Interim Financial Report

For the half-year ended 31 December 2015

Urbanise.com Limited
ABN 70 095 768 086

CORPORATE INFORMATION

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Solicitors
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CONTENTS

For the half-year ended 31 December 2015
Previous corresponding periods: Half-year ended 31 December 2014
Financial year ended 30 June 2015

Results for announcement to the market

	31 Dec 2015 $A'000's	31 Dec 2014 $A'000's	Up/ Down	% Movement
Revenue from ordinary activities	3,085	3,018	Up	2%
Profit/(loss) from ordinary activities after tax attributable to members	(4,546)	(52)	Down	-8685%
Net profit/(loss) for the period attributable to members	(4,546)	(52)	Down	-8685%

Net tangible asset backing

	31 Dec 2015	31 Dec 2014
Net tangible assets per ordinary security	7.71 cents per share	10.39 cents per share(i)

(i) The cents per share comparative for 31 December 2014 differs from that stated in the Interim Financial Statements 31 December 2014 due to a correction of a prior period error in deferred tax assets as disclosed in the 30 June 2015 Financial Statements.

Dividends

There have been no dividends declared for the half-year ended 31 December 2015 (30 June 2015: 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

Effective 1 July 2015, Urbanise has relinquished ownership of Mystrata Malaysia Sdn Bhd, transferring 100% of the shares held. There is no profit or loss on ordinary activities attributable to the entity for the half-year ended 31 December 2015. A loss from ordinary activities of $3,994 was recognised in the corresponding reporting period 30 June 2015.

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

Arlene M Tansey
Chairman
Melbourne, 29 February 2016

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 2015 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
Arlene M Tansey	Chairman
Benjamin Churchill	Chief Executive Officer
Robert Cumming	Chief Commercial Officer
Russell William Bate	Non-Executive Director
David Bruce Burlington	Non-Executive Director

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

During the half-year ended 31 December 2015, Urbanise reported total statutory revenue of $3.1 million, (2014: $3.02 million). The revenue of $3.1 million represents contributions from across all core markets including the UAE, UK, SA and Australasia and is largely driven by pay as you go (PAYG) cash backed agreements.

For the six months ended 31 December 2015, Urbanise generated a Net Loss After Tax (NLAT) of $4.5 million, (2014: Net Loss After Tax (NLAT) $51,744) and an operating EBITDA loss of $5.39 million (2014: EBITDA profit $530,747).

Total operating expenses were $8.1 million (2014: $3.07 million) due predominantly to increased employee expenses associated with the company's growth strategy.

Significant changes in state of affairs

There have been no significant changes in the consolidated group's state of affairs during the half-year ended 31 December 2015.

Dividends paid or recommended

In respect of the half-year ended 31 December 2015, 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:

Arlene M Tansey
Chairman
Melbourne, 29 February 2016

URBANISE.COM LIMITED 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 2015, 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 any applicable code of professional conduct.

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

P A JOSE
Partner
Date 29 February 2016

PITCHER PARTNERS
Melbourne

	Note	Half-year ended 2015 $	2014 $
Revenue and other income			
Sales revenue	3	3,085,199	3,018,475
Other income	3	585,496	305,427
		3,670,695	3,323,902
Less: expenses			
Cost of sales		(551,729)	(64,031)
Depreciation and amortisation expenses		(863,907)	(491,521)
Employee benefits expense		(4,941,788)	(1,606,194)
Lease expense		(398,487)	(51,508)
Finance costs		(3,792)	(1,234)
Foreign Exchange (loss)/gain		330,087	3,518
Travel expenses		(618,317)	(273,203)
Professional fees		(528,037)	(276,644)
Advertising and Promotion Expenses		(232,486)	(185,653)
Subscription expenses		(360,570)	(50,013)
Contingent consideration		(850,000)	-
Other expenses		(441,012)	(132,895)
Profit/(loss) before tax		(5,789,343)	194,524
Income tax benefit/(expense)		1,243,636	(246,268)
Profit/(loss) for the half-year		**(4,545,707)**	**(51,744)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(79,068)	-
Other comprehensive income for the half-year		(79,068)	-
Total comprehensive income for the half-year		**(4,624,775)**	**(51,744)**
Profit/(loss) for the half-year attributable to:			
Owners of the parent		(4,624,775)	(51,744)
		(4,624,775)	(51,744)
Total comprehensive income attributable to:			
Owners of the parent		(4,624,775)	(51,744)
		(4,624,775)	(51,744)
Earnings per share			
From continuing operations:			
Basic (cents per share)		(0.02)	(0.03)
Diluted (cents per share)		(0.02)	(0.03)

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

	Note	31 Dec 2015 $	30 Jun 2015 $
Current assets			
Cash and cash equivalents		8,767,603	12,243,193
Trade and other receivables	4	4,426,831	4,332,236
Other assets		1,809,176	850,544
Inventory	5	863,009	30,498
Total current assets		**15,866,619**	**17,456,471**
Non-current assets			
Property, plant and equipment	6	1,118,755	1,146,799
Intangible assets	7	14,431,488	14,415,730
Goodwill	7	11,984,403	11,736,467
Deferred tax assets		1,609,976	704,276
Other non-current assets	4	6,759,956	6,749,638
Total non-current assets		**35,904,578**	**34,752,910**
Total assets		**51,771,197**	**52,209,381**
Current liabilities			
Trade and other payables		1,120,534	1,609,389
Provisions		964,082	1,001,881
Current tax payable		21,788	111,788
Other liabilities	8	4,568,902	2,034,659
Total current liabilities		**6,675,306**	**4,757,717**
Non-current liabilities			
Provisions		57,543	39,747
Total non-current liabilities		**57,543**	**39,747**
Total liabilities		**6,732,849**	**4,797,464**
Net assets		**45,038,348**	**47,411,917**
Equity			
Issued capital and contributed equity	9	56,502,201	54,682,201
Employee option reserve	9	1,805,081	1,446,919
Foreign currency translation reserve		(47,193)	31,875
Accumulated losses		(13,221,741)	(8,749,078)
Total equity		**45,038,348**	**47,411,917**

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 $
Balance at 1 July 2014	**20,764,738**	**225,699**	**-**	**(9,053,451)**	**11,936,986**
Correction of errors[(i)]	-	(14,805)	-	(415,612)	(430,417)
Balance at 1 July 2014 (restated)	**20,764,738**	**210,894**	**-**	**(9,469,063)**	**11,506,569**
Profit/(loss) for the period	-	-	-	(51,744)	(51,744)
Total comprehensive income for the period	**-**	**-**	**-**	**(51,744)**	**(51,744)**
Transactions with owners in their capacity as owners					
Shares issued during the period	20,000,000	-	-	-	20,000,000
Share issue costs	(2,311,369)	-	-	-	(2,311,369)
Tax effect of IPO costs	693,411	-	-	-	693,411
Underwriter options	-	796,868	-	-	796,868
Options converted	554,000	-	-	-	554,000
Recognition of share-based payments	-	182,838	-	-	182,838
Balance at 31 December 2014 (restated)	**39,700,780**	**1,190,600**	**-**	**(9,520,807)**	**31,370,573**
Balance at 1 July 2015	**54,682,201**	**1,446,919**	**31,875**	**(8,749,078)**	**47,411,917**
Profit/(loss) for the period	-	-	-	(4,545,707)	(4,545,707)
Foreign currency reserve	-	-	(79,068)	-	(79,068)
Total comprehensive income for the period	**-**	**-**	**(79,068)**	**(4,545,707)**	**(4,624,775)**
Transactions with owners in their capacity as owners					
Options converted	1,820,000	-	-	-	1,820,000
Recognition of share-based payments	-	358,162	-	-	358,162
Sale of subsidiary	-	-	-	73,044	73,044
Balance at 31 December 2015	**56,502,201**	**1,805,081**	**(47,193)**	**(13,221,741)**	**45,038,348**

(i) The correction of errors relates to the carry forward of a prior period deferred tax asset that was adjusted as per 30 June 2015 Financial Statements of $430,417. During the year end 30 June 2015, there was an adjustment for an employee share option expense incorrectly included in 30 June 2014 Financial Statements.

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

	Half-year ended 2015 $	2014 $
Cash flows from operating activities		
Receipts from customers	5,052,503	1,239,080
Payments to suppliers and employees	(9,736,599)	(3,891,403)
Interest received	80,532	67,790
Operating grants received	474,039	-
Interest paid	(3,792)	-
Net cash used in operating activities	(4,133,317)	(2,584,533)
Cash flows from investing activities		
Payments for property, plant & equipment	(332,729)	(206,127)
Payments for intangible assets	(795,865)	(405,706)
Net cash used in investing activities	(1,128,594)	(611,833)
Cash flows from financing activities		
Proceeds from issue of shares	1,820,000	20,554,000
Payments for share issue costs	-	(1,514,501)
Net cash provided by financing activities	1,820,000	19,039,499
Net increase/(decrease) in cash and cash equivalents	(3,441,911)	15,843,133
Cash and cash equivalents at the beginning of the period	12,243,193	582,782
Effect of sale of subsidiary	(1,089)	-
Effect of movement in exchange rates on cash balances	(32,590)	2,634
Cash and cash equivalents at the end of the period	**8,767,603**	**16,428,549**

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 2015 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 2015 and the corresponding half-year.

Rounding amounts

The Company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends *AASB 116: Property, Plant and Equipment* and *AASB 138: Intangible Assets* to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends a number of Australian Accounting Standards arising from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle by the International Accounting Standards Board (IASB), including:

- *AASB 119: Employee Benefits* to clarify that the discount rates used to measure defined benefit obligations should be determined based on the currency in which the obligations are denominated, rather than the country where the obligation is located; and

- *AASB 134: Interim Financial Reporting to clarify that certain disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.*

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard makes a number of narrow-focus amendments that address concerns regarding the application of some of the presentation and disclosure requirements in *AASB 101: Presentation of Financial Statements*. These amendments include clarification that:

- an entity discloses its significant accounting policies (not a summary of those policies);
- specific line items in the statement of profit or loss and other comprehensive income and statement of financial position can be disaggregated;
- materiality applies in respect of items specifically required to be presented or disclosed, even when AASB 101 contains a list of specific requirements or describes them as minimum requirements;
- entities have flexibility in relation to the order in which they present their notes; and
- the requirements that apply when additional subtotals are presented in the statement of profit or loss and other comprehensive income and statement of financial position.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 9: Financial Instruments and associated Amending Standards (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 and associated Amending Standards (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.

Going concern

For the six months ended 31 December 2015, Urbanise generated a Net Loss After Tax (NLAT) of $4,545,707 (2014: Net Loss After Tax (NLAT) of $51,744). Net cash outflow from operating activities was $4,133,317 (2014: net cash outflow from operating activities of $2,584,533) for the half-year. As at 31 December 2015 Urbanise has a strong net asset position of

$45,038,348, current assets exceeding current liabilities by $9,191,313 and a positive cash position of $8,767,603 with no external debt or borrowings.

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 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Continuing operations				
Urbanise	1,767,055	3,018,475	(2,487,707)	1,794,385
Mystrata	1,318,144	-	(212,182)	-
Total of all segments	**3,085,199**	**3,018,475**	**(2,699,889)**	**1,794,385**
Corporate expenses			(1,837,251)	(1,263,638)
Contingent consideration			(850,000)	-
Depreciation and amortisation			(863,907)	(491,521)
Interest revenue			465,496	156,532
Income tax expense			1,243,636	(246,268)
Finance costs			(3,792)	(1,234)
Profit/(loss) after tax			**(4,545,707)**	**(51,744)**

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.

2.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	$	$	$	$
Continuing operations				
Urbanise	32,689,030	33,413,838	5,212,265	3,220,027
Mystrata	19,082,167	18,795,543	1,520,584	1,577,437
Segment total	**51,771,197**	**52,209,381**	**6,732,849**	**4,797,464**

3. Revenue

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

	Half-year ended	
	2015	2014
	$	$
Sales revenue		
Platform license income and activation fees	3,006,657	2,886,314
Professional services	78,542	132,161
	3,085,199	**3,018,475**
Other income		
Interest received	465,496	156,532
Export market development grant	30,000	51,000
Research and development refund	90,000	97,895
Total other income	**585,496**	**305,427**

4. Trade and other receivables

	31 Dec 2015	30 Jun 2015
Current	$	$
Trade receivables	3,923,604	3,448,443
Provision for impairment	(36,828)	-
Other receivables	540,055	883,793
Total current trade and other receivables	**4,426,831**	**4,332,236**
Non-current		
Trade receivables non-current	6,759,956	6,749,638
Total non-current trade and other receivables	**6,759,956**	**6,749,638**
Age of receivables that are past due but not impaired		
31-60 days	173,306	155,254
61-90 days	162,227	314,589
90+ days	681,856	821,672
Total age of receivables that are past due but not impaired	**1,017,389**	**1,291,515**

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.
The Group incurred a loss in profit and loss of $36,828 in respect of the impairment of current trade receivables in the half-year ended 31 December 2015.

5. Inventories

	31 Dec 2015	30 Jun 2015
	$	$
Consumables	28,077	30,498
Finished goods	834,932	-
Total inventories	**863,009**	**30,498**

Finished goods are hardware devices which are available for sale. During the half-year 31 December 2015 there was a transfer of $260,901 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 at cost	Other plant and equipment at cost	Leasehold improvements at cost	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2015	**787,360**	**355,047**	**199,209**	**1,341,616**
Additions	227,951	81,735	23,043	332,729
Transferred to stock for sale	(260,901)	-	-	(260,901)
Disposals	(21,926)	(10,841)	-	(32,767)
Effect of foreign currency exchange differences	-	4,829	2,700	7,529
Balance at 31 December 2015	**732,484**	**430,770**	**224,952**	**1,388,206**
Accumulated depreciation and impairment				
Balance at 1 July 2015	**(22,674)**	**(166,615)**	**(5,528)**	**(194,817)**
Depreciation expense	(13,684)	(43,327)	-	(57,011)
Amortisation expense	-	-	(24,935)	(24,935)
Depreciation on disposal	-	10,205	-	10,205
Effect of foreign currency exchange differences		(1,736)	(1,157)	(2,893)
Balance at 31 December 2015	**(36,358)**	**(201,473)**	**(31,620)**	**(269,451)**
Net book value				
Balance at 30 June 2015	764,686	188,432	193,681	1,146,799
Balance at 31 December 2015	**696,126**	**229,297**	**193,332**	**1,118,755**

During the half-year 31 December 2015 there was a transfer of $260,901 of hardware devices to finished goods to facilitate direct sales. The Group incurred a loss in profit and loss of $19,184 in respect of the disposal of hardware devices and plant, property and equipment in the half-year 31 December 2015.

7. Intangible assets

	Intellectual property at cost $	Development at cost $	Trademarks $	Goodwill $	Customer relationships $	Total $
Gross carrying amount						
Balance at 1 July 2015	**11,774,072**	**3,644,672**	**790,000**	**11,736,467**	**220,000**	**28,165,211**
Additions	-	747,801	48,064	-	-	795,865
Recognition of difference in tax cost base	-	-	-	247,936	-	247,936
Effect of foreign currency exchange differences	-	1,844	-	-	-	1,844
Balance at 31 December 2015	**11,774,072**	**4,394,317**	**838,064**	**11,984,403**	**220,000**	**29,210,856**
Accumulated amortisation and impairment						
Balance at 1 July 2015	**(1,183,460)**	**(829,554)**	**-**	**-**	**-**	**(2,013,014)**
Amortisation expense	(586,792)	(182,335)	-	-	(12,833)	(781,960)
Effect of foreign currency exchange differences	-	9	-	-	-	9
Balance at 31 December 2015	**(1,770,252)**	**(1,011,880)**	**-**	**-**	**(12,833)**	**(2,794,965)**
Net book value						
As at 30 June 2015	10,590,612	2,815,118	790,000	11,736,467	220,000	26,152,197
Balance at 31 December 2015	**10,003,820**	**3,382,437**	**838,064**	**11,984,403**	**207,167**	**26,415,891**

8. Other liabilities

	31 Dec 2015 $	30 Jun 2015 $
Deferred revenue(i)	2,610,844	926,601
Earn out – deferred settlement	1,958,058	1,108,058
Total other liabilities	**4,568,902**	**2,034,659**

(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 2015 $	30 Jun 2015 $
241,677,399 (30 June 2015: 232,527,399) Fully paid ordinary shares	56,502,201	54,682,201

9.2 Ordinary shares

	31 Dec 2015		30 Jun 2015	
	No.	$	No.	$
Opening balance	232,527,399	54,682,201	4,408,000	4,704,293
Unissued shares from employee share options	-	-	-	10,000
Conversion of share options	9,150,000	1,820,000	3,170,000	634,000
Conversion from preference shares	-	-	4,264,047	16,060,445
Share split 20:1	-	-	164,768,893	-
Option amendment deed consideration	-	-	3,615,254	-
Issue of shares from IPO	-	-	40,000,000	20,000,000
Share issue costs	-	-	-	(2,311,369)
Tax effect on IPO costs	-	-	-	454,350
Share issue for acquisition of Mystrata Group	-	-	12,301,205	15,130,482
Closing balance	**241,677,399**	**56,502,201**	**232,527,399**	**54,682,201**

On 1 July 2015, 50,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 11 September 2015, 300,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 29 September 2015, 200,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 30 September 2015, 120,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 7 October 2015, 180,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 19 October 2015, 200,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 29 October 2015, 100,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

On 29 December 2015, 8,000,000 options were converted to ordinary shares at an exercise price of $0.20 per share.

9.3 Preference shares

	31 Dec 2015		30 Jun 2015	
	No.	$	No.	$
Opening balance	-	-	3,492,307	16,060,445
Issue of shares from convertible loans	-	-	-	-
Consideration from early conversion	-	-	771,740	-
Conversion to ordinary shares	-	-	(4,264,047)	(16,060,445)
Closing balance	**-**	**-**	**-**	**-**

9.4 Options

	31 Dec 2015		30 Jun 2015	
	No.	**$**	**No.**	**$**
Opening balance	43,776,405	1,446,919	2,026,000	210,894
Share based payments	-	358,162	-	439,157
Options granted over ordinary shares	390,000	-	1,000,000	-
Share split 20:1	-	-	38,494,000	-
Board member options	-	-	400,000	-
Underwriting options	-	-	5,426,405	796,868
Options expired	(400,000)	-	(400,000)	-
Options converted	(9,150,000)	-	(3,170,000)	-
Closing balance	**34,616,405**	**1,805,081**	**43,776,405**	**1,446,919**

On 13 August 2015, 200,000 unlisted options were granted over ordinary shares at an exercise price of $1.00 with an expiry date of 31 December 2018.

On 15 December 2015, 190,000 unlisted options were granted over ordinary shares at an exercise price of $0.69 with an expiry date of 15 December 2020.

On 7 October 2015, 400,000 unlisted options expired as they were left unexercised at their expiry date.

10. Commitments

The Group has entered into the following lease arrangements:

i. A 5 year lease on the Urbanise's 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 30 April 2016 and;
v. A 1 year lease for office space for Mystrata Middle East FZ LLC in Dubai, which terminates on 5 June 2016.

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

	31 Dec 2015	30 Jun 2015
	$	**$**
Not longer than 1 year	399,408	424,101
Longer than 1 year and not longer than 5 years	997,643	1,155,460
Balance at end of year	**1,397,051**	**1,579,561**

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.

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined, in particular, the valuation techniques and inputs used.

	Level 1	Level 2	Level 3	31 Dec 2015 Total
	$	$	$	$
Earn out shares – deferred settlement	-	-	1,958,058	**1,958,058**

	Level 1	Level 2	Level 3	30 Jun 2015 Total
	$	$	$	$
Earn out shares – deferred settlement	-	-	1,108,058	**1,108,058**

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 Valuation techniques and inputs used in level 3 fair value measurements

Financial assets/ financial liabilities	Fair value as at 31 Dec 2015	Fair value as at 30 Jun 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs to fair value	Relationship of unobservable inputs to fair value
1) Earn out shares in a business combination	1,958,058	1,108,058	Level 3	Discounted cash flow.	Probability - additional units under management.	The higher the unit volumes the higher the fair value.

There were no gains or losses recognised in the statement of comprehensive income during the half-year 2015. The earn out shares liability was recognised on 1 June 2015 upon acquisition of Mystrata. The earn out shares will be valued on the weighted average market share price in the thirty days prior to the earn out issue date of 31 January 2017 with any changes recognised as a gain or loss in the statement of comprehensive income. The maximum earn out as per the share purchase agreement is $2,500,000. Management have estimated that there is a probability of 88% that the required earn out target will be met. At the current reporting date, the earn out share liability is calculated using an indicative borrowing interest rate of 7.5%. A sensitivity analysis on the market share price will be performed once the period has passed.

If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amounts of the liabilities would have been $27,666 higher/lower.

11.4 Reconciliation of recurring level 3 fair value measurements

31 Dec 2015

	Earn out in a business combination	Total
	$	$
Opening balance	1,108,058	1,108,058
Total loss recognised in profit and loss	850,000	850,000
Closing balance	**1,958,058**	**1,958,058**

30 June 2015

	Earn out in a business combination	Total
	$	$
Opening balance	-	-
Purchases/Issues	1,108,058	1,108,058
Closing balance	**1,108,058**	**1,108,058**

11.5 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. Discontinued operation

Effective 1 July 2015, Urbanise relinquished ownership of Mystrata Malaysia Sdn Bhd, transferring 100% of the shares held. The Mystrata Malaysia business had traditionally been a partnership in the former Mystrata Group whereby the Malaysian parties acted like a reseller, relying on the software and marketing of the parent business and making sales on their behalf while paying a royalty fee to Mystrata. A number of months after Urbanise gained control of Mystrata Malaysia, it was decided that commercially, whilst management wanted to maintain a presence in the market and generate revenue growth, the Group did not have the required resources to locally manage the company. Management made the decision to transfer the ownership of the company and replace it with a reseller agreement, thereby providing the same access to markets and resource whilst saving the direct costs associated with owning and reporting a business.

For the half-year ended 31 December 2015, there was no profit or loss on ordinary shares attributable to the discontinued operation. Net liabilities of $73,002 and a loss on transfer of shares of $35 were attributable to discontinued operations. There were also no cash flow activities for the entity during the half-year ended 31 December 2015.

13. Contingent liability

In satisfaction of part of the purchase price, Urbanise are required to issue warranty adjustment shares to a maximum of $1,200,000 value. This is subject to the adjustment amount which must be agreed upon by both parties by 30 June 2016. At 31 December 2015, the parties are still reviewing potential warranty claims by Urbanise that may reduce Urbanise's potential liability to issue further shares. The adjustment amount is currently in dispute with the seller therefore management deem it necessary to disclose this as a contingent liability at 31 December 2015.

14. Subsequent events

On 2 February 2016, Urbanise completed a private share placement of 10 million shares at $0.65 per share raising capital of $6.5 million. The capital raise provides the Company with the ability to further drive revenue growth and expansion.

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 2015 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

Arlene M Tansey
Chairman
Melbourne, 29 February 2016

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 and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of 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 2015 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 2015 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*.

Peter Jose

Pitcher Partners

P A JOSE
Partner
29 February 2016

PITCHER PARTNERS
Melbourne