

Chairman's Address**Annual General Meeting of Unity Pacific Limited ACN 110 831 288
and a Meeting of Members of the Unity Pacific Stapled Trust ARSN 111 389 596**

Thursday 29 September 2016 at 10.00am
Heritage Boardroom on Level 1, 308 Queen Street, Brisbane

Today I will present some of Unity Pacific's 2016 business highlights and provide an update on the off-market takeover bid as well as provide an overview of Unity Pacific's performance since 2009.

Chris Morton, Unity Pacific's Deputy Chairman and Managing Director will detail the Group's financial results including an update on the remaining property assets.

Following the conclusion of Chris Morton's presentation we will move to the Items of Business as set out in the Notice of Meeting.

Business Highlights and Update

At the start of the 2016 financial year we announced changes to our business. After a considered review, the Board concluded that Unity Pacific would cease pursuing growth opportunities in the property funds management sector. Despite Unity Pacific being financially well positioned to pursue such opportunities, we determined we could not meet our objective to generate sustainable distributions for securityholders to underpin an improved security trading price within an acceptable timeframe.

As a result of this decision, a capital distribution of 42 cents per security was announced and subsequently paid on 31 August 2015. The total distribution of \$15.04 million was funded by those surplus cash reserves which had previously been reserved for business acquisition activities.

With Unity Pacific's strategic direction now determined, the next phase involved the sale of the remaining real property assets, capital management initiatives and other corporate activities including the sale of the corporate vehicle.

After receiving securityholder approval at the 2015 AGM, the sale of 308 Queen Street/88 Creek Street, Brisbane commenced. Following a successful on-market sales campaign, a pleasing sales result was achieved with the property being sold for a sales price above the property's 30 June 2015 independent valuation and resulting in a net profit of \$2.18 million. The sale of 308 Queen Street/88 Creek Street, Brisbane settled on 30 June 2016.

In addition, Unity Pacific sold 760m² of transferrable site areas (TSAs) attached to the 308 Queen Street property for a premium to the 2015 valuation amount, resulting in a profit of \$0.98 million. Settlement of a further contract to sell 374m² of TSAs for \$0.60 million occurred on 31 August 2016. Following the completion of this final TSA sale, we have achieved an overall premium to the 2015 valuation for 308 Queen Street/88 Creek Street, Brisbane, including the TSAs, of \$3.75 million.

As a consequence of the sale of the 308 Queen Street/88 Creek Street, Brisbane property a further capital distribution of 80 cents per security totalling \$28.64 million was paid to securityholders on 25 July 2016.

In light of recent sales activity in San Remo, Victoria, the Board commissioned an independent valuation of Unity Pacific's land in San Remo on an 'as is' basis. The independent valuation as at 30 June 2016 was \$8.5 million, an increase of \$4.65 million above its 30 June 2015 book value.

Takeover Bid

During the 2016 financial year an expressions of interest process was conducted to ascertain parties that may have interest in the corporate vehicle (particularly in its state post the sale of the 308 Queen Street/88 Creek Street, Brisbane property). That process culminated in two parties having competitive levels of interest. As announced on 28 July 2016 Unity Pacific entered into a Bid Implementation Deed with Ebert Investments Pty Ltd for an off-market takeover bid for all of the securities in Unity Pacific. Ebert Investments Pty Ltd has nominated Sentinel Security Investments Limited to make the bid.

Under the terms of the offer, securityholders will be entitled to receive for each stapled security, consideration of 47 cents, comprising cash consideration of 41.5 cents and scrip consideration of one (1) San Remo Share, being a contingent value redeemable preference share deemed to be fully paid to an amount of 5.5 cents. Each San Remo Share will be redeemed for an additional cash payment if Unity Pacific's land in San Remo is sold within nine months of the offer period closing for net proceeds (after allowing for sale, marketing and agency costs) exceeding \$6.0 million, converted to an amount per Unity Pacific stapled security.

The Directors reasonably anticipate that the San Remo land will be sold for at or around \$8.5 million based on Unity Pacific's most recent independent valuation as at 30 June 2016, which would result in an additional cash payment of 5.5 cents per San Remo Share. However, no assurances can be given that this will be the case. The Directors believe that the ongoing involvement of Unity Pacific directors Chris Morton and Murray Boyte in the sales process will improve the prospects of a successful sales campaign.

As at 26 September 2016, Sentinel Investments and related entities have a relevant interest in 29.5 million or 82.4% of UPG securities on issue.

Performance History

As it is likely this will be my last UPG AGM, in view of the takeover bid, I hope I will be forgiven for taking a ride down memory lane. In August 2009 when Chris Morton (as Managing Director) and myself (as Chairman) became directors of Unity Pacific, the security price was 9 cents and the property gearing was 82.9%. The Group was on the verge of receivership. By the end of that financial year, the Group's net tangible assets had reduced to a low of \$45.1 million as a result of development losses and asset write-downs suffered as a consequence of the GFC.

The Board at that time commenced a strategic approach to the considerable challenges ahead based on stabilise, resolve, secure, rationalise and future determination. Numerous assets had to be sold, debt repaid and litigation resolved.

Over \$150 million in debt has been repaid to our primary financier, National Australia Bank, with an additional \$50 million being either forgiven or transferred with specific assets. A further \$360 million of debt was transferred from the Group as part of the sale of the wholesale funds management business to LaSalle Investment Management. At 30 June 2016, Unity Pacific's debt has been reduced to nil.

With the future of Unity Pacific determined, the Board also focused on capital management. Numerous capital management initiatives have been undertaken resulting in approximately \$67 million being returned to securityholders.

Assuming the off-market takeover offer is completed and total consideration of 47 cents per security is received, securityholders will have received a further \$16.8 million, resulting in a total of \$83.8 million being paid to securityholders since 2009.

In August 2009, when the lowest UPG security trading price was around 6 cents per security, Unity Pacific had a market capitalisation of \$13.9 million. Even after the return of approximately \$67 million to securityholders since 2009, the Group still had a market capitalisation of \$15.4 million as at 23 August 2016. The total net tangible assets have increased by 82% since 2010, their lowest point of \$45.1 million to a total, prior to allowing for capital management initiatives, of \$82.1 million. This has been achieved without any capital raising or dilution to existing securityholders' holdings.

In terms of the security price performance, according to the ASX "Spotlight on A-REITs" August 2016, out of the 45 ASX listed A-REITs, Unity Pacific has been, by a considerable margin, the best performer on total returns on a 3 year and 5 year annualised basis and the best performing stapled A-REIT on a 1 year annualised basis.

Acknowledgements

Unity Pacific's significant achievements would not have been realised without a constant focus on the maximisation of securityholder value and the application of a considered and strategic approach to the challenges that confronted the Group. Some securityholders may have construed the approach as not being sufficiently aggressive. However, in the end, it was all about achieving maximum value for existing securityholders' capital. At this time, it is appropriate that I thank all of those involved in Unity Pacific since I joined the Group as Chairman in 2009 some 7 years ago. It has been an eventful and challenging experience for all of those involved in the business and hopefully financially rewarding for securityholders who acquired securities after 2009. Chris Morton and I joined a business in crisis – one which required the resolution of many complex issues with often competing securityholder desires and interests having to be balanced.

I acknowledge and thank my current fellow directors, Chris Morton and Murray Boyte as well former director Richard Friend for all of their significant contributions. I also thank the core management team at Unity Pacific of Laura Fanning, Janita Robba and Bronwyn Risk for their devotion to the securityholder cause and other Unity Pacific staff, past and present, who have been committed to achieving positive outcomes for our stakeholders.

At this time, I want to make particular mention of Chris Morton, the Company's Managing Director. During the course of the journey, Chis has relentlessly pushed for the best outcome for securityholders. Unity Pacific went through some dry gullies but the ultimate outcome is a wonderful result. So on behalf of the securityholders, Chris, a big thank you.

Further, I acknowledge National Australia Bank and our key advisers BDO, McCullough Robertson, InterFinancial and Jones Day.

Of course importantly, I take this opportunity to thank our securityholders for their loyalty, many over a lengthy period of time.

Thank you

Unity Pacific Group

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More information on Unity Pacific can be found on our website www.unitypacific.com.au
