

**Unity Pacific Group**  
**(Comprising Unity Pacific Limited And Unity Pacific Stapled Trust**  
**and their Controlled Entities)**

**Appendix 4D**  
**Half Year Report for the period ended 31 December 2015**  
**to the Australian Securities Exchange**

**1. Company Details**

This report is for Unity Pacific Group comprising Unity Pacific Limited (ABN 11 110 831 288), Unity Pacific Stapled Trust (ARSN 111 389 596) and their controlled entities.

The responsible entity of Unity Pacific Stapled Trust is Unity Pacific Investment Management Limited (ABN 47 137 565 149, AFS Licence number 338688), a subsidiary of Unity Pacific Limited.

**2. Reporting Period**

**Reporting Period:** **6 months ended 31 December 2015**

**Previous Corresponding Period:** 6 months ended 31 December 2014

This report should be read in conjunction with Unity Pacific Group's annual financial report for the year ended 30 June 2015 and any public announcements made by Unity Pacific Group during the reporting period which are available from Unity Pacific Group's website at [www.unitypacifc.com.au](http://www.unitypacifc.com.au) or the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX Code: UPG).

**3. Results for Announcement to the Market**

	<b>31 Dec 2015</b> <b>\$'000</b>	<b>31 Dec 2014</b> <b>\$'000</b>	<b>% Change</b> <b>From Prior</b> <b>Period</b>
Revenue and other income <sup>1</sup>	<b>3,577</b>	6,528	Down 45%
Net profit/(loss) for the period attributable to members <sup>1</sup>	<b>(78)</b>	2,561	Down 103%
Basic/diluted earnings/(loss) per security	<b>(0.22) cents</b>	7.15 cents	Down 103%
Distribution per security <sup>2</sup>	<b>0 cents</b>	0 cents	-

<sup>1</sup> All items of revenue and expense are from ordinary activities. The results for the previous corresponding period include a \$2.53 million profit on the sale of Rivergate Centre, Murarrie.

<sup>2</sup> A 42 cent per security capital distribution was paid from Unity Pacific Stapled Trust on 31 August 2015.

**4. Net Tangible Assets (NTA) per Security**

	<b>31 Dec 2014</b>	<b>31 Dec 2014</b>
NTA per security	<b>\$1.05</b>	\$1.51 <sup>1</sup>

<sup>1</sup> The decrease in the NTA per security since the end of the previous corresponding period resulted primarily from a 42 cent per security capital distribution paid from Unity Pacific Stapled Trust on 31 August 2015.

**5. Commentary on the Results for the Reporting Period**

Refer to the Directors' Report on pages 1 to 8 of Unity Pacific Group's 31 December 2015 Half Year Financial Report and the accompanying ASX announcement.

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**6. Dividends / Distributions**

No income dividends/distributions were paid or are proposed to be paid in respect of the reporting period or the previous corresponding period.

A capital distribution of 42 cents per security totalling \$15.04 million was paid on 31 August 2015 from Unity Pacific Stapled Trust.

Refer to page 15 of Unity Pacific Group's 31 December 2015 Half Year Financial Report.

**7. Dividend & Distribution Reinvestment Plan**

A dividend and distribution reinvestment plan was launched in February 2007 for the securityholders of Unity Pacific Group. The plan is not available in respect of the current distribution period.

**8. Entities Over Which Control Has Been Gained During The Period**

Unity Pacific Group did not gain or lose control over any entities during the reporting period.

**9. Associates and Joint Venture Entities**

Unity Pacific Group's and Unity Pacific Stapled Trust's investment in The Marie Street Trust was an investment in an associate with effect from 30 June 2015 until 31 October 2015. At that date, significant influence was considered to cease. From 1 November 2015 to 31 December 2015, the investment was treated as a financial asset. Refer to note 9 of Unity Pacific Group's 31 December 2015 Half Year Financial Report.

**10. Other Significant Information**

Refer to Unity Pacific Group's 31 December 2015 Half Year Financial Report.

**11. Audit Review Report**

The attached 31 December 2015 Half Year Financial Report for Unity Pacific Group has been reviewed by the auditors of Unity Pacific Group. The Independent Auditor's Review Report is included in the Half Year Financial Report. No disputes or qualifications are noted.



**Brett Heading**  
Chairman  
24 February 2016



## **Unity Pacific Group**

# **HALF YEAR FINANCIAL REPORT 31 DECEMBER 2015**

Comprising the Consolidated Financial Reports of

### **Unity Pacific Limited**

ABN 11 110 831 288  
and its controlled entities

and

### **Unity Pacific Stapled Trust**

ARSN 111 389 596  
and its controlled entities

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## Corporate Directory

### Company Name

#### Unity Pacific Limited

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Brisbane QLD 4000

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E: [info@unitypacific.com.au](mailto:info@unitypacific.com.au)

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

### Registrar

#### Link Market Services Limited

Level 15, 324 Queen Street

Brisbane QLD 4000

T: 1300 554 474

F: +61 2 9287 0303

### Auditor

#### BDO Audit Pty Ltd

Level 10, 12 Creek Street

Brisbane QLD 4000

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This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with Unity Pacific Group's annual financial report for the year ended 30 June 2015 and any public announcements made by Unity Pacific Group and Unity Pacific Stapled Trust during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Releases, financial reports and other information are available on our website: [www.unitypacific.com.au](http://www.unitypacific.com.au)

## Directors' Report

for the half year ended 31 December 2015

The Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited, the Responsible Entity of Unity Pacific Stapled Trust ("Responsible Entity"), present their report together with the consolidated financial statements and the auditor's report thereon for the half year ended 31 December 2015 of both:

- Unity Pacific Limited and Unity Pacific Stapled Trust and their controlled entities ("Unity Pacific Group"); and
- Unity Pacific Stapled Trust and its controlled entities ("the Trust").

Unity Pacific Limited has been deemed the parent entity of Unity Pacific Stapled Trust under Accounting Standards and this financial report is prepared on this basis.

### Directors

The names of the Directors of Unity Pacific Limited and the Responsible Entity in office during the half year and until the date of this report are:

Brett Heading	Independent Chairman	Appointed 21 August 2009
Christopher Morton	Managing Director	Appointed 21 August 2009
Bevan Towning	Executive Director & Chief Investment Officer	Appointed 22 October 2014 Resigned 31 October 2015
Murray Boyte	Independent Non-Executive Director	Appointed 6 March 2015

### Company Secretary

The Company Secretaries of Unity Pacific Limited and the Responsible Entity as at 31 December 2015 and the date of this report are Janita Robba and Laura Fanning.

### Unity Pacific Group

The stapled securities of Unity Pacific Group are quoted on the Australian Securities Exchange ("ASX") under the code UPG and comprise of one unit in Unity Pacific Stapled Trust and one share in Unity Pacific Limited. The unit and the share are stapled together and cannot be traded separately. Each entity forming part of Unity Pacific Group continues as a separate legal entity in its own right under the *Corporations Act 2001*.

### Principal Activities

Unity Pacific Group's principal activities are:

- direct investment in, and management of, income producing properties (property investment);
- direct investment in properties acquired for re-sale or development (property held as inventory); and
- funds management.

During the half year, property investment related to 308 Queen Street/88 Creek Street, Brisbane. Property held as inventory relates to Unity Pacific Group's apartments at Cumberland Lorne Resort in Lorne, Victoria and rural land in San Remo, Victoria.

The Trust's principal activities are investment in, and management of, income producing properties (property investment).

The Responsible Entity holds an Australian Financial Services Licence (AFSL) (No 338688) issued pursuant to Section 913B of the *Corporations Act 2001* and the Trust was registered as a Managed Investment Scheme on 28 October 2004 with ARSN 111 389 596. Unity Pacific Funds Management Limited also holds an AFSL (No 442262).

## **Review of Operations and Results**

### **Financial Performance**

#### ***Unity Pacific Group***

Unity Pacific Group's result for the half year ended 31 December 2015 ("half year") was a loss of \$0.08 million compared with a profit of \$2.56 million for the half year ended 31 December 2014 ("previous half year"). Key transactions are noted below.

#### ***The Trust***

The Trust's result for the half year was a loss of \$0.12 million compared with a profit of \$2.56 million for the previous half year. The result for the Trust in each reporting period is affected by movements in the provision for doubtful debts, which primarily relate to loans between entities within Unity Pacific Group. As they are intra-group transactions, these loans eliminate upon presentation of Unity Pacific Group's consolidated result. The expense for the half year was \$1.07 million (2014: \$0.98 million).

#### ***Key Transactions***

Key transactions and events which have impacted Unity Pacific Group's half year result are as follows:

- loss from operations of \$0.01 million. Further details are contained on pages 3 and 4;
- profit on the sale of 300m<sup>2</sup> of transferrable development rights (known as TSAs) which attach to the heritage 308 Queen Street building of \$0.46 million; and
- costs associated with an extensive capital works program at 308 Queen Street/88 Creek Street.

Further details are provided below. The profit for the previous half year included a \$2.53 million on the sale of Rivergate Centre, Murarrie.

#### ***Property Income and Expenses***

Rental income and recoverable outgoings was lower in this half year by \$1.16 million or 40.1% compared to the previous half year as a result of the sale of Rivergate Centre, Murarrie in December 2014 and the expiry of a number of leases at 308 Queen Street/88 Creek Street during the current half year.

Property expenses and outgoings were higher in this half year by \$0.07 million or 9.6% compared to the previous half year. The primary cause was the cost of storm repairs which were covered by insurance and repairs and maintenance conducted to prepare the 308 Queen Street/88 Creek Street property for sale.

#### ***Income***

Revenue from rendering services was \$0.10 million during the half year (2014: nil) and relates to management fees and fees for other services provided to The Marie Street Trust.

In December 2015, 300m<sup>2</sup> of TSAs attached to 308 Queen Street were sold for \$0.57 million resulting in a gain on sale of \$0.46 million. The value of these TSAs was written down in June 2015 due to pending changes in the Brisbane CBD planning laws. Conditional contracts of sale have also been entered into for the remaining TSAs as discussed on page 5.

Proceeds of insurance during the half year were \$0.63 million (2014: \$0.12 million). The heritage building at 308 Queen Street suffered damage in a severe hail storm which occurred in Brisbane on 27 November 2014. The required repairs and capital works are substantially complete and due to insurance coverage, the financial loss to Unity Pacific Group and the Trust from this weather event was minimal.

Interest income reduced by \$0.17 million due to reduced cash reserves following payment of a capital distribution during the half year.

## **Directors' Report (continued)** for the half year ended 31 December 2015

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Distribution income of \$0.15 million was earned from The Marie Street Trust during the half year (2014: nil). As this investment has been treated as both an equity accounted investment and a financial asset during the period, the effect of the distribution has been split across Share of net profit of equity accounted associates and Other revenue and other income in the Statement of Profit or Loss and Other Comprehensive Income.

One apartment at Cumberland Lorne Resort was sold during the half year, resulting in a profit of \$0.03 million (2014: a profit of \$0.02 million on the sale of two apartments).

### **Expenses**

Employment costs increased in the half year, primarily as a result of the closure of the Sydney office and associated staff redundancies which occurred part way through the half year. Employment costs will be lower in the second half of the year.

Administration and overhead costs reduced by \$0.12 million or 22.6% during the half year compared to the previous half year. The decrease related primarily to reduced legal expenses, travel and consultants' fees. Unity Pacific Group's overhead structure will continue to be reduced as considered appropriate by the Directors.

Finance costs reduced by \$0.53 million or 69.1% on the previous half year due to debt reduction of \$19.59 million in December 2014 as well as lower interest rates and facility fees in the half year.

The fair value of Unity Pacific Group's investment property did not change during the half year. However, capital expenditure resulted in a total write down of \$0.83 million (2014: \$0.33 million). Proceeds from insurance claims of \$0.50 million offset some of these capital costs. The remaining capital expenditure was incurred as part of a capital works program for the property. Inventory was also written down by \$0.05 million due to costs incurred during the half year in pursuing a subdivision approval for the land at San Remo, Victoria (2014: \$0.04 million).

### **Profit/Loss from Operations**

The loss for the half year and profit for the previous half year include a number of items which, in the opinion of the Directors, do not form part of Unity Pacific Group's underlying profit or loss from operations. In order to allow securityholders to gain a better understanding of Unity Pacific Group's underlying profit or loss from operations, certain items which are non-cash in nature, are non-recurring or occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities can be excluded. Profit/loss from operations is a measure which is not calculated in accordance with International Financial Reporting Standards and has not been audited or reviewed by the auditor of Unity Pacific Group.

A reconciliation of Unity Pacific Group's and the Trust's profit or loss from operations, as assessed by the Directors, to the reported profit or loss for the half year is set out on page 4. The sale of Rivergate Centre at the end of the previous half year has negatively impacted Unity Pacific Group's and the Trust's underlying profit from operations.

**Directors' Report (continued)**  
for the half year ended 31 December 2015

Further details of the profit or loss from operations and the reconciling items can be found in note 14 Segment Reporting.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
<b>Profit/(loss) from operations</b>	<b>(13)</b>	<b>775</b>	<b>956</b>	<b>1,713</b>
<i>Reconciliation to profit/(loss) for the half year</i>				
Fair value adjustments / write downs	(888)	(473)	(834)	(434)
Non-cash property investment income/ (expense)	(122)	(232)	(122)	(232)
Other non-cash and non-recurring income/(expenses) <sup>1</sup>	945	2,491	(115)	1,514
<b>Profit/(loss) for the half year</b>	<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>

<sup>1</sup> For Unity Pacific Group includes \$0.46 million gain on sale of TSAs and \$0.50 million insurance settlement for capital expenditure in the current half year (2014: \$2.53 million gain on sale of investment property).

### Earnings and Distributions

No income distributions were paid or payable to stapled securityholders for the half year (December 2014: nil).

A capital distribution of 42 cents per security totalling \$15.04 million was paid on 31 August 2015 from the Trust.

### Financial Position

Key information regarding Unity Pacific Group and the Trust's financial positions is shown below:

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
Total assets	\$'000	50,378	65,651	49,886	65,057
Net assets	\$'000	37,611	52,733	37,337	52,496
Cash and cash equivalents <sup>3</sup>	\$'000	9,019	20,442	3,180	16,406
Debt (Bank bills)	\$'000	12,000	12,000	12,000	12,000
Balance sheet gearing ratio <sup>1</sup>	%	7.2	-	18.8	-
Property loan-to-value ratio <sup>2</sup>	%	31.1	30.4	n/a	n/a
Securities on issue	'000	35,804	35,804	35,804	35,804
Net tangible assets (NTA) per security <sup>3</sup>	\$	1.05	1.47	1.05	1.47
Distributions per security <sup>3</sup>	cents	42	-	42	-

<sup>1</sup> Debt (less unamortised borrowing costs) divided by total assets less cash and cash equivalents. At 30 June 2015, cash and cash equivalents exceeded Unity Pacific Group's net debt. As a result, the balance sheet gearing was nil.

<sup>2</sup> Debt divided by bank accepted property valuations as per facility covenants.

<sup>3</sup> A 42 cent per security capital distribution was paid from the Trust on 31 August 2015 which resulted in the decrease in the NTA per security.



## **State of Affairs**

### **Direct Property**

At 31 December 2015, Unity Pacific Group owned three property assets, made up of one commercial investment property, four apartments in Cumberland Lorne Resort and a parcel of rural zoned land in Victoria.

#### ***Commercial Property***

Unity Pacific Group's commercial investment property comprises a heritage listed property located at 308 Queen Street, Brisbane, which is interconnected with the modern commercial tower at 88 Creek Street. This property had a vacancy rate of 19.5% by income and 23.5% by net lettable area (NLA) at 31 December 2015 (June 2015: 5.3% of the NLA). The increase in the vacancy rate was the result of significant lease expiries during the half year. 10.2% of the NLA will expire in the second half of the year and a further 24.4% of the NLA is expiring in the 2017 financial year. The property management focus for these buildings over the remainder of the year will be the re-leasing of the vacant space and continued management of major tenant lease expiries in a difficult Brisbane CBD office market. New leases representing 10.8% of the NLA commenced during the half year.

The fair value of the property at 31 December 2015 was \$34.04 million, including TSAs of \$0.29 million (June 2015: \$34.15 million). The small reduction in value during the half year is due to the sale of 300m<sup>2</sup> of TSAs in December 2015.

At 31 December 2015, 834m<sup>2</sup> of TSAs attach to the property. Two conditional contracts of sale have been entered into for these TSAs and are subject to the individual purchasers obtaining their respective development approvals from the Brisbane City Council by September 2016. If these sales complete, a profit on sale of approximately \$1.0 million will be realised (which, due to the conditional nature of the contracts, is not included in the fair value noted above).

During the half year, Unity Pacific Group and the Trust announced that 308 Queen Street/88 Creek Street would be sold in 2016. Securityholder approval for the sale was obtained at the annual general meeting held in November 2015. The property will be sold via an on-market expressions of interest campaign which commenced on 11 February 2016. The Board appointed JLL to manage the sales process.

#### ***Cumberland Lorne Resort***

As at 31 December 2015, Unity Pacific Group owns four apartments at Cumberland Lorne Resort. One apartment was sold during the half year at a small profit to carrying value. It is Unity Pacific Group's intention that the remaining apartments will be sold within the next 12 months. All apartments at Lorne held by Unity Pacific Group are currently recorded at cost in the Statement of Financial Position.

#### ***Rural Land***

Value uplift opportunities continue to be pursued for the rural land located at San Remo, Victoria. During the half year, the local council issued a Notice of Decision to Grant a Permit to subdivide the land into three lots and to use one of the lots for a Leisure and Recreation facility (golf course) and associated tourist accommodation in accordance with certain endorsed plans and subject to numerous conditions. An appeal has been lodged, leaving the issuing of the permit dependent on mediation with the objector and/or the subsequent review of the decision by the Victorian Civil and Administrative Tribunal (VCAT). Mediation in relation to the objector's application for review has been scheduled for 8 April 2016 with a hearing before VCAT scheduled on 22 June 2016 if the appeal is not resolved earlier.

### **Investment in The Marie Street Trust**

Unity Pacific Group's and the Trust's investment in The Marie Street Trust reduced from 5.20 million units (37%) as at 30 June 2015 to 1.85 million units (13%) as at 31 December 2015. The units are valued at \$1 per unit as they are able to be redeemed for \$1 per unit in accordance with a subscription agreement in place. Distribution income earned for the half year was \$0.15 million. Unity Pacific Group and the Trust were considered to significantly influence The Marie Street Trust for accounting purposes until 31 October 2015 and so equity accounted the investment until that date. From 1 November 2015 to 31 December 2015, the investment was treated as a financial asset due to a reduction in the number of units held. Further units have been redeemed subsequent to balance date and at the date of this report, Unity Pacific Group and the Trust hold 0.15 million units (1%).

### **Funds Management**

Unity Pacific Investment Management Limited (AFSL No 338688), a wholly owned subsidiary of Unity Pacific Limited, is the Responsible Entity and manager of the Trust. Funds management fees paid by the Trust to the Responsible Entity are intra-group transactions and eliminate on presentation of Unity Pacific Group's consolidated result.

Unity Pacific Funds Management Limited (AFSL No 442262), also a wholly owned subsidiary of Unity Pacific Limited, is the entity through which Unity Pacific Group operates its external funds management business. Unity Pacific Funds Management Limited is the Responsibility Entity and manager of The Marie Street Trust and receives ongoing management fees and potentially performance fees in future periods.

### **Business Update and Outlook**

During the half year, the Board determined that the previously announced strategy of acquiring a funds management business was not viable in the short-term, leading to its decision to return surplus funds to securityholders in the form of a capital distribution which was paid in August 2015.

The Board also proposed the sale of 308 Queen Street/88 Creek Street to maximise the property's value in a strong commercial property investment market notwithstanding the difficult leasing market conditions in Brisbane.

The Board indicated that it will consider offers in relation to the corporate vehicle and the assets that will remain after the sale of 308 Queen Street/88 Creek Street.

In December 2015, Unity Pacific Group entered into a short period of exclusive negotiations with Sentinel Property Group (Sentinel) in relation to a conditional offer made by them to fund a buyback of all of the Unity Pacific Group securities that it does not currently own. Unity Pacific Group and Sentinel were unable to agree terms during the exclusivity period which expired on 31 January 2016.

Given that a number of other parties have also expressed interest in the corporate vehicle, in February 2016, Unity Pacific Group commenced a broader expression of interest process (EOI Process) in relation to the corporate vehicle and the remaining assets. An information memorandum has been prepared and expressions of interest are due to be submitted by 18 March 2016. Unity Pacific Group's corporate advisor, InterFinancial, will assist with this process. Unity Pacific Group will invite parties, evaluate expressions of interests received and select the parties with whom it will negotiate in its absolute discretion.

## Capital Management

### Debt and Gearing

Unity Pacific Group's total debt facilities held with National Australia Bank were fully drawn at \$12.00 million at 31 December 2015 (\$12.00 million at 30 June 2015). These facilities have an expiry date of 31 October 2017. During the half year and as at 31 December 2015, Unity Pacific Group complied with its financial covenants.

Interest rate management, including the use of fixed interest rate swap instruments is continually monitored by the directors of Unity Pacific Group in light of Unity Pacific Group's business strategy and economic and prevailing market conditions. Currently, Unity Pacific Group has no fixed rate hedging due to the low interest rate environment and the forthcoming sale of 308 Queen Street/88 Creek Street which would result in full repayment of the debt facility.

At 31 December 2015, Unity Pacific Group's balance sheet gearing ratio, calculated as a percentage of net interest bearing liabilities over total tangible assets (excluding cash) was 7.2% (June 2015: 0.0%). Unity Pacific Group's property loan-to-value ratio, calculated as debt divided by bank accepted property valuations, was 31.1% (June 2015: 30.4%).

### Cash Equivalents and Cashflow

Unity Pacific Group's cash holdings decreased by \$11.42 million during the half year to \$9.02 million at 31 December 2015.

Key cashflow movements during the half year were:

- payment of a \$15.04 million capital distribution to securityholders;
- receipt of \$3.35 million from the redemption of units in The Marie Street Trust as a result of the ongoing capital raising for that fund;
- payments for capital expenditure of \$0.87 million for 308 Queen Street/88 Creek Street. This amount includes \$0.50 million for storm repairs which was covered by insurance; and
- an operating cash outflow of \$0.08 million.

It remains the Board's intention to distribute surplus cash to securityholders (subject to the ASX Listing Rules) following the sale of 308 Queen Street/88 Creek Street and the repayment of associated debt facilities.

## Events Subsequent to Balance Date

Subsequent to balance date:

- A contract has been entered into for the conditional sale of 374m<sup>2</sup> of TSAs attached to the 308 Queen Street heritage building for \$0.598 million, compared with a book value of \$0.130 million. The sale is conditional upon the purchaser obtaining a development approval from Brisbane City Council by 30 September 2016, with an option to extend the approval date to 31 December 2016. All of Unity Pacific Group's and the Trust's remaining TSAs have now been contracted for sale.
- The on-market expressions of interest campaign for the sale of 308 Queen Street/88 Creek Street commenced on 11 February 2016. The Board appointed JLL to manage the sales process with expressions of interest closing on 24 March 2016.
- An expression of interest process in relation to the corporate vehicle and the assets that will remain after the sale of 308 Queen Street/88 Creek Street commenced in February 2016. An information memorandum has been prepared and expressions of interest are due to be provided by 18 March 2016. Unity Pacific Group's corporate advisor, InterFinancial, will assist with this process.
- Unity Pacific Group's and the Trust's investment in The Marie Street Trust has been reduced by \$1.700 million to \$0.150 million (1%) as a result of further capital raising for that trust.

**Directors' Report (continued)**  
for the half year ended 31 December 2015

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Other than the matters discussed above, there have been no other significant events since balance date which may affect Unity Pacific Group or the Trust's operations, the results of those operations or the state of affairs, which have not been disclosed already in this report.

**Auditor's Independence Declaration**

We confirm that we have obtained a declaration of independence from our auditors, in accordance with section 307C of the *Corporations Act 2001*, as set out on page 9.

**Rounding of Amounts**

The entity is a kind of entity referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited.



Brett Heading

Chairman

Dated in Brisbane this 24<sup>th</sup> day of February 2016



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### DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF UNITY PACIFIC LIMITED AND THE DIRECTORS OF UNITY PACIFIC INVESTMENT MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR UNITY PACIFIC STAPLED TRUST

As lead auditor for the review of Unity Pacific Group for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Unity Pacific Group which comprises both Unity Pacific Limited and the entities it controlled during the half-year and Unity Pacific Stapled Trust and the entities it controlled during the half-year.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

**C R Jenkins**  
Director

**BDO Audit Pty Ltd**

Brisbane, 24 February 2016

**Statements of Profit or Loss and Other Comprehensive Income**  
for the half year ended 31 December 2015

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
		\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>					
Rental income and recoverable outgoings		1,732	2,893	1,686	2,816
Revenue from rendering services		100	-	-	-
Revenue from sales of apartments	6	365	672	-	-
Gain on sale of investment property	10a	461	2,530	461	2,530
Proceeds from insurance claims		628	123	628	123
Interest		141	309	88	240
Other revenue and other income	9	73	1	73	-
Share of net profit of equity accounted associates	9	77	-	77	-
<b>Total revenue and other income</b>		<b>3,577</b>	<b>6,528</b>	<b>3,013</b>	<b>5,709</b>
<b>Expenses</b>					
Property expenses and outgoings		782	714	755	677
Costs of sale of apartments	6	338	649	-	-
Employee related expenses		940	820	-	-
Administration and overhead costs	4	412	532	42	47
Doubtful debts – trade and other receivables	3	52	6	1,118	984
Responsible entity fees		-	-	144	242
Depreciation and amortisation		6	7	-	-
Finance costs		237	767	235	764
Fair value net loss from investment properties	10	834	331	834	331
Write down of inventory to net realisable value		54	38	-	-
Net change in fair value of derivative financial instruments		-	103	-	103
<b>Total expenses</b>		<b>3,655</b>	<b>3,967</b>	<b>3,128</b>	<b>3,148</b>
<b>Profit/(loss) before tax</b>		<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>
Income tax (expense)/benefit		-	-	-	-
<b>Net profit/(loss) for the half year</b>		<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>
Other comprehensive income for the half year, net of tax		-	-	-	-
<b>Total comprehensive income/(loss) for the half year</b>		<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>
<b>Profit/(loss) for the half year attributable to:</b>					
Members of the parent		(1,192)	(1,263)	-	-
Unitholders of the Trust		1,114	3,824	(115)	2,561
<b>Profit/(loss) for the half year</b>		<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>
<b>Total comprehensive income/(loss) for the half year attributable to:</b>					
Members of the parent		(1,192)	(1,263)	-	-
Unitholders of the Trust		1,114	3,824	(115)	2,561
<b>Total comprehensive income/(loss) for the half year</b>		<b>(78)</b>	<b>2,561</b>	<b>(115)</b>	<b>2,561</b>
<b>Earnings per stapled security</b>					
Basic/diluted earnings/(loss) per stapled security	5	(0.22) cents	7.15 cents	n/a	n/a
Basic/diluted earnings/(loss) per unit	5	n/a	n/a	(0.32) cents	7.15 cents

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

**Statements of Financial Position**  
as at 31 December 2015

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents		9,019	20,442	3,180	16,406
Trade and other receivables		255	430	194	373
Inventory	6	1,097	1,424	-	-
Other financial assets	7	1,850	-	1,850	-
Other current assets	8	227	121	130	73
<b>Total current assets</b>		<b>12,448</b>	<b>22,417</b>	<b>5,354</b>	<b>16,852</b>
<b>Non-current assets</b>					
Trade and other receivables		-	-	10,492	8,860
Equity accounted investments	9	-	5,200	-	5,200
Investment properties	10	34,040	34,145	34,040	34,145
Inventory	6	3,850	3,850	-	-
Property, plant and equipment		34	36	-	-
Intangible assets		6	3	-	-
<b>Total non-current assets</b>		<b>37,930</b>	<b>43,234</b>	<b>44,532</b>	<b>48,205</b>
<b>Total assets</b>		<b>50,378</b>	<b>65,651</b>	<b>49,886</b>	<b>65,057</b>
<b>Current liabilities</b>					
Trade and other payables		634	821	560	580
Employee benefits		110	86	-	-
<b>Total current liabilities</b>		<b>744</b>	<b>907</b>	<b>560</b>	<b>580</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	11	11,989	11,981	11,989	11,981
Employee benefits		34	30	-	-
<b>Total non-current liabilities</b>		<b>12,023</b>	<b>12,011</b>	<b>11,989</b>	<b>11,981</b>
<b>Total liabilities</b>		<b>12,767</b>	<b>12,918</b>	<b>12,549</b>	<b>12,561</b>
<b>Net assets</b>		<b>37,611</b>	<b>52,733</b>	<b>37,337</b>	<b>52,496</b>
<b>Equity</b>					
<b>Equity attributable to members of the Company</b>					
Contributed equity	13	43,965	43,965	-	-
Accumulated losses		(71,908)	(70,716)	-	-
		<b>(27,943)</b>	<b>(26,751)</b>	-	-
<b>Equity attributable to unitholders of the Trust</b>					
Contributed equity	13	222,012	237,056	222,012	237,056
Reserves		200	200	200	200
Deficiency		(156,658)	(157,772)	(184,875)	(184,760)
		<b>65,554</b>	<b>79,484</b>	<b>37,337</b>	<b>52,496</b>
<b>Total equity</b>		<b>37,611</b>	<b>52,733</b>	<b>37,337</b>	<b>52,496</b>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

**Statements Of Cash Flows**  
for the half year ended 31 December 2015

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Cash flows from operating activities</b>				
Cash receipts in the course of operations	2,546	3,378	2,546	3,179
Cash payments in the course of operations	(2,565)	(2,857)	(1,300)	(1,562)
Interest received	165	248	114	176
Interest and finance costs paid	(227)	(770)	(226)	(767)
<b>Net cash from/(used in) operating activities</b>	<b>(81)</b>	<b>(1)</b>	<b>1,134</b>	<b>1,026</b>
<b>Cash flows from investing activities</b>				
Payments for investment properties	(865)	(1,681)	(865)	(582)
Proceeds from sale of inventory	365	672	-	-
Proceeds from sale of investment property	570	27,000	570	27,000
Proceeds from redemption of investment	3,350	-	3,350	-
Payments for capitalised development costs	(39)	(37)	-	-
Loans to related entities	-	-	(3,003)	(1,904)
Payments for property, plant and equipment	(7)	(4)	-	-
Repayment of loan from related entity	-	-	304	657
Distributions received	328	-	328	-
<b>Net cash from/(used in) investing activities</b>	<b>3,702</b>	<b>25,950</b>	<b>684</b>	<b>25,171</b>
<b>Cash flows from financing activities</b>				
Payment of capital distribution	(15,038)	-	(15,038)	-
Transaction costs on capital distribution	(6)	-	(6)	-
Repayment of borrowings	-	(19,591)	-	(19,591)
Payments for loan establishment costs	-	(18)	-	(18)
<b>Net cash from/(used in) financing activities</b>	<b>(15,044)</b>	<b>(19,609)</b>	<b>(15,044)</b>	<b>(19,609)</b>
Net (decrease)/increase in cash and cash equivalents	(11,423)	6,340	(13,226)	6,589
Cash and cash equivalents at beginning of the half year	20,442	17,397	16,406	13,520
<b>Cash and cash equivalents at end of the half year</b>	<b>9,019</b>	<b>23,737</b>	<b>3,180</b>	<b>20,109</b>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.



**Statements of Changes in Equity**  
for the half year ended 31 December 2015

Unity Pacific Group Consolidated	Attributable to Members of The Company				Attributable to Unitholders of The Trust				Total Equity \$'000
	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000	
<b>At 1 July 2015</b>	43,965	-	(70,716)	(26,751)	237,056	200	(157,772)	79,484	52,733
Losses for the half year attributable to members of the Company	-	-	(1,192)	(1,192)	-	-	-	-	(1,192)
Profit for the half year attributable to unitholders of the Trust	-	-	-	-	-	-	1,114	1,114	1,114
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the half year	-	-	(1,192)	(1,192)	-	-	1,114	1,114	(78)
Transactions with members recorded directly in equity:									
Capital distribution	-	-	-	-	(15,038)	-	-	(15,038)	(15,038)
Transaction costs on capital distribution	-	-	-	-	(6)	-	-	(6)	(6)
Total changes in equity as a result of transactions with members	-	-	-	-	(15,044)	-	-	(15,044)	(15,044)
<b>At 31 December 2015</b>	43,965	-	(71,908)	(27,943)	222,012	200	(156,658)	65,554	37,611
<b>At 1 July 2014</b>	43,965	-	(67,919)	(23,954)	237,056	200	(161,890)	75,366	51,412
Losses for the half year attributable to members of the Company	-	-	(1,263)	(1,263)	-	-	-	-	(1,263)
Profit for the half year attributable to unitholders of the Trust	-	-	-	-	-	-	3,824	3,824	3,824
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the half year	-	-	(1,263)	(1,263)	-	-	3,824	3,824	2,561
Transactions with members recorded directly in equity:									
Total changes in equity as a result of transactions with members	-	-	-	-	-	-	-	-	-
<b>At 31 December 2014</b>	43,965	-	(69,182)	(25,217)	237,056	200	(158,066)	79,190	53,973

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

**Statements of Changes in Equity (continued)**  
for the half year ended 31 December 2015

<b>Unity Pacific Stapled Trust Consolidated</b>	<b>Contributed Equity \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Reserves \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2015</b>	237,056	(184,760)	200	52,496
Loss for the half year attributable to unitholders	-	(115)	-	(115)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half year	-	(115)	-	(115)
Transactions with members recorded directly in equity:				
Capital distribution	(15,038)	-	-	(15,038)
Transaction costs on capital distribution	(6)	-	-	(6)
Total changes in equity as a result of transactions with members	(15,044)	-	-	(15,044)
<b>At 31 December 2015</b>	<b>222,012</b>	<b>(184,875)</b>	<b>200</b>	<b>37,337</b>
<b>At 1 July 2014</b>	237,056	(185,975)	200	51,281
Profit for the half year attributable to unitholders	-	2,561	-	2,561
Other comprehensive income	-	-	-	-
Total comprehensive income for the half year	-	2,561	-	2,561
Transactions with members recorded directly in equity:				
Total changes in equity as a result of transactions with members	-	-	-	-
<b>At 31 December 2014</b>	<b>237,056</b>	<b>(183,414)</b>	<b>200</b>	<b>53,842</b>

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

## **1. Summary of Significant Accounting Policies**

This general purpose financial report for the half year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with Unity Pacific Group's annual financial report for the year ended 30 June 2015 and any public announcements made by Unity Pacific Group and Unity Pacific Stapled Trust during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and computations are consistent with those of the previous financial year and previous half year reporting period. Any new policies required for the half year have been disclosed below. All policies have been consistently applied to all the periods presented.

The financial statements were approved by the Board of Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited on 24 February 2016.

### **a. Consolidated Financial Statements**

This half year financial report includes separate financial statements for Unity Pacific Group, consisting of Unity Pacific Limited and Unity Pacific Stapled Trust and their controlled entities, and for Unity Pacific Stapled Trust and its controlled entities. Unity Pacific Limited has been deemed the parent entity of the Trust. Unity Pacific Group has presented consolidated financial statements in accordance with Class Order 13/1050.

### **b. Investments**

Unity Pacific Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the case of The Marie Street Trust, the retained investment has been accounted for as a financial asset. After initial recognition, fair value movements are recognised in other comprehensive income. Cumulative gains or losses previously reported in other comprehensive income are recognised in profit or loss when the asset is derecognised or impaired.

### **c. New Standards Adopted**

A number of new or amended Australian Accounting Standards became applicable for the current reporting period. Unity Pacific Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## **2. Distributions Paid and Payable to Securityholders**

No income distributions or dividends were paid or payable to stapled securityholders for the half year (December 2014: nil). A capital distribution of 42 cents per security totalling \$15.038 million was paid on 31 August 2015 from the Trust.

## **3. Doubtful Debts – Trade and Other Receivables**

The Trust's provision for doubtful debts primarily relates to loans provided to entities within Unity Pacific Group. As they are intra-group transactions, these loans eliminate upon presentation of Unity Pacific Group's consolidated result. Further details about these loans are contained in note 11. During the half year, the Trust increased the amount of an intra-group loan provision, resulting in an expense of \$1.066 million (December 2014: \$0.984 million).

#### 4. Administration and Overhead Costs

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
<b>Classified by nature</b>				
Management and administration expenses	212	259	10	11
Consultancy and legal fees	145	238	21	23
Accounting and audit fees	26	35	11	13
Placement fees and rebates <sup>1</sup>	29	-	-	-
Total administration and overhead costs	412	532	42	47

<sup>1</sup> Unity Pacific Group paid placement fees to advisers and rebates to investors as part of the capital raising process for The Marie Street Trust in accordance with the Information Memorandum issued to investors.

#### 5. Earnings per Stapled Security

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
<b>Earnings used in calculating earnings per stapled security</b>				
Net profit/(loss) after tax attributable to securityholders	(78)	2,561	(115)	2,561
	<b>Number '000</b>	<b>Number '000</b>	<b>Number '000</b>	<b>Number '000</b>
Weighted average number of ordinary securities for basic earnings per security	35,804	35,804	35,804	35,804
Effect of dilution	-	-	-	-
Adjusted weighted average number of ordinary securities for diluted earnings per security	35,804	35,804	35,804	35,804
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per stapled security/unit	(0.22)	7.15	(0.32)	7.15
Diluted earnings/(loss) per stapled security/unit	(0.22)	7.15	(0.32)	7.15

**Notes to the Financial Statements (continued)**  
for the half year ended 31 December 2015

## 6. Inventory

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Property held for sale - Cumberland Lorne Resort <sup>1</sup>	1,097	1,424	-	-
Total current	1,097	1,424	-	-
<b>Non-current</b>				
Property under development - San Remo <sup>2</sup>	3,850	3,850	-	-
Total non-current	3,850	3,850	-	-

<sup>1</sup> At 31 December 2015, Unity Pacific Group owned four apartments at the Cumberland Lorne Resort (June 2015: 5). One apartment at the Cumberland Lorne Resort was sold during the half year, resulting in a profit of \$0.026 million. Two apartments were sold during the previous half year, resulting in a profit of \$0.022 million.

<sup>2</sup> Unity Pacific Group has been actively pursuing the rezoning of the rural land located at San Remo, Victoria. In December 2015, the Bass Coast Shire Council resolved to issue a Notice of Decision to Grant a Permit to subdivide the land into three lots in two stages and to use one of the lots for a Leisure and Recreation Facility (golf course) and associated tourist accommodation in accordance with certain endorsed plans and subject to numerous conditions. A statutory objection period is currently underway. If the Permit is granted, the Board will consider the valuation effect of the Permit and the impact it may have on its strategy for the land.

## 7. Other Financial Assets

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
<b>Unlisted investments</b>				
The Marie Street Trust <sup>1</sup>	1,850	-	1,850	-
Total other financial assets	1,850	-	1,850	-

<sup>1</sup> During the period, Unity Pacific Group and the Trust ceased to significantly influence The Marie Street Trust. Refer to note 9 for further details.

## 8. Other Assets

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Prepayments	227	121	130	73
Total current	227	121	130	73

## 9. Equity Accounted Investments

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
<b>Unlisted Investments</b>				
The Marie Street Trust	-	5,200	-	5,200
Total equity accounted investments	-	5,200	-	5,200

	Principal Place of Business / Country of incorporation	Ownership interest	
		31 Dec 2015	30 June 2015
		%	%
The Marie Street Trust	Australia	13	37

From 30 June 2015 until 31 October 2015, Unity Pacific Group and the Trust was considered to have significant influence over The Marie Street Trust and accounted for their interest in that trust using the equity method of accounting. With effect from 31 October 2015, Unity Pacific Group and the Trust ceased to significantly influence that trust as a result of the external capital raised as at that date and have accounted for their interest in the trust as a financial asset (refer to note 7).

Distribution income of \$0.150 million was earned from The Marie Street Trust during the half year (2014: nil). As this investment has been treated as an equity accounted investment and financial asset during the period, the effect of the distribution has been split across Share of net profit of equity accounted associates and Other revenue and other income in the Statement of Profit or Loss and Other Comprehensive Income.

## 10. Investment Properties

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	Half Year Ended 31 Dec 2015	Year Ended 30 June 2015	Half Year Ended 31 Dec 2015	Year Ended 30 June 2015
	\$'000	\$'000	\$'000	\$'000
Investment properties at fair value <sup>1</sup>	34,040	34,145	34,040	34,145
<b>Movements in investment properties</b>				
Balance at beginning of reporting period	34,145	60,250	34,145	60,250
Purchase of investment property <sup>2</sup>	-	21,710	-	21,710
Vendor allowances granted at settlement <sup>1,2</sup>	-	(537)	-	(537)
Capital expenditure <sup>3</sup>	897	760	897	760
Disposals <sup>4</sup>	(104)	(24,200)	(104)	(24,200)
Loss of control of subsidiary <sup>2</sup>	-	(22,000)	-	(22,000)
Movement in lease incentives	(64)	(386)	(64)	(386)
Net gain / (loss) from fair value movements	(834)	(1,452)	(834)	(1,452)
Balance at end of reporting period	34,040	34,145	34,040	34,145

<sup>1</sup> Fair value is determined by either a registered independent valuer or an appropriately experienced internal appraiser.

<sup>2</sup> Relates to the acquisition of 16 Marie Street, Milton by The Marie Street Trust during the period that Unity Pacific Group controlled that trust, and Unity Pacific Group's subsequent deconsolidation of that Trust on 30 June 2015.

<sup>3</sup> Capital expenditure incurred during the half year relates to 308 Queen Street/88 Creek Street and includes significant storm repair works which were covered by insurance as well as a capital works program for the property (June 2015: \$0.651 million for 308 Queen Street/88 Creek Street and \$0.109 million for 16 Marie Street, Milton).

<sup>4</sup> Further details of the disposals are provided on page 20.

## 10. Investment Properties (continued)

Details of investments properties are as follows:

Property	Acquisition Date	Book Value 31 Dec 2015 <sup>2</sup> \$'000	Book Value 30 June 2015 \$'000	Latest Independent Valuation Date	Independent Valuation Amount \$'000	Capitalisation Rate <sup>3</sup> %	Average Lease Duration <sup>3</sup>	Valuer
<b>Commercial</b>								
308 Queen Street/88 Creek Street, QLD <sup>1</sup>	21/12/2006	33,750	33,750	30 June 2015	33,750	7.81%	2.4 years	m3 Property
308 Queen Street/88 Creek Street, QLD <sup>1,4</sup> - TSAs	21/12/2006	290	395	30 June 2015	290	n/a	n/a	m3 Property
<b>Total investment properties</b>		<b>34,040</b>	<b>34,145</b>					

<sup>1</sup> 100% ownership interest.

<sup>2</sup> Book values as at 31 December 2015 are based on internal valuations which have been adopted by the Directors and do not exceed independent valuations undertaken in June 2015.

<sup>3</sup> As at the latest independent valuation date.

<sup>4</sup> The reduction in value during the half year is a result of the sale of 300m<sup>2</sup> of TSAs during the half year. Further details are provided below.

### a. Gain on Sale of Investment Property

In December 2015, Unity Pacific Group sold 300m<sup>2</sup> of TSAs attached to 308 Queen Street for a sale price of \$0.570 million, resulting in a \$0.461 million gain on sale. Rivergate Centre, Murarrie, Qld was sold in the previous half year resulting in a profit on sale of \$2.530 million.

### b. Transferable Site Areas (TSAs)

Following the sale of 300m<sup>2</sup> of TSAs during the half year, at 31 December 2015, there are 834m<sup>2</sup> of TSAs which attach to the property. During the half year and subsequent to balance date, two conditional contracts of sale have been entered into for all of these TSAs. These contracts are subject to the individual purchasers obtaining their respective development approvals from the Brisbane City Council by September 2016. If these sales complete, a profit on sale of \$1.0 million will be realised (which due to the conditional nature of the contracts, is not included in the fair value noted above).



## 11. Interest Bearing Loans and Borrowings

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
<b>Non-current</b>				
Bank bills – secured	12,000	12,000	12,000	12,000
Unamortised borrowing costs	(11)	(19)	(11)	(19)
Total non-current	11,989	11,981	11,989	11,981

At 31 December 2015, Unity Pacific Group has access to an aggregated facility with National Australia Bank with a fully drawn limit of \$12.000 million (June 2015: fully drawn limit of \$12.000 million).

The facility expires on 31 October 2017 and is secured by:

- a first registered mortgage over the investment property of Unity Pacific Stapled Trust;
- a first registered mortgage over the real property held by San Remo Project Pty Ltd and UPG Lorne Resort Pty Ltd; and
- a general security agreement over the whole of the assets of Unity Pacific Limited, Unity Pacific Stapled Trust, UPG Prime Industrial Trust, UPG Lorne Resort Pty Ltd and San Remo Project Pty Ltd.

During the half year and as at 31 December 2015, Unity Pacific Group complied with its financial covenants which are as follows:

- interest cover ratio – 2.0 times; and
- maximum loan to value ratio – 50%.

At 31 December 2015, a loan facility agreement was in place between Unity Pacific Stapled Trust and other Unity Pacific Group entities on no fixed terms with an interest rate of 0% (June 2015: 0%). Loan transactions arise due to Unity Pacific Group treasury policies and the effect of stapling. Further details are provided in note 3.

### Derivative Financial Instruments

Unity Pacific Group has a general policy of minimising its exposure to changes in interest rates on borrowings by ensuring that some borrowings are on a fixed rate basis.

Unity Pacific Group and the Trust have no fixed rate debt as at reporting date due to continuing low interest rates and the forthcoming sale of 308 Queen Street/88 Creek Street and the expected total debt repayment that will follow the sale.

## 12. Financial Instruments

The carrying values of Unity Pacific Group's financial assets and financial liabilities approximate their fair values as at 31 December 2015.

The following table analyses financial instruments carried at fair value, by valuation method, using the fair value hierarchy. The different levels have been defined as:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

<b>Unity Pacific Group Consolidated And Unity Pacific Stapled Trust Consolidated 31 December 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Other Financial Assets	1,850	-	-	1,850
Total assets	1,850	-	-	1,850
<b>Unity Pacific Group Consolidated And Unity Pacific Stapled Trust Consolidated 30 June 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Other Financial Assets	-	-	-	-
Total assets	-	-	-	-

### 13. Contributed Equity

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	Half Year Ended 31 Dec 2015 \$'000	Year Ended 30 June 2015 \$'000	Half Year Ended 31 Dec 2015 \$'000	Year Ended 30 June 2015 \$'000
Ordinary stapled securities – fully paid	265,977	281,021	222,012	237,056

#### Half year ended 31 December 2015

During the half year the following movements in ordinary issued securities occurred:

#### *Contributed equity attributable to members of the Company*

	Unity Pacific Group Consolidated Number Of Securities	\$'000	Unity Pacific Stapled Trust Consolidated Number Of Securities	\$'000
On issue at 1 July 2015	35,803,992	43,965	-	-
On issue at 31 December 2015	35,803,992	43,965	-	-

#### *Contributed equity attributable to members of the Trust*

On issue at 1 July 2015	35,803,992	237,056	35,803,992	237,056
Capital distribution <sup>1</sup>	-	(15,038)	-	(15,038)
Transaction costs on capital distribution <sup>1</sup>	-	(6)	-	(6)
On issue at 31 December 2015	35,803,992	222,012	35,803,992	222,012
Total contributed equity attributable to securityholders		265,977		222,012

<sup>1</sup> A capital distribution of 42 cents per security was paid to all securityholders on 31 August 2015 wholly from the capital of the Trust.

### 13. Contributed Equity (continued)

#### Year ended 30 June 2015

During the financial year the following movements in ordinary issued securities occurred:

#### **Contributed equity attributable to members of the Company**

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	Number Of Securities	\$'000	Number Of Securities	\$'000
On issue at 1 July 2014	143,216,966	43,965	-	-
Security consolidation <sup>2</sup>	(107,412,974)	-	-	-
On issue at 30 June 2015	35,803,992	43,965	-	-

#### **Contributed equity attributable to members of the Trust**

On issue at 1 July 2014	143,216,966	237,056	143,216,966	237,056
Security consolidation <sup>2</sup>	(107,412,974)	-	(107,412,974)	-
On issue at 30 June 2015	35,803,992	237,056	35,803,992	237,056

Total contributed equity attributable to securityholders		281,021		237,056
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<sup>2</sup> In December 2014, Unity Pacific Group's securities were consolidated on a 1:4 basis.

### 14. Segment Reporting

#### Unity Pacific Group Consolidated

Unity Pacific Group comprises the following reporting segments, as reviewed by executive management (the chief operating decision makers). The following summary describes the operations in each of Unity Pacific Group's operating segments:

Operating segments	Products/Services
Funds management	Establishment and management of property investment vehicles
Property investment	Investment and management of income producing properties (308 Queen Street/88 Creek Street)
Property held as inventory	Properties acquired for re-sale or development activities (Cumberland Lorne Resort apartments and San Remo)

#### Unity Pacific Stapled Trust Consolidated

The Trust operates in predominantly one operating segment being property investment. The impact of Unity Pacific Group's and the Trust's decreasing investment in The Marie Street Trust is included within this segment.

**Notes to the Financial Statements (continued)**  
for the half year ended 31 December 2015

**14. Segment Reporting (continued)**

<b>Unity Pacific Group Half Year Ended 31 December 2015</b>	<b>Property Investment \$'000</b>	<b>Funds Management \$'000</b>	<b>Property Held As Inventory \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Segment revenue and other income</b>					
External revenue	2,078	100	421	-	2,599
Inter-segment revenue	10	174	-	(184)	-
Interest revenue	88	52	1	-	141
<b>Total segment revenue and other income</b>	<b>2,176</b>	<b>326</b>	<b>422</b>	<b>(184)</b>	<b>2,740</b>
<b>Segment expenses</b>					
Property expenses and outgoings	(755)	-	(57)	30	(782)
Employee related expenses	-	(940)	-	-	(940)
Administration and overhead costs	(42)	(369)	(1)	-	(412)
Inter-segment expenses	(144)	(10)	-	154	-
Doubtful debts – trade and other receivables	(52)	-	-	-	(52)
Finance costs	(227)	(1)	(1)	-	(229)
Other costs, including Lorne	-	-	(338)	-	(338)
<b>Total segment expenses</b>	<b>(1,220)</b>	<b>(1,320)</b>	<b>(397)</b>	<b>184</b>	<b>(2,753)</b>
<b>Segment net profit/(loss) before tax</b>	<b>956</b>	<b>(994)</b>	<b>25</b>	<b>-</b>	<b>(13)</b>
<b>Reconciliation to reported profit/(loss)</b>					
Fair value adjustments / (write downs)					
- Investment properties	(834)	-	-	-	(834)
- Inventory	-	-	(54)	-	(54)
Total fair value adjustments / (write downs)	(834)	-	(54)	-	(888)
Non-cash income/(expenses) - property investment					
- Straight-line lease income	5	-	-	-	5
- Lease incentive and lease cost amortisation	(127)	-	-	-	(127)
Total non-cash income/(expenses) - property investment	(122)	-	-	-	(122)
Non-cash and non-recurring income/(expenses) - other					
- Amortisation of finance costs	(8)	-	-	-	(8)
- Depreciation and amortisation	-	(6)	-	-	(6)
- Gain on sale of investment properties	461	-	-	-	461
- Insurance proceeds for capital expenditure	498	-	-	-	498
- Doubtful Debts – intra-group loans	(1,066)	-	-	1,066	-
Total non-cash income/(expenses) - other	(115)	(6)	-	1,066	945
Income tax benefit/(expense)	-	-	-	-	-
<b>Total adjustments</b>	<b>(1,071)</b>	<b>(6)</b>	<b>(54)</b>	<b>1,066</b>	<b>(65)</b>
<b>Profit/(loss) for the half year</b>	<b>(115)</b>	<b>(1,000)</b>	<b>(29)</b>	<b>1,066</b>	<b>(78)</b>

**Notes to the Financial Statements (continued)**  
for the half year ended 31 December 2015

**14. Segment Reporting (continued)**

<b>Unity Pacific Group Half Year Ended 31 December 2014</b>	<b>Property Investment</b>	<b>Funds Management</b>	<b>Property Held As Inventory</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Segment revenue and other income</b>					
External revenue	3,160	1	760	-	3,924
Inter-segment revenue	11	290	-	(301)	-
Interest revenue	240	68	1	-	309
<b>Total segment revenue and other income</b>	<b>3,411</b>	<b>359</b>	<b>761</b>	<b>(301)</b>	<b>4,230</b>
<b>Segment expenses</b>					
Property expenses and outgoings	(677)	-	(85)	48	(714)
Employee related expenses	-	(820)	-	-	(820)
Administration and overhead costs	(47)	(483)	(1)	-	(531)
Inter-segment expenses	(242)	(11)	-	253	-
Doubtful debts – trade and other receivables	-	(6)	-	-	(6)
Finance costs	(732)	(1)	(2)	-	(735)
Other costs, including Lorne	-	-	(649)	-	(649)
<b>Total segment expenses</b>	<b>(1,698)</b>	<b>(1,321)</b>	<b>(737)</b>	<b>301</b>	<b>(3,455)</b>
<b>Segment net profit/(loss) before tax</b>	<b>1,713</b>	<b>(962)</b>	<b>24</b>	<b>0</b>	<b>775</b>
<b>Reconciliation to reported profit/(loss)</b>					
Fair value adjustments / (write downs)					
- Investment properties	(331)	-	-	-	(331)
- Inventory	-	-	(39)	-	(39)
- Derivative financial instruments	(103)	-	-	-	(103)
Total fair value adjustments / (write downs)	(434)	-	(39)	-	(473)
Non-cash income/(expenses) - property investment					
- Straight-line lease income	(59)	-	-	-	(59)
- Lease incentive and lease cost amortisation	(173)	-	-	-	(173)
Total non-cash income/(expenses) - property investment	(232)	-	-	-	(232)
Non-cash income/(expenses) - other					
- Amortisation of finance costs	(32)	-	-	-	(32)
- Depreciation and amortisation	-	(7)	-	-	(7)
- Gain on sale of investment properties	2,530	-	-	-	2,530
- Employee options expense	-	-	-	-	-
- Doubtful Debts – intra-group loans	(984)	-	-	984	-
Total non-cash income/(expenses) - other	1,514	(7)	-	984	2,491
Income tax benefit/(expense)	-	(6)	6	-	-
<b>Total adjustments</b>	<b>848</b>	<b>(13)</b>	<b>(33)</b>	<b>984</b>	<b>1,786</b>
<b>Profit/(loss) for the half year</b>	<b>2,561</b>	<b>(975)</b>	<b>(9)</b>	<b>984</b>	<b>2,561</b>

## **15. Contingent Assets and Liabilities**

Unity Pacific Group and the Trust are unaware of any contingent assets or contingent liabilities as at 31 December 2015.

## **16. Events Subsequent to Balance Date**

Subsequent to balance date:

- A contract has been entered into for the conditional sale of 374m<sup>2</sup> of TSAs attached to the 308 Queen Street heritage building for \$0.598 million, compared with a book value of \$0.130 million. The sale is conditional upon the purchaser obtaining a development approval from Brisbane City Council by 30 September 2016, with an option to extend the approval date to 31 December 2016. All of Unity Pacific Group's and the Trust's remaining TSAs have now been contracted for sale.
- The on-market expressions of interest campaign for the sale of 308 Queen Street/88 Creek Street commenced on 11 February 2016. The Board appointed JLL to manage the sales process with expressions of interest closing on 24 March 2016.
- An expression of interest process in relation to the corporate vehicle and the assets that will remain after the sale of 308 Queen Street/88 Creek Street commenced in February 2016. An information memorandum has been prepared and expressions of interest are due to be provided by 18 March 2016. Unity Pacific Group's corporate advisor, InterFinancial, will assist with this process.
- Unity Pacific Group's and the Trust's investment in The Marie Street Trust has been reduced by \$1.700 million to \$0.150 million (1%) as a result of further capital raising for that trust.

Other than the matters discussed above, there have been no other significant events since balance date which may affect Unity Pacific Group or the Trust's operations, the results of those operations or the state of affairs, which have not been disclosed already in this report.

**Directors' Declaration**  
for the half year ended 31 December 2015

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The Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited as Responsible Entity for Unity Pacific Stapled Trust declare that they are of the opinion that:

- (a) the attached financial statements and notes on pages 10 to 27 comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporate Regulations 2001* and other mandatory professional reporting requirements; and
- (b) the attached financial statements and notes on pages 10 to 27 give a true and fair view of Unity Pacific Group's and the Trust's financial position as at 31 December 2015 and of their performance for the half year ended on that date; and
- (c) there are reasonable grounds to believe that Unity Pacific Group and the Trust will be able to pay their debts as and when they become due and payable.

Signed in accordance with resolutions of the Boards of Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited made pursuant to section 303(5) of the *Corporations Act 2001*.



Brett Heading  
Chairman

Dated in Brisbane this 24<sup>th</sup> day of February 2016



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the security holders of Unity Pacific Group

### Report on the Half-Year Financial Report

Unity Pacific Group ("Unity Pacific Group") comprises both Unity Pacific Limited ("Parent Entity") and the entities it controlled during the half-year, and Unity Pacific Stapled Trust and the entities it controlled during the half-year ("the Trust").

We have reviewed the accompanying half-year financial report of Unity Pacific Group, which comprises the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of both Unity Pacific Limited and Unity Pacific Investment Management Limited as Responsible entity for Unity Pacific Stapled Trust.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Unity Pacific Group's and the Trust's financial position as at 31 December 2015 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Unity Pacific Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of both Unity Pacific Limited and Unity Pacific Investment Management Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Conclusion

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

- a. giving a true and fair view of Unity Pacific Group's and the Trust's financial position as at 31 December 2015 and of their performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a horizontal line.

**C R Jenkins**  
Director

Brisbane, 24 February 2016