

URB INVESTMENTS LIMITED  
ABN 89 615 320 262

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APPENDIX 4E  
FOR THE PERIOD ENDED 30 JUNE 2017

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#### **Preliminary Final Report**

This preliminary final report is for the reporting period from 13 October 2016 to 30 June 2017. This is the first reporting period for the Company.

#### **Results for announcement to the market\***

Revenue from ordinary activities	\$644,125
Operating Result before tax for the period	(\$859,757)
Operating Result from ordinary activities after tax attributable to members	(\$606,906)

\*The amount and percentage up/down from previous period are not disclosed as this is the first reporting period for the Company.

#### **Dividends**

No dividend has been paid or declared.

#### **Earnings per share (EPS)**

Basic & Diluted EPS (cents)	(0.83)
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#### **Net tangible assets**

Net tangible asset backing (per share) before tax	\$1.02
Net tangible asset backing (per share) after tax	\$1.02

#### **Distribution Reinvestment Plan (DRP)**

The Company has not activated a Dividend or Distribution Reinvestment Plan.

#### **Controlled Entities**

The Company has not gained or lost control of any entities during the period.

#### **Associates and Joint Ventures**

The Company does not have any associates or interests in joint venture entities.

#### **Commentary on results for the period**

The Company has provided significant commentary on results for the period in the attached 2017 Annual Report, and the accompanying 2017FY Results Announcement released on ASX.

#### **Audit**

This report is based on the financial report which has been audited. A copy of the audited financial report is included in the 2017 Annual Report attached to this appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

ABN 89 615 320 262

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ANNUAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2017

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# URB INVESTMENTS LIMITED

ABN: 89 615 320 262

## CORPORATE DIRECTORY

### Directors

Warwick Negus	Non-Executive Chairman
Robert Bruce Dungey	Independent Non-Executive Director
Anthony McDonald	Independent Non-Executive Director
Victoria Weekes	Independent Non-Executive Director

### Investment Manager

Contact Asset Management Pty Limited

### *Portfolio Managers*

Will Culbert  
Tom Millner

### Company Secretary

Jaime Pinto

### Registered Office

Level 1  
160 Pitt Street Mall  
Sydney NSW 2000  
Telephone: (02) 9210 7000  
Facsimile: (02) 9210 7099

### Postal Address:

GPO Box 5015  
Sydney NSW 2001

### Auditors

Pitcher Partners  
Level 22, MLC Centre  
19 Martin Place  
Sydney NSW 2000

### Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000  
Telephone: 1300 554 474

### Australian Stock Exchange Code

Ordinary Shares	URB
Options	URBO

### Website

[www.urbinvest.com.au](http://www.urbinvest.com.au)

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# URB INVESTMENTS LIMITED

## FINANCIAL HIGHLIGHTS – PERIOD ENDED 30 JUNE 2017

	<i>Ordinary Operations \$'000</i>	<i>Abnormal Items \$'000</i>	<i>Statutory Numbers \$'000</i>
Ordinary revenue from equity portfolio	522	-	522
Other income	122	-	122
<b>Income from operations</b>	<b>644</b>	<b>-</b>	<b>644</b>
Operating expenses	(255)	-	(255)
Transaction costs on acquiring direct property assets	-	(1,249)	(1,249)
<b>Operating result before tax</b>	<b>389</b>	<b>(1,249)</b>	<b>(860)</b>
Income tax (expense) / benefit	(90)	343	253
<b>Net operating result</b>	<b>299</b>	<b>(906)</b>	<b>(607)</b>
	<i>Cents per share</i>		<i>Cents per share</i>
<b>Basic and diluted earnings per share (EPS)</b>	<b>0.41</b>		<b>(0.83)</b>

### Net Tangible Asset (NTA) History (\$ per share):

	30 April 2017 <sup>1</sup>	31 May 2017 <sup>1</sup>	30 June 2017 <sup>2</sup>
NTA before tax	1.05	1.05	1.02
NTA after tax	1.05	1.05	1.02

1 – Unaudited numbers

2 – Pre-tax and post-tax NTA per share disclosed in the Company's June 2017 NTA and Monthly Report released to the ASX on 12 July 2017 was \$1.04. During the course of completing the audited statutory accounts for the year ended 30 June 2017, \$1,249,090 in transaction costs incurred by the company in acquiring direct property assets were reclassified from the cost base of the direct property assets to expenses. This reduced the net assets of the Company by \$1,249,090, thereby reducing NTA per share by \$0.017.

# URB INVESTMENTS LIMITED

## INVESTMENTS HELD AS AT 30 JUNE 2017

	Number of shares held	Market value \$'000	Portfolio weight %
<b>Unlisted Property Trusts</b>			
PURT No.4 – Penrith Property	12,185,216	12,187	16.28
PURT No.5 – Prestons Property	11,989,626	11,990	16.01
PURT No.3 – Kingsgrove Property	8,377,843	8,378	11.19
<b>Total Property Portfolio</b>		<b>32,555</b>	<b>43.48</b>
<b>Listed Equities</b>			
<b><i>Real Estate</i></b>			
Stockland	560,000	2,453	3.28
The GPT Group	435,000	2,084	2.78
BWP Trust	530,000	1,579	2.11
National Storage REIT	850,000	1,283	1.71
Mirvac Group	595,000	1,267	1.69
Goodman Group	150,000	1,181	1.58
Blackwall Limited	913,723	822	1.10
Abacus Property Group	225,000	729	0.97
Villa World Limited	145,000	326	0.44
LendLease Group	18,500	308	0.41
AV Jennings Limited	275,000	180	0.24
Cedar Woods Properties Limited	24,180	126	0.17
		<b>12,338</b>	<b>16.48</b>
<b><i>Industrials</i></b>			
Sydney Airport	550,000	3,899	5.21
Transurban Group	300,000	3,555	4.75
CIMIC Group Limited	17,500	680	0.91
Seymour White Limited	391,890	533	0.71
Qube Holdings Limited	109,864	289	0.39
		<b>8,956</b>	<b>11.97</b>
<b><i>Materials</i></b>			
CSR Limited	590,000	2,496	3.33
Adelaide Brighton Limited	52,500	295	0.39
		<b>2,791</b>	<b>3.72</b>
<b><i>Consumer Discretionary</i></b>			
Harvey Norman Holdings Limited	340,000	1,299	1.73
AP Eagers Limited	107,131	896	1.20
REA Group Limited	2,600	173	0.23
oOh!media Limited	35,000	144	0.19
		<b>2,512</b>	<b>3.35</b>

# URB INVESTMENTS LIMITED

## INVESTMENTS HELD AS AT 30 JUNE 2017 - Continued

	Number of shares held	Market value \$'000	Portfolio weight %
<i>Consumer Staples</i>			
Wesfarmers Limited	20,600	826	1.10
Woolworths Limited	20,000	511	0.68
		<b>1,337</b>	<b>1.78</b>
<i>Health Care</i>			
Regis Healthcare Limited	90,000	354	0.47
Ramsay Health Care Limited	3,000	221	0.30
		<b>575</b>	<b>0.77</b>
<b>Total Equity Portfolio</b>		<b>28,509</b>	<b>38.07</b>
Cash and dividends receivable		<b>13,817</b>	<b>18.45</b>
<b>Total Investment Portfolio</b>		<b>74,881</b>	<b>100.00</b>

The Company is not a substantial shareholder of any ASX-listed investee corporation as defined in the Corporations Act 2001, as each investment represents less than 5% of the issued capital of the investee.



## **CHAIRMAN'S ADDRESS**

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Dear Shareholders,

URB Investments Limited ("URB" or "the Company") was incorporated in October 2016, and listed on the Australian Stock Exchange (ASX) on Wednesday 12 April 2017. Despite being listed for less than three months, URB is required by the Corporations Act 2001 and ASX Listing Rules to prepare financial statements for the period since incorporation to 30 June 2017. I am therefore pleased to enclose the 1<sup>st</sup> Annual Report for URB Investments Limited, for the period to 30 June 2017.

The initial public offering (IPO) was a successful one, with URB completing the issue of shares and options raising approximately \$80.1 million. URB's prime objective is to capture long-term value by investing in a portfolio comprising both equities and direct property that are exposed to the urban renewal and regeneration investment theme.

The other main objective of URB is to provide shareholders with access to investments that have traditionally only been available to a select few. URB is able to achieve this by making investments into direct property alongside Washington H Soul Pattinson and Company Limited (Soul Pattinson), one of Australia's oldest and respected investment houses.

As previously disclosed to the ASX, we have been pleased to report that URB has settled the purchase of the three Direct Property Assets defined as "Seed Assets" in the IPO Prospectus. The Board of URB, the Investment Manager, Contact Asset Management (Contact) and Property Manager, Pitt Street Real Estate Partners (PSRE) are now all focused on enhancing the value of these assets to maximise the outcome for all URB shareholders. Over time, we are confident that the Direct Property Assets will represent a material component of the returns generated by URB.

### **Investment Strategy**

URB's investment strategy is to create an actively managed portfolio of Equity Assets and Direct Property Assets. These assets will all have exposure to urban renewal and regeneration.

### **Investment Objectives**

Our aim is to capture long-term value by investing in a diversified portfolio of Equity Assets and Direct Property Assets with exposure to urban renewal and regeneration.

### **Result Highlights**

URB had operated for less than three months as at 30 June 2017. During this period the Company generated income from operating activities of \$644,125. Operating expenses for the period to 30 June 2017 were \$254,792, and the Company incurred an additional \$1,249,090 in transaction costs acquiring the Seed Assets, resulting in a net operating loss of \$606,906. Basic and diluted loss per share was 0.83 cps for the period.

Net assets of the Company at 30 June 2017 were \$76.1 million, including an Investment Portfolio of \$74.9 million.

### **Investment Portfolio**

From the date of listing, the Company's Investment Manager, Contact, began acquiring assets for the Investment Portfolio.

As at 30 June 2017, \$29.5 million had been invested into the Equity Portfolio. The Equity Portfolio generated \$522,075 in dividends and distributions during the financial period, with the Company earning an additional \$122,050 interest from the cash portion of the Investment Portfolio.

Prior to the IPO, URB entered into several Call Option Agreements with Soul Pattinson over the Seed Assets, providing URB with immediate access to a portfolio of Direct Property Assets upon the successful completion of the IPO. Subsequent to listing and during the period to 30 June 2017, URB exercised each of the Call Options under these agreements, and as a result URB acquired a 49.9% interest in each of the three Trusts; PURT3:

## **CHAIRMAN'S ADDRESS - Continued**

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Kingsgrove, PURT4: Penrith and PURT5: Prestons. Soul Pattinson owns the remaining 50.1% of these three Trusts.

URB has invested a total of \$32.6 million into the Direct Property Portfolio as at 30 June 2017. We believe that URB's current Direct Property Assets are set to benefit from changes in use such as rezoning, gentrification, and the maximisation of land use in order to enhance returns.

Contact will continue to manage the Equity Portfolio and Direct Property Portfolio rigorously, including utilising the expertise of PSRE for follow-on investments required for the Seed Assets in the Direct Property Portfolio.

As expected, URB did not receive any distributions from the Seed Assets in the Direct Property Portfolio in 2017FY. Initial distributions will be received in 2018FY.

### **Dividend Policy**

URB's long term aim is to deliver shareholders a sustainable and growing fully franked dividend yield that is competitive within the listed investment company market.

The Company intends to accumulate and then maintain sufficient retained profits to allow it to achieve its strategic objectives. Then, having regard to prudent business practices, the Company intends to pay out between 50% and 70% of Net Operating Profits each year to shareholders as fully franked dividends, to the extent permitted by the Corporations Act 2001 and the Income Tax Assessment Act 1997.

In circumstances where the Company accumulates sufficient Special Investment Revenue, and after ensuring the business retains sufficient working capital in accordance with its capital management objectives, the Board will consider declaring special fully franked dividends to the extent permitted by the Corporations Act 2001 and the Income Tax Assessment Act 1997.

### **Urban Renewal and Regeneration Opportunities**

As we defined in the URB Prospectus, "Urban Renewal and Regeneration" is the transformation of existing urban areas to accommodate much denser and mixed used environments. It involves the redevelopment of existing urban areas into spaces and built environments that meet contemporary living, working or community needs. It can generate a number of benefits including new infrastructure, better use of existing infrastructure, increased productivity, additional expenditure and new employment opportunities.

There continues to be many opportunities to benefit from urban renewal and regeneration. We will continue to invest in assets that have exposure to population growth, population density, major infrastructure investment, housing growth, new employment, revitalisation of town centres, re-zoning and changes in land use, education services, healthcare services and tourism growth. The theme of urban renewal and regeneration continues to present an immediate and attractive investment opportunity in Australia, and we are excited about the year ahead.

URB is in a strong financial position, with no debt and cash representing 18% of the Asset Portfolio as at 30 June 2017.

On behalf of my fellow Board Members and our Portfolio Managers, I have great pleasure in welcoming all shareholders to the URB register and look forward to a long and successful journey with you all.

We are looking forward to seeing those of you who are able to join us for the Annual General Meeting on 13 October 2017.

Yours sincerely



Warwick Negus

Chairman

Sydney, 29 August 2017

## INVESTMENT MANAGER'S REPORT

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URB's Investment Strategy is implemented by the Investment Manager, Contact Asset Management Pty Limited (Contact), (*Australian Financial Services Licence 494045*).

Dear Investor,

On behalf of Contact Asset Management it is our pleasure to present to you the Investment Manager's Report for URB Investments for the 2017 financial period.

We (Tom Millner and Will Culbert) established Contact in 2016, as an innovative investment stable, implementing a set of principles honed over many generations. We are the majority owners of Contact, and together with Washington H Soul Pattinson and Company Limited, Contact's other shareholder, we are committed to investing for better outcomes. We personally invest alongside the shareholders of the Listed Investment Companies we manage, and always focus on creating long term wealth for all shareholders.

At Contact we are responsible for the overall portfolio management of URB, and have been intensively managing the asset allocation between stock selection in Australian Equity Assets and Direct Property Assets since URB's listing in April 2017.

### Equity Assets

The equity component of the Investment Portfolio comprises a diversified collection of Equity Assets that seek to capitalise on exposure to urban renewal and regeneration. As at 30 June 2017, \$29.5 million was invested into the Equity Portfolio, a concentrated portfolio, comprising 27 stocks.

While it is focused on urban renewal, the Equity Portfolio is well diversified across many sectors of the market including Real Estate, Healthcare, Consumer, Utilities, Building Materials and Industrials. We seek to complement more mainstream equity portfolios as URB does not hold banking or resource stocks.

Major investments into the Equity Portfolio for the period included, Sydney Airport, Transurban Group, CSR Limited, Stockland, The GPT Group, BWP Trust, Harvey Norman Holdings Limited, National Storage REIT, Mirvac Group and Goodman Group. With many of these positions we took advantage of some attractive Final Distributions on offer; Transurban Group (distribution up 15%), Sydney Airports (distribution up 10%), Goodman Group (distribution up 9%), GPT Group (distribution up 7%), Mirvac (distribution up 6%), Stockland (distribution up 5%) and National Storage REIT (distribution up 5%).

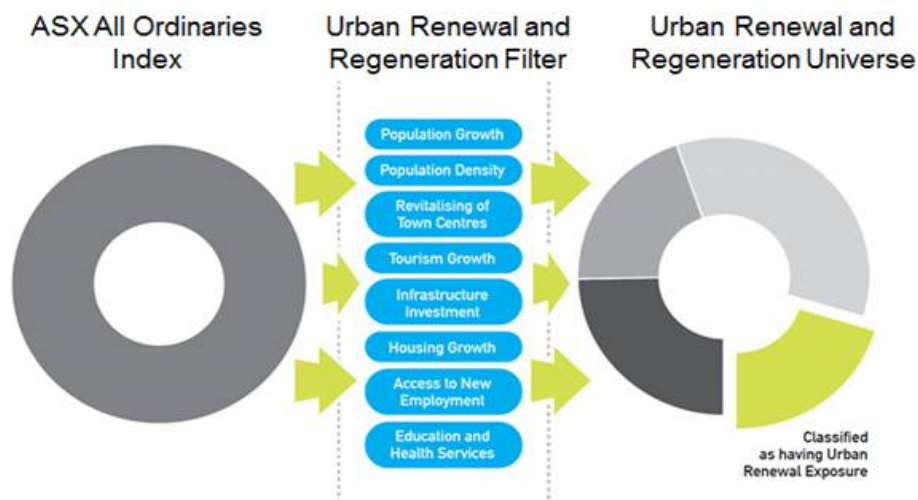
As at 30 June 2017 we had invested approximately 60% of funds we intend to allocate to Equity Assets. These investments are listed on page 3 of this Annual Report. We expect to have completed construction of the Equity Portfolio component of the Investment Portfolio by the end of the 2017FY reporting season.

During the period ending 30 June 2017 the Equity Portfolio generated \$522,075 in dividends and distributions, with the Company earning an additional \$122,050 interest from the cash portion of the Investment Portfolio.

Contact has identified an Urban Renewal Universe made up of 88 stocks from the ASX All Ordinaries Index of 500 stocks as at 30 June 2017 (the Urban Renewal Universe). The Urban Renewal Universe is not an official index but is rather a universe of Australian equities that we consider to have exposure to urban renewal and regeneration and that falls within URB's investment strategy. Equity Assets that we consider comprise the Urban Renewal Universe will vary from time to time, however, when weighted based on market capitalisation, it represented approximately 21.6% of the ASX All Ordinaries Index as at 30 June 2017.

The following diagram shows how we filter through the ASX All Ordinaries Index to find the appropriate stocks for possible inclusion in the Urban Renewal Universe.

INVESTMENT MANAGER'S REPORT - Continued



From the Urban Renewal Universe we then apply our investment selection process to identify investment opportunities. We believe there continues to be many opportunities within the Australian equity market that will benefit from urban renewal and regeneration; in businesses that have exposure to population growth, population density, major infrastructure investment, housing growth, new employment, revitalisation of town centres, re-zoning and use of land changes, education services, healthcare services and tourism growth.

During the period we established 27 equity positions in the URB Investment Portfolio. Below we have identified some highlights of good quality companies benefiting from the urban renewal and regeneration theme:

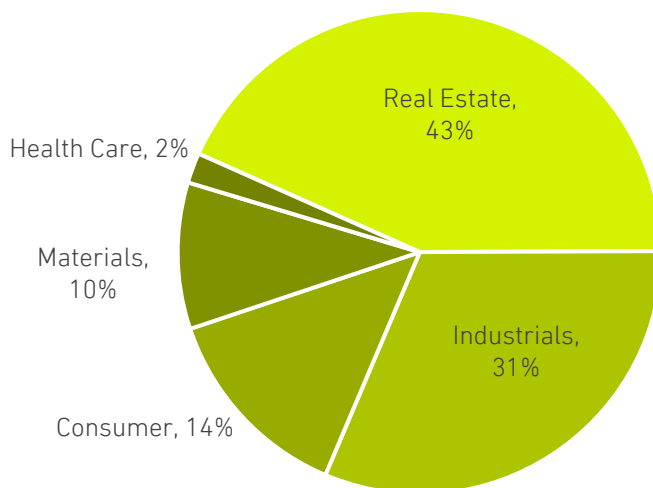
- QUBE Logistics (QUB) held an investor day at their NSW sites, Minto, Moorebank and Port Botany that we attended. They also announced a \$350m capital raising through an Entitlement Offer and Placement to fund a new warehouse at Moorebank, provide growth capex and to further strengthen their balance sheet.
- Sydney Airports (SYD) announced they would not accept the offer to develop and operate the Western Sydney Airport. We view this as a good decision and positive for shareholders with the project presenting significant construction costs, risks and sub optimal short term returns. We believe SYD is offering shareholders solid income and returns in its current form; supported by strong passenger numbers including total annual growth of 3.6% to the end of June 2017, including a 7.7% growth in international traffic from last year. Over 30% of this capacity now comes from quieter, more fuel efficient next generation aircraft such as the Boeing B787 and the Airbus A380.
- Transurban Group (TCL) Average Daily Traffic growth to 30 June 2017 was 5.3% and proportional toll revenue growth was 10.2%. TCL also recently announced an in-principle agreement to deliver the \$60m Brisbane Inner City Bypass Upgrade project and was named in the CPB Contractors JV as the preferred constructor for the design and construct of Melbourne's West Gate Tunnel Project. TCL's investor day addressed key elements of their business, including confirmation that they are focused on "consistently growing distributions while creating long term value".
- National Storage (NSR) continues to expand, entering into arrangements to acquire a portfolio of three freehold storage centres in the northern Brisbane suburbs of Brendale, Lawnton and Rothwell for \$28m (combination of cash and scrip).
- Blackwall Limited (BWF) is a vertically integrated property funds manager, focused on the management, development and financing of income producing assets for their investors. BWF manage WOTSO Workspace who provide virtual office services, executive suites and flexible workspaces in 12 locations across Australia and one in Singapore.

The current Equity Portfolio is well diversified across many sectors of the market including Real Estate, Consumer, Industrials, Building Materials, Healthcare and Utilities. In this portfolio we will always seek to complement more mainstream equity portfolios as URB does not hold banking or resource stocks.

## INVESTMENT MANAGER'S REPORT - Continued

Below is an illustrative representation of the Equity Portfolio as at 30 June 2017 shown on a sector exposure basis.

URB Equity Portfolio Sector Exposure



### Direct Property Assets

URB's call options, granted by Soul Pattinson to acquire interests in the Kingsgrove, Prestons and Penrith properties, were all exercised following URB's successful IPO. As a result URB had acquired a 49.9% interest in each of the three Trusts; PURT3: Kingsgrove, PURT4: Penrith and PURT5: Prestons (together, the **Seed Assets**) as at 30 June 2017. Soul Pattinson owns the remaining 50.1% of these three Trusts.

Contact continues to work closely with Pitt Street Real Estate Partners (PSRE), the real estate advisory division of Soul Pattinson, to enhance the returns of these assets for URB shareholders. Neither Contact nor the URB Board intends for the Company to take on high-density residential development risk. However, through PSRE, URB may re-organise assets in a controlled way to enhance the income stream. This may include development for industrial and commercial property (which may include mixed use development). PSRE will ensure we seek to mitigate any development risk through the use of fixed price building contracts and pre-commitments from potential lessees.

These properties continue to benefit from the urban renewal and regeneration theme and as referenced below, we've made some good progress in developing these assets in a way that will help to maximise returns for all URB shareholders.

**PURT3: Kingsgrove** - The Kingsgrove Property is located in Kingsgrove, NSW, in the inner south-west of Sydney in close proximity to Sydney Airport and Port Botany. The property is 18,480m<sup>2</sup>, currently with an 11,135m<sup>2</sup> office and warehouse.

As at 30 June 2017 the site was 100% leased to Air Grilles Pty Ltd at a yield at 2.8%, although subsequent to period end this lease has expired.

URB believes Kingsgrove may benefit from an influx of smaller industrial site tenants following the rezoning of the South Sydney suburbs of Alexandria, Mascot and Botany. PSRE is therefore assessing various options on a possible re-organisation of the site including demolition, sub-division and construction of smaller lots, which could provide attractive valuation upside. This would be subject to necessary development approvals from government bodies and co-owners,

Contact considers that the Kingsgrove Property has the potential to benefit from:

- Re-leasing on more commercial terms for enhanced sustainable income;

## INVESTMENT MANAGER'S REPORT - Continued

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- Increases in value and income - a possible sub-division of the property subject to necessary development approvals from government bodies and co-owners;
- Proximity to infrastructure - Westconnex Motorway, Kingsgrove railway station, Sydney Airport, Port Botany and Moorebank Intermodal Freight Precinct; and
- Re-Zoning.

**PURT4: Penrith** - Located in Penrith, NSW, west of Sydney, which is in close proximity to the new Badgery's Creek Airport and Northern Road upgrade. The Property is 6,398sqm in site area with approximately 6,464sqm of GLA (Gross Lettable Area).

The property is an older style mixed use complex comprising ground floor retail shops fronting High Street and Station Streets, a retail arcade, hotel, function centre, office space and a car park. The property as at 30 June 2017 was 85% leased with a current yield of 5.2%.

URB believes that Penrith is set to undergo a shift in land use by virtue of infrastructure projects over the next 5 years. Federal, State and Local governments have recently signed the 'City Deals' agreement, which aims to focus investment and development in regional city centres like Penrith by collaborating to unlock government owned land or relocate government businesses from the Sydney CBD or surrounds into the regional city centres. Local council is progressing changes to the planning controls within the city centre to accommodate 'City Shaping' projects (large-scale developments).

Contact considers that the Penrith Property has the potential to benefit from:

- Sustainable and increased income;
- Proximity to infrastructure - Penrith railway station, Penrith town centre, M4 motorway and Badgery's Creek Airport; and
- City Shaping Projects

**PURT5: Prestons** - The Prestons Property is a 68,790m<sup>2</sup> undeveloped, vacant block of land, zoned for industrial use. The property is located in Prestons, NSW and is in very close proximity to the junction of the M5 and M7 motorways.

As disclosed in the URB Prospectus, an AFL (Agreement For Lease) has been executed with a logistics tenant and it is the Trust's intention, subject to the granting of development approval, to construct a logistics warehouse and distribution centre. Construction of the facility is expected to be completed in the second half of 2018 calendar year. PSRE will manage the development and will seek to reduce development risk through a fixed price construction contract.

Contact considers that the Prestons Property has the potential to benefit from:

- Sustainable income - via the long term lease agreement (11yrs);
- Proximity to Infrastructure; M7 and M5 Motorways, Leppington railway station, Badgery's Creek Airport, Moorebank Intermodal Freight Precinct; and
- Revaluation - upon completion of the facility

In relation to future investment opportunities in Direct Property Assets, we continue to work very closely with PSRE. We are targeting the acquisition of real estate assets with urban renewal and regeneration upside focusing specifically on acquiring, developing, structuring and managing undervalued assets which require a short term repositioning for income; require capital for restructuring; or have an underlying opportunity for capital revaluation through changes in use.

We will target Direct Property Assets with strong underlying investment fundamentals including, sustainable income, location benefits, beneficiaries of infrastructure investment; and opportunity for uplift in value from re-zoning and/or increased use and density.

## INVESTMENT MANAGER'S REPORT - Continued

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The strategy in relation to Direct Property Assets is to provide an opportunity for URB investors to gain exposure to assets traditionally only available to a select few. URB expects to continue making investments in Direct Property Assets alongside Soul Pattinson, one of Australia's oldest and respected investment houses. URB will aim to make investments as close to the point of change as possible and, should there be a delay in such changes, the objective will be that the Direct Property Asset is underpinned by a sustainable and often growing income stream.

In conclusion, we believe the current Equity Portfolio is well diversified across many sectors of the market that should be beneficiaries of urban renewal and regeneration, and the Direct Property Assets provide exposure to assets that many investors would otherwise not have access to.

We believe that opportunities for further investment into the urban renewal and regeneration theme will emerge in FY2018. URB has a strong cash balance and is in a good position to take advantage of these opportunities as and when they arise.

Kind Regards



Tom Millner

Contact Asset Management

Director/Portfolio Manager



Will Culbert

Contact Asset Management

Director/Portfolio Manager

## DIRECTORS' REPORT

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The Directors of URB Investments Limited ("the Company", or "URB") present the following report on the Company for the period to 30 June 2017.

### 1. Directors

Unless otherwise noted, the following persons were Directors since the establishment of the Company and up to the date of this report:

#### **Warwick Negus, B.Bus(UTS), M.Com(UNSW), SFFin – Non-Executive Director and Chairman**

Warwick Negus was appointed Non-executive Chairman upon the Company's formation in October 2016. Warwick has more than 30 years' of finance industry experience in Asia, Europe and Australia. His most recent executive roles include Chief Executive Officer of 452 Capital, Chief Executive Officer of Colonial First State Global Asset Management and a Goldman Sachs Managing Director in Australia, London and Singapore.. Warwick is a Director of Terrace Tower Group and FINSIA, and is currently a director of the following ASX listed companies:

- Washington H Soul Pattinson and Company Limited (appointed 2014)
- Bank of Queensland Limited (appointed 2016)
- Pengana Capital Group Limited (appointed 2017, Chairman since 2017)
- Virgin Australia Holdings Limited (appointed 2017)

Special Responsibilities:

- Chairman of the Board
- Member of the Investment Committee

#### **Victoria Weekes, B.Com/Lib(UNSW), FAICD – Independent Non-Executive Director**

Victoria Weekes was appointed a Non-executive Director in November 2016. Victoria is a professional non-executive director and independent business advisor with over 30 years' experience in the investment and financial services industries in senior management and advisory roles working with major listed companies. Having held senior roles in both the private and public sector, Victoria has led a number of large-scale change programs for major organisations. She is currently Chairman of OnePath Custodians Limited, Non-Executive Director of ANZ Share Investing Limited, Sydney Local Health District, FINSIA and is the Chairman of the Audit and Risk Committee of the Urban Growth Development Corporation.

Special Responsibilities:

- Member of the Audit Committee
- Member of the Investment Committee
- Director of Trustee companies of unlisted property trust investments

#### **Anthony (Tony) McDonald, B.Com/Lib(UNSW) - Independent Non-Executive Director**

Tony McDonald joined the Board as an Independent Non-executive Director upon the Company's formation in October 2016. Tony is a professional non-executive director and an executive with extensive business experience across a range of disciplines and industries. Tony co-founded and led the Snowball Group (now part of Shadforth within IOOF Ltd) from a start-up to a fully integrated business listed on the ASX. Tony is Chairman of Newington College Council, and is currently a director of the following ASX listed companies:

- 8IP Emerging Companies Limited,(appointed 2015)
- HUB24 Limited (appointed 2015)

Special Responsibilities:

- Member of the Investment Committee
- Member of the Audit Committee
- Director of Trustee companies of unlisted property trust investments



## DIRECTORS' REPORT - Continued

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### 1. Directors (continued)

#### **Robert (Bruce) Dungey, FCA, GAICD –Independent Non-Executive Director**

Bruce Dungey was appointed a Non-executive Director upon the Company's formation in October 2016. Bruce is a Chartered Accountant with over 40 years' experience providing assurance, taxation and business advisory services to a broad range of enterprises in a variety of industries, notably entrepreneurial growth companies, international private companies and High Net Worth Family offices. Bruce also held a number of leadership roles with two 'Top 4' global accounting firms, namely, Deloitte and Ernst & Young.

Special Responsibilities:

- Chairman of the Audit Committee
- Member of the Investment Committee

#### **Robert Dobson Millner, FAICD - Non-Executive Director**

Robert Millner was appointed as a Non-Executive Director upon the Company's formation in October 2016 and resigned in November 2016 prior to the commencement of the Company's IPO process. Mr Millner is currently a director of the following ASX listed companies:

- Washington H. Soul Pattinson and Company Limited, (appointed 1984)
- New Hope Corporation Limited (appointed 1995)
- Brickworks Limited (appointed 1997)
- Milton Corporation Limited (appointed 1998)
- BKL Investment Company Limited (appointed 2003)
- Australian Pharmaceutical Industries Limited (appointed 2000)
- TPG Telecom Limited (appointed 2000)
- Apex Healthcare Berhad (Appointed 2000)

Former listed company directorships within the last three years:

- Hunter Hall Global Value Limited (appointed 2017, resigned 2017)

### 2. Investment Manager

Contact Asset Management Pty Limited (AFSL Licence Number 494045):

#### **Portfolio Managers:**

##### **Thomas Millner: B.Des (Industrial), GDipAppFin, F Fin, GAICD**

Tom has more than 15 years' experience in investment markets. Prior to the establishment of Contact Asset Management, Tom was Chief Executive Officer of BKL Investment Company from 2008 to 2016 – a period in which total assets grew from \$440 million to almost \$1 billion. Prior to joining BKL, Tom worked at Souls Funds Management covering research, portfolio management and business development. Prior to this Tom was an investment analyst with Republic Securities Limited, manager of the Investment Portfolio of Pacific Strategic Investments.

Tom is currently a Director of Washington H Soul Pattinson and Company Limited (since 2011), PM Capital Global Opportunities Fund Limited (since 2013) and New Hope Corporation Limited (since 2015).

##### **Will Culbert: B.Bus, MCom, GDipAppFin, F Fin, GAICD**

Will has 17 years' experience in the funds management industry in Australia and the UK. Prior to the establishment of Contact Asset Management in 2016, Will was Portfolio Manager for BKL Investment Company for 3 years. Will spent 11 years with Invesco Asset Management (formerly Concord Capital Pty Ltd) as an Equity Analyst and Portfolio Manager. He has also worked for the Bank of New York and Challenger Group.

## DIRECTORS' REPORT - Continued

### 3. Company Secretary

#### Jaime Pinto, BComm, CA

Jaime Pinto is a Chartered Accountant with over 20 years' experience in professional practice and senior commercial roles across a broad range of industries. Jaime is currently Company Secretary of BKI Investment Company Limited (ASX: BKI), Quickstep Holdings Limited (ASX:QHL), and TPI Enterprises Limited (ASX: TPE) and is Company Secretary and CFO of a number of unlisted entities in the investment and property industries.

### 4. Meetings of Directors

Summarised below are the numbers of Board meetings and Committee meetings held during the period to 30 June 2017, and the numbers of meetings attended by each Director.

	Board		Audit	
	Attended	Eligible to attend	Attended	Eligible to attend
Warwick Negus	5	5	-	-
Bruce Dungey	5	5	-	-
Victoria Weekes	3	3	-	-
Tony McDonald	5	5	-	-
Robert Millner	1	2	-	-

### 5. Principal Activities

Principal activities of the Company are that of a Listed Investment Company (LIC), focused on long term investment in ASX listed securities and unlisted Direct Property assets. There were no significant changes in the nature of those activities during the period.

### 6. Operating Results, Financial Position, and Review of Operations

URB's income from operating activities for the period to 30 June 2017 was \$644,125. The Company incurred operating expenses of \$254,792, and an additional \$1,249,090 of transaction costs on the acquisition of Direct Property Assets, resulting in an operating loss before tax \$859,757 and a net loss attributable to shareholders of \$606,906. Basic and diluted loss per share was 0.83 cents.

Net assets of the Company at 30 June 2017 were \$76.1 million, including an Investment Portfolio of \$74.9 million.

The Company's shares listed on the Australian Stock Exchange on 12 April 2017 following a successful Initial Public Offering which raised \$76.34 million net of costs. From this date the Company's Investment Manager, Contact Asset Management Pty Limited (**Contact**), began acquiring assets for the Investment Portfolio. URB invested \$29.5 million into the Equity Portfolio and \$32.6 million into the three Seed Assets within the Direct Property Portfolio. Contact will continue making appropriate additions to the Investment Portfolio, including follow-on investments required for the Seed Assets in the Direct Property Portfolio.

The Equity Portfolio generated \$522,075 in dividends and distributions during the financial period, with the Company earning an additional \$122,050 interest from the cash portion of the Investment Portfolio. As expected, no distributions were received from the seed assets in the Direct Property Portfolio, with initial distributions forecast to be received in 2018FY.

### 7. Employees

The Company had no employees during the period or as at 30 June 2017.

## DIRECTORS' REPORT - Continued

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### 8. Significant Changes in the State of Affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Company during the reporting period.

### 9. Likely Developments and Expected Results

The operations of the Company will continue with planned long term investments in ASX listed equities and unlisted direct property assets. Neither the expected results of those operations nor the strategy for particular investments have been included in this report as, in the opinion of the Directors, this information would prejudice the interests of the Company if included.

### 10. Significant Events after Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may significantly affect:

- the operations of the Company;
- the results of those operations; or
- the state of affairs of the Company in subsequent years.

### 11. Dividends

The Directors have not declared any dividends up to the date of this report.

### 12. Environmental Regulations

The Company's operations are not directly affected by environmental regulations.

### 13. Directors' and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by the Corporations Act.

During the period to 30 June 2017, the Company paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities. The Company also paid premiums for a separate contract to insure each of the officers against all liabilities and expenses arising as a result of the Initial Public Offering conducted during the period. The Directors have not included details of the nature of liabilities covered or the amount of premiums paid in respect of the insurance contracts as such disclosure is prohibited under the terms of the contracts.

### 14. Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial period.

## DIRECTORS' REPORT - Continued

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### 15. Non-audit Services

During the period ended 30 June 2017 the external auditor, Pitcher Partners, provided the following non-audit services to the Company:

	Fees (ex GST) \$'000
Tax compliance services	4
Review services in relation to the Initial Public Offering of the Company	25

### 16. Auditor's Independence Declaration

The Auditor's Independence Declaration for the period to 30 June 2017 is on page 19.

### 17. Corporate Governance Statement

URB's Corporate Governance Statement can be found on the Company's website at the following address:  
<http://www.urbinvest.com.au/corporate-governance/>

### 18. Rounding of 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).

## DIRECTORS' REPORT - Continued

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### 19. Remuneration Report (Audited)

This remuneration report outlines the Director remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. Because the Company does not have any employees, only Non-Executive Directors of the Company are classified as Key Management Personnel of the Company, being those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

#### Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements, including performance incentives, for the Directors themselves. It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

#### Elements of Director remuneration

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel of the Company is summarised below.

- Non-Executive Directors are remunerated at market rates based on time, commitment and responsibilities.
- Non-Executive Directors are not currently entitled to performance incentives.
- The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

All remuneration paid to Key Management Personnel is valued at the cost to the Company and expensed.

#### Remuneration Details for the Period to 30 June 2017

The following disclosures detail the remuneration of the Company Directors. The Company does not have any employees.

The names and positions held by Directors in office at any time during the financial period are:

<i><b>Name</b></i>	<i><b>Position</b></i>
Warwick Negus	Non-Executive Chairman (appointed October 2016)
Bruce Dungey	Independent Non-Executive Director (appointed October 2016)
Victoria Weekes	Independent Non-Executive Director (appointed November 2016)
Tony McDonald	Independent Non-Executive Director (appointed October 2016)
Robert Millner	Non-Executive Director (appointed October 2016, resigned November 2016)

**DIRECTORS' REPORT - Continued**

Details of the nature and amount of each Non-Executive Director's emoluments from the Company in respect of the period to 30 June 2017 are as follows:

	Short term benefits: Primary fee \$	Post employment benefits: Superannuation \$	Total \$
Warwick Negus	13,699	1,301	15,000
Bruce Dungey	10,274	976	11,250
Victoria Weekes	9,133	867	10,000
Tony McDonald <sup>1</sup>	10,000	-	10,000
Robert Millner	Nil	Nil	Nil
<b>Total</b>	<b>43,106</b>	<b>3,144</b>	<b>46,250</b>

1 Paid as consulting fees to a company associated with Mr McDonald. Amount disclosed excludes applicable GST.

Where applicable, Directors receive superannuation guarantee contributions of 9.5% of base fees as required by current government legislation. There were no other retirement allowances provided for the retirement of Non-Executive Directors.

The combined annual payment to all Non-Executive Directors is capped at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided among the Directors as they may determine.

**Beneficial and Relevant Interest of Directors and Other Key Management Personnel in Shares**

As at the date of this report, details of Key Management Personnel who hold shares and options for their own benefit or who have an interest in holdings through a third party and the total number of such shares and options held are listed as follows:

Name	Number of Shares	Number of Options
Warwick Negus	100,000	100,000
Bruce Dungey	68,200	68,200
Victoria Weekes	15,000	15,000
Tony McDonald	100,000	100,000

- End of Remuneration Report -

This report is made in accordance with a resolution of the Directors.



**Warwick Negus**  
Director

Sydney  
29 August 2017

**Auditor's Independence Declaration  
To the Directors of URB Investments Limited  
A.B.N. 89 615 320 262**

In relation to the independent audit for the period from incorporation date to 30 June 2017, I declare that to the best of my knowledge and belief there have been:

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

This declaration is in respect of URB Investments Limited during the period.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

29 August 2017

# URB INVESTMENTS LIMITED

## STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2017

	<i>Note</i>	2017 \$'000
Ordinary revenue from investment portfolio	2(a)	522
Revenue from bank deposits	2(b)	122
<b>Income from operating activities</b>		<b>644</b>
Investment Management Fees	3(a)	(100)
Director Fees		(47)
Administration & other expenses		(108)
<b>Operating expenses</b>		<b>(255)</b>
<b>Operating result before income tax and transaction costs on acquiring direct property assets</b>		<b>389</b>
Transaction costs on acquiring direct property assets	3(b)	(1,249)
Operating result before income tax		(860)
Income tax benefit	4(a)	253
<b>Net operating result attributable to members of the Company</b>		<b>(607)</b>

	<i>Note</i>	2017 Cents
Basic earnings per share	6	(0.83)
Diluted earnings per share	6	(0.83)

This Statement of profit or loss should be read in conjunction with the accompanying notes



# URB INVESTMENTS LIMITED

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	<i>Note</i>	2017 \$'000
Net operating result attributable to members of the Company		(607)
Other comprehensive income		
Unrealised (losses) on investment portfolio		(1,001)
Deferred tax benefit on unrealised losses on investment portfolio	4(a)	<u>275</u>
Total other comprehensive income		(726)
Total comprehensive income attributable to members of the Company		<u>(1,333)</u>

This Statement of other comprehensive income should be read in conjunction with the accompanying notes

# URB INVESTMENTS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	<i>Note</i>	2017 \$'000
<b>Current assets</b>		
Cash and cash equivalents	7	13,295
Trade and other receivables	8	634
Prepayments		63
<b>Total current assets</b>		<u>13,992</u>
<b>Non-current assets</b>		
Financial assets	9	61,064
Property, plant and equipment		4
Deferred tax assets	10	1,700
<b>Total non-current assets</b>		<u>62,768</u>
<b>Total assets</b>		<u>76,760</u>
<b>Current liabilities</b>		
Trade and other payables		582
<b>Total current liabilities</b>		<u>582</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	11	127
<b>Total non-current liabilities</b>		<u>127</u>
<b>Total liabilities</b>		<u>709</u>
<b>Net Assets</b>		<u>76,051</u>
<b>Equity</b>		
Share capital	12	77,384
Revaluation reserve	13	(726)
Retained profits	14	(607)
<b>Total Equity</b>		<u>76,051</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes

# URB INVESTMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Share capital \$'000	Revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Total equity at 13 October 2016</b>	-	-	-	-
Issue of shares, net of issue costs	77,384	-	-	77,384
Unrealised loss on revaluation of investment portfolio	-	(1,001)	-	(1,001)
Provision for tax on unrealised loss on revaluation of investment portfolio	-	275	-	275
Net operating loss for the period	-	-	(607)	(607)
<b>Total equity at 30 June 2017</b>	<b>77,384</b>	<b>(726)</b>	<b>(607)</b>	<b>76,051</b>

This Statement of Changes in Equity should be read in conjunction with the accompanying notes

# URB INVESTMENTS LIMITED

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	<i>Note</i>	2017 \$'000
<b>Cash flows from operating activities</b>		
Payments to suppliers and directors		(266)
Interest received		<u>122</u>
<b>Net cash outflow from operating activities</b>	<i>15(a)</i>	<u>(144)</u>
<b>Cash flows from investing activities</b>		
Payments for investment portfolio		(62,896)
Payments for plant and equipment		<u>(4)</u>
<b>Net cash outflow from investing activities</b>		<u>(62,900)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of ordinary shares and options less issue costs		<u>76,339</u>
<b>Net cash inflow from financing activities</b>		<u>76,339</u>
<b>Net increase in cash held</b>		<u>13,295</u>
Cash at the beginning of the period		-
<b>Cash as at 30 June 2017</b>	<i>7</i>	<u><u>13,295</u></u>

This Statement of Cash Flows should be read in conjunction with the accompanying notes

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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### 1. Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

URB Investments Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report covers the entity URB Investments Limited, a listed public company, incorporated on 13 October 2016 and domiciled in Australia.

The financial report complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of Preparation

The accounting policies set out below have been consistently applied throughout the financial period.

##### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis. It is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities, for which the fair value basis of accounting has been applied.

#### Accounting Policies

##### a. Income tax

The charge for current income tax expense is based on the profit for the financial period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017

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1. Significant Accounting Policies (continued)

Accounting Policies (continued)

b. Financial instruments

(i) *Recognition*

Unless otherwise stated below, financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

The Company's Investment Portfolio is comprised of two primary components – an Equity Portfolio and a Property Portfolio

*Equity Portfolio*

The Company's Equity Portfolio contains ASX-Listed equities, or equities in entities that will be listed within twelve months, and may include two sub-portfolios – an equity investment portfolio and an equity trading portfolio.

The equity investment portfolio contains holdings of equities that the Company intends to retain on a long-term basis. Equities within the equity investment portfolio are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition. These equities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

The trading portfolio will comprise any securities held for short term trading purposes. Equities held within the trading portfolio will be classified as 'mandatorily measured at fair value through profit or loss'. These equities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

*Property Portfolio*

The Company's Property Portfolio comprises unlisted direct equity investments in Australian properties. Typically the Company will maintain a large proportionate ownership of each direct property asset, resulting in the Company having either control or significant influence over these investments.

However, the Company is classified as an Investment Entity in accordance with paragraph 27 of *AASB10: Consolidated Financial Statements*, as its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. The Company has also applied the Venture Capital Organisation exemption in *AASB128: Investments in Associates and Joint Ventures*. Being an Investment Entity and Venture Capital Organisation, the investments in the Property Portfolio have been accounted for as financial assets measured at fair value through profit or loss. As such, property investments are initially brought to account at the cost of acquisition, and transaction costs relating to acquisitions are expensed immediately to profit and loss.

(ii) *Valuation*

*Equity Portfolio*

Listed securities are initially brought to account at the cost of acquisition, including transaction costs, and are re-valued to market values continuously.

Movements in carrying values of securities in the equity investment portfolio are recognised as Other Comprehensive Income and taken to the Revaluation Reserve. Where disposal of a security in the equity investment portfolio occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Movements in carrying values of securities in the equity trading portfolio are taken to Profit or Loss through the Income Statement.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017

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1. Significant Accounting Policies (continued)

Accounting Policies (continued)

b. Financial instruments (continued)

*Property Portfolio*

Subsequent to initial recognition, property investments are measured at fair value, with gains and losses arising from changes in the fair value recognised in profit and loss.

(iii) *Fair value*

*Equity Portfolio*

Fair value is determined based on last sale price for all quoted investments. IRESS, Bloomberg or other similar financial information service are used as the price source for listed securities.

*Property Portfolio*

The Board will review the fair value of the Property Portfolio at each reporting date. To assist in their assessment of fair value, the Board will ensure an independent valuer is engaged periodically to assess the fair value of individual properties, at least once every two years. Valuations may occur more frequently if there is reason to believe that the fair value of a property has materially changed from its book value (e.g. as a result of changes in market conditions, leasing activity in relation to the property or commencement or completion of any development activity).

c. Revenue

Sale of investments occurs when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend and distribution revenue is recognised when the right to receive a dividend or distribution has been established.

All revenue is stated net of the amount of goods and services tax (GST).

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts.

e. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

f. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments. The Company operates solely in the investment industry in Australia and has no reportable segments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**1. Significant Accounting Policies (continued)**

**Accounting Policies (continued)**

**g. Rounding of amounts**

The Company has applied the relief available to it under ASIC Corporations Instrument (Rounding in Financial / Directors' Reports) 2016/191 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 unless otherwise stated.

**h. Critical accounting estimates and judgements**

The preparation of this report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Company's accounting policies.

**(i) Deferred tax balances**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with *AASB112: Income Taxes*, deferred tax liabilities/ assets have been recognised for Capital Gains Tax on unrealised gains/ losses in the investment portfolio at the current tax rate of 27.5%.

As the Company does not intend to dispose of the investment portfolio, these tax assets/ liabilities may not be crystallised at the amounts disclosed in Note 10 and Note 11. In addition, any tax liability that arises on disposal of those investments may be impacted by changes in tax legislation relating to the treatment of capital gains and the rate of taxation applied to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

**i. Australian Accounting Standards not yet effective**

The Company has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the financial period ended 30 June 2017 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

2017  
\$'000

**2. Revenues**

**(a) Ordinary revenue from investment portfolio**

Fully franked dividends	60
Unfranked dividends	38
Trust distributions	424
<b>Total ordinary revenue from investment portfolio</b>	<b>522</b>

**(b) Revenue from bank deposits**

Interest received	122
<b>Total income</b>	<b>644</b>



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

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**3. Expenses**

**(a) Investment Management Fees**

The Company has outsourced its investment management function to Contact Asset Management Pty Limited (**Contact**), whose services are governed by an Investment Management Agreement. In accordance with the investment management agreement, Contact is entitled to an ongoing management fee equal to 0.50% p.a. (plus GST) of Total Assets.

Contact is also entitled to a performance fee if a performance hurdle is satisfied at the end of each financial year, excluding the period ended 30 June 2017. Therefore no performance fee was paid or payable in respect of the period to 30 June 2017.

The performance hurdle is satisfied if the Company's pre-tax net tangible asset per share as at the end of a financial year (CY NTA) has increased by at least 8% from the Company's pre-tax net tangible asset per Share at the end of the immediately preceding financial year (PY NTA). The performance fee is calculated as  $15\% \times ((CY\ NTA - [PY\ NTA \times 1.08]) \times \text{weighted average no of shares during relevant financial year})$ .

**(b) Transaction costs on acquiring direct property assets**

	2017 \$'000
Option fees paid on acquisition of units in unlisted property trusts	1,249
<b>Total transaction costs</b>	<b>1,249</b>

Prior to listing, URB and Washington H Soul Pattinson and Company Limited (WHSP) entered into three separate Call Option Agreements. After listing, during the period ended 30 June 2017, URB exercised each Call Option and paid a 4% option fee to WHSP, acquiring a 49.9% interest in each of the Direct Seed Property Assets. Further details relating to these Call Option Agreements and the Option fees payable were included in Section 3.8 of the Company's Prospectus.

By entering into the Call Option Agreements, the Company was able to guarantee access to an immediate portfolio of Direct Property investments upon the successful completion of the IPO without having to make any up-front payments, as at the time the Company had no significant assets.

As described in Note 1 b) (i), the Company has applied the Venture Capital Organisation exemption in AASB128, and accounts for its investments in the Property Portfolio as financial assets measured at fair value through profit or loss. As such, the Company is required to expense transaction costs relating to unlisted property acquisitions immediately to profit and loss.

The Company does not expect to incur similar transaction costs in any future purchases of Direct Property investments.

**4. Income tax benefit**

On 19 May 2017, legislation received Royal Assent to enact corporate tax rate reductions. The new legislation reduces the corporate tax rate for companies that are carrying on a business with aggregated turnover below the relevant threshold for the applicable income year (worked out at the end of the income year). Based on current interpretation of this legislation, the defined thresholds and tax rates within the legislation, and the Company's actual 2017FY turnover and estimated 2018FY turnover, URB has assessed that it is and will continue to be subject to a tax rate of 27.5%. The applicability of the reduced tax rate regime to investment entities such as URB is currently under debate. Should the legislation change, or its applicability be redefined, URB may be required in future periods to apply a different tax rate.

# URB INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

2017  
\$'000

### 4. Income tax benefit (continued)

#### (a) Reconciliation of income tax benefit

The aggregated amount of income tax benefit attributable to the period differs from the amounts prima facie payable on losses from ordinary activities. The difference is reconciled as follows:

Operating loss before income tax	(860)
Tax calculated at 27.5%	(236)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
- Franked dividends and distributions received	(17)
Net income tax benefit on operating loss	(253)
<b>Total income tax benefit</b>	<b>(253)</b>

#### (b) The components of income tax benefit comprise:

Current tax	275
Deferred tax	(528)
<b>Total income tax benefit</b>	<b>253</b>

### 5. Dividends

#### (a) Dividends declared

No dividends were declared by Directors during the financial period ended 30 June 2017, and no dividends have been declared since balance date.

#### (b) Franking account balance

	2017 \$
Balance as at 30 June 2017	-
Imputation credits attributable to franked dividends receivable as at 30 June 2017	22,645
<b>Estimated imputation credits available for future dividends</b>	<b>22,645</b>
<b>Maximum fully franked dividends payable from estimated available franking credits at the tax rate of 27.5%</b>	<b>59,700</b>

# URB INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

2017  
\$'000

### 6. Earnings per share

Net operating result	(607)
Earnings used in calculating basic and diluted earnings per share	(607)

2017  
Number of  
shares

Weighted average number of ordinary shares used in calculating basic and diluted earnings per share

72,853,332

2017  
Cents

Basic and diluted earnings per share

(0.83)

As the Company made an operating loss after tax, potential ordinary shares on issue (being listed options) are not considered to be dilutive and therefore the diluted loss per share equals the basic loss per share.

2017  
\$'000

### 7. Cash and cash equivalents

Cash at bank	13,295
	<u>13,295</u>

### 8. Trade and other receivables

Dividends and distributions receivable	522
Outstanding settlements	8
Other receivables	104
	<u>634</u>

### 9. Financial assets – non-current investment portfolio

#### Equity portfolio

Listed securities at fair value	28,509
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#### Unlisted property trusts

Unlisted units in property trusts at fair value	32,555
<b>Total investment portfolio</b>	<b><u>61,064</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**9. Financial assets– non-current investment portfolio (continued)**

**Fair Value Measurement**

URB measures the fair value of its Equity Portfolio and Property Portfolio with reference to the following fair value measurement hierarchy mandated by accounting standards:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(i) Recognised fair value measurements

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at the end of the financial period.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income:				
Listed equity portfolio	28,509	-	-	28,509
Financial assets at fair value through profit or loss:				
Property portfolio	-	-	32,555	32,555
	<b>28,509</b>	<b>-</b>	<b>32,555</b>	<b>61,064</b>

**10. Deferred tax assets**

2017  
\$'000

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	836
Accrued expenses	126
Unrealised losses on equity portfolio	275
Difference in tax and accounting cost base	344
Operating tax losses carried forward	119
<b>Total</b>	<b>1,700</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**10. Deferred tax assets (continued)**

**Movements in deferred tax assets**

	Opening balance \$'000	Credited/ (charged) to statement of comprehensive income \$'000	Credited/ (charged) to equity \$'000	Closing balance \$'000
Transaction costs on equity issues	-	(209)	1,045	836
Accrued expenses	-	126	-	126
Unrealised losses on equity portfolio	-	275	-	275
Difference in tax and accounting cost base	-	344	-	344
Operating tax losses carried forward	-	119	-	119
<b>Balance as at 30 June 2017</b>	<b>-</b>	<b>655</b>	<b>1,045</b>	<b>1,700</b>
				<b>2017</b>
				<b>\$'000</b>

**11. Deferred tax liabilities**

The deferred tax asset balance comprises the following timing differences:

Unfranked dividends receivable and interest receivable	<u>127</u>
<b>Total</b>	<b><u>127</u></b>

**Movements in deferred tax liabilities**

	Opening balance \$'000	(Credited)/ charged to statement of comprehensive income \$'000	(Credited)/ charged to equity \$'000	Closing balance \$'000
Unfranked dividends receivable and interest receivable	-	127	-	127
<b>Balance as at 30 June 2017</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>127</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

2017  
\$'000

**12. Share Capital**

**(a) Issued and paid up capital**

72,853,332 ordinary shares fully paid 77,384

**(b) Movement in ordinary shares**

	2017 Number of shares	\$'000
Beginning of financial period	-	-
Issued during the period:		
- incorporation of Company	100	-
- shares issued via IPO	72,853,232	80,139
<b>Gross funds raised</b>		80,139
- less net transaction costs		(2,755)
<b>End of financial period</b>	<b>72,853,332</b>	<b>77,384</b>

**(i) Ordinary shares**

The Company does not have an authorised share capital and the ordinary shares on issue have no par value. Holders of ordinary shares participate in dividends and the proceeds on a winding up of the Company in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(ii) Initial public offering ("IPO")**

The Company issued a Prospectus on 3 March 2017 for the offer of up to 272,727,273 fully paid ordinary shares, together with one attaching option (refer below) at an offer price of \$1.10 per share to raise up to \$300,000,000. On 7 April 2017, the Company issued 72,853,232 fully paid ordinary shares under this initial public offering at \$1.10 per share, and 72,853,232 options for nil additional consideration.

**(iii) Options**

As part of the IPO the Company issued options to acquire ordinary shares in the Company at an exercise price of \$1.10. The options can be exercised at any time on or before 5:00pm (Sydney time) 7 April 2018. The options give the shareholders the right but not the obligation to subscribe for shares in URB at \$1.10 per share. The options can be exercised in full or in part. The options are currently trading on the ASX under the code URB0. As at 30 June 2017 no options had been exercised. As at the date of this report 8,500 options have been exercised.

**(c) Other Information:**

- There are no unquoted securities.
- There are no securities subject to escrow.
- There is no current on-market buy-back in place.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**12. Share Capital (continued)**

**(d) Capital Management**

The Company's objective in managing capital is to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying an enhanced level of dividends and providing attractive total returns over the medium to long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Company's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Statement of Changes in Equity. At 30 June 2017 net debt was \$Nil.

2017  
\$'000

**13. Revaluation reserve**

The revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio, net of applicable income tax.

Balance at the beginning of the period

-

Gross revaluation of investment portfolio

(1,001)

Deferred provision for tax on unrealised gains

275

**Balance at the end of the financial period**

**(726)**

**14. Retained profits**

Balance at the beginning of the period

-

Net loss attributable to members of the Company

(607)

**Balance at the end of the financial period**

**(607)**

**15. Notes to the statement of cash flows**

**(a) Reconciliation of cash flow from operating activities to net operating loss**

Net operating loss

(607)

Add back:

Transaction costs on acquisition of unlisted property assets

1,249

Changes in assets and liabilities:

- (Increase) in trade and other receivables

(626)

- (Increase) in prepayments

(63)

- (Increase) in deferred tax assets

(380)

- Increase in payables

156

- Increase in deferred tax liabilities

127

**Net cash outflow from operating activities**

**(144)**

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017

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**15. Notes to the statement of cash flows (continued)**

**(b) Non-cash financing and investing activities**

The Company has not implemented a Dividend Reinvestment Plan.

The Company did not engage in any non-cash financing or investing activities during the financial period.

**16. Management of financial risk**

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Board has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit Committee.

**a. Financial instruments' terms, conditions and accounting policies**

The Company's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

**b. Net fair values**

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

**c. Credit risk**

The risk that a financial loss will occur because counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Company's financial assets, excluding investments, is the carrying amount of those assets. The Company's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

Cash and bank bills are reviewed monthly by the Board to ensure cash is only placed with pre-approved financial institutions with low risk profiles (primarily "Big 4" banks) and that the spread of cash and bank bills between banks is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

**d. Market risk**

Market risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Company is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The market value of the Equity Portfolio changes continuously because the market value of individual companies within the portfolio fluctuates throughout the day. The change in the market value of the Equity Portfolio is recognised through the Revaluation Reserve. As at 30 June 2017, the ASX listed investments in the Equity Portfolio represented 38% of the overall Investment Portfolio.

As at 30 June 2017, a 5% movement in the market value of the URB Equity portfolio would result in:

- a 2% movement in the net assets of URB before provision for tax on unrealised capital gains; and
- A movement of 2.0 cents per share in the net asset backing before provision for tax on unrealised capital gains.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**16. Management of financial risk (continued)**

**d. Market risk (continued)**

The performance of the companies and trusts within the Investment Portfolio, both individually and as a whole, is monitored by the Investment Committee and the Board.

URB seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one sector of the market.

At 30 June 2017, the spread of investments is in the following sectors:

	Percentage of Portfolio (%)	Amount (\$'000)
	2017	2017
Real Estate	16.48	12,338
Industrials	11.97	8,956
Materials	3.72	2,791
Consumer Discretionary	3.35	2,512
Consumer Staples	1.78	1,337
Health Care	0.77	575
<b>Total Equity Portfolio investments</b>	<b>38.07</b>	<b>28,509</b>
Direct Property Portfolio	43.48	32,555
<b>Total Financial assets</b>	<b>81.55</b>	<b>61,064</b>
Cash and dividends receivable	18.45	13,929
<b>Total Investment portfolio</b>	<b>100.00</b>	<b>74,993</b>

Individual investments (excluding cash) representing over 5% of the Investment Portfolio at 30 June 2017 were:

	Percentage of Portfolio(%)	Amount (\$'000)
	2017	2017
PURT No.4 – Penrith	16.28	12,187
PURT No.5 – Prestons	16.01	11,990
PURT No.3 – Kingsgrove	11.19	8,378
Sydney Airport	5.21	3,899

The relative weightings of each individual equity security and relevant market sectors are regularly reviewed by the Investment Manager, and at each meeting of the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the Equity Portfolio that can be invested in a single entity or sector. The target maximum for the Direct Property Portfolio is 50% of the Total Investment Portfolio; within this, there are no set parameters as to a minimum or maximum amount of the Direct Property Portfolio that can be invested in a single entity, region or type of property.

**e. Interest rate risk**

The Company is not directly exposed to material interest rate risk. All cash investments are short term (up to 1 year) for a fixed rate, except for cash in operating bank accounts which are at-call and attract variable rates.

The Company has no financial liability as at 30 June 2017.

In addition, as at 30 June 2017 there was no gearing within any of the property trusts in the Company's Direct Property Portfolio.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**16. Management of financial risk (continued)**

**f. Foreign currency risk**

The Company is not exposed to foreign currency risk as all investments are quoted in Australian dollars.

**g. Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet financial obligations as they fall due.

The Company has no borrowings, and sufficient cash reserves to fund core operations until such time as these operations are funded by revenue received from existing investments.

The Company's other major cash outflows are the purchase of listed securities, additional Direct Property investments, and the payment of dividends to shareholders. The level of all of these outflows is fully controllable by the Board.

Furthermore, approximately 50% of the Company's assets are in the form of readily tradeable securities, which can be sold on-market to generate cash if necessary.

**h. Capital risk management**

The Company invests its equity in a diversified portfolio of ASX-listed equity securities and unlisted property assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. The Company issued attaching options with the shares issued to investors during its IPO, and these Options are expected to be a source of additional capital in the short term. From time to time, where deemed appropriate, the Company may consider implementing other capital raising strategies including Rights Issues, Share Placements, Share Purchase Plans, and the introduction of a Dividend Reinvestment Plan.

**17. Key management personnel disclosures**

The names and positions held of the Company's key management personnel (**KMP**) in office at any time during the financial period are:

<i><b>Name</b></i>	<i><b>Position</b></i>
Warwick Negus	Non-Executive Chairman
Bruce Dungey	Independent Non-Executive Director
Tony McDonald	Independent Non-Executive Director
Victoria Weekes	Independent Non-Executive Director
Robert Millner	Non-Executive Director (resigned November 2016)

Details of the nature and amount of each KMP's remuneration from URB in respect of the period to 30 June 2017 have been included in the Remuneration Report section of the Directors' Report, with overall KMP remuneration summarised below.

	<b>2017 \$'000</b>
Short term employee benefits – Directors' fees	43,106
Post employment benefits - Superannuation	3,144
	<u>46,250</u>

The Company contributes superannuation payments on behalf of Directors in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and are independent of URB.

# URB INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

### 18. Related Party Transactions

Related parties of the Company fall into the following categories:

#### (a) Key management personnel

Disclosures relating to key management personnel are included in Note 17.

#### (b) Director Related Entities

##### *Washington H. Soul Pattinson and Company Limited*

Prior to the completion of the Company's IPO, the Company entered into a Co-investment Agreement and three Call Option Agreements with Washington H Soul Pattinson and Company Limited (WHSP). Mr Warwick Negus is a director of WHSP. Subsequent to the IPO, the Company exercised the Call Options and entered into three Unitholder Agreements with WHSP.

Option fees paid or payable to WHSP for exercise of the Call Options for the period to 30 June 2017 were \$1,249,090, and were negotiated at arms length rates. As at 30 June 2017 the Company owed \$426,567 to WHSP.

##### *Corporate & Administrative Services Pty Limited*

The Company has appointed Corporate & Administrative Services Pty Limited (CAS) to provide the Company with administration, company secretarial and accounting services, including preparation of all financial accounts. Mr Warwick Negus is a director of WHSP, the parent entity of CAS.

Fees paid to CAS for services provided to URB for the period to 30 June 2017 were \$30,251 including GST, and are at standard market rates. As at 30 June 2017 the Company owed \$10,084 to CAS.

##### *Pitt Capital Partners Limited*

The Company appointed Pitt Capital Partners Limited (PCP) to act as Financial Advisor for the Company's Initial Public Offering (IPO). Mr Warwick Negus is a director of WHSP, the parent entity of PCP.

Fees payable to PCP for services provided to the Company for the period to 30 June 2017 were \$881,524 including GST, and are at standard market rates. As at 30 June 2017 the Company did not owe any money to PCP.

##### *Contact Asset Management Pty Limited*

The Company has outsourced its investment management function to Contact Asset Management Pty Limited (Contact). Mr Warwick Negus is a director of WHSP, which owns 20% of Contact.

Fees payable to Contact for services provided to the Company for the period to 30 June 2017 were \$106,408 including GST, and are calculated in accordance with terms summarised in Note 3 (a). As at 30 June 2017 the Company owed \$35,444 to Contact.

#### (c) Transactions in securities

##### *Share Holdings*

The number of ordinary shares in the Company held during the financial period by Key Management Personnel (KMP), or their related entities, are set out below.

2017	Opening balance	Participation in IPO	Balance as at 30 Jun 2017	Balance as at date of Annual Report
Warwick Negus	-	100,000	100,000	100,000
Bruce Dungey	-	68,200	68,200	68,200
Tony McDonald	-	100,000	100,000	100,000
Victoria Weekes	-	15,000	15,000	15,000
Total	-	283,200	283,200	283,200

KMP acquired ordinary shares through the IPO. There have been no other changes to KMP shareholdings during the period ended 30 June 2017. No shares were granted as compensation during the financial period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**18. Related Party Transactions (continued)**

**(c) Transactions in securities (continued)**

*Option Holdings*

The number of options in the Company held during the financial period by Key Management Personnel (KMP), or their related entities, are set out below.

2017	Opening balance	Participation in IPO	Balance as at 30 Jun 2017	Balance as at date of Annual Report
Warwick Negus	-	100,000	100,000	100,000
Bruce Dungey	-	68,200	68,200	68,200
Tony McDonald	-	100,000	100,000	100,000
Victoria Weekes	-	15,000	15,000	15,000
Total	-	283,200	283,200	283,200

KMP acquired options through the IPO. There have been no other changes to Directors' option holdings during the period ended 30 June 2017. There were no options granted during the financial period as compensation.

Options held by KMP are subject to the same terms and conditions as all other options issued by the company, as outlined in Note 12.

**19. Capital and Leasing Commitments**

The Company has no capital and leasing commitments as at 30 June 2017.

**20. Auditors' Remuneration**

During the financial period the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company:

	2017 \$'000
<i>Audit and other assurance services</i>	
Audit of the financial report	26
Total remuneration for audit and other assurance services	26
<i>Other Services</i>	
Tax compliance services	4
Review services in relation to the Initial Public Offering of the Company	25
Total auditor's remuneration	55

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

**21. Contingent Liabilities**

The Company has no contingent liabilities as at 30 June 2017.

**22. Authorisation**

The financial report was authorised for issue on 29 August 2017 by the Board of Directors.

## DIRECTORS' DECLARATION

---

The Directors of URB Investments Limited declare that:

1. the financial statements and notes, as set out on pages 20 to 40, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations;
  - b. comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
  - c. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the period ended on that date of the Company;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2017.

This declaration is made in accordance with a resolution of the Board of Directors.



**Warwick Negus**  
Director

Sydney  
29 August 2017

**Independent Auditor's Report  
to the Members of URB Investments Limited  
A.B.N. 89 615 320 262**

**REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of URB Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the period since incorporation to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

**Opinion**

In our opinion

- a) the financial report of URB Investments Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Basis of Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<b><i>Existence, Completeness, Valuation, and Classification of Financial Assets</i></b> <b><i>Refer to Note 9: Financial Assets</i></b>	
<p>We focused our audit effort on the valuation, existence and completeness of the Company's financial assets as they are its largest asset and represent the most significant driver of the Company's net tangible assets and profits.</p> <p>The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>In relation to investments, there can be a risk that these are not owned by the Company.</p> <p>We therefore identified the valuation, existence and completeness of investments as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ We obtained an understanding of the investment management process and controls;</li> <li>▪ For equity investments, we agreed a sample of the investment holdings to independent share registry databases;</li> <li>▪ For property investments, we confirmed the proper recording and ownership through review of unitholder agreements.</li> <li>▪ We assessed the Company's valuation of individual investment holdings to independent sources where readily observable data was available. For investments where there was little or less observable market data, we obtained and assessed other relevant valuation data.</li> <li>▪ We evaluated recent external independent valuations with respect to properties in the property portfolio including assessing the valuation methodology adopted and competence of valuers.</li> <li>▪ We evaluated the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses;</li> <li>▪ We assessed the adequacy of disclosures in the financial statements.</li> </ul>

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b><i>Accuracy and Completeness of Management &amp; Performance Fees</i></b> <b><i>Refer to Note 3: Expenses, Note 18: Related party transactions</i></b>	
<p>We focused our audit effort on the accuracy and completeness of management and performance fees as they could be significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition to their quantum, as these transactions are entered into with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p> <p>We therefore identified the accuracy and completeness of management and performance fees as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements;</li> <li>▪ Considered the treatment of events that may be significant to the calculation of management and performance fees;</li> <li>▪ In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement;</li> <li>▪ Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test;</li> <li>▪ We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.</li> </ul>

### **Other information**

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the period ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' Responsibility for the Financial Report**

The Directors of URB Investments Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial report. We are responsible for the

direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON THE REMUNERATION REPORT**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 18 of the Directors' Report for the period ended 30 June 2017. In our opinion, the Remuneration Report of URB Investments Limited for the period ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The Directors of URB Investments Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**S M Whiddett**  
Partner



**Pitcher Partners**  
Sydney

29 August 2017

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is listed below. The shareholder information disclosed was applicable as at 31 July 2017.

### 1) Distribution of equity securities

#### (a) Ordinary Shares

Below is an analysis of holders of ordinary shares in URB by size of holding.

Holding Size	Number of shareholders	Number of shares held	Percentage of issued shares
1 – 1,000	25	18,560	0.03
1,001 – 5,000	1,167	3,956,610	5.43
5,001 – 10,000	725	6,610,373	9.07
10,001 – 100,000	1,165	38,203,899	52.44
100,001 and over	54	24,063,890	33.03
<b>Total</b>	<b>3,136</b>	<b>72,853,332</b>	<b>100.00</b>
Holding less than a marketable parcel of 470 shares	5	1,575	0.00

The 20 largest holdings of URB's ordinary shares are listed below:

Name	Number of shares held	%
Washington H Soul Pattinson and Company Limited	9,000,000	12.35
Jasgo Nominees Pty Limited	1,818,200	2.50
Aust Executor Trustees Ltd	909,090	1.25
Netwealth Investments Limited	762,981	1.05
J S Millner Holdings Pty Limited	700,000	0.96
Netwealth Investments Limited	591,051	0.81
Packa Pty Limited	500,000	0.69
Tom Hale Pty Limited	500,000	0.69
Geat Incorporated	400,000	0.55
Bond Street Custodians Limited	363,636	0.50
Marsden Holdings (Canberra) Pty Limited	318,000	0.44
Ms Anne Margaret McNiven	300,000	0.41
Mr Desmond O'Donnell Ferris & Mrs Robin Ferris	300,000	0.41
Castodian No 1 Pty Limited	272,728	0.37
Merrinong Pastoral Co Pty Ltd	250,000	0.34
Janlink Pty Limited	250,000	0.34
Mr Mark Edward Kennedy	250,000	0.34
ESB Nominees Pty Ltd	250,000	0.34
EMS Nominees (Vic) Pty Ltd	250,000	0.34
Rasal Nominees Pty Ltd	227,273	0.31

ASX ADDITIONAL INFORMATION

1) Distribution of equity securities (continued)

(b) Options

Below is an analysis of holders of listed options (expiring April 2018) in URB by size of holding.

Holding Size	Number of option holders	Number of options held	Percentage of issued options
1 – 1,000	2	1,200	0.00
1,001 – 5,000	1,126	3,822,319	5.25
5,001 – 10,000	679	6,220,799	8.54
10,001 – 100,000	1,122	37,376,090	51.30
100,001 and over	60	25,432,824	34.91
<b>Total</b>	<b>2,992</b>	<b>72,853,232</b>	<b>100.00</b>

Holding less than a marketable parcel of 16,667  
options

2,013 12,903,460 17.71

The 20 largest holdings of URB's options are listed below:

Name	Number of options held	%
Washington H Soul Pattinson and Company Limited	9,000,000	12.35
Jasgo Nominees Pty Limited	1,818,200	2.50
Aust Executor Trustees Ltd	909,090	1.25
J S Millner Holdings Pty Limited	700,000	0.96
Netwealth Investments Limited	681,000	0.93
Novasc Pty Ltd	550,000	0.75
Netwealth Investments Limited	546,800	0.75
Packa Pty Limited	500,000	0.69
Tom Hale Pty Limited	500,000	0.69
Geat Incorporated	400,000	0.55
Bond Street Custodians Limited	363,636	0.50
Marsden Holdings (Canberra) Pty Limited	318,000	0.44
Mr John Stuart Austin & Mrs Jennel Marita Austin	309,000	0.42
Mr Desmond O'Donnell Ferris & Mrs Robin Ferris	300,000	0.41
Ms Anne Margaret McNiven	300,000	0.41
Castodian No 1 Pty Limited	272,728	0.37
Merrinong Pastoral Co Pty Ltd	250,000	0.34
Janlink Pty Limited	250,000	0.34
Mr Mark Edward Kennedy	250,000	0.34
ESB Nominees Pty Ltd	250,000	0.34

## ASX ADDITIONAL INFORMATION

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### (2) Voting Rights of Members

Article 16.2 of the Company's Constitution provides that, subject to relevant articles of this constitution and relevant sections of the Corporations Act 2001:

- a) on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- b) on a poll at a meeting of Members, every Eligible Member present has:
  - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
  - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds.

### 2) Substantial Shareholders

As at 30 June 2017 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is:

Substantial Shareholder	Shares Held	%
Washington H Soul Pattinson & Company Limited <sup>1</sup>	9,000,000	12.35
Brickworks Limited <sup>1, 2</sup>	9,000,000	12.35

<sup>1</sup> Details included on substantial shareholder notice dated 12 April 2017.

<sup>2</sup> Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H Soul Pattinson & Company Limited.

- There were 107 transactions in ASX-listed securities undertaken by URB and the total brokerage paid or accrued during the period was \$49,440.