

27 February 2017

## **Urbanise announces interim financial results**

Urbanise.com Limited (Urbanise) (ASX:UBN) today announced its interim financial results for the period ended 31 December 2016.

Urbanised has achieved some important milestones in the past 12 months including the King Price Insurance Prudential Investment Company of Australia Pty Limited contracts as previously announced. There is a strong pipeline of opportunities, specifically in the Australian and South African market, that will continue the growth of Annual Recurring Revenue in order to secure the longevity of the business.

During the period, the Board and Management have continued to implement cost reduction measures while ensuring to safeguard the development needed to keep Urbanise established as a market leader in the cloud-based Services and Strata industries. Future operating expenditure incurred is not expected to significantly increase over the current financial year.

Urbanise believes that the combination of the recently announced private placement, acquisition and rights issue, will place Urbanise on a firm footing to continue to exploit its leading technology advantages as it grows its customer base within its global footprint.

### **About Urbanise**

Urbanise is the creator of a cloud-based platform for delivering building services. Designed for service providers, the Urbanise Industry Cloud software-as-a-service platform is transforming the traditional engineering approach to building operations – improving customer service, removing operational costs and enabling new revenue streams. Urbanise technology is used in some of the tallest towers and most prestigious communities around the globe. [www.urbanise.com](http://www.urbanise.com)

For further information please contact Tony Scotton, Chairman, +61 419 527 592



# Interim Financial Report

For the half-year ended 31 December 2016

## **CORPORATE INFORMATION**

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Kim Clark  
Boardroom Pty Limited  
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Brisbane QLD 4000

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385 - 389 Little Lonsdale Street  
Melbourne VIC 3000

### **Postal address**

Level 3  
385 - 389 Little Lonsdale Street  
Melbourne VIC 3000

### **ASX Code**

UBN

### **Share Registry**

Boardroom Smart Business Solutions  
Level 12, 225 George St  
Sydney NSW 2000

### **Solicitors**

Watson Mangioni Lawyers Pty Limited  
Level 13, 50 Carrington Street  
Sydney NSW 2000

### **Bankers**

National Australia Bank Limited  
Ground Level, 330 Collins Street  
Melbourne VIC 3000

### **Auditors**

Pitcher Partners  
Level 19, 15 William Street  
Melbourne VIC 3000

[www.urbanise.com](http://www.urbanise.com)

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**For the half-year ended 31 December 2016****Previous corresponding periods: Half-year ended 31 December 2015****Financial year ended 30 June 2016****Results for announcement to the market**

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>		
	<b>\$A'000's</b>	<b>\$A'000's</b>	<b>Up/ Down</b>	<b>% Movement</b>
Revenue from ordinary activities	2,229	3,085	Down	-28%
Profit/(loss) from ordinary activities after tax attributable to members	(4,619)	(4,546)	Down	-2%
Net profit/(loss) for the period attributable to members	(4,619)	(4,546)	Down	-2%

**Net tangible asset backing**

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Net tangible assets per ordinary security	6.75 cents per share	7.71 cents per share

**Dividends**

There have been no dividends declared for the half-year ended 31 December 2016 (30 June 2016: nil). There are no dividend or distribution reinvestment plans in operation.

**Details of entities over which control has been gained or lost during the period**

Urbanise has not gained or lost control of any entity during the period.

**Details of associates and joint venture entities**

There are no associates or joint ventures within the Urbanise Group.

**The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached)****Independent review of the financial report**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

Signed


**Anthony Scotton**

Chairman

Melbourne, 27 February 2017

The Directors present their report together with the condensed financial report of Urbanise.com Limited (Urbanise) and controlled entities for the half-year ended 31 December 2016 and independent review report thereon. This financial report has been prepared in accordance with AASB134 *'Interim Financial Reporting'*.

The Directors of the Company in office at any time during and since the end of the half-year are:

Name	Office
Anthony Scotton	Chairman (appointed 14 October 2016)
Arlene M Tansey	Chairman (resigned 14 October 2016)
Benjamin Churchill	Chief Executive Officer (resigned 31 January 2017)
Robert Cumming	Chief Product Officer
Russell William Bate	Non-Executive Director
David Bruce Burlington	Non-Executive Director
Almero Strauss	Non-Executive Director (appointed 8 February 2017)

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated. Benjamin Churchill has resigned as Chief Executive Officer, effective 31 January 2017. Anthony Scotton will step in as Interim Chief Executive Officer while the Company actively seek a replacement.

### Review of operations

During the half-year ended 31 December 2016, Urbanise reported total statutory revenue of \$2.2 million, (2015: \$3.1 million). For the six months ended 31 December 2016, Urbanise generated a Net Loss After Tax (NLAT) of \$4.6 million, (2015: Net Loss After Tax (NLAT) \$4.5 million) and an operating EBITDA loss of \$5.1 million (2015: EBITDA loss \$5.39 million).

Urbanise has achieved some important milestones in the past 12 months including the King Price Insurance 5 year contract of approximately \$6.8m and Prudential Investment Company of Australia Pty Limited, a 10 year contract with the potential to raise as much as \$26m in revenues for Urbanise. There is a strong pipeline of opportunities, specifically in the Australian and South African markets that will continue the growth of Annual Recurring Revenue in order to secure the longevity of the business.

The Board and Management have continued to implement cost reduction measures while ensuring to safeguard the development needed to keep Urbanise established as a market leader in the cloud-based Services and Strata industries. Future operating expenditure incurred is not expected to significantly increase over the current financial year.

Urbanise believes that the combination of the recently announced private placement, acquisition and rights issue, will place Urbanise on a firm footing to continue to exploit its leading technology advantages as it grows its customer base within its global footprint. Further details on the private placement, acquisition and rights issue can be found on the ASX website.

### Significant changes in state of affairs

There have been no significant changes in the group's state of affairs during the half-year ended 31 December 2016.

### Dividends paid or recommended

In respect of the half-year ended 31 December 2016, there have been no dividends paid or provided for.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under *section 307c of the Corporations Act 2001* in relation to the review for the half-year is provided within this report.

Signed in accordance with a resolution of the Directors:



**Anthony Scotton**  
Chairman  
27 February 2017



**URBANISE.COM LIMITED**  
**ABN 70095768086**  
**AND CONTROLLED ENTITIES**  
**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF URBANISE.COM LIMITED**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Urbanise.com Limited and the entities it controlled during the period.

P A JOSE  
Partner  
Date 27 February 2017

PITCHER PARTNERS  
Melbourne

		Half-year ended	
		2016	2015
	Note	\$	\$
<b>Revenue and other income</b>			
Sales revenue	3	2,229,346	3,085,199
Other income	3	431,335	585,496
		<u>2,660,681</u>	<u>3,670,695</u>
<b>Less: expenses</b>			
Cost of sales		(1,529,793)	(551,729)
Depreciation and amortisation expenses		(989,242)	(863,907)
Employee benefits expense		(3,968,621)	(4,941,788)
Lease expense		(329,359)	(398,487)
Finance costs		27	(3,792)
Foreign Exchange (loss)/gain		8,696	330,087
Travel expenses		(286,920)	(618,317)
Professional fees		(404,397)	(528,037)
Advertising and Promotion Expenses		(44,533)	(232,486)
Subscription expenses		(556,666)	(360,570)
Warranty and earn-out shares		-	(850,000)
Other expenses		(390,331)	(441,012)
		<u>(5,830,458)</u>	<u>(5,789,343)</u>
Profit/(loss) before tax		<u>(5,830,458)</u>	<u>(5,789,343)</u>
Income tax (expense)/benefit		1,211,528	1,243,636
<b>Profit/(loss) for the year</b>		<u><b>(4,618,930)</b></u>	<u><b>(4,545,707)</b></u>
Other comprehensive income, net of income tax			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		12,456	(79,068)
Other comprehensive income for the year net of income tax		12,456	(79,068)
<b>Total comprehensive income for the year</b>		<u><b>(4,606,474)</b></u>	<u><b>(4,624,775)</b></u>
Profit/(loss) for the year attributable to:			
Owners of the parent		(4,606,474)	(4,624,775)
		<u>(4,606,474)</u>	<u>(4,624,775)</u>
Total comprehensive income attributable to:			
Owners of the parent		(4,606,474)	(4,624,775)
		<u>(4,606,474)</u>	<u>(4,624,775)</u>
<b>Earnings loss per share</b>			
From continuing operations:			
Basic (cents per share)		(0.02)	(0.02)
Diluted (cents per share)		(0.02)	(0.02)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



	Notes	31 Dec 2016 \$	30 Jun 2016 \$
<b>Current assets</b>			
Cash and cash equivalents		2,756,114	7,789,740
Trade and other receivables	4	6,885,656	8,030,415
Other assets		1,312,747	1,849,169
Inventory	5	1,379,473	593,563
<b>Total current assets</b>		<b>12,333,990</b>	<b>18,262,887</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	580,984	590,733
Intangible assets	7	15,281,343	14,527,284
Goodwill	7	12,216,795	12,216,795
Deferred tax assets		4,014,794	2,803,267
Other non-current assets	4	3,871,480	5,056,667
<b>Total non-current assets</b>		<b>35,965,396</b>	<b>35,194,746</b>
<b>Total assets</b>		<b>48,299,386</b>	<b>53,457,633</b>
<b>Current liabilities</b>			
Trade and other payables		1,066,250	1,460,898
Provisions		1,314,587	1,193,272
Other liabilities	8	973,565	1,263,338
<b>Total current liabilities</b>		<b>3,354,402</b>	<b>3,917,508</b>
<b>Non-current liabilities</b>			
Provisions		27,116	17,246
<b>Total non-current liabilities</b>		<b>27,116</b>	<b>17,246</b>
<b>Total liabilities</b>		<b>3,381,518</b>	<b>3,934,754</b>
<b>Net assets</b>		<b>44,917,868</b>	<b>49,522,879</b>
<b>Equity</b>			
Issued capital and contributed equity	9	65,668,289	65,668,289
Employee option reserve	9	1,908,300	1,906,837
Foreign currency translation reserve		(73,163)	(85,619)
Accumulated losses		(22,585,558)	(17,966,628)
<b>Total equity</b>		<b>44,917,868</b>	<b>49,522,879</b>

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

	Issued capital and contributed equity	Employee share option reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>54,682,201</b>	<b>1,446,919</b>	<b>31,875</b>	<b>(8,749,078)</b>	<b>47,411,917</b>
Profit/(loss) for the period	-	-	-	(4,545,707)	(4,545,707)
Foreign currency reserve	-	-	(79,068)	-	(79,068)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(79,068)</b>	<b>(4,545,707)</b>	<b>(4,624,775)</b>
<b>Transactions with owners in their capacity as owners</b>					
Options converted	1,820,000	-	-	-	1,820,000
Recognition of share-based payments	-	358,162	-	-	358,162
Sale of subsidiary	-	-	-	73,044	73,044
<b>Balance at 31 December 2015</b>	<b>56,502,201</b>	<b>1,805,081</b>	<b>(47,193)</b>	<b>(13,221,741)</b>	<b>45,038,348</b>
<b>Balance at 1 July 2016</b>	<b>65,668,289</b>	<b>1,906,837</b>	<b>(85,619)</b>	<b>(17,966,628)</b>	<b>49,522,879</b>
Profit/(loss) for the period	-	-	-	(4,618,930)	(4,618,930)
Foreign currency reserve	-	-	12,456	-	12,456
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>12,456</b>	<b>(4,618,930)</b>	<b>(4,606,474)</b>
<b>Transactions with owners in their capacity as owners</b>					
Recognition of share-based payments	-	1,463	-	-	1,463
<b>Balance at 31 December 2016</b>	<b>65,668,289</b>	<b>1,908,300</b>	<b>(73,163)</b>	<b>(22,585,558)</b>	<b>44,917,868</b>

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

	Half-year Ended	
	2016	2015
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	4,728,355	5,052,503
Payments to suppliers and employees	(8,080,182)	(9,736,599)
Interest received	13,227	80,532
R&D Tax refund	75,610	474,039
Tax paid	(30,612)	-
Interest paid	-	(3,792)
Net cash used in operating activities	(3,293,602)	(4,133,317)
<b>Cash flows from investing activities</b>		
Payments for property, plant & equipment	(161,422)	(332,729)
Payments for intangible assets	(1,611,956)	(795,865)
Net cash used in investing activities	(1,773,378)	(1,128,594)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	1,820,000
Net cash provided by financing activities	-	1,820,000
Net (decrease) in cash and cash equivalents	(5,066,980)	(3,441,911)
Cash and cash equivalents at the beginning of the period	7,789,740	12,243,193
Effect of sale of subsidiary	-	(1,089)
Effect of movement in exchange rates on cash balances	33,354	(32,590)
<b>Cash and cash equivalents at the end of the period</b>	<b>2,756,114</b>	<b>8,767,603</b>

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

## 1. Basis of preparation of the half-year financial report

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Urbanise during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Urbanise.com Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

### Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

### Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

### New Accounting Standards and interpretations in issue but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

*AASB 9: Financial Instruments (December 2014)*, *AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, *AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* (applicable for annual reporting periods commencing on or after 1 January 2018)

These Standards will replace *AASB 139: Financial Instruments: Recognition and Measurement*. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

*AASB 15: Revenue from Contracts with Customers*, *AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15*, *AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15* and *AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15* (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. The give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- Step 1: Identify the contract(s) with the customer;
- Step 2: Identify the performance obligations under the contract(s);
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations under the contract(s); and
- Step 5: Recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

**AASB 16: Leases** (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 will replace AASB 117: *Leases* and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

**AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This Amending Standard amends AASB 107: *Statement of Cash Flows* to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

These amendments are applicable for annual reporting periods commencing on or after 1 January 2017. They are not expected to significantly impact the Group's financial statements.

## Going concern

For the six months ended 31 December 2016, Urbanise generated a Net Loss After Tax (NLAT) of \$4,618,930 (2015: Net Loss After Tax (NLAT) of \$4,545,707). Net cash outflow from operating activities was \$3,293,602 (2015: net cash outflow from operating activities of \$4,133,317) for the half-year. As at 31 December 2016 Urbanise has a strong net asset position of \$44,917,868, current assets exceeding current liabilities by \$8,979,589 and a positive cash position of \$2,756,114 with no external debt or borrowings. The percentage conversion of revenue to cash was 188% for the half year.

Whilst the company has continued to make losses in the period to 31 December 2016 the Directors believe that the company continues to be a going concern and is in a position to pay its debts as and when they fall due. Subsequent to balance sheet date the company undertook a fully underwritten capital raising by way of a rights issue for \$7,259,693. Whilst the rights issue was undersubscribed by shareholders, the shortfall was fully underwritten. Pursuant to the underwriting agreement, the Company has advised the underwriter of the shortfall and the underwriter has deposited the shortfall subscription funds into a trust account. The underwriter has subscribed for, and paid for 797,719 shortfall shares raising \$179,487. Further funds held in the trust account, \$7,074,156, will be received by the Company upon shareholder approval of the issue of shares under the underwriting agreement. Shareholder approval is required as the underwriters shareholding will exceed 20% of the total capital on issue after taking up the shortfall shares. The directors believe that shareholder approval will be given at the EGM set for the 28 March 2017, and accordingly cash resources will be available to allow the company to pursue its return to profitability. In the event that shareholders did not approve the issue of the additional shortfall shares, the directors would immediately consider alternative capital raising activities.

At the date of this report and having considered the above factors, the Directors believe that the consolidated entity continues to be a going concern.

## 2. Segment information

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. The Group's reportable segments under AASB 8 focus on two key reportable segments:

- i. Urbanise – Platform licensing and professional services
- ii. Mystrata – Building financial management platform

The accounting policies of the reportable segments are the same as the Group's accounting policies.

### 2.1 Revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Segment revenue		Segment result	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
<b>Continuing operations</b>				
Urbanise	676,394	1,767,055	(2,858,855)	(2,487,707)
MyStrata	1,552,952	1,318,144	(143,567)	(212,182)
<b>Total of all segments</b>	<b>2,229,346</b>	<b>3,085,199</b>	<b>(3,002,422)</b>	<b>(2,699,889)</b>
Corporate expenses			(2,132,069)	(1,837,251)
Warranty and earn-out shares			-	(850,000)
Depreciation and amortisation			(989,242)	(863,907)
Interest revenue			293,248	465,496
Income tax (expense)/benefit			1,211,528	1,243,636
Finance costs			27	(3,792)
<b>Profit/(loss) after tax</b>			<b>(4,618,930)</b>	<b>(4,545,707)</b>

Urbanise and Mystrata have separately identifiable business operations, profitability and products. Management have deemed the segment disclosure as the appropriate reporting basis for facilitating the decision making process.

The assets and liabilities of the Group collaboratively support the various segment revenues generated by the Group. The revenue reported above represents the revenue generated from external customers. Segment result represents the profit or loss incurred by each segment without the allocation of corporate costs, interest revenue, finance costs, income tax expense, R&D grants/claims, contingent consideration, amortisation and depreciation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The total amount of external revenue derived from major customers where the revenue is greater than 10% is nil (2015: \$1,208,813). Revenue from these customers is included in the segment note above and relates to Urbanise customers only. Mystrata Middle East FZ LLC contributed \$656,508 in revenue to the Urbanise Group.

## 2.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$	\$	\$	\$
<b>Continuing operations</b>				
Urbanise	28,626,575	34,197,932	1,946,908	2,632,585
MyStrata	19,672,811	19,259,701	1,434,610	1,302,169
<b>Segment total</b>	<b>48,299,386</b>	<b>53,457,633</b>	<b>3,381,518</b>	<b>3,934,754</b>

## 3. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

	Half-year ended	
	2016	2015
	\$	\$
<b>Sales revenue</b>		
Platform license income and activation fees	1,979,473	3,006,657
Professional services	249,873	78,542
	<b>2,229,346</b>	<b>3,085,199</b>
<b>Other income</b>		
Interest received	293,248	465,496
Export market development grant	-	30,000
Research and development refund	138,000	90,000
Other	87	-
<b>Total other income</b>	<b>431,335</b>	<b>585,496</b>

#### 4. Trade and other receivables

	31 Dec 2016	30 Jun 2016
<b>Current</b>	<b>\$</b>	<b>\$</b>
Trade receivables	6,062,965	7,324,187
Provision for impairment	(78,347)	(91,632)
Other receivables	901,038	797,860
<b>Total current trade and other receivables</b>	<b>6,885,656</b>	<b>8,030,415</b>
<b>Non-current</b>		
Trade receivables non-current	3,871,480	5,056,667
<b>Total non-current trade and other receivables</b>	<b>3,871,480</b>	<b>5,056,667</b>
<b>Age of receivables that are past due but not impaired</b>		
31-60 days	201,000	118,908
61-90 days	164,717	408,510
90+ days	1,126,006	923,486
<b>Total receivables that are past due but not impaired</b>	<b>1,491,723</b>	<b>1,450,904</b>

Trade receivables for a number of Urbanise customers are long-term receivables on payment schedules between 3 to 5 years. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. Interest is accrued and amortised over the period of the contract. All other trade receivables are non-interest bearing and are generally 30 day terms.

An allowance is made when there is objective evidence that a trade receivable is impaired.

#### 5. Inventories

	31 Dec 2016	30 Jun 2016
	<b>\$</b>	<b>\$</b>
Consumables	3,020	5,883
Finished goods	1,422,660	637,680
Provision for stock write-off	(46,207)	(50,000)
<b>Total inventories</b>	<b>1,379,473</b>	<b>593,563</b>

Finished goods are hardware devices which are available for sale. During the half-year 31 December 2016 there was a transfer of \$6,533 of hardware device assets to finished goods to facilitate direct sales of hardware devices. Refer to note 6.



## 6. Property, plant and equipment

	Hardware Devices \$	Other plant and equipment at cost \$	Leasehold improvements at cost \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2016</b>	<b>178,129</b>	<b>440,919</b>	<b>241,659</b>	<b>860,707</b>
Additions	18,657	125,031	17,734	161,422
Transferred to finished goods	(6,533)	-	-	(6,533)
Disposals	(67,510)	(2,900)	-	(70,410)
Effect of foreign currency exchange differences	-	751	4,153	4,904
<b>Balance at 31 December 2016</b>	<b>122,743</b>	<b>563,801</b>	<b>263,546</b>	<b>950,090</b>
<b>Accumulated depreciation and impairment</b>				
<b>Balance at 1 July 2016</b>	<b>(48,270)</b>	<b>(164,195)</b>	<b>(57,509)</b>	<b>(269,974)</b>
Depreciation expense	(26,419)	(70,690)	-	(97,109)
Amortisation expense	-	-	(26,814)	(26,814)
Depreciation on disposal	23,630	1,161	-	24,791
<b>Balance at 31 December 2016</b>	<b>(51,059)</b>	<b>(233,724)</b>	<b>(84,323)</b>	<b>(369,106)</b>
<b>Net book value</b>				
Balance at 30 June 2016	129,859	276,724	184,150	590,733
<b>Balance at 31 December 2016</b>	<b>71,684</b>	<b>330,077</b>	<b>179,223</b>	<b>580,984</b>

During the half-year 31 December 2016, there was a transfer of \$6,533 of hardware devices to finished goods to facilitate direct sales. The Group incurred a loss in profit and loss of \$43,790 in respect of the disposal of hardware devices and plant, property and equipment in the half-year 31 December 2016.

## 7. Intangible assets

	Intellectual property at cost \$	Development at cost \$	Trademarks \$	Goodwill \$	Customer relationships \$	Total \$
<b>Gross carrying amount</b>						
<b>Balance at 1 July 2016</b>	<b>11,807,442</b>	<b>5,238,814</b>	<b>842,868</b>	<b>12,216,795</b>	<b>220,000</b>	<b>30,325,919</b>
Additions	15,000	1,596,956	-	-	-	1,611,956
Effect of foreign currency exchange differences	-	7,421	-	-	-	7,421
<b>Balance at 31 December 2016</b>	<b>11,822,442</b>	<b>6,843,191</b>	<b>842,868</b>	<b>12,216,795</b>	<b>220,000</b>	<b>31,945,296</b>
<b>Accumulated amortisation and impairment</b>						
<b>Balance at 1 July 2016</b>	<b>(2,363,841)</b>	<b>(1,194,137)</b>	<b>(29)</b>	<b>-</b>	<b>(23,833)</b>	<b>(3,581,840)</b>
Amortisation expense	(592,369)	(261,933)	(16)	-	(11,000)	(865,318)
<b>Balance at 31 December 2016</b>	<b>(2,956,210)</b>	<b>(1,456,070)</b>	<b>(45)</b>	<b>-</b>	<b>(34,833)</b>	<b>(4,447,158)</b>
<b>Net book value</b>						
As at 30 June 2016	9,443,601	4,044,677	842,839	12,216,795	196,167	26,744,079
<b>Balance at 31 December 2016</b>	<b>8,866,232</b>	<b>5,387,121</b>	<b>842,823</b>	<b>12,216,795</b>	<b>185,167</b>	<b>27,498,138</b>

## 8. Other liabilities

	31 Dec 2016	30 Jun 2016
	\$	\$
Deferred revenue <sup>(i)</sup>	973,565	1,263,338
<b>Total other liabilities</b>	<b>973,565</b>	<b>1,263,338</b>

(i) Deferred revenue relates to invoices raised for which the service has yet to be provided. Revenue will be released to the income statements over the period of the contract.

## 9. Issued capital and contributed equity

### 9.1 Issued and paid up capital

	31 Dec 2016	30 Jun 2016
	\$	\$
258,122,399 (30 June 2016: 258,122,399) Fully paid ordinary shares	65,668,289	65,668,289

### 9.2 Ordinary shares

	31 Dec 2016		30 Jun 2016	
	No.	\$	No.	\$
Opening balance	258,122,399	65,668,289	232,527,399	54,682,201
Conversion of share options	-	-	9,150,000	1,820,000
Warranty and earn-out shares	-	-	6,445,000	2,758,890
Private placement	-	-	10,000,000	6,407,198
<b>Closing balance</b>	<b>258,122,399</b>	<b>65,668,289</b>	<b>258,122,399</b>	<b>65,668,289</b>

### 9.3 Options

	31 Dec 2016		30 Jun 2016	
	No.	\$	No.	\$
Opening balance	34,716,405	1,906,837	43,776,405	1,446,919
Share based payments	-	1,463	-	459,918
Options granted over ordinary shares	500,000	-	490,000	-
Options expired	(8,200,000)	-	(400,000)	-
Options forfeited	(600,016)	-	-	-
Options converted	-	-	(9,150,000)	-
<b>Closing balance</b>	<b>26,416,389</b>	<b>1,908,300</b>	<b>34,716,405</b>	<b>1,906,837</b>

On 10 October 2016, 8,200,000 unlisted options expired as they were left unexercised at their expiry date. 600,016 options were forfeited as per the terms of the employee option share scheme when the employees ceased employment with Urbanise.

On 1 December 2016, 500,000 options were issued as part of the PICA arrangement with an expiry date of 12 months from grant date. As a consequence of the options being out of the money and other terms and conditions, they have been attributed a with a nil value.

## 10. Commitments

The Group has entered into the following lease arrangements:

- i. A 5 year lease on the Urbanise corporate headquarters in Melbourne, which terminates on 21 May 2020;
- ii. A 5 year lease on the Urbanise operational headquarters in Dubai, which terminates on 30 June 2020;
- iii. A 3 year lease for office space in Singapore for Urbanise.com (SEA) Pte Ltd, which terminates on 31 March 2018;
- iv. A 3 year lease for office space in Brisbane for Mystrata Pty Ltd headquarters, which terminates on 15 April 2019;
- v. A 1 year lease for office space in Sydney, which terminates on 30 April 2017;
- vi. A 1 year lease for office space for Mystrata Middle East FZ LLC in Dubai, which terminates on 4 January 2018; and
- vii. A 3 year lease for office space for Urbanise.com (Pty) Ltd in South Africa, which terminates on 30 June 2019.

The following obligations relating to the leases are not provided for in the financial report, and are payable:

	31 Dec 2016	30 Jun 2016
	\$	\$
Not longer than 1 year	481,720	471,228
Longer than 1 year and not longer than 5 years	787,659	1,017,902
<b>Balance at end of year</b>	<b>1,269,379</b>	<b>1,489,130</b>

## 11. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

### 11.1 Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

At 31 December 2016, the Group did not have any assets or liabilities held at fair value.

### 11.2 Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

### 11.3 Reconciliation of recurring level 3 fair value measurements

30 June 2016	Earn out in a business combination	Total
	\$	\$
Opening balance	1,108,058	1,108,058
Extinguishment	555,234	555,234
Total gains or losses in P&L	(1,663,292)	(1,663,292)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

On 21 June 2016, there was an agreed final settlement in relation to the purchase price of Mystrata Group, acquired 1 June 2015. The earn-out and warranty share adjustment agreed settlement resulted in an issuance of 6,445,000 shares to Mystrata shareholders at a market value of \$2,771,350. Level 3 financial liabilities measured at fair value at 30 June 2015 have been transferred to equity. There are no level 3 financial liabilities held at 31 December 2016.

**11.4 Fair value compared with carrying amounts**

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

**12. Subsequent events**

On 4 January 2017, Urbanise announced a fully underwritten rights issue to raise \$7.259 million. The rights issue is on a 1:8 basis at an issue price of 22.5 cents per share. The offer is fully underwritten by Argosy Capital Limited. Funds raised from the offer will be used to pay transaction costs, employee costs, sales & marketing, travel expenses, finance and administration expenses to fund strategic market development and expansion activities.

On 8 February 2017, Urbanise completed a share placement to support a technology acquisition and fund business growth. Argosy Capital Limited subscribed for 63.5 million shares at 22.5 cents per share to raise \$14.287 million. The shares will be subject to a voluntary restriction deed (escrow) for a period of 18 months. Approximately \$12m from the share placement funded the acquisition of complementary technology platforms with the balance intended to be used to fund business growth.

On 8 February 2017, Urbanise announced the appointment of Almero Strauss as a Director.

Other than as already noted in the financial statements, there have been no significant subsequent events in the affairs of the Group at the date of this report.

The Directors declare that the financial statements and notes thereto in accordance with the *Corporations Act 2001*:

- i. Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- ii. Give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Urbanise.com Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Anthony Scotton', with a stylized, cursive script.

**Anthony Scotton**

Chairman

27 February 2017



**Urbanise.com Limited  
AND CONTROLLED ENTITIES  
ABN 70 095 768 086**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
Urbanise.com Limited**

We have reviewed the accompanying half-year financial report of Urbanise.com Limited "the company" and controlled entities "the consolidated entity", which comprises the condensed consolidated statement of financial position as at 31 December 2016, 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 significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

***Directors' Responsibility for the Half-Year Financial Report***

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

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Urbanise.com Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Emphasis of Matter – Going Concern**

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which we consider significant. Importantly the consolidated entity incurred a net loss of \$4,618,930 for the half-year ended 31 December 2016, with net cash outflows from operating activities of \$3,293,602. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1 indicate the importance of the shareholder approval required for the issue of the rights issue shortfall shares that will result in the Company raising a material amount of capital of \$7,074,156. Raising these, or alternative funds, are material to the consolidated entity's ability to continue as a going concern.

P A JOSE  
Partner

27 February 2017

PITCHER PARTNERS  
Melbourne