collected by the hardware, enabling the processing, streaming, and storing of key resource data, while offering real-time capabilities such as rule-based alerts and providing information through dashboards.

The Group has assessed that the OHM hardware and the data services are accounted for as one performance obligation and are not separately identifiable in accordance with AASB 15. Revenue from the Buddy OHM services is recognised over time as the customer simultaneously receives and consumes the data services provided by Buddy Platform (i.e. Processing, streaming, dashboard alerts, and storing of key resource data on the buildings energy usage). The Group previously recognised the revenue from the Buddy OHM services over time. There is no material impact to profit or loss or net assets on the adoption of this new standard in the half year ended 31 December 2018 or comparative years.

Buddy Cloud Services

Buddy Cloud enables ubiquitous access to and storage of data from any environment.

For each performance obligation satisfied over time an entity shall recognise revenue over time by measuring the progress toward complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer.

Revenue from cloud services is recognised over time as the customer simultaneously receives and consumes the benefits provided by Buddy Platform (i.e. Storage and access of data). The Group previously recognised revenue from cloud services over time as the services were delivered to the customer. There is no material impact to profit or loss or net assets on the adoption of this new standard in the half year ended 31 December 2018 or comparative years.

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.

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Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

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 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 31 December 2017 and 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 for the six months ended 31 December 2018. 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.

NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE
AASB 16 Leases

AASB 16 Leases removes the lease classification test for lessees and requires most leases (including operating leases) to be brought onto the balance sheet. AASB 16 will become mandatory from 1 July 2019. The Group does have operating leases as at 31 December 2018. AASB 16 may have a material impact on the Group's financial report and the Group is currently assessing the impact of this standard.

NOTE 2 - ISSUED CAPITAL & RESERVES

CONSOLIDATED AND PARENT ENTITY 2018

(a) Issued and Paid Up Capital

Fully paid ordinary shares

| | # | \$ |
|------------------------|----------------------|-------------------|
| Ordinary Shares | | |
| | 1,099,284,889 | 58,947,674 |

(b) Movements in fully paid shares on issue

Opening balance as at 1 July 2018

Performance Rights converted to ordinary shares

Employee Incentive Performance Rights (EIPR) Converted

| | | |
|--|----------------------|-------------------|
| | 1,091,410,055 | 58,947,674 |
| | 730,449 | - |
| | 7,144,385 | - |
| | 1,099,284,889 | 58,947,674 |

Balance as at 31 December 2018

Movement in share option reserve

Balance at 1 July 2018

Share Based payments expense for the period

Closing Balance at 31 December 2018

| | \$ |
|--|-------------------|
| | 26,945,382 |
| | 1,436,654 |
| | 28,382,036 |

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Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

The share based payments for the period to 31 December 2018 consist of the following:

| | |
|---|------------------|
| | \$ |
| Share based payments for equity instruments issued in prior to 30 June 2018 | 1,234,172 |
| Share Based Payments for EIPR's proposed during the period | 202,482 |
| Total | 1,436,654 |

(c) Movement in Number of Options and Performance Rights for the period 31 December 2018

| | |
|---|-------------------|
| Employee Incentive Performance Rights (EIPR) | \$ |
| Opening Balance 1 July 2018 | 55,842,716 |
| EIPR Forfeited | (12,998,904) |
| EIPR converted to ordinary shares | (7,144,385) |
| Closing balance at 31 December 2018 | 35,699,427 |

| | |
|---|------------------|
| Performance Rights | \$ |
| Opening Balance 1 July 2018 | 5,846,670 |
| Performance rights Forfeited | (40,348) |
| Performance rights converted to ordinary shares | (730,449) |
| Closing balance at 31 December 2018 | 5,075,873 |

| | |
|---|-------------------|
| Performance Shares | \$ |
| Opening Balance 1 July 2018 | 31,833,334 |
| Performance Shares converted to ordinary shares | - |
| Closing balance at 31 December 2018 | 31,833,334 |

| | |
|--|------------------|
| Share Options | \$ |
| Opening Balance 1 July 2018 | 2,806,647 |
| Share options converted to ordinary shares | - |
| Closing balance at 31 December 2018 | 2,806,647 |

NOTE 3 – INVESTMENTS

Non-Current

| | Consolidated | |
|---|------------------------|------------------------|
| | Buddy Platform Limited | Buddy Platform Limited |
| | 31 December 2018 | 30 June 2018 |
| | \$ | \$ |
| Financial assets carried at fair value ⁽¹⁾ : | | |
| Listed shares | 635,337 | 1,497,580 |
| Total | 635,337 | 1,497,580 |
| Opening balance | 1,497,580 | 430,900 |
| Change in fair value through Other Comprehensive Income | (862,243) | 1,066,680 |
| Closing balance of investment in associated entities | 635,337 | 1,497,580 |

(1) Financial assets are accounted for at fair value through other comprehensive income. The financial assets are equity instruments that are not held for trading.

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Notes to the Financial Statements (continued)
For the half year ended 31 December 2018

NOTE 4 – RELATED PARTY TRANSACTIONS

Other related party transactions are in the form of short term employee benefits, post-employment benefits, share based payments and loans to subsidiaries.

NOTE 5 – CONTINGENT LIABILITIES

There has been no change in contingent assets or liabilities since the last annual reporting date.

NOTE 6 – SUBSEQUENT EVENTS

On 5 February 2019, the Company entered into a merger agreement with, amongst others, LIFX and a newly incorporated wholly owned subsidiary of the Company, Buddy Apollo, Inc. (Buddy Apollo), (Merger Agreement) in respect of the acquisition of the entire issued share capital of LIFX (Acquisition).

The Acquisition will be effected by way of a merger under Delaware law, whereby Buddy Apollo will merge with LIFX, following which LIFX will be the surviving corporation and shall be a wholly owned subsidiary of the Company.

The total consideration for the Acquisition is as follows:

- (a) US\$26.5 million to be paid in cash to Luminous Wide Limited, LIFX's 51% shareholder (Majority Vendor);
- (b) up to US\$24.5 million worth of Shares to be issued to the remaining 49% minority LIFX shareholders (Minority Vendors) (in their respective shareholding proportions) with such number of Shares to be based on the 5-trading day VWAP of Shares on the ASX prior to the date of the Meeting (save that certain Minority Vendors will be paid a cash equivalent in lieu of Shares to be issued); and
- (c) subject to the LIFX Group achieving US\$70 million Gross Revenues during the period from 1 January 2019 until 31 December 2019, an additional US\$1 million (Earn-Out) comprising US\$0.51 million to be paid in cash to the Majority Vendor and up to US\$0.49 million worth of Shares to be issued to the Minority Vendors (save that certain Minority Vendors will be paid a cash equivalent in lieu of Shares to be issued).

Under the Merger Agreement, the Acquisition is conditional on, amongst other things, the Company obtaining the requisite Shareholder approvals and the Company having raised sufficient funds to satisfy the Majority Vendor Consideration and Minority Vendor Cash Consideration. The shareholders' meeting will be held on 25 March 2019.

LIFX currently has a Line of Credit ("LoC") with its manufacturer, Luminous. At completion of the LIFX Acquisition, Buddy will, in accordance with the Loan Agreement and using proceeds from a new LoC and US\$5M of BUD Shares, partially pay down the Luminous LoC with the remaining balance will be repaid no later than 31 December 2019. Luminous will voluntarily escrow these Shares for 3 months after completion of the LIFX Acquisition.

Luminous and the Company will enter new manufacturing arrangements such that after completion of the LIFX Acquisition, Luminous will continue to manufacture 100% of the existing LIFX smart light products until all outstanding amounts under the LoC are repaid. Following repayment of the LoC, Luminous will continue, for the remainder of the three-year term, to manufacture at least 80% of LIFX's existing smart light products and if won in a competitive bid process, at least 50% of any new LIFX smart light products that come into production post-completion of the LIFX Acquisition.

BUDDY PLATFORM LIMITED
ACN: 121 184 316

Notes to the Financial Statements (continued)

For the half year ended 31 December 2018

The management team of LIFX, including co-founder and Chief Product & Technology Officer, Marc Alexander, and CEO, Tim Peters, will continue to lead and run the LIFX business. As part of their remuneration packages, the Company will issue each of Messrs Alexander and Peters 2,222,222 Shares, 12M performance rights and 12M performance shares in Buddy. The performance shares will convert into Shares on a 1:1 basis in accordance with the following milestones:

- 4,000,000 Shares following LIFX contributing A\$100M in cumulative revenues to Buddy within 18 months;
- 4,000,000 Shares following LIFX contributing A\$200M in cumulative revenues to Buddy within 30 months; and
- 4,000,000 Shares following LIFX contributing A\$250M in cumulative revenues to Buddy within 36 months.

The performance rights will vest over a four-year period as follows:

- one-quarter (being, 3,000,000 performance rights) one year following completion of the LIFX Acquisition; and
- one-sixteenth (being, 750,000 performance rights) each quarter thereafter.

It is proposed that Mr Alexander will join the Buddy Board following completion of the LIFX Acquisition.

To partially finance the Cash Consideration, the Company completed a successful bookbuild and receipt of conditional firm commitments for a private placement of 226,250,000 new Shares, to raise A\$18.1M (before costs) at a price of A\$0.08 per Share ("Placement"). This Placement is subject to the Company obtaining shareholder approval of the issue of securities in connection with the LIFX Acquisition at the General Meeting and procuring the remaining funds for the Cash Consideration.

Both Buddy CEO David McLauchlan and Buddy Chairman Richard Borenstein will invest in the Placement.

The Company is in advanced negotiations with several debt financiers to fund the balance of the Cash Consideration.

No other matter or circumstance has arisen since 31 December 2018 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 7 – SEGMENT NOTE

Those charged with governance receive operating results for the Group as a whole, therefore the Group is deemed to be one operating segment. The segment revenue and results are those of the Group as a whole and are set out in the statement of profit and loss. The segment assets and liabilities are those of the Group as a whole and are set out in the statement of financial position.

BUDDY PLATFORM LIMITED
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Directors' Declaration

In the opinion of the directors of Buddy Platform Limited ('the Company'):

1. The attached condensed consolidated interim financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period 1 July 2018 to 31 December 2018.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board



David McLauchlan
CEO, Executive Director
Dated 28 February 2019
Seattle

Independent Auditor's Review Report to the members of Buddy Platform Limited

Conclusion

We have reviewed the accompanying interim financial report of Buddy Platform Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of accounting policies, other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, nothing has come to our attention that causes us believe that the interim financial report of Buddy Platform Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half year ended 31 December 2018; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

The directors of the Group are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim 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 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 31 December 2018 and its 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 Buddy Platform Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 Buddy Platform Limited, would be in the same terms if given to the directors as at the time of this report.

**Nexia Perth Audit Services Pty Ltd****TJ Spooner** FCA FCA(UK) AGIA ACIS AMIIA**Director**

Perth 28 February 2019