

# 2015

Annual Report



Unity Pacific

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# About Unity Pacific

Unity Pacific Group (ASX: UPG) is a stapled ASX listed Australian Real Estate Investment Trust (A REIT). Unity Pacific's core business is direct real estate investment and funds management.

Unity Pacific Group comprises Unity Pacific Stapled Trust (Trust) and Unity Pacific Limited (Company). Each fully paid unit in the Trust is stapled to one fully paid share in the Company and can only be dealt with as a stapled security.

Unity Pacific currently owns and manages a small portfolio of Australian property assets and does not undertake property development. Unity Pacific Stapled Trust is an internally managed investment scheme. The responsible entity, Unity Pacific Investment Management Limited, is a wholly owned subsidiary of Unity Pacific Limited.

Unity Pacific's Board and management have a wide variety of skills and experience in areas that are critical to the successful management of the Group's core business activities including real estate investment funds and asset management, finance and corporate governance.

The Board and management of Unity Pacific are committed to the highest level of corporate governance and transparency throughout the business and to sustained wealth creation for securityholders.

# Unity Pacific Asset Summary as at 30 June 2015

Investment Property	\$34.1 million
Inventory	\$5.3 million
Cash	\$20.4 million
Equity accounted investments	\$5.2 million
Other	\$0.7 million
<b>Total</b>	<b>\$65.7 million</b>



## Results at a Glance

KEY FINANCIAL INFORMATION		
	30 JUNE 2015	30 JUNE 2014
Net Tangible Assets (NTA) (\$ per security) <sup>1</sup>	1.47	1.44
Closing Security Price (\$ per security) <sup>2</sup>	1.03	0.25
Net Assets (\$M)	52.7	51.4
Balance Sheet Gearing Ratio (%)	-	21.3
Property Loan to Value Ratio (LVR) (%)	30.4	49.0
Securities on Issue (M) <sup>3</sup>	35.8	143.2
SUMMARY OF FINANCIAL RESULTS		
	30 JUNE 2015	30 JUNE 2014
Revenue and Other Income (\$'000)	9,763	9,944
Net Profit/(Loss) (\$'000)	1,321	469
EPS (cents) <sup>1</sup>	3.7	1.3
Distribution (cents per security)	-	-

1 Unity Pacific Group undertook a 1:4 security consolidation in December 2014. The 30 June 2014 NTA and earnings per security have been restated as a result of the security consolidation.

2 The 30 June 2015 Closing Security Price has increased as a result of the 1:4 security consolidation.

3 The Securities on Issue have decreased as a result of the security consolidation.

KEY BUSINESS HIGHLIGHTS
<ul style="list-style-type: none"> <li>Sale of Rivergate Centre, Murarrie for a net profit of \$2.5 million.</li> <li>Sale of two apartments at Cumberland Lorne Resort, with one further apartment sold subsequent to year end, four apartments remain for sale.</li> <li>Cash balance of \$20.4 million at 30 June 2015 prior to the \$15 million capital distribution which occurred on 31 August 2015.</li> <li>Debt reduction of \$19.6 million from the proceeds of asset sales reducing the Group's debt facility to \$12.0 million.</li> <li>1:4 security consolidation occurred in December 2014 resulting in a corresponding increase in the Group's security price.</li> <li>Change of name from Trinity Group to Unity Pacific Group.</li> <li>Establishment of The Marie Street Trust as part of Unity Pacific Group's new external funds management platform. 16 Marie Street, Milton settled on 18 March 2015.</li> </ul>

# Chairman's Report



## On behalf of the Board, I am pleased to present Unity Pacific Group's 2015 Annual Report.

After having largely completed the stabilisation of the Group, the focus for the 2015 financial year was on the growth of the business.

Whilst it was considered that the sale of non-core property assets had been completed in FY14, the Board agreed to sell the industrial property located at 69 Rivergate Place, Murrarie for \$27 million, which was an 11.6% premium to the property's 30 June 2014 book value.

The Board's decision to sell the property at that time, was motivated by strong investor demand and strengthening of capitalisation rates for quality industrial properties in Brisbane. The majority of the proceeds from the sale of the property were applied to debt reduction. The low level of gearing still provided capacity for future borrowings. Unity Pacific also held significant cash reserves.

With an increased focus on the establishment of new property investment vehicles, Unity Pacific launched The Marie Street Trust in January 2015. The strength of Unity Pacific's balance sheet and cash reserves enabled Unity Pacific to contract the purchase of the property located at 16 Marie Street, Milton on favourable terms and subscribe for any shortfall in the equity raising which provided certainty of completion and settlement of the property for those wholesale investors subscribing for units in The Marie Street Trust.

As responsible entity and manager of The Marie Street Trust, Unity Pacific is entitled to funds management fees for the establishment and operation of that trust. Furthermore, the units subscribed for by Unity Pacific (at the time of the acquisition of the Marie Street property, and which have been gradually sold down), have been accretive to earnings for Unity Pacific securityholders.

In July 2015, the Board determined that despite Unity Pacific being financially well positioned to pursue the acquisition of the whole or a part of existing funds management businesses, the timeframe to execute opportunities in this sector would not result in sustainable distributions for securityholders in the short-term. 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 amount of the distribution payable of \$15.0 million was funded by those surplus cash reserves which had previously been reserved for business acquisition activities.

Unity Pacific has undertaken a number of capital management initiatives since 2011. The 42 cents per security capital distribution, being the latest of those initiatives, has resulted in \$38.3 million being returned to securityholders over the timeframe.

During the year, we have introduced two new board members to the Unity Pacific Group boards. Bevan Towning joined the board in November 2014 as an executive director following the retirement of long-standing, non-executive director Richard Friend. Bevan brings to the board his extensive property knowledge and experience, having worked in both the listed and unlisted real estate sectors over the past 30 years.

Murray Boyte joined the Unity Pacific Group boards in March 2015 as an independent non-executive director. Murray was also appointed chairman of the audit committees. Murray's career spans more than 35 years in merchant banking and finance, mergers and acquisitions and financial services and he has been involved both operationally and strategically in the growth of companies in Australia, New Zealand, North America and Asia.

The Board is currently considering a number of matters including the potential sale of real property assets, further capital management and other initiatives. We expect to provide a further update by mid October 2015.

At this time, I acknowledge and thank my fellow directors, Chris Morton, Bevan Towning and Murray Boyte as well as Unity Pacific staff for their contributions during the past financial year.

I also take this opportunity to thank our securityholders for their ongoing support.

A handwritten signature in black ink that reads "Brett Heading". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Brett Heading  
Chairman



## Managing Director's Report

Our key focus for operations for the 2015 financial year has been ensuring Unity Pacific maintains its sound financial position by proactive management of the remaining properties and maximising value through the sale of the Rivergate Centre, reducing debt and funds management activities.

The result for the 2015 financial year was a net profit attributable to securityholders of \$1.3 million as compared to a profit of \$0.5 million for FY14.

The Directors assessed Unity Pacific's underlying profit from operations to be \$1.0 million compared with \$1.6 million for the previous year, which included a \$0.4 million gain on the sale of apartments at Cumberland Lorne Resort.

Unity Pacific's net profit for FY15 was primarily as a result of the \$2.5 million profit on the sale of the Rivergate Centre property which occurred in December 2014. Other key transactions and events which impacted the net profit result are the establishment of The Marie Street Trust, a decrease in the value of the commercial property located at 308 Queen Street/88 Creek Street, Brisbane and higher overheads and employment costs associated with business growth.

Total property sales of \$27.7 million occurred during the financial year including the sale of the Rivergate Centre for \$27.0 million and 2 apartments at Cumberland Lorne Resort. The proceeds from the property sales were mainly used to reduce debt by \$19.6 million resulting in the overall debt facility being reduced to \$12.0 million and balance sheet gearing to nil. The balance of the sale proceeds were retained

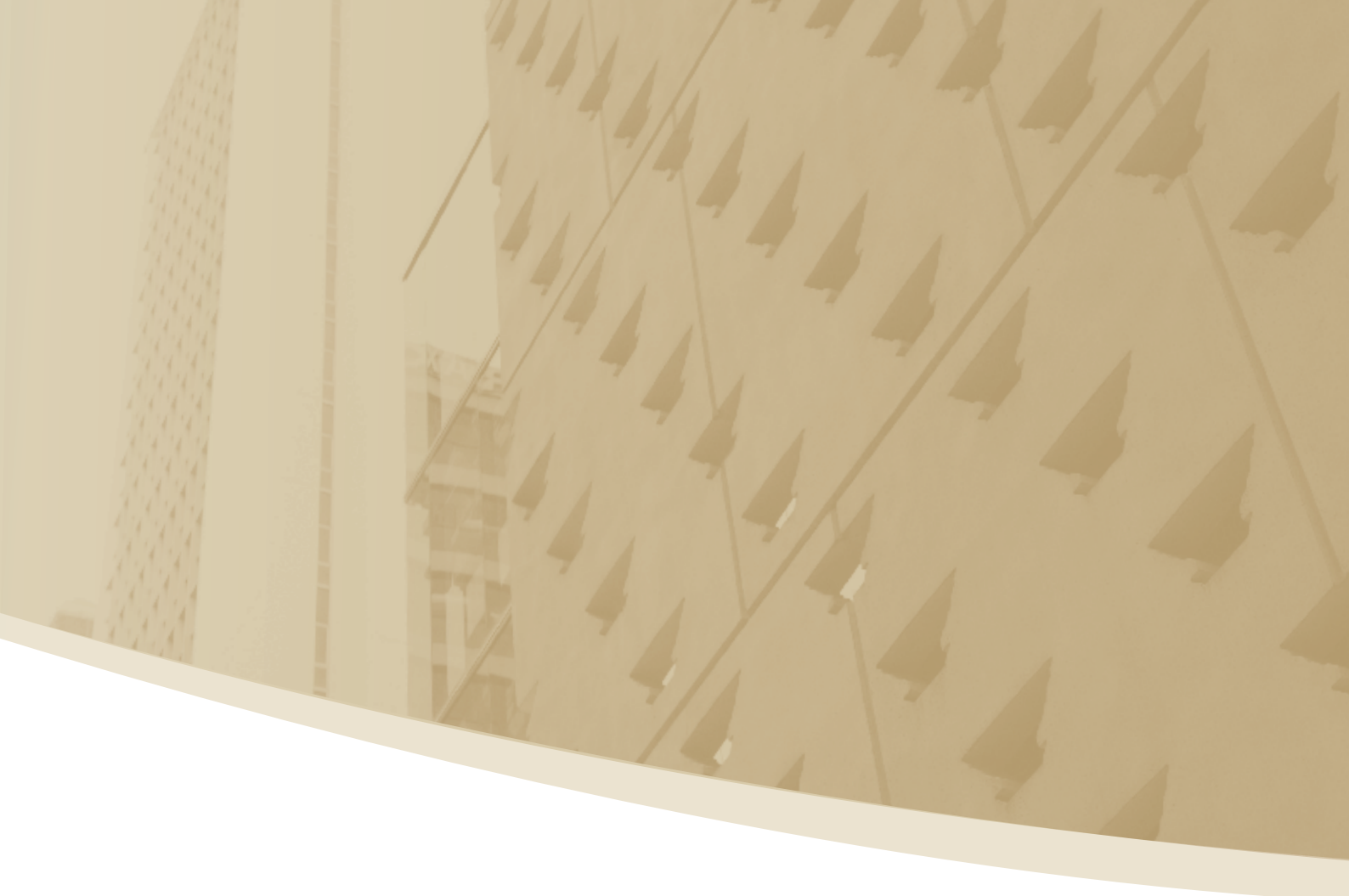
at that time for future use. During the year, Unity Pacific's cash reserves increased to \$20.4 million or 31.0% of total assets as at 30 June 2015.

Financing costs reduced by \$0.8 million or 41% during FY15 compared to the previous financial year due to the reduction in the Group's debt levels, lower interest rates and reduced debt facility fees. As a result of a debt facility extension, Unity Pacific's debt facilities with National Australia Bank now have an expiry date of 31 October 2017.

Whilst the Board has taken a measured approach to costs in the pursuit of certain growth objectives during the year, administration and overhead costs were higher than the previous year by \$0.3 million or 38%. Those cost increases included employment costs, consulting fees and travel costs. Subsequent to balance date, Unity Pacific announced that its overhead structure would be reduced to reflect current business requirements. This revised structure is now being put in place.

The property located at 308 Queen Street/88 Creek Street was independently valued at 30 June 2015, resulting in a decrease of \$1.9 million or 5% during the year. This decrease is partly the result of a deteriorating Brisbane CBD commercial office market and a high level of lease expiries in the 2016 financial year. However, the more significant cause of the decrease is a pending change in Brisbane CBD planning law which has resulted in the value of the transferrable development rights known as TSAs (or transferable site areas) which attach to the heritage 308 Queen Street building being significantly written down.





Property values for the balance of the property portfolio including the Cumberland Lorne Resort apartments and land at San Remo, Victoria, remain unchanged.

As previously reported, Unity Pacific undertook a 1:4 security consolidation in December 2014 resulting in a corresponding increase in security trading price and NTA per security. At year end, Unity Pacific's NTA per security increased to \$1.47 compared to \$1.44 cents per security (restated) as at 30 June 2014. Unity Pacific's net assets and NTA per security increase was attributable to the FY15 profit. Post balance date, the 30 June 2015 NTA per security and corresponding security trading price have reduced to reflect the 42 cents per security capital distribution paid on 31 August 2015.

As previously stated, Unity Pacific established The Marie Street Trust, a single asset fixed term, unlisted property trust. The property which was settled in March 2015, is a modern A-Grade commercial office building at 16 Marie Street, Milton, Queensland. The majority of the wholesale investors who have subscribed for units in The Marie Street Trust have been introduced by financial intermediaries and accountants. Unity Pacific's ability to acquire without the purchase contract being subject to equity raising, has netted a positive result for The Marie Street Trust unitholders. The property was revalued as at 30 June 2015 resulting in a 4.0% uplift in value and subsequent increase in the underlying net tangible assets per unit of that trust to \$1.00.

During the 2016 financial year, we will be focused on maintaining and improving the value of the underlying property portfolio, particularly the 308 Queen Street/88 Creek Street, Brisbane property.



Chris Morton  
Deputy Chairman/Managing Director



## Property Update

### 308 Queen/88 Creek Streets, Brisbane

Unity Pacific's headquarters and flagship property asset is located at 308 Queen Street and 88 Creek Street, Brisbane. It comprises two interconnecting buildings, one being a heritage building known as "The Chambers" and the other a modern office building known as "The Tower".

308 Queen/88 Creek Street is well tenanted with total occupancy of 94.7% (by net lettable area) at 30 June 2015 as compared to 89.6% as at 30 June 2014.

As previously reported, this property has leases of 39.4% of total net lettable area expiring in the 2016 financial year. As at the date of this report, there are 4 vacant suites in The Chambers totaling 300m<sup>2</sup> (approximately). A lease of 100m<sup>2</sup> of these suites has been agreed on a 5 year lease term. In addition, there is 422m<sup>2</sup> or one floor now vacant in The Tower.

Unity Pacific is actively engaged with the tenants of both buildings to manage upcoming lease expiries during what will be a challenging leasing market in the Brisbane CBD to ensure that we continue to maintain stable revenue from the property. A display fitout is being created in two of the heritage suites to encourage leasing of those areas.

The soft leasing market conditions in Brisbane commercial property are expected to continue for several years. Whilst there is some commentary to suggest that there will be a significant withdrawal of Brisbane office stock in the coming years it is only expected to offset the new supply in the market. Despite this commentary all property owners are faced with an ongoing competitive leasing market.

The retail portion of the property (985m<sup>2</sup>) is fully leased. Capital expenditure of \$0.7 million was incurred in FY15 at the property and included fitout contributions for two ground floor retail tenancies and a commercial tower tenant, as well as general building capital expenditure. Minor capital works are currently being undertaken in the foyer of The Tower (88 Creek Street) building to create a more appealing entrance and improve the property's overall presentation.

In November 2014, the heritage building at 308 Queen Street suffered damage from a severe hail storm which occurred in Brisbane. Unity Pacific has been working with insurers and contractors to repair the resultant damage. Due to insurance coverage, the financial loss to Unity Pacific from this weather event should be minimal. It is expected that all works (and in particular those to the roof of the heritage building) will be finalised prior to the 2015 summer rain season.

The focus for this building during the 30 June 2015 year has been, and will continue to be for the next 12 months, the leasing of the vacant areas and strategies to manage the impact of the major tenant lease expiries in the 30 June 2016 year.

### Cumberland Lorne Resort

Unity Pacific owns 4 of the 102 apartments in the Cumberland Lorne Resort, Lorne, Victoria. The remaining apartments owned by Unity Pacific are all one bedroom, garden view apartments.

The Lorne residential market had one its most difficult periods over the last summer with historically low sales.

During the 2015 financial year, Unity Pacific sold 2 apartments that resulted in a profit on sale of \$0.02 million. This is compared to a profit on sale of \$0.4 million for 8 apartments sold in the previous year. Subsequent to 30 June 2015, a further apartment settled at a small profit to carrying value.

### San Remo Site

This 120 hectare site is located at San Remo, Victoria and is currently zoned rural.

The Board continues to pursue value adding opportunities, including rezoning and large/rural lot subdivision, whilst it holds the view that the net financial impact of such will be favourable in the medium term.

Currently, an application is before the Bass Coast Shire Council for a staged subdivision of the land into 3 lots which includes the use of one lot for a leisure and recreation facility including golf course and associated tourist accommodation facilities (residential hotel). The application is awaiting the decision of the Council.



## PROPERTY PORTFOLIO AS AT 30 JUNE 2015

PROPERTY	LOCATION	SECTOR	NLA <sup>1</sup> (m <sup>2</sup> )	Average Lease Duration <sup>2</sup> (years)	BOOK VALUE 30 JUNE 2014 (\$M)	BOOK VALUE 30 JUNE 2015 (\$M)	CAPITAL- ISATION RATE %
308 Queen Street / 88 Creek Street, Brisbane	QLD	Commercial	4,550	2.4	36.05 <sup>3</sup>	34.15 <sup>3</sup>	7.81
Cumberland Lorne Resort, Lorne <sup>4</sup>	VIC	Tourism	n/a	Nil	2.05	1.42	n/a
San Remo Site, San Remo	VIC	Rural/Future Residential	n/a	Nil	3.85	3.85	n/a

1 Net lettable area.

2 Average Lease Duration by Income.

3 30 June 2015 book value includes Transferrable Site Areas (TSAs) valued at \$0.4M (30 June 2014: \$1.7M).

4 Unity Pacific Group owns 4 apartments as at the date of this report.

## Property Sales

### Rivergate Centre, Murarrie

The sale of 69 Rivergate Place, Murarrie, Queensland occurred in December 2014. The sale price achieved of \$27 million, was a premium of 11.6% to the book value at 30 June 2014 of \$24.2 million and resulted in a \$2.5 million profit on sale.

## Funds Management

Unity Pacific Investment Management Limited, the responsible entity for Unity Pacific Stapled Trust, is a wholly owned subsidiary of Unity Pacific Limited.

Unity Pacific Investment Management Limited is also the trustee for UPG Prime Industrial Trust, an unlisted property investment scheme wholly owned by Unity Pacific Stapled Trust. UPG Prime Industrial Trust's sole property asset, the Rivergate Centre, was sold in December 2014.

Unity Pacific Investment Management Limited, in its capacity as responsible entity and trustee, manages the operations of both of these Trusts.

Unity Pacific has two Australian Financial Services Licences (AFSLs). The second AFSL is used for Unity Pacific's external property funds management business which it pursues through the wholly owned subsidiary, Unity Pacific Funds Management Limited.

During the year, Unity Pacific established The Marie Street Trust, a single asset fixed term, unlisted property trust. In March 2015, The Marie Street Trust commenced operations with the acquisition of a commercial office building at 16 Marie Street, Milton, Queensland. The Trust has a term of 6 years from acquisition date.

In March 2015, Unity Pacific Stapled Trust subscribed for units in The Marie Street Trust, with the balance of units held by third party wholesale investors. Between 18 March 2015 and 30 June 2015, in accordance with a subscription deed, Unity Pacific Stapled Trust's investment in The Marie Street Trust was reduced through the redemption of its units as a result of the issue of units to other third party investors. Unity Pacific's units in The Marie Street Trust, whilst held, have similar rights to ordinary units including the receipt of distributions for the proportionate period that Unity Pacific held its interest in The Marie Street Trust.

As at 30 June 2015, Unity Pacific held 5.2 million units in The Marie Street Trust. Since year end, Unity Pacific's holding has reduced to approximately 3.0 million units. The forecast yield on the \$1.00 units for the 2016 financial year is 9.9% per annum.

Unity Pacific Funds Management Limited as responsible entity and manager of The Marie Street Trust is entitled to trust establishment and base management fees. In addition, Unity Pacific receives fees for other services it provides to The Marie Street Trust including accounting and property management services at normal commercial rates.



## Property Profiles

## 308 Queen Street/88 Creek Street, Brisbane

308 Queen Street/88 Creek Street, Brisbane is a commercial complex comprising two interconnecting buildings, one being a heritage building and the other a modern office building. The heritage listed, 3 level commercial building located at 308 Queen Street and known as "The Chambers" provides retail (NAB banking chamber and an upmarket bar) and heritage office suite accommodation. Adjoining the Chambers is a modern, 7 level commercial office building located at 88 Creek Street and known as "The Tower". The Tower offers modern office accommodation and a ground floor retail precinct. The complex is situated on the north western side of the intersection of Queen and Creek Streets, Brisbane, approximately 50 metres north of the Brisbane GPO.

<b>Location</b>	308 Queen Street/ 88 Creek Street, Brisbane, Qld
<b>Sector</b>	Commercial
<b>Ownership</b>	Unity Pacific Stapled Trust
<b>Acquisition Date</b>	December 2006
<b>Book Value (30 June 2015)</b>	\$34.15 million
<b>Capitalisation Rate</b>	7.81%
<b>Net Lettable Area (NLA)</b>	3,565m <sup>2</sup> office / 985m <sup>2</sup> retail
<b>Vacancy (by NLA as at 30 June 2015)</b>	5.3%
<b>Average Lease Duration (by Income)</b>	2.4 years
<b>Major Tenants</b>	National Australia Bank, NextDC Limited, Acciona

## Cumberland Lorne Resort Apartments

Cumberland Lorne Resort is a 102 apartment, 4 star rated resort located at Lorne, a coastal township approximately 138 kilometres south west of the Melbourne CBD. The resort's accommodation includes a mix of one and two bedroom apartments as well as 12 penthouses. The resort facilities include a conference centre, restaurant, cafe, indoor pool, spa treatment facility, tennis courts, squash court, gymnasium, landscaped gardens and barbecue areas.

<b>Location</b>	148 - 174 Mountjoy Parade, Lorne, Vic
<b>Sector</b>	Tourism
<b>Ownership</b>	Unity Pacific Limited
<b>Acquisition Date</b>	July 2009
<b>Book Value (30 June 2015)</b>	\$1.42 million
<b>Capitalisation Rate</b>	n/a
<b>No. Of Apartments Owned</b>	4 (Refer to commentary on page 6)

## San Remo Site

The property is located on the eastern fringe of the township of San Remo (approximately 120 kilometres from Melbourne) which is adjacent to Phillip Island. The southern portion of the site has spectacular coastal views and the northern portion features views over Westernport Bay. The property forms part of the Bass Coast Shire municipal area and is currently zoned "Farming Zone" under the Bass Coast Planning Scheme. Unity Pacific is actively pursuing the rezoning of the land so that it can be used for residential and tourism purposes and in the interim is seeking to subdivide the land into 3 lots.

<b>Location</b>	140 Punchbowl Road, San Remo, Vic
<b>Sector</b>	Rural/future residential
<b>Ownership</b>	Unity Pacific Limited
<b>Acquisition Date</b>	November 2006
<b>Book Value (30 June 2015)</b>	\$3.85 million
<b>Capitalisation Rate</b>	n/a
<b>Site Area</b>	120.8 hectares





## Board of Directors and Executive Management

### BRETT HEADING

BCOM LLB (HONS) FAICD

#### Chairman and Non-Executive Independent Director

Mr Heading has been Chairman since his appointment to the Unity Pacific Group Board on 21 August 2009.

Mr Heading is an experienced corporate lawyer and company director. He has been a partner of McCullough Robertson since 1985, specialising in capital raising, mergers and acquisitions.

Mr Heading has been a director of a number of listed and unlisted companies. Mr Heading is also a former long-standing member of the Board of Taxation and was a member of the Takeovers Panel from 1997 to 2009. Mr Heading is a member of Unity Pacific's Audit Committee (appointed 1 December 2009).

*Other current directorships in listed companies: Invion Limited (formerly CBio Limited).*

*Other former directorships in listed companies within the last three years: Empire Oil & Gas NL.*

### CHRISTOPHER MORTON

BCOM LLB LLM MAICD

#### Deputy Chairman and Managing Director

Mr Morton was appointed to the Unity Pacific Group Board on 21 August 2009. He was appointed Chief Executive Officer on 24 September 2012.

Mr Morton has over 30 years' experience in the areas of property law, investment and funds management and was formerly a senior property law partner and senior management executive with the national legal firm Phillips Fox (now known as DLA Piper).

In 1997, Mr Morton founded and was Managing Director of Property Funds Australia Limited (PFA), a specialist property funds management company and responsible entity for the Australian exchange listed, PFA Diversified Property Trust. PFA was acquired by the Mirvac Group in October 2007.

Mr Morton is a past president of the Property Council of Australia (Queensland Division), past president of the Australian Direct Property Investment Association (ADPIA) and a past member of the Queensland Heritage Council and the Brisbane City Council's Urban Renewal Taskforce.

Mr Morton is a member of Unity Pacific's Compliance Committee (appointed 1 December 2009).

*Other directorships in listed companies within the last three years: Nil*

### MURRAY BOYTE

BCA CA MAICD IoDNZ

#### Non-Executive Independent Director

Mr Murray Boyte was appointed to the Unity Pacific Group Board on 6 March 2015.

Mr Boyte's career spans more than 35 years in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. He has held executive roles and Board positions across a diverse range of industries including transport, financial services and healthcare. He has extensive experience in property management and development.

Mr Boyte was formerly Chief Executive Officer of ASX-listed Ariadne Australia Limited, a position he held from 2003 to 2015.

Mr Boyte is also an independent director of Abano Healthcare Group which conducts healthcare business activities in Australia and New Zealand and is listed on the New Zealand Stock Exchange.

Mr Boyte is Chairman of Unity Pacific Group's Audit Committee (appointed 6 March 2015).

*Other current directorships in listed companies: Abano Healthcare Group (NZ)*

*Other former directorships in listed companies within the last three years: Nil*



### **BEVAN TOWNING**

DIP BUS REV

#### **Executive Director and Chief Investment Officer**

Mr Bevan Towning was appointed to the Unity Pacific Group Board on 22 October 2014. He was appointed Chief Investment Officer on 25 November 2013.

Mr Towning has over 30 years' experience in both the listed and unlisted real estate investment trust sector.

His previous positions have included Head of Property at General Property Trust (GPT), Head of Listed Real Estate Funds (Colonial First State Property), Joint Managing Director – Real Estate and Head of Real Estate Funds at Challenger Financial Services Group, General Manager at Grocon Investment Management (Grollo Group), and CEO – Capital Partnerships at Mirvac Group.

*Other Unity Pacific Group memberships:* Nil

*Other current directorships in listed companies:* Nil

*Other former directorships in listed companies within the last three years:* Nil



### **LAURA FANNING**

BBUS (ACCOUNTING) GRAD DIP (APP CORP GOV) CA AGIA ACIS

#### **Joint Company Secretary and Joint Chief Financial Officer**

Mrs Fanning joined Unity Pacific Group in January 2007 and was appointed Company Secretary and Chief Financial Officer on 19 May 2010.

Mrs Fanning is a Chartered Company Secretary and Chartered Accountant with more than 15 years' experience in listed and unlisted companies across sectors including funds management, property and wholesale distribution.



### **JANITA ROBBA**

BCOM LLB CA

#### **Joint Company Secretary and Joint Chief Financial Officer**

Mrs Robba was initially appointed Unity Pacific Group's Company Secretary and Chief Financial Officer in 2011.

Mrs Robba is a Chartered Accountant with experience in executive management roles with both listed and unlisted companies across industries including funds management, financial services and travel.

# Financial Report

30 June 2015

## Unity Pacific Group

(formerly Trinity Group)

Comprising the Consolidated Financial Reports for

**Unity Pacific Limited**

(formerly Trinity Limited)

ABN 11 110 831 288

and its controlled entities

and

**Unity Pacific Stapled Trust**

(formerly Trinity Stapled Trust)

ARSN 111 389 596

and its controlled entities



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# Directors' Report

for the year ended 30 June 2015

The Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited, the Responsible Entity for Unity Pacific Stapled Trust, present their report together with the consolidated financial statements and the auditor's report thereon for the year ended 30 June 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").

In December 2014, Trinity Group changed its name to Unity Pacific Group. The names of several entities within Unity Pacific Group were also changed at that time, including the following:

Current Name	Former Name
Unity Pacific Limited	Trinity Limited
Unity Pacific Investment Management Limited	Trinity Investment Management Limited
Unity Pacific Stapled Trust	Trinity Stapled Trust

## UNITY PACIFIC GROUP

The stapled securities of Unity Pacific Group are quoted on the Australian Securities Exchange ("ASX") under the code UPG and comprise 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* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

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

Unity Pacific Stapled Trust is a managed investment scheme. Unity Pacific Investment Management Limited, a controlled entity of Unity Pacific Limited, was appointed the Responsible Entity for Unity Pacific Stapled Trust on 26 February 2010.

## DIRECTORS

### Unity Pacific Limited

The Directors of Unity Pacific Limited in office during the financial year and until the date of this report are:

Brett Heading	Independent Chairman	Appointed 21 August 2009
Richard Friend	Independent Non-Executive Director	Appointed 25 September 2007 Resigned 22 October 2014
Christopher Morton	Managing Director	Appointed 21 August 2009
Bevan Towning	Executive Director & Chief Investment Officer	Appointed 22 October 2014
Murray Boyte	Independent Non-Executive Director	Appointed 6 March 2015

### Unity Pacific Investment Management Limited

The Directors of Unity Pacific Investment Management Limited in office during the financial year and until the date of this report are:

Brett Heading	Independent Chairman	Appointed 23 October 2009
Richard Friend	Independent Non-Executive Director	Appointed 23 October 2009 Resigned 22 October 2014
Christopher Morton	Managing Director	Appointed 10 June 2009
Bevan Towning	Executive Director & Chief Investment Officer	Appointed 22 October 2014
Murray Boyte	Independent Non-Executive Director	Appointed 6 March 2015

Details of the directors' experience, qualifications, special responsibilities and other interests are outlined on pages 24-25 of the Directors' Report.

Meetings of directors, and their attendance at those meetings, for the year ended 30 June 2015 (including meetings of committees of directors) are disclosed on page 23 of the Directors' Report.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## Managing Director

Mr Morton was appointed Chief Executive Officer of Unity Pacific Limited and Unity Pacific Investment Management Limited on 24 September 2012. Mr Morton's title changed to Managing Director in December 2014.

## COMPANY SECRETARY

The Company Secretaries of both Unity Pacific Limited and Unity Pacific Investment Management Limited as at 30 June 2015 were:

Laura Fanning	Joint Company Secretary and Joint Chief Financial Officer	Appointed 3 February 2014
Janita Robba	Joint Company Secretary and Joint Chief Financial Officer	Appointed 17 January 2013

Mrs Fanning and Mrs Robba were appointed Joint Company Secretary and Joint Chief Financial Officer on 3 February 2014 and both work in the role in a part time capacity.

Details of the company secretaries' experience and qualifications are outlined on page 25 of the Directors' Report.

## 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.

Unity Pacific Group's properties are classified as follows:

Principal Activity	Properties
Property investment	308 Queen Street / 88 Creek Street, Brisbane QLD Rivergate Centre, Murarrie QLD (sold in December 2014) 13 Compark Circuit, Mulgrave VIC (sold in March 2014)
Property held as inventory	Cumberland Lorne Resort apartments, Lorne VIC Land parcel, San Remo VIC

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

Unity Pacific Investment Management Limited holds an Australian Financial Services Licence No. 338688 issued pursuant to Section 913B of the *Corporations Act 2001*. Unity Pacific Stapled Trust was registered as a managed investment scheme on 28 October 2004 with ARSN 111 389 596.

Unity Pacific Funds Management Limited, a controlled entity of Unity Pacific Limited, also holds an Australian Financial Services Licence No. 442262 issued pursuant to Section 913B of the *Corporations Act 2001*. Unity Pacific Funds Management Limited is the responsible entity of The Marie Street Trust, a managed investment scheme registered on 16 December 2013 with ARSN 167 058 693. The Marie Street Trust commenced operations on 18 March 2015.

## REVIEW OF OPERATIONS AND RESULTS

### Financial Performance

#### Unity Pacific Group

Unity Pacific Group's result for the year ended 30 June 2015 ("year") was a profit attributable to stapled securityholders of \$1.32 million compared with a profit of \$0.47 million for the year ended 30 June 2014 ("previous year").

#### The Trust

The Trust's result for the year was a profit attributable to stapled securityholders of \$1.22 million compared with a profit of \$3.73 million for the previous year.

The result for the Trust in each reporting period is largely driven by movements in the provision for doubtful debts, which relates 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.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

The financial performance of Unity Pacific Group for the year is summarised as follows:

Performance Measure		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
Revenue and other income	\$'000	9,763	9,944	8,791	5,468
Profit/(loss) attributable to securityholders <sup>1</sup>	\$'000	1,321	469	1,215	3,732
Basic/diluted earnings per stapled security /unit <sup>2</sup>	cents	3.7	1.3	3.4	10.4

<sup>1</sup> Excluding profit attributable to non-controlling interests. Refer to note 23 for further information

<sup>2</sup> 2014 earnings per stapled security has been restated as a result of the 1:4 security consolidation undertaken in December 2014.

## Financial Review

Key transactions and events which have impacted the result for the year are as follows:

- a net profit of \$2.53 million on the sale of Rivergate Centre, Murarrie, Queensland;
- the establishment of The Marie Street Trust; and
- a decrease of \$1.91 million in the value of 308 Queen Street/88 Creek Street, Brisbane primarily due to a writedown in the value of the Transferrable Site Areas (TSAs) attached to the 308 Queen Street heritage building.

Further details are provided below.

### Property Sales

In December 2014, Unity Pacific Group sold its industrial property, Rivergate Centre, in Murarrie, Queensland. The property was sold for \$27.00 million, resulting in a \$2.53 million profit on sale.

During the year Unity Pacific Group sold 2 apartments at the Cumberland Lorne Resort in Lorne, Victoria. The sale of these apartments resulted in a total profit on sale of \$0.02 million. This is compared to a profit on sale of \$0.45 million for 8 apartments sold in the previous year.

### Movements in Property Values

The fair value of Unity Pacific Group's investment property located at 308 Queen Street/88 Creek Street decreased by \$1.91 million or 5% during the year based on the independent 30 June 2015 valuation. The fair value decrease is partly the result of a deteriorating Brisbane CBD commercial office market and a high level of lease expiries in the 2016 financial year. The more significant cause of the decrease is a pending change in Brisbane CBD planning law which has resulted in the value of the transferrable development rights known as TSAs (or transferable site areas) which attach to the heritage 308 Queen Street building being significantly written down.

Capital expenditure incurred during the year at 308 Queen Street/88 Creek Street included fitout contributions for two ground floor retail tenancies and a commercial tower tenant, as well as general building capital expenditure. Further details on investment property values are provided in note 15 of the Notes to the Financial Statements.

Inventory was written down by \$0.05 million during the year which related to costs incurred during the year in pursuing the potential rezoning of the land at San Remo, Victoria. In the previous year, the San Remo land was written down by \$1.10 million which included a \$0.95 million reduction in value of the land based on an independent 30 June 2014 valuation and \$0.15 million in development costs incurred.

### Funds Management – The Marie Street Trust

During the year, Unity Pacific Group established The Marie Street Trust, a single asset fixed term, unlisted property trust. In March 2015, The Marie Street Trust commenced operations with the acquisition of a commercial office building at 16 Marie Street, Milton, Queensland.

Unity Pacific Stapled Trust initially subscribed for \$10.54 million of equity in The Marie Street Trust in March 2015, which represented a 75% interest, with the balance of units held by third party wholesale investors. Between 18 March 2015 and 30 June 2015, in accordance with a subscription arrangement in place, Unity Pacific Stapled Trust's investment in The Marie Street Trust was reduced to \$5.20 million (a 37% interest) through redemption of its units at cost as a result of the issue of units to other third party investors. As at the date of this report, Unity Pacific Stapled Trust's investment is \$3.35 million (a 24% interest).

Unity Pacific Group and the Trust controlled The Marie Street Trust for accounting purposes during the year, but ceased to control it on 30 June 2015 as result of the external capital raised as at that date. During the period of control, the entities consolidated the results of The Marie Street Trust.

The impact of the deconsolidation was a gain to Unity Pacific Group and the Trust of \$0.24 million. Further details are outlined as relevant throughout the Financial Report. In particular, refer to Note 23 Controlled Entities on page 63 for further details.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

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## **Operating Revenue**

Total revenue decreased by \$0.18 million or 1.8% in the year compared to the previous year. Revenue from the sale of Lorne apartments was significantly lower in the current year (\$0.67 million; 2014: \$3.69 million), but this was mostly offset by the following transactions in the current year - a \$2.53 million profit on sale of Rivergate Centre and insurance proceeds of \$0.35 million. The heritage building at 308 Queen Street suffered damage in the severe hail storm which occurred in Brisbane on 27 November 2014. Unity Pacific Group has been working with insurers and contractors to repair the resultant damage. Due to insurance coverage, the financial loss to the Group from this weather event should be minimal.

Property revenue (rental income and recoverable outgoings from investment properties) increased during the year by \$0.06 million or 1.2% compared to the previous year despite the sale of Rivergate Centre in December 2014. However, this was caused by the inclusion of property revenue of \$0.73 million from 16 Marie Street, Milton during the period that it controlled The Marie Street Trust. Property revenue from 308 Queen Street/88 Creek Street increased by \$0.51 million or 17% compared to the previous year as a result of new tenant leases commencing during the year.

## **Operating Expenses**

Property expenses for the year were higher by \$0.24 million or 21% than the previous year, primarily due to the cost of repairs to 308 Queen Street for which insurance proceeds were received as noted above and the inclusion of The Marie Street Trust's operating expenses during the year.

Administration and overhead costs for the year were also higher than the previous year by \$0.31 million or 36%. The increase was driven by costs incurred by Unity Pacific Group in its pursuit of business growth during the year, such as consulting fees and travel costs. Employment costs increased during the year by \$0.27 million or 17% to \$1.81 million also as a result of increased staff requirements whilst Unity Pacific was in a growth phase. Details of key management personnel remuneration are set out on page 31.

The Board has again taken a measured approach to costs relating to Unity Pacific Group's growth objectives during the year. Subsequent to balance date, Unity Pacific Group announced that its overhead structure would be reduced.

## **Financing Costs**

Financing costs reduced during the 30 June 2015 year. Interest rates applying to Unity Pacific Group's debt facilities with National Australia Bank Limited ("NAB") continued to fall during the year due to Reserve Bank of Australia interest rate cuts.

Further, Unity Pacific Group's debt facilities were reduced by \$19.59 million to \$12.0 million during the first half of the year as proceeds from asset sales (Rivergate Centre, Murarrie and Lorne apartments) were applied to debt reduction. The benefit of lower facility fees negotiated with NAB in the previous year also contributed to lower financing costs. These reductions were partially offset by the inclusion of The Marie Street Trust's financing costs of \$0.12 million during the period of control of that trust. There was a net reduction in financing costs of \$0.78 million or 41% compared to the previous year.

Unity Pacific Group complied with all financial covenants required by its financier NAB during the year and as at 30 June 2015. Unity Pacific Group's debt facilities expire on 31 October 2017.

## **Previous Year Result**

The 30 June 2014 year profit of \$0.47 million included a \$0.45 million profit on sale of 8 Lorne apartments, offset by a \$0.41 million loss on sale of a vacant commercial property at 13 Compark Circuit, Mulgrave in Victoria. An increase in investment property values of \$1.2 million was offset by a similar value decrease in inventory values.

## **Profit from Operations**

The profit/(loss) for the year and the previous year include a number of items which, in the opinion of the Directors, do not form part of Unity Pacific Group's underlying profit from operations. In order to allow securityholders to gain a better understanding of Unity Pacific Group's underlying profit 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 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.

The Directors have assessed Unity Pacific Group's profit from operations to be \$1.20 million compared with \$1.59 million for the previous year (as outlined below). The 2014 profit from operations included a \$0.45 million gain on the sale of apartments at Cumberland Lorne Resort.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## Profit from Operations (continued)

A reconciliation of Unity Pacific Group's profit from operations, as assessed by the Directors, to the reported profit/(loss) for the year is set out below.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
<b>Profit from operations</b>	<b>968</b>	<b>1,592</b>	<b>2,771</b>	<b>2,439</b>
<i>Reconciliation to profit/(loss) for the year<sup>1</sup></i>				
Fair value adjustments / write downs	(1,621)	115	(1,571)	1,210
Non-cash property investment income/(expense)	(312)	(551)	(312)	(551)
Other non-cash income/(expenses) <sup>2</sup>	2,712	(687)	753	634
Profit/(loss) for the year	1,747	469	1,641	3,732
Profit attributable to non-controlling interests	(426)	-	(426)	-
<b>Profit/(loss) for the year attributable to stapled securityholders</b>	<b>1,321</b>	<b>469</b>	<b>1,215</b>	<b>3,732</b>

1 Further details of the profit from operations and the reconciling items can be found in note 24 Operating Segments.

2 Includes a \$2.53 million gain on the sale of Rivergate Centre, Murarrie QLD.

## Earnings and Distributions

Income distributions paid or payable to securityholders during the year are as follows:

	Cents per Security	\$'000
Interim distribution paid	Nil	-
Final distribution payable	Nil	-

Income distributions paid or payable to securityholders in the previous year were nil.

Subsequent to year end, a capital distribution of 42 cents per stapled security totalling \$15.04 million was declared and will be paid on 31 August 2015. Further details are provided on page 79.

## Financial Position

The following table summarises key information regarding Unity Pacific Group's and the Trust's financial positions:

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
Total assets	\$'000	65,651	83,927	65,057	83,535
Net assets	\$'000	52,733	51,412	52,496	51,281
Debt (Bank loans and bank bills)	\$'000	12,000	31,591	12,000	31,591
Net debt <sup>1</sup>	\$'000	-	14,193	-	18,071
Balance sheet gearing ratio <sup>2</sup>	%	-	21.3	-	25.7
Property loan-to-value ratio <sup>3</sup>	%	30.4	49.0	n/a	n/a
Securities on issue <sup>4</sup>	'000	35,804	35,804	35,804	35,804
Net tangible assets (NTA) per security <sup>4</sup>	\$	\$1.47	\$1.44	\$1.47	\$1.44
Distributions per security	cents	-	-	-	-

1 Debt less cash and cash equivalents. At 30 June 2015 cash and cash equivalents exceed Unity Pacific Group's debt. As a result, net debt is nil.

2 Net debt (less unamortised borrowing costs) divided by total assets less cash and cash equivalents. At 30 June 2015 cash and cash equivalents exceed Unity Pacific Group's net debt. As a result, balance sheet gearing is nil.

3 Debt divided by bank accepted property valuations as per facility covenants.

4 Unity Pacific Group undertook a 1:4 security consolidation during the first half of the year. The securities on issue and NTA per security as at 30 June 2014 have been restated on a 1:4 basis.



# Directors' Report (CONTINUED)

for the year ended 30 June 2015

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## STATE OF AFFAIRS

### Direct Property

At 30 June 2015, Unity Pacific Group owned three property assets, being one office property, five apartments in Cumberland Lorne Resort and a parcel of rural zoned land in Victoria.

Unity Pacific Group's office property comprises the heritage listed building located at 308 Queen Street, Brisbane, which is interconnected with the modern office tower at 88 Creek Street. This property had a vacancy rate by net lettable area of 5.3% at 30 June 2015 (June 2014: 10.4%). The focus for this building during the 30 June 2015 year has been, and will continue to be for the next 12 months, the leasing of the vacant areas and strategies to manage the impact of major tenant lease expires in the 30 June 2016 year. This property has 39.4% of the total net lettable area expiring in the 2016 financial year.

At 30 June 2015, Unity Pacific Group owned 5 apartments at Cumberland Lorne Resort. Subsequent to balance date, one apartment was sold at a small profit to carrying value. Similar to previous years, a summer sales campaign for the remaining 4 apartments will resume later in the year. The apartment sales market in and around Lorne over the past 12 months has been weak with an historically low level of sales activity. It is however, 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.

For the rural land located at San Remo, Victoria the Board will continue to pursue value uplift opportunities, including rezoning and large/rural lot subdivision, whilst it holds the view that the net financial impact of such will be favourable in the medium term.

Currently, an application is before the Bass Coast Shire Council for a staged subdivision of the land into 3 lots include the use of one lot for a leisure and recreation facility including golf course and associated tourist accommodation facilities (residential hotel). The application is awaiting the decision of Council.

### Funds Management - Internal

Unity Pacific Investment Management Limited acts as the responsible entity and manager of Unity Pacific Stapled Trust.

As responsible entity, it is responsible for all aspects of operation of the trust, including the day to day running of the business, property and asset management and asset transactions and sales. Unity Pacific Investment Management Limited has appointed an external custodian (The Trust Company (Australia) Limited) of the scheme assets.

Unity Pacific Investment Management Limited also acts as the trustee of UPG Prime Industrial Trust, a controlled entity of Unity Pacific Stapled Trust. UPG Prime Industrial Trust owned Rivergate Centre, Murarrie which was sold in December 2014.

Funds management revenue and fees reported during the year in relation to Unity Pacific Investment Management Limited's role as manager are intra-group transactions and eliminate on presentation of Unity Pacific Group's consolidated result.

### Funds Management - External

Unity Pacific Funds Management Limited, a controlled entity of Unity Pacific Limited, acts as the responsible entity and manager of The Marie Street Trust which commenced operations during the year.

As responsible entity, it is responsible for all aspects of operation of that trust, including the day to day running of the business, property and asset management and asset transactions. Unity Pacific Funds Management Limited has appointed an external custodian (The Trust Company (Australia) Limited) of the scheme assets.

The establishment and operation of its own externally managed property investment schemes was a major focus of Unity Pacific Group during the 30 June 2015 year. The Marie Street Trust was the first scheme established as part of the overall property funds management growth strategy. Unity Pacific Funds Management Limited received a one-off establishment fee and base management fees during the year totalling \$0.45 million. However, due to Unity Pacific Group's control of The Marie Street Trust during the year, the fees are intra-group transactions and eliminate on presentation of Unity Pacific Group's consolidated result.

During the previous year, Unity Pacific Group provided funds management advisory services to an overseas investor resulting in one-off revenue of \$0.11 million. Opportunities in this area continue to be pursued.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## BUSINESS UPDATE

Since late 2013, Unity Pacific Group has been pursuing a growth strategy for the business and commenced its implementation by actively pursuing growth opportunities in the property funds management sector by either the purchase of the whole or part of an existing funds management business, the gradual building of a new funds management business or funds or a combination of both.

On 20 July 2015, Unity Pacific Group announced that despite being well positioned financially to pursue business growth by acquisition of existing funds management businesses, the Board had reached the view that the anticipated period of time required to execute opportunities in this sector would not result in sustainable distributions for securityholders in the short term.

On 4 August 2015, Unity Pacific Group announced that, having considered alternative options, a capital distribution of 42 cents per security would be paid to securityholders from Unity Pacific Stapled Trust on 31 August 2015 to return surplus cash reserves to securityholders. The total amount of the distribution is \$15.04 million. Whilst further strategic alternatives for the current business are being considered by the Board, Unity Pacific Group announced that its overhead structure would be reduced.

## CAPITAL MANAGEMENT

### Debt and Gearing

Unity Pacific Group's total debt facilities, held with NAB, were fully drawn at \$12.00 million at 30 June 2015, down from \$31.59 million at 30 June 2014. These facilities have an expiry date of 31 October 2017.

During the year, Unity Pacific Group applied the majority of the proceeds from the sale of Rivergate Centre, Murarrie and all proceeds from the sale of the two apartments at Cumberland Lorne Resort to reduce its debt facilities by \$19.59 million.

Unity Pacific Group's debt facilities were hedged by way of a \$16.00 million fixed interest rate swap which expired in October 2014. In December 2014, Unity Pacific Stapled Trust entered into an \$8.17 million fixed interest rate swap in anticipation of establishment of The Marie Street Trust and settlement of its property in March 2015. The swap had a commencement date of 1 April 2015 and was novated to The Marie Street Trust on that date as was the intention when the swap was entered into. No further hedging arrangements have been put in place since 1 April 2015 and therefore the level of debt hedged at 30 June 2015 for Unity Pacific Group is nil. NAB removed the hedging covenant requiring a minimum level of hedging in June 2015.

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 economic and prevailing market conditions and the Unity Pacific Group business strategy.

The following summarises key information regarding Unity Pacific Group's debt position with NAB:

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
Debt (Bank loans and bank bills)	\$'000	12,000	31,591	12,000	31,591
Debt repayments during the year	\$'000	19,591	6,015	19,591	6,015
Property loan-to-value ratio (LVR) <sup>1</sup>	%	30.4	49.0	n/a	n/a
LVR covenant <sup>2</sup>	%	50.0	50.8	n/a	n/a
Debt hedged	%	-	50.6	-	n/a

<sup>1</sup> Debt divided by bank accepted property valuations as per facility covenants

<sup>2</sup> For the 30 June 2014 year, a covenant increase to 55% was permitted if any LVR increase was due to adverse valuation movements.

At 30 June 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 nil (2014: 21.3%) as cash and cash equivalents exceeded Unity Pacific Group's debt. Unity Pacific Group's property gearing ratio, calculated as a percentage of net interest bearing liabilities over total property assets was also nil (2014: 22.0%).

Further details on borrowings of Unity Pacific Group and the Trust are set out in note 17 of the Notes to the Financial Statements.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## Cash Equivalents and Cash Flow

Unity Pacific Group has accumulated significant cash reserves in recent years to fund growth activities with a resulting cash balance of \$20.44 million at 30 June 2015. Unity Pacific Group's policy is to invest available cash in short term deposits at best available rates having regard to liquidity and capital protection. Unity Pacific Group's cash flow for the year includes the cash flows of The Marie Street Trust during the period it controlled that trust.

Operating activities resulted in a net cash inflow of \$1.05 million. The sale of Rivergate Centre at Murarrie, Queensland and the acquisition of 16 Marie Street, Milton by The Marie Street Trust were the primary drivers of a net cash inflow from investing activities of \$4.69 million. There was a net cash outflow from financing activities of \$2.69 million. Key financing activities were the repayment of debt following the sale of Rivergate Centre at Murarrie, Queensland borrowing by The Marie Street Trust to fund the acquisition of 16 Marie Street, Milton and the capital raising for The Marie Street Trust. Overall there was a net cash inflow of \$3.05 million for the year.

## Capital Initiatives

Unity Pacific Group completed its previous capital management program in the first half of the previous year with an on-market buyback. The buyback was completed by November 2013, with Unity Pacific Group buying back 6,381,569 securities at a cost of \$1.64 million. The on-market buyback followed a \$15.00 million off-market buyback of Unity Pacific Group securities completed in December 2012 and a capital distribution of 3 cents per security totalling \$4.49 million paid in June 2013.

During the year, Unity Pacific Group undertook a 1:4 security consolidation resulting in a reduction in securities on issue to 35,803,992. The security consolidation was approved by securityholders in November 2014 and was completed in December 2014.

Subsequent to balance date, Unity Pacific Group announced a 42 cent per stapled security capital distribution payable on 31 August 2015 from Unity Pacific Stapled Trust. Further strategic alternatives and capital initiatives are being considered by the Unity Pacific Group Board.

## SECURITIES INFORMATION

### Securities on Issue

At 30 June 2015 there were 35,803,992 securities on issue (2014: 143,216,966). The reduction from the previous year resulted from a 1:4 security consolidation completed in December 2014. Details of movements in contributed equity, including shares in Unity Pacific Limited and units in the Trust are disclosed in note 19 of the Notes to the Financial Statements.

### Security Options

No options were issued during the year ended 30 June 2015. No options lapsed during the year.

During the previous year, 7,500,000 options were issued to Unity Pacific Group's Chief Investment Officer, Bevan Towing. The number of his options was reduced to 1,875,000 as a result of the 1:4 security consolidation completed in December 2014.

There are no other stapled security options on issue at the date of this report.

Details of options granted to, and exercised by, Directors and key management personnel of Unity Pacific Group, can be found in the Remuneration Report on page 29.

### Register of Securityholders

The register of securityholders has, during the year ended 30 June 2015, been properly drawn up and maintained so as to give a true account of the securityholders of Unity Pacific Group and the Trust.

## EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date Unity Pacific Group sold one apartment at Cumberland Lorne Resort, at a small profit to carrying value. It now owns 4 apartments at Cumberland Lorne Resort.

On 4 August 2015, Unity Pacific Group announced that, having considered alternative options to return surplus cash reserves to securityholders in light of its decision not to pursue growth through business acquisitions, a capital distribution of 42 cents per security totalling \$15.04 million would be paid to securityholders from Unity Pacific Stapled Trust on 31 August 2015. The capital distribution will reduce Unity Pacific Group's net tangible assets per security as at 30 June 2015 by 42 cents to \$1.05. Whilst further strategic alternatives for the current business are being considered by the Board, Unity Pacific Group announced that its overhead structure would be reduced.

Since balance date, Unity Pacific Group's and the Trust's investment in The Marie Street Trust has been reduced by \$1.85 million to \$3.35 million, which represents a 24% interest in The Marie Street Trust, as a result of the ongoing capital raising for that trust.

There have been no other significant events since balance date which may affect either the operations of Unity Pacific Group or the results of those operations or the state of affairs of Unity Pacific Group, which have not been disclosed already in this report.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Unity Pacific Group's current operations include property investment and funds management.

Unity Pacific Group will be focused on managing the pending material lease expires in 308 Queen Street/88 Creek Street as an increase in that property's vacancy rates has the potential to impact significantly on the revenue of Unity Pacific Group and the Trust, as well as the value of the building.

Efforts to sell the remaining 4 apartments at Cumberland Lorne Resort, Victoria will also continue.

The Board is currently considering further strategic alternatives that could include the sale of real property assets, further capital management initiatives and other corporate initiatives. Unity Pacific Group's overhead structure will also be reduced as part of this process.

Unity Pacific Funds Management Limited will continue to act as the manager of The Marie Street Trust.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

Unity Pacific Group's and the Trust's environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and license requirements and in accordance with industry standards. No breaches of requirements or additional environmental issues have been identified nor brought to the Board's attention.

## TRUST DISCLOSURES

### Interests of the Responsible Entity

Unity Pacific Investment Management Limited has not held any units in the Trust during the year.

### Remuneration of the Responsible Entity

Details of remuneration and other transactions with the Trust are disclosed in note 25 of the Notes to the Financial Statements.

### Issued Units

Movements in units on issue in the Trust during the year are disclosed in note 19 of the Notes to the Financial Statements.

### Value of Scheme Assets

The total carrying value of the Trust's assets, and net assets attributable to unitholders of the Trust, at 30 June 2015 are disclosed in the Statements of Financial Position.

The Trust's assets are valued in accordance with the policies stated in note 1 of the Notes to the Financial Statements.

## DIRECTORS' AND KEY MANAGEMENT PERSONNEL INTERESTS

At the date of this report, the relevant interests of the Directors and key management personnel of Unity Pacific Limited and Unity Pacific Investment Management Limited in the stapled securities of Unity Pacific Group and the Trust were as follows:

Director	No. of Securities	No. of Options
Brett Heading	73,976	-
Christopher Morton	9,757,720	-
Bevan Towning	50,000	1,875,000
Murray Boyte	-	-
<b>Key Management Personnel</b>		
Laura Fanning	487	-
Janita Robba	-	-

Further details of these holdings are set out in the Remuneration Report on page 29.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Unity Pacific Group has agreed to indemnify its officers, to the extent permitted by law, against certain liabilities and costs incurred by them in their capacity as an officer of Unity Pacific Group.

Further, Unity Pacific Group has entered into a Deed of access, insurance and indemnity with each of the Directors and a Deed of insurance and indemnity with each of the Joint Company Secretaries. Under the deeds, Unity Pacific Group agrees to, amongst other things:

- indemnify the officer to the extent permitted by law against certain liabilities and legal costs incurred by the officer as an officer of the Company and its subsidiaries;
- maintain and pay the premium on an insurance policy in respect of the officer; and
- in relation to the directors, provide the officer with access to documents provided or available to the officer as an officer of Unity Pacific Group and its subsidiaries.

Unity Pacific Group has paid premiums for Directors' and officers' liability insurance in respect of its officers for the year ended 30 June 2015. The terms of the policy prohibit disclosure of the nature of the liabilities covered and the premiums payable under the policy.

Neither Unity Pacific Group nor the Trust has indemnified the auditor of Unity Pacific Limited or the Trust.

## CLAIMS AGAINST UNITY PACIFIC GROUP

There are no claims that the Board has been made aware of against Unity Pacific Group or the Trust.

## DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of Unity Pacific Limited (or their nominated alternate Director) during the financial year are:

	Board Meetings		Audit Committee		Compliance Committee	
	A	B	A	B	A	B
<b>Director</b>						
Brett Heading	20	20	3	3	-	-
Christopher Morton	20	20	-	-	4	4
Bevan Towning <sup>1</sup>	14	14	-	-	-	-
Murray Boyte <sup>2</sup>	8	8	1	1	-	-
Richard Friend <sup>3</sup>	7	7	2	2	1	1
<b>Company Secretary</b>						
Janita Robba	17	17	2	2	3	3
Laura Fanning	19	19	3	3	3	3
<b>External Committee Member</b>						
Alex Fraser	-	-	-	-	4	4
Valda Wheeler <sup>4</sup>	-	-	-	-	3	3

A Number of meetings held during the time the Directors/secretary/external committee members held office during the year and for which leave of absence was not granted

B Number of meetings attended

<sup>1</sup> Bevan Towning was appointed as an executive director 22 October 2014

<sup>2</sup> Murray Boyte was appointed as an independent non- executive director 6 March 2015

<sup>3</sup> Richard Friend resigned as director 22 October 2014

<sup>4</sup> Valda Wheeler was appointed as a member of compliance committee 22 October 2014

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

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## DETAILS OF DIRECTORS

Details of the directors' experience, qualifications, special responsibilities and other interests are outlined below:

### **Brett Heading**

#### **Chairman and Non-Executive Independent Director**

Mr Heading has been Chairman since his appointment to the Unity Pacific Group Board on 21 August 2009.

Mr Heading is an experienced corporate lawyer and company director. He has been a partner of McCullough Robertson since 1985, specialising in capital raising, mergers and acquisitions.

Mr Heading has been a director of a number of listed and unlisted companies. Mr Heading is also a former long-standing member of the Board of Taxation and was a member of the Takeovers Panel from 1997 to 2009.

Other Unity Pacific Group memberships: Audit Committee member (appointed 1 December 2009).

Other current directorships in listed companies: Empire Oil & Gas NL and Invion Limited (formerly CBio Limited).

Other former directorships in listed companies within the last three years: Nil

Qualifications: BCom LLB (Hons) FAICD

### **Christopher Morton**

#### **Managing Director**

Mr Morton was appointed to the Unity Pacific Group Board on 21 August 2009. He was appointed Chief Executive Officer on 24 September 2012.

Mr Morton has over 25 years' experience in the areas of property law, investment and funds management and was formerly a senior property law partner and senior management executive with the national legal firm Phillips Fox (now known as DLA Piper).

In 1997, Mr Morton founded and was Managing Director of Property Funds Australia Limited (PFA), a specialist property funds management company and responsible entity for the Australian exchange listed, PFA Diversified Property Trust. PFA was acquired by the Mirvac Group in October 2007.

Mr Morton is a past president of the Property Council of Australia (Queensland Division), past president of the Australian Direct Property Investment Association (ADPIA) and a past member of the Queensland Heritage Council and the Brisbane City Council's Urban Renewal Taskforce.

Other Unity Pacific Group memberships: Compliance Committee member (appointed 1 December 2009).

Other directorships in listed companies within the last three years: Nil

Qualifications: BCom LLB LLM MAICD

### **Richard Friend**

#### **Non-Executive Independent Director**

Mr Friend was appointed to the Unity Pacific Group Board on 25 September 2007 and resigned on 22 October 2014.

Mr Friend currently runs his own consulting company, which provides specialist advice and general business consulting. Mr Friend was formerly Head of Tax at Ernst & Young Brisbane and served on the Board of Partners of Ernst & Young Australia from 2002 until 2005.

Other Unity Pacific Group memberships: Audit Committee Chairman (appointed 1 December 2009, resigned 22 October 2014)

Compliance Committee member (appointed 1 July 2012, resigned 22 October 2014).

Other directorships in listed companies within the last three years: Nil

Qualifications: BCom LLB (Hons) LLM



# Directors' Report (CONTINUED)

for the year ended 30 June 2015

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## **Bevan Towing**

### **Executive Director and Chief Investment Officer**

Mr Bevan Towing was appointed to the Unity Pacific Group Board on 22 October 2014. He was appointed Chief Investment Officer on 25 November 2013.

Mr Towing has over 30 years' experience in both the listed and unlisted real estate investment trust sector.

His previous positions have included Head of Property at General Property Trust (GPT), Head of Listed Real Estate Funds (Colonial First State Property), Joint Managing Director – Real Estate and Head of Real Estate Funds at Challenger Financial Services Group, General Manager at Grocon Investment Management (Grollo Group), and CEO – Capital Partnerships at Mirvac Group.

Other Unity Pacific Group memberships: Nil

Other current directorships in listed companies: Nil

Other former directorships in listed companies within the last three years: Nil

Qualifications: Dip Bus Rev

## **Murray Boyte**

### **Non-Executive Independent Director**

Mr Murray Boyte was appointed to the Unity Pacific Group Board on 6 March 2015.

Mr Boyte's career spans more than 35 years in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. He has held executive roles and Board positions across a diverse range of industries including transport, financial services and healthcare. He has extensive experience in property management and development.

Mr Boyte was formerly Chief Executive Officer of ASX-listed Ariadne Australia Limited, a position he held from 2003 to 2015.

Mr Boyte is also an independent director of Abano Healthcare Group which conducts healthcare business activities in Australia and New Zealand and is listed on the New Zealand Stock Exchange.

Mr Boyte is Chairman of Unity Pacific Group's Audit Committee.

Other Unity Pacific Group memberships: Audit Committee Chairman (appointed 6 March 2015).

Other current directorships in listed companies: Abano Healthcare Group (NZ)

Other former directorships in listed companies within the last three years: Nil

Qualifications: BCA CA MAICD IoDNZ

## **DETAILS OF COMPANY SECRETARY**

Details of the experience and qualifications of the Joint Company Secretaries are outlined below.

## **Laura Fanning**

### **Joint Company Secretary and Joint Chief Financial Officer**

Mrs Fanning joined Unity Pacific Group in January 2007 and was appointed Company Secretary and Chief Financial Officer on 19 May 2010. Mrs Fanning is a Chartered Company Secretary and Chartered Accountant with more than 15 years' experience in listed and unlisted companies across sectors including funds management, property and wholesale distribution.

Qualifications: BBus (Accounting) Grad Dip (App. Corp. Gov.) CA AGIA ACIS

## **Janita Robba**

### **Joint Company Secretary and Joint Chief Financial Officer**

Mrs Robba was initially appointed Unity Pacific Group's Company Secretary and Chief Financial Officer in 2011. Mrs Robba is a Chartered Accountant with experience in executive management roles with both listed and unlisted companies across industries including funds management, financial services and travel.

Qualifications: BCom LLB CA

Mrs Fanning and Mrs Robba were appointed Joint Company Secretary and Joint Chief Financial Officer on 3 February 2014, both working in the role in a part time capacity.

# Directors' Report (CONTINUED)

for the year ended 30 June 2015

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## REMUNERATION REPORT

The Remuneration Report attached at pages 27 to 32 provides details of the remuneration of Directors and key management personnel and forms part of the Directors' Report.

## CORPORATE GOVERNANCE

A Corporate Governance Statement, which provides details of the corporate governance practices of Unity Pacific Group, can be found on Unity Pacific's Group website [www.unitypacific.com.au](http://www.unitypacific.com.au).

## ASX AND STAPLING REQUIREMENTS

ASX reserves the right (but without limiting its absolute discretion) to remove Unity Pacific Limited or Unity Pacific Stapled Trust or both from the official list if any of the shares in Unity Pacific Limited and the units in Unity Pacific Stapled Trust cease to be stapled together, or any equity securities are issued by Unity Pacific Limited or Unity Pacific Stapled Trust which are not stapled to equivalent securities in the other entity.

It is the current intention of the Trust and Unity Pacific Limited to remain as a stapled entity, but this could be changed, subject to the Corporations Act 2001 and ASX Listing Rules, by special resolution of the unitholders of the Trust and the Shareholders of Unity Pacific Limited.

## 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.

## AUDITOR

BDO Audit Pty Ltd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

### Non-Audit Services

During the year BDO Audit Pty Ltd, Unity Pacific Group's and the Trust's auditor, has performed certain other services in addition to audit services. The non-audit services related to accounting advice on property transactions and corporate advisory services related to Unity Pacific Group's growth strategy. Further, Unity Pacific Group engaged BDO as its tax advisors during the year and incurred costs for general business tax advice as well as tax compliance fees.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services by the auditor is compatible with the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants and all non-audit services have been reviewed by the Audit Committee to ensure that auditor independence is not compromised.

Details of the amounts paid or payable to the auditor of Unity Pacific Group and the Trust for statutory and non-audit services can be found in note 32 of the Notes to the Financial Statements.

### 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 33.

Signed in accordance with resolutions of the Boards of Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited.



**Brett Heading**

Chairman

Dated in Brisbane this 31st day of August 2015.

# Remuneration Report

for the year ended 30 June 2015

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The Remuneration Report forms part of the Unity Pacific Group Directors' Report and is audited as required by section 308(3C) of the *Corporations Act 2001*. It outlines Unity Pacific Group's remuneration activities for the 30 June 2015 year, together with other remuneration information, for directors and other key management personnel.

The Remuneration Report is set out under the following main headings:

- Remuneration principles;
- Equity based remuneration;
- Alignment of remuneration and Unity Pacific Group performance;
- Service contracts; and
- Key management personnel remuneration.

## REMUNERATION PRINCIPLES

### Remuneration Philosophy

The Board does not presently have a Remuneration Committee. The Directors consider that the company is not of a size, nor are its affairs of such complexity, to justify the formation of a separate committee. The Board is responsible for determining and reviewing the remuneration arrangements for Directors, the Managing Director and key management personnel.

Unity Pacific Group's remuneration policy is to ensure that remuneration packages properly reflect an individual's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

### Non-Executive Director Remuneration

Non-Executive Directors' remuneration comprises fixed fees determined having regard to the level of responsibility including committee memberships, industry practice and the need to retain appropriately qualified independent persons.

Non-Executive Directors' fees are determined at the discretion of the Board within an aggregate Directors' fee pool limit, which is recommended for approval by securityholders. The current limit of \$650,000 per annum inclusive of superannuation guarantee contributions was approved by securityholders at the Annual General Meeting held on 21 November 2007. Directors' remuneration is well below the limit approved in 2007 due to the small number of current Board members.

Non-Executive Directors do not receive performance based remuneration.

### Executive Director and Senior Executive Remuneration

Remuneration of Executive Directors is determined by the Board with consideration given to normal commercial rates of remuneration for similar levels of responsibility. Details of the Executive Directors' remuneration are set out on page 31. The Executive Directors are the Managing Director and the Chief Investment Officer.

Remuneration packages for the Executive Directors and Senior Executives may include a mix of fixed and performance based remuneration.

Fixed remuneration is typically set by reference to the competitive market for executive talent. Fixed remuneration is calculated to include the cost of superannuation and employee benefits such as car parking, together with any fringe benefits tax applicable to such benefits. Unity Pacific Group's employment contracts explicitly state that fixed remuneration will be reviewed each year but increases are not guaranteed.

Performance based remuneration takes the form of bonuses based on the achievement of goals relating to the performance of Unity Pacific Group, a range of qualitative and quantitative factors and specific executive performance..

# Remuneration Report (CONTINUED)

for the year ended 30 June 2015

## Key Management Personnel

The names of, and positions held by, key management personnel in Unity Pacific Limited and Unity Pacific Group during the period to 30 June 2015 were:

Key Management Personnel	
Current Directors	Senior Executives
Brett Heading, Non-Executive Chairman	Laura Fanning, Joint Chief Financial Officer and Company Secretary
Christopher Morton, Managing Director	Janita Robba, Joint Chief Financial Officer and Company Secretary
Murray Boyte, Non-Executive Director	
Bevan Towing, Executive Director and Chief Investment Officer	
Former Directors	
Richard Friend, Non-Executive Director	

Under the provisions of AASB 124 *Related Party Disclosures* there are no further employees or other members of the organisation who fall within the definition of key management personnel.

## Remuneration Consultants

Unity Pacific Group did not engage any remuneration consultants during the 30 June 2015 financial year.

## EQUITY BASED REMUNERATION

### Employee Equity Plans

Unity Pacific Group does not currently have employee securities or option plans in place.

Unity Pacific Group previously operated two employee stapled securities schemes both of which were terminated during the year ended 30 June 2014.

### Options and Securities Granted as Compensation

No options were granted during the year (2014: 7,500,000) and no securities were granted as compensation during the year (2014: nil).

During the previous year, Unity Pacific Group made a one-off grant of 7,500,000 stapled securities options to Mr Towing, with no vesting performance conditions attached (other than the options being issued "out of the money"). The options were granted at no cost to the executive. The Board considered the grant of options to be an effective long term incentive to align the executive's interests with those of securityholders.

The other key terms of these options at the date of the grant:

- expiry date of 30 June 2018;
- escrow period is between 24 – 36 months from commencement of employment;
- exercise price of \$0.35 (increased to \$1.40 as a result of the 1:4 security consolidation in December 2014);
- upon termination of employment in certain circumstances prior to expiry, accelerated terms of \$0.05 plus exercise price to be exercised within 20 business days from cessation of employment (increased to \$0.20 plus the adjusted exercise price as a result of the 1:4 security consolidation in December 2014);
- no entitlement to participate in rights issues or distributions prior to exercise; and
- the options are personal to the executive and may not be assigned or transferred to another person.

The fair value per option for accounting purposes as at the date of the grant, determined in accordance with Accounting Standards, was \$0.0267 which resulted in \$0.20 million being recorded as an expense in the previous year's results.

No other options are on issue at the date of this report.

### Exercise of Options Granted as Compensation

No options granted as compensation were exercised during the year.

# Remuneration Report (CONTINUED)

for the year ended 30 June 2015

## Modification of Terms of Equity Based Payment Transactions

In December 2014, the key terms of the options were amended to reflect the 1:4 security consolidation undertaken. This reduced the number of options on issue from 7,500,000 to 1,875,000 and increased the exercise price to a range of \$1.40-\$1.60. A further modification may be required as a result of the capital distribution to be paid on 31 August 2015.

## Equity and Option Holdings of Key Management Personnel

### Stapled Securities Holdings

The number of securities held during the year by each director and other key management personnel of Unity Pacific Group, including their related entities' interests (if any), are set out below. No securities were granted as compensation during the year (2014: nil).

2015	Held at 30 June 2014 <sup>1</sup>	Purchases / (Sales)	Employee Stapled Securities Plan	Dividend Reinvestment Plan	Exercise of Options	Held at 30 June 2015
<b>Current Directors</b>						
Brett Heading	73,976	-	-	-	-	73,976
Christopher Morton	9,757,720	-	-	-	-	9,757,720
Bevan Towing	50,000	-	-	-	-	50,000
Murray Boyte	-	-	-	-	-	-
<b>Former Director</b>						
Richard Friend	67,040	(67,040)	-	-	-	-
<b>Current Senior Executives</b>						
Laura Fanning	487	-	-	-	-	487
Janita Robba	-	-	-	-	-	-

<sup>1</sup> Unity Pacific Group undertook a 1:4 security consolidation during the first half of the year. The securities held as at 30 June 2014 have been restated on a 1:4 basis.

### Option Holdings

The numbers of options over ordinary securities held during the financial year by each director and other key management personnel of Unity Pacific Group, including their related entities' interests (if any), are set out below.

Details of options granted during the year as compensation and details of options exercised during the year are outlined on this page.

2015	Held at 30 June 2014 <sup>1</sup>	Granted during the Year	Exercised during the Year	Forfeited during the Year	Held at 30 June 2015
<b>Current Directors</b>					
Brett Heading	-	-	-	-	-
Christopher Morton	-	-	-	-	-
Bevan Towing	1,875,000	-	-	-	1,875,000
Murray Boyte	-	-	-	-	-
<b>Former Director</b>					
Richard Friend	-	-	-	-	-
<b>Current Senior Executives</b>					
Laura Fanning	-	-	-	-	-
Janita Robba	-	-	-	-	-

<sup>1</sup> Unity Pacific Group undertook a 1:4 security consolidation during the first half of the year. The securities held as at 30 June 2014 have been restated on a 1:4 basis.

# Remuneration Report (CONTINUED)

for the year ended 30 June 2015

## ALIGNMENT OF REMUNERATION AND UNITY PACIFIC GROUP PERFORMANCE

Underlying market conditions have significantly impacted Unity Pacific Group's performance and securityholder returns in recent years.

During the post GFC period, Unity Pacific Group was focused on the stability of its balance sheet, debt management and subsequent capital management initiatives. More recently, Unity Pacific Group has been focused on its growth strategy. Although Unity Pacific Group's annual financial results have varied significantly during these years as a result of asset sales and a number of one-off transactions, the Board considers the performance of Unity Pacific Group as a whole, including overall securityholder value, when determining the remuneration level of key management personnel. This approach has also been relevant in previous years for determining performance based remuneration (payment of bonuses), where applicable.

The Board is confident that Unity Pacific Group's current remuneration strategy for key management personnel and senior executives is appropriate for, and supports, the Group's business operations whilst ensuring that executives are engaged, and rewarded for, achieving the strategic objectives of the business. Specifically, other than a one-off grant of options to an incoming executive during the previous year, performance based remuneration is limited to short term incentives in the form of bonuses.

### Unity Pacific Group Performance

Security prices are influenced by market sentiment towards the property sector and other business segments in which Unity Pacific Group operates and changes can occur independent of company performance. The security price, earnings per security, net tangible asset value per security and dividends/distributions declared at the end of the financial year for the last five years are shown in the following table:

	2011	2012	2013	2014	2015 <sup>2</sup>
Basic earnings/(loss) per stapled security (cents)	6.6	9.5	(2.6)	0.3	3.7
Security price at year end	\$0.18	\$0.25	\$0.25	\$0.25	\$1.03
Change in security price	\$0.12	\$0.07	-	-	\$0.78
Total dividends/distributions declared (cents per security) <sup>1</sup>	-	-	3.0	-	-
Net tangible asset per stapled security (\$)	\$0.29	\$0.38	\$0.35	\$0.36	\$1.47

1 A one-off capital distribution of 3 cents per security totalling \$4.5 million was paid on 7 June 2013 from the Trust.

2 The 2015 figures reflect the 1:4 security consolidation completed in December 2014. The \$0.78 change in security price is a consequence of the security consolidation.

During the year ended 30 June 2015 the share price of Unity Pacific Group's stapled securities ranged \$0.25 to \$0.27 (pre security consolidation) and \$0.99 to \$1.06 (post security consolidation).

## SERVICE CONTRACTS

### Senior Executives

It is Unity Pacific Group's policy that service contracts for senior executives, excluding the Managing Director and the Chief Investment Officer, are unlimited in term but capable of termination on 4 weeks' notice and Unity Pacific Group retains the right to terminate the contract immediately, by making payment equal to 4 weeks' salary in lieu of notice.

Senior executives (including key management personnel) are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave. Notice periods and termination benefits as required by law apply to each of the Directors and key management personnel.

Service contracts outline the components of compensation paid to key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account any change in the scope of the role performed by the senior executive.

### Managing Director

Mr Morton was appointed Chief Executive Officer on 24 September 2012 and entered into a Deed of Variation to his contract of employment with Unity Pacific Limited effective from that date. The variation specifies the duties and obligations to be fulfilled by the Chief Executive Officer. The contract had an initial completion date of 30 November 2013 and has been extended four times since then, each for approximately six months, and currently to 31 December 2015. Mr Morton's title changed to Managing Director in December 2014.



# Remuneration Report (CONTINUED)

for the year ended 30 June 2015

A summary of the terms of Mr Morton's employment contract are as follows:

- a salary of \$250,000 per annum plus superannuation;
- access to a car parking space;
- no entitlement to any short term or long term incentives; and
- employment may be terminated by the executive or by the employer at any time by either of them giving to the other not less than 3 months' written notice.

## Chief Investment Officer

Bevan Towing commenced as Unity Pacific Group's Chief Investment Officer on 25 November 2013 to focus on new opportunities and business growth. Mr Towing is principally based in Sydney and travels to Brisbane regularly.

Mr Towing's employment contract with Unity Pacific Limited has a completion date of 30 June 2018 and has the following key terms:

- a salary of \$350,000 per annum plus superannuation;
- an entitlement to short term incentives based on specific key performance indicators to be agreed with the Board (although significant short term incentives are not immediately contemplated);
- an entitlement to long term incentives and received a one-off grant of 7,500,000 stapled securities options (amended to a reduced number of 1,875,000 options in December 2014 due to the 1:4 security consolidation) on commencement of his employment with Unity Pacific Group; and
- employment may be terminated by the executive or by the employer at any time by either of them giving to the other not less than 3 months' written notice.

As at 30 June 2015, no short term incentives were approved by the Board in respect of the 30 June 2015 year for Mr Towing.

Details of the options granted to Mr Towing are outlined on page 29.

## KEY MANAGEMENT PERSONNEL REMUNERATION

Details of the nature and amount of each major element of the remuneration of each director and the key management personnel of Unity Pacific are set out below.

2015	Short Term		Long Term	Post Employment	Equity Based Payments	Total	Proportion of Remuneration Performance Related	Proportion of Remuneration Consisting of Options
	Salary & Fees	Non-Monetary Benefits	Long Service Leave	Super-annuation	Options			
	\$	\$		\$	\$	\$	%	%
<b>Current Directors</b>								
Brett Heading	102,000	-	-	-	-	102,000	-	-
Christopher Morton	250,000	4,219	14,090	23,750	-	292,059	-	-
Bevan Towing <sup>1</sup>	348,654	-	-	18,783	-	367,437	-	-
Murray Boyte <sup>2</sup>	18,950	-	-	1,800	-	20,750	-	-
<b>Former Director</b>								
Richard Friend <sup>3</sup>	19,719	-	-	1,873	-	21,592	-	-
<b>Current Senior Executives</b>								
Laura Fanning	110,000	3,678	16,088	10,450	-	140,216	-	-
Janita Robba	73,395	1,514	-	6,972	-	81,881	-	-
<b>Total Remuneration</b>	<b>922,718</b>	<b>9,411</b>	<b>30,178</b>	<b>63,628</b>	<b>-</b>	<b>1,025,935</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Bevan Towing was appointed 22 October 2014. He was considered to be one of the key management personnel before and after his appointment as a director.

<sup>2</sup> Murray Boyte was appointed 6 March 2015

<sup>3</sup> Richard Friend resigned on 22 October 2014

# Remuneration Report (CONTINUED)

for the year ended 30 June 2015

## KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

2014	Short Term		Post	Equity	Total	Proportion of Remuneration Performance Related	Proportion of Remuneration Consisting of Options
	Salary & Fees	Non- Monetary Benefits	Employment  Super- annuation	Based Payments  Options			
	\$	\$	\$	\$	\$	%	%
<b>Current Directors</b>							
Brett Heading	114,765	-	-	-	114,765	-	-
Christopher Morton	250,000	6,591	23,125	-	279,716	-	-
<b>Former Director</b>							
Richard Friend	67,535	-	6,247	-	73,782	-	-
<b>Current Senior Executives</b>							
Bevan Towing	196,090	-	10,369	200,700 <sup>1</sup>	407,159	-	49.3%
Laura Fanning	64,788	1,976	4,957	-	71,721	-	-
Janita Robba	113,856	4,613	10,532	-	129,001	-	-
<b>Total Remuneration</b>	<b>807,034</b>	<b>13,180</b>	<b>55,230</b>	<b>200,700</b>	<b>1,076,144</b>	<b>-</b>	<b>18.6%</b>

<sup>1</sup> Value of options granted during the year.

No bonuses have been paid or accrued for any director or key management personnel in either the 2015 or 2014 financial year. Long service leave was accrued in the 2015 year for Christopher Morton and Laura Fanning. The remuneration shown in the above tables is fixed remuneration and there were no short term or long term incentives linked to performance.

End of Remuneration Report – Audited.

# Auditor's Independence Declaration

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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 of Unity Pacific Group for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Unity Pacific Group which comprises both Unity Pacific Limited and the entities it controlled during the financial year and Unity Pacific Stapled Trust and the entities it controlled during the financial 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, 31 August 2015

# Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

		Unity Pacific Group Consolidated	Unity Pacific Stapled Trust Consolidated		
	Notes	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Revenue and other income</b>					
Rental income and recoverable outgoings – investment properties		5,190	5,129	5,209	5,147
Revenue from Cumberland Lorne Resort assets					
- Rental income	5	191	527	-	-
- Sale of apartments	5	672	3,687	-	-
Gain on sale of investment property	4	2,530	-	2,530	-
Revenue from rendering services		-	83	-	-
Interest	8	586	480	450	321
Other revenue and other income	4	594	38	602	-
<b>Total revenue and other income</b>	4	9,763	9,944	8,791	5,468
<b>Expenses</b>					
Property expenses and outgoings – investment properties		(1,387)	(1,147)	(1,478)	(1,170)
Expenses relating to Cumberland Lorne Resort assets					
- Property expenses and outgoings	5	(171)	(408)	-	-
- Cost of sale of apartments	5	(649)	(3,238)	-	-
Employee related expenses		(1,813)	(1,538)	-	-
Administration and overhead costs	7	(1,174)	(853)	(162)	(115)
Doubtful debts – trade and other receivables	6	(6)	40	(1,972)	1,148
Responsible entity fees		-	-	(858)	(511)
Depreciation and amortisation		(14)	(13)	-	-
Finance costs	8	(1,114)	(1,896)	(1,109)	(1,886)
Other expenses	7	(67)	(537)	-	(412)
Fair value net gain / (loss) from investment properties	15	(1,452)	1,144	(1,452)	1,144
Write down of inventory to net realisable value		(50)	(1,095)	-	-
Net change in fair value of derivative financial instruments		(119)	66	(119)	66
<b>Total expenses</b>		(8,016)	(9,475)	(7,150)	(1,736)
<b>Profit / (loss) before tax</b>		1,747	469	1,641	3,732
Income tax (expense) / benefit		-	-	-	-
<b>Net profit / (loss) for the year</b>		1,747	469	1,641	3,732
Other comprehensive income for the year, net of tax		-	-	-	-
<b>Total comprehensive income for the year</b>		1,747	469	1,641	3,732
<b>Net profit / (loss) for the year and Total comprehensive income for the year attributable to:</b>					
Members of the parent		(2,797)	(2,649)	-	-
Unitholders of the Trust		4,118	3,118	1,215	3,732
<b>Unity Pacific Group stapled securityholders</b>		<b>1,321</b>	<b>469</b>	<b>1,215</b>	<b>3,732</b>
Other non-controlling interests		426	-	426	-
Net profit / (loss) for the year and Total comprehensive income / (loss) for the year		1,747	469	1,641	3,732
<b>Earnings per stapled security</b>					
Basic / diluted earnings / (loss) per stapled security (cents)	9	3.7	1.3	n/a	n/a
Basic / diluted earnings / (loss) per unit (cents)	9	n/a	n/a	3.4	10.4

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 30 June 2015

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	Notes	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current assets</b>					
Cash and cash equivalents	33	20,442	17,397	16,406	13,520
Trade and other receivables	11	430	207	373	55
Inventory	12	1,424	2,053	-	-
Other assets	13	121	127	73	33
<b>Total current assets</b>		22,417	19,784	16,852	13,608
<b>Non-current assets</b>					
Trade and other receivables	11	-	-	8,860	9,677
Equity accounted investments	14	5,200	-	5,200	-
Investment properties	15	34,145	60,250	34,145	60,250
Inventory	12	3,850	3,850	-	-
Property, plant and equipment		36	39	-	-
Intangible assets		3	4	-	-
<b>Total non-current assets</b>		43,234	64,143	48,205	69,927
<b>Total assets</b>		65,651	83,927	65,057	83,535
<b>Current liabilities</b>					
Trade and other payables	16	821	851	580	663
Derivative financial instruments	17	-	28	-	28
Employee benefits		86	73	-	-
<b>Total current liabilities</b>		907	952	580	691
<b>Non-current liabilities</b>					
Trade and other payables	16	-	15	-	15
Interest bearing loans and borrowings	17	11,981	31,548	11,981	31,548
Employee benefits		30	-	-	-
<b>Total non-current liabilities</b>		12,011	31,563	11,981	31,563
<b>Total liabilities</b>		12,918	32,515	12,561	32,254
<b>Net assets</b>		52,733	51,412	52,496	51,281
<b>Equity</b>					
<b>Equity attributable to members of the Company</b>					
Contributed equity	19	43,965	43,965	-	-
Reserves		-	-	-	-
Accumulated losses		(70,716)	(67,919)	-	-
		(26,751)	(23,954)	-	-
<b>Equity attributable to unitholders of the Trust</b>					
Contributed equity	19	237,056	237,056	237,056	237,056
Reserves	21	200	200	200	200
Deficiency	20	(157,772)	(161,890)	(184,760)	(185,975)
		79,484	75,366	52,496	51,281
<b>Equity attributable to other non-controlling interests</b>	22	-	-	-	-
<b>Total equity</b>		52,733	51,412	52,496	51,281

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

# Statements of Cash Flows

for the year ended 30 June 2015

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	Notes	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		6,827	7,509	6,604	6,867
Cash payments in the course of operations		(5,264)	(5,546)	(2,894)	(3,292)
Interest received		566	486	430	333
Interest and finance costs paid		(1,081)	(1,864)	(1,076)	(1,822)
<b>Net cash from operating activities</b>	33(b)	1,048	585	3,064	2,086
<b>Cash flows from investing activities</b>					
Payments for investment properties		(22,523)	(1,019)	(22,523)	(1,019)
Proceeds from sale of investment properties		27,000	6,825	27,000	6,825
Payments for capitalised development costs		(61)	(115)	-	-
Proceeds from sale of inventory		672	3,737	-	-
Payments for property, plant and equipment		(10)	(20)	-	-
Loss of control of subsidiary		(393)	-	(393)	-
Loans repaid by related entities		-	-	657	5,460
Loans advanced to related entities		-	-	(1,812)	-
<b>Net cash from investing activities</b>		4,685	9,408	2,929	11,266
<b>Cash flows from financing activities</b>					
Payments for security buyback		-	(1,640)	-	(1,640)
Transactions with non-controlling interests		8,850	-	8,850	-
Payments for transaction costs for equity transactions		(70)	(14)	(70)	(14)
Payment of trust establishment fee		-	-	(419)	-
Proceeds from borrowings		8,170	-	8,170	-
Repayment of borrowings		(19,591)	(6,015)	(19,591)	(6,015)
Payments for loan establishment costs		(47)	(37)	(47)	(37)
<b>Net cash used in financing activities</b>		(2,688)	(7,706)	(3,107)	(7,706)
Net increase / (decrease) in cash and cash equivalents		3,045	2,287	2,886	5,646
Cash and cash equivalents at beginning of the year		17,397	15,110	13,520	7,874
<b>Cash and cash equivalents at the end of the year</b>	33(a)	20,442	17,397	16,406	13,520

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

# Statements of Changes in Equity

for the year ended 30 June 2015

Unity Pacific Group Consolidated	Attributable to members of the Company					Attributable to unitholders of the Trust			Non-controlling interests	
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Total \$'000	Total equity \$'000
<b>At 1 July 2014</b>	43,965	-	(67,919)	(23,954)	237,056	200	(161,890)	75,366	-	51,412
Loss for the year attributable to members of the Company	-	-	(2,797)	(2,797)	-	-	-	-	-	(2,797)
Profit for the year	-	-	-	-	-	-	4,118	4,118	426	4,544
Total comprehensive income for the year	-	-	(2,797)	(2,797)	-	-	4,118	4,118	426	1,747
<i>Transactions with members recorded directly in equity:</i>										
Transactions with non-controlling interests	-	-	-	-	-	9	-	9	8,771	8,780
Distributions payable to non-controlling interests	-	-	-	-	-	-	-	-	(140)	(140)
Derecognition of non-controlling interest on loss of control	-	-	-	-	-	(9)	-	(9)	(9,057)	(9,066)
Total changes in equity as a result of transactions with members	-	-	-	-	-	-	-	-	(426)	(426)
<b>At 30 June 2015</b>	43,965	-	(70,716)	(26,751)	237,056	200	(157,772)	79,484	-	52,733
<b>At 1 July 2013</b>	43,965	-	(65,270)	(21,305)	238,701	-	(165,008)	73,693	-	52,388
Loss for the year attributable to members of the Company	-	-	(2,649)	(2,649)	-	-	-	-	-	(2,649)
Profit for the year attributable to unitholders of the Trust	-	-	-	-	-	-	3,118	3,118	-	3,118
Total comprehensive income for the year	-	-	(2,649)	(2,649)	-	-	3,118	3,118	-	469
<i>Transactions with members recorded directly in equity:</i>										
Security buyback	-	-	-	-	(1,639)	-	-	(1,639)	-	(1,639)
Employee share options – value of employee services	-	-	-	-	-	200	-	200	-	200
Transaction costs on security buyback	-	-	-	-	(6)	-	-	(6)	-	(6)
Total changes in equity as a result of transactions with members	-	-	-	-	(1,645)	200	-	(1,445)	-	(1,445)
<b>At 30 June 2014</b>	43,965	-	(67,919)	(23,954)	237,056	200	(161,890)	75,366	-	51,412

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



# Statements of Changes in Equity (CONTINUED)

for the year ended 30 June 2015

Unity Pacific Stapled Trust Consolidated	Contributed equity	Deficiency	Reserves	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2014</b>	237,056	(185,975)	200	-	51,281
Profit for the year	-	1,215	-	426	1,641
Total comprehensive income for the year	-	1,215	-	426	1,641
<i>Transactions with members recorded directly in equity:</i>					
Transactions with non-controlling interests	-	-	9	8,771	8,780
Distributions payable to non-controlling interests	-	-	-	(140)	(140)
Derecognition of non-controlling interest on loss of control	-	-	(9)	(9,057)	(9,066)
Total changes in equity as a result of transactions with members	-	-	-	(426)	(426)
<b>At 30 June 2015</b>	237,056	(184,760)	200	-	52,496

Unity Pacific Stapled Trust Consolidated	Contributed equity	Deficiency	Reserves	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2013</b>	238,701	(189,707)	-	-	48,994
Profit / (loss) for the year attributable to unitholders	-	3,732	-	-	3,732
Total comprehensive income for the year attributable to members	-	3,732	-	-	3,732
<i>Transactions with members recorded directly in equity:</i>					
Security buyback	(1,639)	-	-	-	(1,639)
Employee share options – value of employee services	-	-	200	-	200
Transaction costs on security buyback	(6)	-	-	-	(6)
Total changes in equity as a result of transactions with members	(1,645)	-	200	-	(1,445)
<b>At 30 June 2014</b>	237,056	(185,975)	200	-	51,281

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

# Notes to the Financial Statements

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements for:

- (i) Unity Pacific Group ("Unity Pacific Group"), consisting of Unity Pacific Limited and Unity Pacific Stapled Trust ("the Scheme") and their controlled entities. Unity Pacific Limited has been deemed the parent entity of Unity Pacific Stapled Trust; and
- (ii) Unity Pacific Stapled Trust, consisting of Unity Pacific Stapled Trust and its controlled entities ("the Trust").

Unity Pacific Investment Management Limited ("the Responsible Entity") is the Responsible Entity of the Scheme. The relationship of the Responsible Entity with the Scheme is governed by the terms and conditions specified in the Constitution.

In December 2014, Trinity Group changed its name to Unity Pacific Group. The names of several entities within Unity Pacific Group were also changed at that time, as outlined on page 14 of the Directors' Report.

Unity Pacific Limited is a company domiciled in Australia. Its registered office and principal place of business is:

Chambers Level 1  
88 Creek Street  
Brisbane QLD 4000

The financial report was authorised for issue by the directors of Unity Pacific Limited and Unity Pacific Investment Management Limited on 31 August 2015.

### a. Basis of Preparation

This report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial reports of Unity Pacific Group and the Trust comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). Unity Pacific Group and the Trust are for-profit entities for the purpose of preparing the financial statements.

These financial statements have been prepared under the historical cost convention, except for the following:

- derivative financial instruments are measured at fair value
- non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell (excluding investment property held for sale)
- investment properties are measured at fair value
- inventory is measured at lower of cost or net realisable value
- employee share based payments arrangements are measured at fair value

The methods used to measure fair values are discussed further in note 2.

The financial report is presented in Australian Dollars.

### b. Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

### c. Parent Entity Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entities only.

The financial information for the parent entities, Unity Pacific Limited and Unity Pacific Stapled Trust disclosed in note 35 has been prepared on the same basis as the consolidated financial statements except as set out below.

#### Controlled Entities

Investments in controlled entities are carried in the parent entity's Statement of Financial Position at the lower of cost and recoverable amount. Dividends and distributions are brought to account in profit or loss when they are declared by the controlled entities.

#### Investments in Associates and Joint Venture Entities

In the parent entity's financial statements, investments in associates and joint venture entities are carried at the lower of cost and recoverable amount. Dividends/distributions receivable are recognised in the parent entity's profit or loss.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d. Principles of Consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Unity Pacific Group and the Trust as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which Unity Pacific Group and the Trust has control. Unity Pacific Group or the Trust controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Unity Pacific Group or the Trust. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset transferred.

#### *Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the relevant subsidiary's identifiable net assets at the date of acquisition. Changes in Unity Pacific Group's or the Trust's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### *Associates and Jointly Controlled Entities*

Associates are all entities over which Unity Pacific Group or the Trust has significant influence but not control or joint control. Jointly controlled entities are those entities over whose activities Unity Pacific Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements using the equity method and are carried initially at cost. Unity Pacific Group's investment includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Under this method, Unity Pacific Group's and the Trust's share of the equity accounted investees' net profit after tax is recognised in the consolidated statement of profit or loss and other comprehensive income, and the share of movements in reserves is recognised in reserves in the consolidated statement of financial position. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends receivable reduce the carrying amount of the investment.

### e. Revenue Recognition

#### *Property Rental Income*

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. When Unity Pacific Group or the Trust provides lease incentives to tenants, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

#### *Income from Rendering of Services*

Revenue from the rendering of a service is recognised upon the delivery of the service.

Responsible Entity fees are charged in accordance with the Constitution of the relevant trust and are brought to account on an accruals basis and, if not received at balance date, are reflected as receivables.

Other fees are charged to the relevant Trusts in accordance with their Constitutions and are brought to account on an accruals basis and, if not received at balance date, are reflected as receivables.

#### *Dividend/Distribution Income*

Dividend and distribution income is recognised when declared.

#### *Interest Income*

Interest income is recognised on an accruals basis and if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### e. Revenue Recognition (continued)

#### *Sale of Inventory*

Revenue from the sale of inventory is recognised when settlement has occurred, the significant risks and rewards of ownership have passed to the buyer and there is a valid sales contract.

### f. Net Gain or Loss on the Sale of Non-Current Assets

The net gain or loss on the sale of non-current assets is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually when a contract for the sale becomes unconditional.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### g. Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangements of borrowings and finance charges in respect of finance leases.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs, unless the interest relates to qualifying assets, in which case the costs are capitalised as borrowing costs.

Loan establishment costs are offset against financial liabilities under the effective interest rate method and amortised over the term of the facility to which they relate.

### h. Income Tax

#### *Trusts*

Under current income tax legislation, the Trusts are not liable for Australian income tax, provided their taxable income and taxable realised gains are fully distributed to securityholders each financial year. The Trusts fully distribute their distributable income, calculated in accordance with their Constitution and applicable taxation legislation, to the securityholders who are presently entitled to the income under the Constitution.

Realised capital losses are not distributed to securityholders but are retained in the Trusts to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to securityholders unless the excess is reduced to nil by any revenue losses.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the differences relating to investments in subsidiaries to the extent that it is probable that it will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### *Tax Consolidation*

Unity Pacific Limited and its wholly owned controlled entities have elected to form a tax consolidation group with effect from 14 October 2004. The head entity, Unity Pacific Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Unity Pacific Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. These deferred tax assets are only recognised to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Assets and liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in Unity Pacific Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### i. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the tax authority. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

### j. Earnings per Security

Earnings per security (EPS) is calculated by dividing the net profit attributable to securityholders for the reporting period, after excluding any costs of servicing equity, by the weighted average number of securities and dilutive potential securities.

### k. Trade and other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are generally due to be settled 30 days after the period to which they relate.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is recognised in profit or loss.

### l. Non-Current Assets Held for Sale (other than Investment Property and Available for Sale Financial Assets)

Upon initial classification as held for sale, non-current assets are recognised at the lower of carrying value and fair value less costs to sell.

### m. Inventories

Inventories are stated at the lower of cost and net realisable value. For development properties, cost includes the cost of acquisition, development and holding costs, such as borrowing costs, rates and taxes and is net of any income received in relation to the development property. Holding costs incurred after completion of development are expensed. For properties held for resale, income earned and holding costs incurred are recognised in profit or loss. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

#### Current and Non-Current Inventory Assets

Inventory is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, Unity Pacific Group's normal operating cycle;
- it is held primarily for the purpose of being traded; and
- it is expected to be realised within twelve months after the reporting date.

All other inventory is classified as non-current.

### n. Investment Properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in profit or loss in the period. Fair value is determined from market based evidence, by an appraisal undertaken by a professionally qualified valuer with experience in the location and category of the investment property. External independent valuations are generally commissioned annually. Internal valuations are undertaken with reference to current market conditions and available information for those investment properties not externally valued at each reporting date.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in profit or loss in the year of derecognition.

Investment property held for sale is classified within non-current assets held for sale, and is carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* do not apply to investment properties.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### o. Property, Plant and Equipment

Office fixtures, fittings and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Unity Pacific Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Office fixtures, fittings and equipment are depreciated using a straight-line method over their estimated useful lives, taking into account estimated residual values.

Assets are depreciated from the date of acquisition and depreciation rates and methods are reviewed annually for appropriateness.

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in profit or loss.

The estimated useful lives in the current and comparative periods are as follows:

Furniture and fittings	2-20 years
Computer equipment	2-5 years

### p. Intangible Assets

Costs incurred in acquiring software, that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. Costs capitalised include external direct costs of materials and services. Amortisation is calculated on a straight-line basis over periods generally ranging from 3-5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### q. Impairment of Assets

#### *Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### *Non-Financial Assets*

The carrying amounts of Unity Pacific Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### q. Impairment of Assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Except for goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### r. Cash and Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short term deposits, generally with an original maturity of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### s. Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Unity Pacific Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, Unity Pacific Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### t. Trade and Other Payables

These amounts represent liabilities for goods and services provided to Unity Pacific Group or the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### u. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the entity becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred and no longer controlled by the entity. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or expires.

Financial assets or liabilities classified as held for trading are measured at fair value through profit or loss. Upon initial recognition a financial asset or financial liability is designated at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

### Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### v. Derivative Financial Instruments

Derivative financial instruments are held to hedge interest rate risk exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition any changes in fair value at each balance date are recognised in profit or loss.

### w. Interest Bearing Liabilities

Interest bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis and as well as through the amortisation process.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### x. Employee Benefits

#### *Short Term Employee Benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other Long Term Employee Benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share Based Payments*

The fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of security options for which the related service and non-marketing vesting conditions are met.

#### *Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Unity Pacific Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees.

### y. Provisions

Provisions are recognised when Unity Pacific Group or the Trust has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where Unity Pacific Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### *Dividends and Distributions*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision is made for the amount of any distribution payable under the Trust's Constitution but not distributed at balance date.

### z. Contributed Equity

Ordinary units and shares are classified as equity. Transaction costs arising on the issue of equity instruments are recognised directly in equity (net of tax) subject to the extent of proceeds received and are otherwise expensed.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### aa. Operating Lease Payments

Payments required under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived for the leased property.

#### *Lease Incentives*

Incentives may be provided to lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods or lessee owned fitouts. They are amortised over the term of the lease as a reduction of rental income on a straight-line basis. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

### bb. Segment Information

An operating segment is a component of Unity Pacific Group or the Trust that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other entities within the group), whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Unity Pacific Group and the Trust aggregates two or more operating segments when they have similar economic characteristics. Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

### cc. Significant Accounting Judgements, Estimate and Assumptions

#### *Significant Accounting Judgements*

In the process of applying Unity Pacific Group's and the Trust's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Control*

During the year, Unity Pacific Group's and the Trust's equity investment in The Marie Street Trust reduced from 100% to 37% as at 30 June 2015. The Directors of Unity Pacific Group and the Responsible Entity of the Trust have assessed their exposure to, and rights to, variable returns from The Marie Street Trust as well as their ability to affect those returns through their power over The Marie Street Trust. They have determined that during the 2015 year, they controlled The Marie Street Trust but as at 30 June 2015, that control had ceased as a consequence of the number of ordinary units on issue at that time.

#### *Operating Lease Commitments – as lessor*

Unity Pacific Group and the Trust have entered into property leases on its investment property portfolio. Unity Pacific Group and the Trust have determined that they retain all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

#### *Significant Accounting Estimates and Assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *(i) Fair Value Measurement Hierarchy*

Unity Pacific Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or the liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the assets or liability is placed in can be subjective.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### cc. Significant Accounting Judgements, Estimate and Assumptions (continued)

The fair value of assets and liabilities classified as level 3, is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

#### (ii) *Estimates of Fair Value of Investment Properties and Net Realisable Value of Inventory*

The best evidence of fair value or net realisable value is current prices in an active market for similar investment properties or inventory. Where such information is not available, Unity Pacific Group determines a property's value within a range of reasonable fair value or net realisable value estimates. In making its judgment, Unity Pacific Group considers information from a variety of sources including:

- (a) Current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (b) Recent prices of similar properties in less active markets with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (c) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contracts, and where possible, from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and
- (d) Capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity and capitalisation rate derived from analysis of market evidence. Reversions associated with short term leasing risks/costs incentives and capital expenditure may be deducted from the capitalised net income figure.

#### (iii) *Assumptions Underlying Management's Estimates of Fair Value*

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at balance date, if an investment property is sold in the future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements. Refer to note 15 for the assumptions included in the valuations underlying management's assessment of fair value of investment property at the end of the reporting period.

#### (iv) *Assumptions Underlying Management's Estimates of Net Realisable Value*

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The best evidence of net realisable value is given by current prices in an active market for similar property in the same location and condition.

The net realisable value of inventory reflects market conditions at the end of the reporting period. While this represents the best estimates of net realisable value as at balance date, if inventory is sold in the future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the net realisable value recorded in the financial statements. Refer to note 12 for the carrying value of inventory at the end of the reporting period.

### dd. Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities, and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Unity Pacific Group did not have any financial guarantee contracts that were required to be recognised in the financial statements during the reporting period (2014: nil).

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### ee. New Standards Adopted

Unity Pacific Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014. Unity Pacific Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### ff. New Standards and Interpretations not yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. Unity Pacific Group's assessment of the impact of these new standards and interpretations is set out below.

#### **AASB 9: Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9**

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 *Financial Instruments: Recognition and Measurement*). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Unity Pacific Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

#### **IFRS 15 Revenue from Contracts with Customers**

This standard establishes a single revenue recognition framework and supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, and Interpretation 131 *Revenue – Barter Transaction Involving Advertising Services*. This standard is applicable to annual reporting periods beginning on or after 1 July 2018, with early adoption permitted once approved by the AASB in Australia. Under the new standard, an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Hence, the revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently in IAS 18 *Revenue*. This new standard requires the use of either method using retrospective application to each reporting period in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospective application with the cumulative effect of initially applying IFRS 15 recognised directly in equity. The Unity Pacific Group is currently assessing the impact of this standard.

### gg. Rounding of Amounts

The financial report of Unity Pacific Group and the Trust has been prepared in accordance with Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 2. DETERMINATION OF FAIR VALUES

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 2. DETERMINATION OF FAIR VALUES (continued)

### a. Investment Properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued or an appropriately experienced internal appraiser, values Unity Pacific Group's and the Trust's investment property portfolio. For valuations performed by both internal and external valuers, fair values are determined using the capitalisation of net passing income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same locations as Unity Pacific Group's and the Trust's investment properties.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

### b. Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less allowance for doubtful debts. The carrying value less an impairment allowance is assumed to approximate their fair values due to their short term nature. The fair value of other non-current receivables is estimated as the present value of future cash flows, discounted at the market rate of interest.

### Derivatives

The fair value of interest rate swaps is based on broker quotes and these can be tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

### c. Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### d. Share Based Payment Transactions

The fair value of employee security options is measured using the Black-Scholes model. Measurement inputs include security price on measurement date, exercise price of the options, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the option and expected distributions.

## 3. FINANCIAL RISK MANAGEMENT

### Overview

Unity Pacific Group and the Trust have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about Unity Pacific Group's and the Trust's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework including the development and monitoring of risk management policies.

Risk management policies are established to identify and analyse the risks faced by Unity Pacific Group and the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Unity Pacific Group's and the Trust's activities. Unity Pacific Group and the Trust, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit Risk

Credit risk is the risk of financial loss to Unity Pacific Group and/or the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Unity Pacific Group's and the Trust's receivables from customers and amounts due from the leasing of premises in accordance with lease agreements with property tenants.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 3. FINANCIAL RISK MANAGEMENT (continued)

### Credit Risk (continued)

#### Trade and Other Receivables

Unity Pacific Group's and the Trust's exposure to credit risk is influenced mainly by the individual characteristic of each customer or tenant. Unity Pacific Group and the Trust have multiple customers and tenants and consider there is no significant concentration of credit risk with any single counterparty or group of counterparties.

Unity Pacific Group and the Trust request bank guarantees or security deposits from new tenants as security for tenant covenants and tenants are invoiced monthly in advance. Ongoing checks are performed by management to ensure settlement terms detailed in individual contracts are adhered to.

Unity Pacific Group and the Trust have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

#### Cash and Cash Equivalents

Deposits of cash are only held with Board-approved banks and financial institutions.

### Liquidity Risk

Liquidity risk is the risk that Unity Pacific Group and/or the Trust will not be able to meet its financial obligations as they fall due. Unity Pacific Group's and the Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Unity Pacific Group's or the Trust's reputation.

Unity Pacific Group and the Trust have liquidity risk management policies, which assists in monitoring cash flow requirements. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the option to raise funds through the issue of new stapled securities.

### Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect Unity Pacific Group's and/or the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Interest Rate Risk

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. This may be achieved by entering into interest rate swaps or fixed rate bills. Unity Pacific Group and the Trust have no fixed rate debt as at reporting date due to their low level of gearing and uncertainty with respect to future asset sales and debt levels. The level of hedging is monitored and reviewed regularly in light of Unity Pacific Group's strategy at any given time.

### Price Risk

Unity Pacific Group's exposure to equities security price risk is minimal.

Equity securities risk arises from investments in equity securities. The price risk in respect of unlisted securities is considered to be immaterial in terms of possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed.

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Board of Directors monitors the return on capital, which Unity Pacific Group defines as net operating income divided by total securityholders' equity, excluding non-controlling interests and the net tangible asset value per security.

The Directors of Unity Pacific Group and the Trust assess the adequacy of the capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of the broader strategic plan.

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as net interest bearing liabilities divided by total tangible assets (less cash and cash equivalents).

The gearing ratios for Unity Pacific Group at 30 June 2015 and 30 June 2014 were nil and 21.3% respectively. At 30 June 2015, total cash and cash equivalents exceeded the amount of debt, resulting in a gearing ratio of nil.

Unity Pacific Group and the Trust have a strong focus on capital management and subsequent to balance date declared a capital distribution would be paid to securityholders on 31 August 2015. Unity Pacific Group and the Trust are not subject to externally imposed capital requirements.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 4. REVENUE AND OTHER INCOME

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Revenue</b>				
Rent (including outgoings recovered)	5,381	5,656	5,209	5,147
Rendering of services	-	83	-	-
	5,381	5,739	5,209	5,147
<b>Revenue / income from property sales</b>				
Revenue from sale of Lorne apartments	672	3,687	-	-
Gain on sale of investment property <sup>1</sup>	2,530	-	2,530	-
	3,202	3,687	2,530	-
<b>Other revenue and other income</b>				
Gain on deconsolidation of subsidiary <sup>2</sup>	240	-	240	-
Insurance claim proceeds <sup>3</sup>	353	-	353	-
Other revenue	1	38	9	-
	594	38	602	-
<b>Finance income</b>				
Interest	586	480	450	321
Total revenue and other income	9,763	9,944	8,791	5,468

<sup>1</sup> Rivergate Centre, Murarrie, Qld was sold in December 2014.

<sup>2</sup> On 30 June 2015 Unity Pacific Group's and the Trust's interest in The Marie Street Trust reduced to 37% as a result of the ongoing capital raising of The Marie Street Trust. The Directors of Unity Pacific Group and the Trust have assessed that the entities ceased to control The Marie Street Trust on this date. Unity Pacific Group and the Trust consolidated The Marie Street Trust's 2015 results up to 30 June 2015 and then deconsolidated The Marie Street Trust on this date. The resulting gain on deconsolidation was \$0.240 million. Further details are provided in note 23.

<sup>3</sup> The heritage building at 308 Queen Street suffered damage in a severe hail storm which occurred in Brisbane on 27 November 2014. Unity Pacific Group has been working with insurers and contractors to repair the resultant damage. Proceeds from the insurance claim are included in 'Other revenue'. The costs of the repairs to the property are included in 'Property expenses and outgoings – investment properties'. As a result of the insurance coverage, the financial loss to Unity Pacific Group and the Trust from this weather event is minimal.

## 5. CUMBERLAND LORNE RESORT REVENUE AND EXPENSES

During the 2015 year, Unity Pacific Group sold 2 apartments at the Cumberland Lorne Resort in Lorne, Victoria. The sale of these apartments resulted in an overall gain on sale of \$0.022 million after transaction costs.

During the 2014 year, Unity Pacific Group sold 8 apartments at the Cumberland Lorne Resort resulting in a gain on sale of \$0.449 million after transaction costs.

Cost of sales of apartments is the carrying value of apartments at the Cumberland Lorne Resort that were sold by Unity Pacific Group during the relevant year, together with sale transaction costs.

## 6. DOUBTFUL DEBTS – TRADE AND OTHER RECEIVABLES

The Trust's provision for doubtful debts primarily relates to loans provided to entities within Unity Pacific Group. Based on the underlying net asset value of these entities it is not probable that the Trust will recover the full amount. As they are intra-group transactions, these loans eliminate upon presentation of Unity Pacific Group's consolidated result. During the year, the Trust increased the amount of an intra-group loan provision that had been raised previously, resulting in an impairment loss of \$1.972 million (2014: a net gain of \$1.108 million).

Refer to note 11 for further details.



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 7. ADMINISTRATION, OVERHEAD AND OTHER EXPENSES

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Classified by nature</b>				
<b>Administration and overhead costs</b>				
Accounting and audit	144	119	64	49
Rent	29	17	-	-
Consultancy and legal fees	489	323	70	46
Management and administration expenses	512	394	28	20
Total administration and overhead costs	1,174	853	162	115
<b>Other expenses</b>				
Repayment of performance fees <sup>1</sup>	-	125	-	-
Loss on sale of investment property <sup>2</sup>		412	-	412
Placement fees and rebates <sup>3</sup>	67	-	-	-
Total other expenses	67	537	-	412

1 In accordance with indemnities provided for in the contract of sale for the Unity Pacific Funds Management Limited business in April 2012, Unity Pacific Group repaid performance fees received from Trinity Opportunistic Property Fund No 1 in 2007 and 2008 to LaSalle Investment Management. Unity Pacific Group does not expect to repay any other fees previously received.

2 13 Compark Circuit, Mulgrave, Victoria was sold in March 2014.

3 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.

## 8. FINANCE INCOME AND EXPENSE

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Finance income</b>				
Bank deposits	579	475	450	319
Loans and receivables	7	5	-	2
Finance income	586	480	450	321
<b>Finance expenses</b>				
Interest paid and payable to third parties	(1,069)	(1,866)	(1,064)	(1,824)
Amortisation of finance costs	(45)	(83)	(45)	(62)
Less:				
Finance expenses capitalised to property developments included in inventory <sup>1</sup>	-	53	-	-
Finance expenses	(1,114)	(1,896)	(1,109)	(1,886)
Net finance income / (expense)	(528)	(1,416)	(659)	(1,565)

1 No interest was capitalised in 2015 (2014: interest was capitalised at a weighted average interest rate of 6.7%).

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 9. EARNINGS PER STAPLED SECURITY

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Earnings used in calculating earnings per stapled security</b>				
Net profit / (loss) after tax attributable to securityholders	1,321	469	1,215	3,732
	<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 <sup>1</sup>	35,804	35,966	35,804	35,966
Effect of dilution <sup>2</sup>	-	-	-	-
Adjusted weighted average number of ordinary securities for diluted earnings per security	35,804	35,966	35,804	35,966
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per stapled security / unit	3.7	1.3	3.4	10.4
Diluted earnings per stapled security / unit	3.7	1.3	3.4	10.4

1 Unity Pacific Group undertook a 1:4 security consolidation in December 2014. The security consolidation was approved by securityholders in November 2014 and was completed in December 2014. Following the security consolidation, Unity Pacific Group has 35,803,992 securities on issue. The prior year weighted average number of ordinary securities and the prior year basic and diluted earnings per security have been restated on a 1:4 basis.

2 For the years ended 30 June 2015 and 30 June 2014, there were no dilutive transactions to be included in the diluted earnings per security calculation. 1,875,000 options granted to key management personnel were considered to be potential ordinary stapled securities. However, these options have not been included in the determination of diluted earnings per stapled security because they are 'out of the money' so are not currently considered to be dilutive. There have been no other dilutive transactions involving ordinary stapled securities or potential ordinary stapled securities since the reporting date and before the completion of these financial statements.

There have been no issues of ordinary securities between the reporting date and the date of this report.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 10. TAXATION

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Income tax expense</b>				
Current tax expense	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	-	-	-	-
<b>Reconciliation of income tax expense to prima facie tax payable</b>				
Profit / (loss) before income tax	1,747	469	1,641	3,732
Tax (expense) / benefit at the statutory tax rate of 30%	(524)	(141)	(492)	(1,120)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:				
Non-assessable / (non-deductible) net trust income	1,084	787	492	1,120
Net non-assessable / (non-deductible) items	(5)	(62)	-	-
Other expenses	-	(104)	-	-
Over provision recognised in prior year	-	(4)	-	-
Current year tax losses and temporary differences for which no deferred tax asset was recognised	(555)	(476)	-	-
Total income tax expense	-	-	-	-
<b>Deferred tax assets and liabilities</b>				
<b>Deferred tax assets</b>				
Tax losses carried forward <sup>1</sup>	31,595	31,051	-	-
Provisions, accruals, employee entitlements, accrued expenditure and share issue expenses not currently deductible	4,954	4,941	-	-
	36,549	35,992	-	-
<b>Deferred tax liabilities</b>				
Other	6	4	-	-
	6	4	-	-
<b>Net recognised deferred tax assets</b>				
Net deferred tax assets	36,543	35,988	-	-
Deferred tax assets not recognised	(36,543)	(35,988)	-	-
Net recognised deferred tax assets	-	-	-	-
<b>Unrecognised deferred tax assets</b>				
Deductible temporary differences <sup>2</sup>	4,948	4,937	-	-
Tax losses	31,595	31,051	-	-
	36,543	35,988	-	-

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 10. TAXATION (continued)

The deductible temporary differences and tax losses do not expire under current tax legislation.

- 1 Deferred tax asset for tax losses carried forward (tax effected) as at 30 June 2015 includes capital losses of \$22,065 million (2014: \$22,065 million) which are available to be utilised only against future capital gains with the balance of tax losses of \$9,530 million (2014: \$8,986 million) relating to revenue losses.
- 2 A deferred tax asset attributable to temporary differences of \$4,948 million (2014: \$4,937 million) has not been recognised because as at 30 June 2015, Unity Pacific Group has taken the view that until Unity Pacific Group has sustainable profits it is not probable that future taxable profit will be available against which they can be realised. This view will be reassessed at each balance date.

At 30 June 2015, there is no recognised or unrecognised deferred income tax liability (2014: \$nil) for taxes that would be payable on the unremitted earnings of Unity Pacific Group's subsidiaries, as Unity Pacific Group has no liability for additional taxation should such amounts be remitted.

## 11. TRADE AND OTHER RECEIVABLES

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade receivables	93	55	59	50
Sundry receivables	6	135	-	-
Accrued income	103	17	86	5
Distribution receivable	228	-	228	-
Total current	430	207	373	55
<b>Non-current</b>				
<i>Loans to entities in Unity Pacific Group</i>				
Unity Pacific Limited	-	-	69,141	67,328
Less: Allowance for impairment	-	-	(62,585)	(60,613)
UPG Holdings No. 2 Pty Ltd	-	-	26,991	26,991
Less: Allowance for impairment	-	-	(26,991)	(26,991)
UPG Lorne Resort Pty Ltd	-	-	2,304	2,962
Less: Allowance for impairment	-	-	-	-
Total non-current	-	-	8,860	9,677

### a. Terms and Conditions

Terms and conditions relating to the above financial instruments are as follows:

- Trade receivables are non-interest bearing and generally on 30 day terms;
- Sundry receivables are non-interest bearing and generally have repayment terms of between 30 and 90 days;
- Accrued income includes accrued interest income and other amounts that are non-interest bearing and unless provided for will convert to trade receivables within 30 days;
- The distribution is receivable from The Marie Street Trust and forms part of the gain on deconsolidation of that trust. Refer to note 4 for further details; and
- The terms and conditions of related party receivables are set out in note 25.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 11. TRADE AND OTHER RECEIVABLES (continued)

### b. Future Minimum Lease Receivables

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Future minimum lease repayments to the Trust under current leases from tenants are:				
Within one year	2,732	5,460	2,732	5,460
Later than one year and no later than five years	4,721	14,400	4,721	14,400
Later than five years	617	9,494	617	9,494
	8,070	29,354	8,070	29,354

Future lease commitments receivable have not been included in the Statement of Financial Position. Revenue is recognised by the Trust in the Statement of Profit or Loss and Other Comprehensive Income by allocating minimum payments on a straight- line basis.

## 12. INVENTORY

<b>Current</b>				
Property held for sale - Cumberland Lorne Resort <sup>1</sup>	1,424	2,053	-	-
Total current	1,424	2,053	-	-
<b>Non-current</b>				
Property under development - San Remo <sup>2</sup>	3,850	3,850	-	-
Total non-current	3,850	3,850	-	-

1 As at 30 June 2015, Unity Pacific Group owned 5 apartments at the Cumberland Lorne Resort (2014: 7 apartments). Subsequent to balance date Unity Pacific Group sold 1 apartment at a small profit to carrying value. Unity Pacific Group's intention is to sell the remaining 4 apartments individually, within the next 12 months. The value of apartments expected to be sold within the next 12 months is reassessed at each balance date.

2 Value uplift opportunities, including subdivision and/or rezoning, are being pursued for the rural land located at San Remo, Victoria. The net realisable value of this property is based on a directors' valuation.

The carrying amount of inventory pledged as security for liabilities is \$5.274 million (2014: \$5.903 million). The properties are subject to first registered mortgages to the National Australia Bank. See note 17 for further information.

## 13. OTHER ASSETS

<b>Current</b>				
Prepayments	121	127	73	33
Total current	121	127	73	33

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 14. EQUITY ACCOUNTED INVESTMENTS

Interests in associates have been accounted for using the equity method of accounting. Information relating to associates that are material to Unity Pacific Group and the Trust are set out below:

	Principal Place of Business / Country of incorporation	Ownership interest	
		2015	2014
		%	%
The Marie Street Trust (formerly Trinity Capital Fund No. 1)	Australia	37	100

On 30 June 2015, Unity Pacific Group and the Trust ceased to control The Marie Street Trust. Refer to note 23 for further details. With effect from 30 June 2015, Unity Pacific Group and the Trust have significant influence over The Marie Street Trust so have accounted for their interest in the fund using the equity method of accounting.

Summarised financial information for The Marie Street Trust:

	The Marie Street Trust	
	2015	2014
	\$'000	\$'000
<b>Summarised Statement of Financial Position</b>		
Current assets	833	-
Non-current assets	22,000	-
Total assets	22,833	-
Current liabilities	527	-
Non-current liabilities	8,280	-
Total liabilities	8,807	-
Net assets	14,026	-
<b>Summarised Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue and other income	748	-
Expenses	(750)	-
Net fair value adjustments	416	-
Profit before income tax	414	-
Income tax expense	-	-
Profit after income tax	414	-
Other comprehensive income	-	-
Total comprehensive income	414	-

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Reconciliation of Unity Pacific Group's and the Trust's carrying amount</b>				
Opening carrying amount	-	-	-	-
Fair value on loss of control of subsidiary	5,200	-	5,200	-
Share of profit after income tax	-	-	-	-
Closing carrying amount	5,200	-	5,200	-

Unity Pacific Group and the Trust held a 37% interest in The Marie Street Trust on 30 June 2015. 37% of the net assets of The Marie Street Trust at reporting date was \$5.191 million.

The Marie Street Trust had no contingent liabilities or commitments recognised as liabilities as at the reporting date.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 15. INVESTMENT PROPERTIES

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Investment properties at fair value	34,145	60,250	34,145	60,250
<b>Movements in investment properties:</b>				
Balance at beginning of financial year	60,250	57,694	60,250	57,694
Purchase of investment property <sup>1</sup>	21,710	-	21,710	-
Vendor allowances granted at settlement <sup>2</sup>	(537)	-	(537)	-
Capital expenditure <sup>3</sup>	760	648	760	648
Disposals <sup>4</sup>	(24,200)	-	(24,200)	-
Loss of control of subsidiary <sup>5</sup>	(22,000)	-	(22,000)	-
Classified as held for sale – transfers in / (out)	-	1,406	-	1,406
Movement in lease incentives	(386)	(642)	(386)	(642)
Net gain / (loss) from fair value movements	(1,452)	1,144	(1,452)	1,144
Balance at end of financial year	34,145	60,250	34,145	60,250

1 16 Marie Street, Milton was acquired by The Marie Street Trust in March 2015 during the period that Unity Pacific Group controlled that trust.

2 The vendor of 16 Marie St, Milton provided allowances for vacancy support and unexpired lease incentives at the time of settlement of the property. These allowances have been treated as purchase price adjustments, but cash is being received progressively by The Marie Street Trust.

3 Capital expenditure incurred during the reporting period includes \$0.651 million for 308 Queen Street/88 Creek Street and \$0.109 million for 16 Marie Street, Milton.

4 Rivergate Centre, Murarrie, Qld was sold in December 2014.

5 As a result of Unity Pacific Group and the Trust deconsolidating The Marie Street Trust on 30 June 2015, 16 Marie Street, Milton is not included in the Statements of Financial Position as at 30 June 2015. Refer to note 23 for more details.

Fair value is determined by either a registered independent valuer or an appropriately experienced internal appraiser (refer note 1 and 2 for further details regarding accounting policy for investment property).

Details of investment properties are as follows:

	Acquisition Date	Book Value 30 June 2015 \$'000	Book Value 30 June 2014 \$'000	Independent Valuation Date	Independent Valuation Amount \$'000	Capitali- sation Rate %	Average Lease Duration <sup>4</sup>	Valuer
<b>Property</b>								
<b>Commercial</b>								
308 Queen St/ 88 Creek St, QLD <sup>1</sup>	21/12/2006	33,750	34,350	30/06/2015	33,750	7.81%	2.4 years	m3 property
308 Queen St/ 88 Creek St, QLD – TSAs <sup>1,2</sup>	21/12/2006	395	1,700	30/06/2015	395	n/a	n/a	m3 property
<b>Industrial</b>								
Rivergate Centre, QLD <sup>1,3</sup>	28/02/2007	-	24,200	30/06/2014	24,200	7.5%	8.9 years	m3 property
<b>Total investment properties</b>		34,145	60,250					

1 100% ownership interest.

2 The book value relates to 1,134 transferable site areas (TSAs) owned by Unity Pacific Group and the Trust.

3 Rivergate Centre, Murarrie was sold in December 2014.

4 Average Lease Duration by income

The fair value of the investment property has been calculated after deducting the present value of unexpired lease incentives.

At reporting date, the face value of these incentives was:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Unexpired lease incentives	375	116	375	116



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 16. TRADE AND OTHER PAYABLES

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current</b>				
Trade payables	259	281	176	221
Accrued expenses	145	166	53	70
Rent received in advance	206	126	206	127
Other payables	211	278	145	245
Total current	821	851	580	663
<b>Non-current</b>				
Other payables	-	15	-	15
Total non-current	-	15	-	15

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

## 17. INTEREST BEARING LOANS AND BORROWINGS

<b>Non-Current</b>				
Bank bills – secured	12,000	31,591	12,000	31,591
Borrowing costs net of amortisation	(19)	(43)	(19)	(43)
Total non-current	11,981	31,548	11,981	31,548

As at 30 June 2015, Unity Pacific Group has access to an aggregated facility with National Australia Bank Limited (NAB) with a fully drawn limit of \$12.000 million (2014: limit of \$31.591 million). The facility was extended in December 2014 for 2 years and now expires on 31 October 2017. The facility 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.

At 30 June 2015, Unity Pacific Group's financial covenants are as follows:

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

Prior to extension of the facilities in December 2014, Unity Pacific Group's financial covenants were:

- interest cover ratio – 1.5 times;
- maximum loan to value ratio – 50.8%, but increasing to 55% to allow for adverse valuation movements; and
- hedging covenant – minimum 34.7%.

During the year and as at 30 June 2015, Unity Pacific Group complied with the financial covenants required by NAB except for the hedging covenant which was waived by NAB. NAB removed the hedging covenant in June 2015.

In the 2015 year, during the period that Unity Pacific Group controlled The Marie Street Trust, The Marie Street Trust (and therefore Unity Pacific Group) entered into an \$8.170 million debt facility with NAB to fund the acquisition of 16 Marie Street, Milton and also established a \$0.200 million overdraft facility to assist with working capital requirements of the fund. The Marie Street Trust's facilities however, are standalone and secured only by the assets of The Marie Street Trust. The Marie Street Trust was in compliance with the financial covenants of its debt facility with NAB during the year. The Marie Street Trust was deconsolidated on 30 June 2015 and as a consequence its debt facility of \$8.170 million is not included in Unity Pacific Group's 30 June 2015 Statement of Financial Position. Refer to note 23 for more details of the deconsolidation.

At 30 June 2015, Unity Pacific Limited held a loan facility with Unity Pacific Stapled Trust on no fixed terms and with an interest rate of 0% (2014: 0%). Loan transactions arise due to Unity Pacific Group treasury policies and the effect of stapling.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 17. INTEREST BEARING LOANS AND BORROWINGS (continued)

### Derivative Financial Instruments

Unity Pacific Group manages its cash flow interest rate risk by using floating to fixed rate interest rate derivatives. On 31 October 2014 Unity Pacific Group's \$16.0 million interest rate swap expired. The fair value of the interest rate swap on expiry was \$nil at 30 June 2015 (2014: \$28,040). Refer to note 27 for further details on the fair value of the swap.

In December 2014, Unity Pacific Group entered into a 4 year interest rate swap with a face value of \$8.170 million, a commencement date of 1 April 2015 and expiry date of 31 March 2019. Unity Pacific Group entered into this interest rate swap on behalf The Marie Street Trust, in order to give more certainty of investment returns. With effect from 1 April 2015 Unity Pacific Group novated the interest rate swap to The Marie Street Trust. As a result of the deconsolidation of The Marie Street Trust on 30 June 2015, the interest rate swap is not included in Unity Pacific Group's 30 June 2015 Statement of Financial Position. Refer to note 25 for more details.

Unity Pacific Group and the Trust have access to the following lines of credit as at 30 June 2015:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Total facilities available</b>				
Bill acceptance facility	12,000	31,591	12,000	31,591
<b>Facilities utilised at reporting date</b>				
Bill acceptance facility	12,000	31,591	12,000	31,591
<b>Facilities not utilised at reporting date</b>				
Bill acceptance facility	-	-	-	-

## 18. DISTRIBUTIONS / DIVIDENDS

Details of dividends and distributions proposed or being paid are:

	Cents per Security	Total Amount \$'000	Date of Payment	Franked Tax Rate	% Franked
2015					
Dividends / distributions recognised in the current year					
NIL	-	-	-	30%	-
2014					
Dividends / distributions recognised in the current year					
NIL	-	-	-	30%	-
	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated		
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	
Franking Credits					
Balance of franking account at year end	265	265	-		

Subsequent to year end, a capital distribution of 42 cents per stapled security has been declared and is payable on 31 August 2015. The total amount payable is \$15.038 million and is to be funded from surplus cash reserves.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 19. CONTRIBUTED EQUITY

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Ordinary stapled securities – fully paid	281,021	281,021	237,056	237,056

The shares and stapled securities do not have a par value. Under the terms of the Stapling Agreement, one ordinary share and one unit were issued to each securityholder. Ordinary securities entitle the holder to participate in dividends and the proceeds on a winding up of Unity Pacific Group in proportion to the number of, and amounts paid on, the shares held.

The basis of allocation of any issue prices, withdrawal prices or associated costs between the stapled entities is determined in accordance with Unity Pacific Stapled Trust's constitution and the Stapling Deed.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
<b>2015</b>				
During the financial year the following movements in ordinary issued securities occurred:	<b>No. of units</b>	<b>\$'000</b>	<b>No. of units</b>	<b>\$'000</b>
<b>Contributed equity attributable to members of the Company</b>				
On issue at 1 July 2014	143,216,966	43,965	-	-
Security consolidation <sup>1</sup>	(107,412,974)	-	-	-
On issue at 30 June 2015	35,803,992	43,965	-	-
<b>Contributed equity attributable to members of the Trust</b>				
On issue at 1 July 2014	143,216,966	237,056	143,216,966	237,056
Security consolidation <sup>1</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

<sup>1</sup> In December 2014, Unity Pacific Group's securities were consolidated on a 1:4 basis.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
<b>2014</b>				
During the financial year the following movements in ordinary issued securities occurred:	<b>No. of units</b>	<b>\$'000</b>	<b>No. of units</b>	<b>\$'000</b>
<b>Contributed equity attributable to members of the Company</b>				
On issue at 1 July 2013	149,598,535	43,965	-	-
Security buyback <sup>1</sup>	(6,381,569)	-	-	-
On issue at 30 June 2014	143,216,966	43,965	-	-
<b>Contributed equity attributable to members of the Trust</b>				
On issue at 1 July 2013	149,598,535	238,701	149,598,535	238,701
Security buyback <sup>1</sup>	(6,381,569)	(1,639)	(6,381,569)	(1,639)
Transaction costs on security buyback	-	(6)	-	(6)
On issue at 30 June 2014	143,216,966	237,056	143,216,966	237,056
Total contributed equity attributable to securityholders		281,021		237,056

<sup>1</sup> An on-market buyback of up to 14,959,854 securities (10% of securities on issue at that time) was approved by members on 19 June 2013. In July and August 2013, Unity Pacific Group bought back 6,381,569 securities at cost of \$1.640 million. The securities were acquired at an average price of \$0.257, with prices ranging from \$0.255 to \$0.260. The buyback was funded from the Trust.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 20. DEFICIENCY OF THE TRUST

	Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000
Balance at beginning of the year	(185,975)	(189,707)
Transfer from reserves	-	-
Profit / (loss) attributable to members of the Trust	1,215	3,732
Balance at end of year	(184,760)	(185,975)

## 21. RESERVES

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Shared based payments reserve	200	200	200	200
Transactions with non-controlling interests reserve	-	-	-	-
	200	200	200	200

### Share based payment reserve

The share based payment reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of stapled securities issued to employees
- the issue of stapled securities held by Unity Pacific Group employee share scheme to employees.

### Movement in reserve

Share based payments reserve	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 July	200	-	200	-
Options granted / (exercised)	-	200	-	200
Balance at 30 June	200	200	200	200

### Transactions with non-controlling interests reserve

The transactions with non-controlling interests reserve is used to recognise transactions between members and non-controlling interests including any changes in Unity Pacific Group's or the Trust's interests in a subsidiary without a change of control.

### Movement in reserve

Transactions with non-controlling interest reserve	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 July	-	-	-	-
Transactions with non-controlling interests	9	-	9	-
Derecognition of non-controlling interest on loss of control	(9)	-	(9)	-
Balance at 30 June	-	-	-	-

There were no other movements in reserves in 2015 and 2014.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 22. NON-CONTROLLING INTERESTS

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	-	-	-	-
Share of profit for the year	426	-	426	-
Transactions with non-controlling interests	8,771	-	8,771	-
Distributions payable to non-controlling interests	(140)	-	(140)	-
Derecognition of non-controlling interest on loss of control	(9,057)	-	(9,057)	-
Balance at end of year	-	-	-	-

## 23. CONTROLLED ENTITIES

	Country of Incorporation / Formation	Ownership Interest	
		2015	2014
<b>Entities controlled by Unity Pacific Limited (parent entity)</b>		<b>%</b>	<b>%</b>
Unity Pacific Investment Management Limited	Australia	100	100
Unity Pacific Funds Management Limited	Australia	100	100
UPG Holdings No 2 Pty Ltd	Australia	100	100
Unity Pacific Land Trust <sup>1</sup>	Australia	100	100
San Remo Project Pty Ltd <sup>2</sup>	Australia	100	100
UPG Lorne Resort Pty Ltd	Australia	100	100
Unity Pacific Property Services Pty Ltd <sup>3</sup>	Australia	100	-
<b>Entities controlled by Unity Pacific Stapled Trust (head entity within the Trust)<sup>4</sup></b>			
UPG Prime Industrial Trust	Australia	100	100
The Marie Street Trust <sup>5</sup>	Australia	37	100
Marie Street Holding Trust <sup>3</sup>	Australia	100	-

<sup>1</sup> Investment is held by UPG Holdings No 2 Pty Ltd

<sup>2</sup> Investment is held by Unity Pacific Land Trust

<sup>3</sup> Registered during the 2015 year.

<sup>4</sup> The Unity Pacific Stapled Trust units are stapled to the shares of the parent entity

<sup>5</sup> Control was lost on 30 June 2015 as discussed below.

### Entity over which Control has been Lost

On 30 June 2015, Unity Pacific Group and the Trust ceased to have control over The Marie Street Trust as a result of the ongoing capital raising of the fund and the redemption of underwrite units held by the Trust. Further details of the net accounting impact of the transaction are outlined below.

The consolidated financial statements for Unity Pacific Group and the Trust incorporate the results of The Marie Street Trust for the 2015 year (2014: nil), with non-controlling interests calculated in accordance with the accounting policy described in note 1.

During the 2015 year, the non-controlling interests in The Marie Street Trust increased progressively from 0% on 1 March 2015 to 63% as at 30 June 2015, at which point Unity Pacific Group and the Trust have determined that their control of the fund ceased.

As at that date, Unity Pacific Group and the Trust have equity accounted the remaining investment in The Marie Street Trust as disclosed in note 14.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 23. CONTROLLED ENTITIES (continued)

### *Change in Ownership Interest in The Marie Street Trust*

Unity Pacific Group's and the Trust's ownership interest in The Marie Street Trust reduced to 37% during the year.

The ownership interest reduced from 100% to 75% as a result of non-controlling interests subscribing for \$3.510 million in ordinary units in The Marie Street Trust. \$3.510 million, being the non-controlling interests' proportionate share of the carrying amount of the net assets of The Marie Street Trust, was transferred to non-controlling interests.

The ownership interest then reduced progressively from 75% to 37% as a result of non-controlling interests subscribing for a further \$5.340 million in ordinary units in The Marie Street Trust and \$5.340 million of Unity Pacific Group's and the Trust's investment being redeemed.

The proceeds on redemption of \$5.340 million were received in cash. \$5.281 million, being the non-controlling interests' proportionate share of the carrying amount of the net assets of The Marie Street Trust, was transferred to non-controlling interests. The difference of \$0.059 million between the increase in the non-controlling interests and the consideration received, less Unity Pacific Group's and the Trust's share of costs recorded directly in equity of \$0.050 million, was credited to the transactions with non-controlling interests reserve. Further details are contained in note 22.

### *Gain on Deconsolidation*

The loss of control of The Marie Street Trust has resulted in a gain on deconsolidation for Unity Pacific Group and Unity Pacific Stapled Trust as shown below and in note 4. This is primarily attributable to their \$0.228 million share of the distribution payable by The Marie Street Trust which was eliminated from Unity Pacific Group's and the Trust's results during the period of control.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Proceeds on loss of control	-	-	-	-
Fair value of interest retained	5,200	-	5,200	-
Carrying amount of net assets when control ceased	(14,026)	-	(14,026)	-
Derecognition of non-controlling interest	9,057	-	9,057	-
Derecognition of amounts recognised directly in equity	9	-	9	-
Gain on deconsolidation of subsidiary	240	-	240	-

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 23. CONTROLLED ENTITIES (continued)

Summarised financial information for The Marie Street Trust at the time control ceased is shown below. Financial information for The Marie Street Trust is also contained in note 14:

	<b>The Marie Street Trust</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summarised Statement of Financial Position</b>		
Current assets	833	-
Non-current assets	22,000	-
Total assets	22,833	-
Current liabilities	527	-
Non-current liabilities	8,280	-
Total liabilities	8,807	-
Net assets	14,026	-
<b>Summarised Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue and other income	748	-
Expenses	(750)	-
Net fair value adjustments	416	-
Profit before income tax	414	-
Income tax expense	-	-
Profit after income tax	414	-
Other comprehensive income	-	-
Total comprehensive income	414	-
<b>Summarised Statement of Cashflows</b>		
Net cash provided by operating activities	509	-
Net cash used in investing activities	(21,819)	-
Net cash provided by financing activities	21,703	-
Net increase in cash and cash equivalents	393	-

	<b>Unity Pacific Group Consolidated</b>		<b>Unity Pacific Stapled Trust Consolidated</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Other financial Information</b>				
Profit attributable to non-controlling interests	426		426	-
Loss of control of subsidiary	(426)		(426)	-
Accumulated non-controlling interests	-		-	-



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 24. OPERATING SEGMENTS

### 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 in and management of income producing properties (308 Queen Street / 88 Creek Street, 13 Compark Circuit and Rivergate Centre)
Property held as inventory	Properties acquired for re-sale or development activities (Cumberland Lorne Resort apartments and San Remo)
Investment in managed funds	Investment in The Marie Street Trust

Property held as inventory is a separate reporting segment due to the nature of the assets included in the segment and Unity Pacific Group's current strategy in relation to those assets. In prior periods, these properties formed part of the property investment segment. During 2015, Unity Pacific Group established a new managed fund, The Marie Street Trust. The impact of Unity Pacific Group's investment in the fund on Unity Pacific Group's results is shown in a separate segment.

### Unity Pacific Stapled Trust Consolidated

The Trust operates in predominantly two operating segment being property investment and investments in managed funds.

The accounting policies of Unity Pacific Group, as described in note 1, have been applied consistently across all operating segments. Transactions between operating segments occur on an arm's length basis.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 24. OPERATING SEGMENTS (continued)

Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated Year Ended 30 June 2015	Property Invest- ment	Investment in Managed Funds	Unity Pacific Stapled Trust Total	Funds Manage- ment	Property held as Inventory	Other	Unity Pacific Group Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue and other income</b>							
External revenue	5,279	577	5,856	1	863	(1)	6,719
Inter-segment revenue	20	8	28	942	-	(970)	-
Interest revenue	446	4	450	135	1	-	586
<b>Total segment revenue and other income</b>	<b>5,745</b>	<b>589</b>	<b>6,334</b>	<b>1,078</b>	<b>864</b>	<b>(971)</b>	<b>7,305</b>
<b>Segment expenses</b>							
Property expenses and outgoings	(1,350)	(128)	(1,478)	-	(171)	90	(1,559)
Employee related expenses	-	-	-	(1,813)	-	-	(1,813)
Administration and overhead costs	(129)	(44)	(173)	(1,009)	(3)	11	(1,174)
Inter-segment expenses	(385)	(463)	(848)	(22)	-	870	-
Doubtful debts – trade and other receivables	-	-	-	(6)	-	-	(6)
Finance costs	(954)	(110)	(1,064)	(2)	(3)	-	(1,069)
Other costs, including Lorne	-	-	-	(67)	(649)	-	(716)
<b>Total segment expenses</b>	<b>(2,818)</b>	<b>(745)</b>	<b>(3,563)</b>	<b>(2,919)</b>	<b>(826)</b>	<b>971</b>	<b>(6,337)</b>
<b>Segment net profit / (loss) before tax</b>	<b>2,927</b>	<b>(156)</b>	<b>2,771</b>	<b>(1,841)</b>	<b>38</b>	<b>-</b>	<b>968</b>
<b>Reconciliation to reported profit / (loss)</b>							
Fair value adjustments / (write downs)							
- Investment properties	(2,015)	563	(1,452)	-	-	-	(1,452)
- Inventory	-	-	-	-	(50)	-	(50)
- Derivative financial instruments	28	(147)	(119)	-	-	-	(119)
Total fair value adjustments / (writedowns)	(1,987)	416	(1,571)	-	(50)	-	(1,621)
Non-cash expenses - property investment							
- Straight-line lease income	(91)	65	(26)	-	-	-	(26)
- Lease incentive and lease cost amortisation	(375)	89	(286)	-	-	-	(286)
Total non-cash expenses - property investment	(466)	154	(312)	-	-	-	(312)
Non-cash income/(expenses) - other							
- Gain on sale of investment properties	2,530	-	2,530	-	-	-	2,530
- Gain on deconsolidation of subsidiary	-	240	240	-	-	-	240
- Amortisation of finance costs	(45)	-	(45)	-	-	-	(45)
- Depreciation and amortisation	-	-	-	(13)	-	-	(13)
- Doubtful debts – intra-group loans	(1,972)	-	(1,972)	-	-	1,972	-
Total non-cash income/(expenses) - other	513	240	753	(13)	-	1,972	2,712
Income tax benefit/(expense)	-	-	-	(5)	5	-	-
<b>Total adjustments</b>	<b>(1,940)</b>	<b>810</b>	<b>(1,130)</b>	<b>(18)</b>	<b>(45)</b>	<b>1,972</b>	<b>779</b>
<b>Profit / (loss) for the year</b>	<b>987</b>	<b>654</b>	<b>1,641</b>	<b>(1,859)</b>	<b>(7)</b>	<b>1,972</b>	<b>1,747</b>
Profit attributable to non-controlling interests	-	(426)	(426)	-	-	-	(426)
<b>Profit / (loss) attributable to members</b>	<b>987</b>	<b>228</b>	<b>1,215</b>	<b>(1,859)</b>	<b>(7)</b>	<b>1,972</b>	<b>1,321</b>
<b>Segment assets and liabilities</b>							
Segment assets	59,858	5,200	65,058	4,130	5,325	(8,861)	65,652
Segment asset increases for the year:							
- Capital expenditure	651	21,819	22,470	-	-	-	22,470
Included in segment assets are:							
- Equity accounted associates	-	5,200	5,200	-	-	-	5,200
Segment liabilities	(12,561)	-	(12,561)	(351)	(6)	-	(12,918)

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 24. OPERATING SEGMENTS (continued)

Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated Year Ended 30 June 2014	Property Investment	Unity Pacific Stapled Trust Total	Funds Manage- ment	Property held as inventory	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue and other income</b>						
External revenue	5,681	5,681	120	4,214	-	10,015
Inter-segment revenue	17	17	533	-	(550)	-
Interest revenue	321	321	155	4	-	480
<b>Total segment revenue and other income</b>	<b>6,019</b>	<b>6,019</b>	<b>808</b>	<b>4,218</b>	<b>(550)</b>	<b>10,495</b>
<b>Segment expenses</b>						
Property expenses and outgoings	(1,170)	(1,170)	-	-	23	(1,147)
Employee related expenses	-	-	(1,338)	-	-	(1,338)
Administration and overhead costs	(115)	(115)	(736)	(2)	-	(853)
Inter-segment expenses	(511)	(511)	(16)	-	527	-
Doubtful debts – trade and other receivables	40	40	-	-	-	40
Finance costs	(1,824)	(1,824)	(1)	(9)	-	(1,834)
Other costs, including Lorne	-	-	(125)	(3,646)	-	(3,771)
<b>Total segment expenses</b>	<b>(3,580)</b>	<b>(3,580)</b>	<b>(2,216)</b>	<b>(3,657)</b>	<b>550</b>	<b>(8,903)</b>
<b>Segment net profit / (loss) before tax</b>	<b>2,439</b>	<b>2,439</b>	<b>(1,408)</b>	<b>561</b>	<b>-</b>	<b>1,592</b>
<b>Reconciliation to reported profit / (loss)</b>						
Fair value adjustments / (write downs)						
- Investment properties	1,144	1,144	-	-	-	1,144
- Inventory	-	-	-	(1,095)	-	(1,095)
- Derivative financial instruments	66	66	-	-	-	66
Total fair value adjustments / (write downs)	1,210	1,210	-	(1,095)	-	115
Non-cash expenses - property investment						
- Straight-line lease income	(354)	(354)	-	-	-	(354)
- Lease incentive and lease cost amortisation	(197)	(197)	-	-	-	(197)
Total non-cash expenses - property investment	(551)	(551)	-	-	-	(551)
Non-cash income/(expenses) - other						
- Loss on sale of investment properties	(412)	(412)	-	-	-	(412)
- Amortisation of finance costs	(62)	(62)	-	-	-	(62)
- Depreciation and amortisation	-	-	(13)	-	-	(13)
- Employee options expense	-	-	(200)	-	-	(200)
- Doubtful debts – intra-group loans	1,108	1,108	-	-	(1,108)	-
Total non-cash income/(expenses) - other	634	634	(213)	-	(1,108)	(687)
Income tax benefit/(expense)	-	-	125	(125)	-	-
<b>Total adjustments</b>	<b>1,293</b>	<b>1,293</b>	<b>(88)</b>	<b>(1,220)</b>	<b>(1,108)</b>	<b>(1,123)</b>
<b>Profit / (loss) for the year</b>	<b>3,732</b>	<b>3,732</b>	<b>(1,496)</b>	<b>(659)</b>	<b>(1,108)</b>	<b>469</b>
<b>Segment assets and liabilities</b>						
Segment assets	83,535	83,535	7,284	10,879	(17,771)	83,927
Segment asset increases for the year:						
- Capital expenditure	648	648	-	145	-	793
Included in segment assets are:						
- Equity accounted associates	-	-	-	-	-	-
Segment liabilities	(32,254)	(32,254)	(67,662)	(18,885)	86,286	(32,515)

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 24. OPERATING SEGMENTS (continued)

### Reconciliation of Segment Revenue to Total Revenue and Other Income

Segment revenue and other income reconciles to total revenue and other income as follows:

	Unity Pacific Group Consolidated	
	2015	2014
	\$'000	\$'000
Total segment revenue and other income	7,305	10,495
Reconciliation to reported revenue and other income		
Straight-line lease income	(26)	(354)
Lease incentive and lease cost amortisation	(286)	(197)
Gain on sale of investment property	2,530	-
Gain on deconsolidation of subsidiary	240	-
Total revenue and other income	9,763	9,944

### Revenue by Geographical Region

Unity Pacific Group operates in Australia only. The amount of revenue from external customers in Australia is \$6.719 million (2014: \$10.015 million).

### Assets by Geographical Region

All of Unity Pacific Group's assets are in Australia. The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$43.234 million (2014: \$63.738 million).

## 25. RELATED PARTY DISCLOSURES

### Related Party Disclosures for the Trust

#### Responsible Entity

The Responsible Entity of Unity Pacific Stapled Trust is Unity Pacific Investment Management Limited (ABN 47 137 565 149), a subsidiary of Unity Pacific Limited. Unity Pacific Investment Management Limited also acts as trustee of UPG Prime Industrial Trust.

#### Transactions Involving the Responsible Entity

Set out below are the fees paid or payable by the Trust to the Responsible Entity during the year:

	Unity Pacific Stapled Trust Consolidated	
	2015	2014
	\$	\$
<b>Fees paid or payable to Unity Pacific Investment Management Limited</b>		
Management fees – Unity Pacific Stapled Trust	298,767	314,561
Management fees – UPG Prime Industrial Trust	96,800	196,000
At balance date, there was \$nil owing to the Responsible Entity (2014: \$nil).		

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 25. RELATED PARTY DISCLOSURES (continued)

### Related Party Disclosures for the Trust (continued)

#### Other transactions with related parties

Set out below are other transactions between the Trust and associated entities during the year:

	Unity Pacific Stapled Trust Consolidated	
	2015	2014
	\$	\$
<b>Fees paid or payable by Unity Pacific Stapled Trust</b>		
Property management and facilities management services – Unity Pacific Limited	58,956	22,058
At balance date, there was \$37,501 owing to the associated entities (2014: \$nil).		
<b>Fees paid or payable by / (to) The Marie Street Trust<sup>1</sup></b>		
Base management fees – Unity Pacific Funds Management Limited	43,630	-
Trust establishment fee – Unity Pacific Funds Management Limited	408,500	-
Compliance services – Unity Pacific Funds Management Limited	6,554	-
Interest on subscriptions – Unity Pacific Funds Management Limited	(8,352)	-
Property management services – Unity Pacific Property Services Pty Ltd	6,628	-
Accounting services – Unity Pacific Limited	3,750	-
Interest on subscriptions – Unity Pacific Stapled Trust	5,775	-
Property acquisition costs – Unity Pacific Limited (reimbursement of costs incurred on behalf of the Trust)	143,657	-
At balance date, there was \$34,356 owing to / (by) the associated entities (2014: \$nil).		
<b>Novation of swap by Unity Pacific Stapled Trust to The Marie Street Trust</b>		
As stated in note 17, in April 2015, Unity Pacific Stapled Trust novated a fixed interest rate swap to its subsidiary, The Marie Street Trust. The swap has a face value of \$8.17 million and expiry date of 31 March 2019. The swap was novated to The Marie Street Trust for no consideration with effect from 1 April 2015 in accordance with an agreement between the parties. The fair value of the interest rate swap was \$252,209 at the date of novation and \$146,746 at 30 June 2015.	-	-
At balance date, there was \$nil owing by The Marie Street Trust (2014: \$nil).		
<b>Fees for rent of business premises and outgoings received during the year by the Trust from:</b>		
Unity Pacific Limited	22,691	15,976
mCap Pty Ltd – director related entity of Mr C Morton <sup>2</sup>	10,381	4,509
IEV Corporation Pty Ltd – director related entity of Mr C Morton <sup>3</sup>	-	28,923
At balance date, there was \$nil owing by related parties to the Trust (2014: \$nil).		
<b>Professional fees for legal advice (and disbursements) were paid during the year by the Trust to a director related entity:</b>		
McCullough Robertson Lawyers – director related entity of Mr B Heading <sup>4</sup>	16,797	-
At balance date, there was \$nil owing to McCullough Robertson Lawyers (2014: \$nil).		

1 The Marie Street Trust was a subsidiary of Unity Pacific Stapled Trust until 30 June 2015. Refer to note 23. Its responsible entity is Unity Pacific Funds Management Limited. The Marie Street Trust was dormant in the 2014 year.

2 In January 2014 the Trust entered into a month-to-month licence agreement with mCap Pty Ltd a company wholly owned by interests associated with Christopher Morton. The licence agreement is based on normal market rates and payable under normal payment terms.

3 During the 2012 financial year the Trust entered into a 2 year commercial lease agreement with a company 50% owned by interests associated with Christopher Morton. The lease agreement was based on normal market rates and payable under normal payment terms. The lease agreement was terminated in January 2014.

4 Mr Heading was Senior Partner of McCullough Robertson Lawyers during the year. All services were provided on arm's length terms.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 25. RELATED PARTY DISCLOSURES (continued)

### Related Party Disclosures for the Trust (continued)

#### Loans to Related Parties

As at 30 June 2015, the Trust is owed \$69.141 million from Unity Pacific Limited (2014: \$67.328 million). Unity Pacific Stapled Trust advanced funds to Unity Pacific Limited on no fixed terms and interest free (2014: 0% pa). An impairment allowance of \$62.585 million (2014: \$60.613 million) has been recognised in relation to this receivable.

As at 30 June 2015, the Trust is owed \$26.991 million from UPG Holdings No. 2 Pty Ltd (2014: \$26.991 million). Unity Pacific Stapled Trust advanced funds to UPG Holdings No. 2 Pty Ltd on no fixed terms and interest free (2014: 0% pa). An impairment allowance of \$26.991 million (2014: \$26.991 million) has been recognised in relation to this receivable.

As at 30 June 2015, the Trust is owed \$2.304 million from UPG Lorne Resort Pty Ltd (2014: \$2.962 million). Unity Pacific Stapled Trust advanced funds to UPG Lorne Resort Pty Ltd on no fixed terms and interest free (2014: 0% pa). At balance date no impairment allowance (2014: \$nil) has been recognised in relation to this receivable.

### Related Party Disclosures for Unity Pacific Group

#### Transactions Involving the Responsible Entity

Refer to the disclosures made on page 69 in relation to transactions between the Trust and the Responsible Entity. There are no additional transactions to disclose for Unity Pacific Group.

#### Other Transactions with and Loans to Related Parties

Refer to the disclosures made on page 70 and 71 in relation to transactions and loans between the Trust and related parties. There are no additional transactions to disclose for Unity Pacific Group except for the following additional transactions with a director related entity.

	2015	2014
	\$	\$
<b><i>Professional fees for legal advice (and disbursements) were paid during the year by Unity Pacific Group to a director related entity:</i></b>		
McCullough Robertson Lawyers – director related entity of Mr B Heading <sup>1</sup>	135,364	86,216
At balance date, there was \$27,322 owing to McCullough Robertson Lawyers (2014: \$41,981).		

<sup>1</sup> Mr Heading was Senior Partner of McCullough Robertson Lawyers during the year. All services were provided on arm's length terms.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 25. RELATED PARTY DISCLOSURES (continued)

### Related Party Disclosures for Unity Pacific Group (continued)

#### Key Management Personnel

The names and positions held by key management personnel in Unity Pacific Group and Unity Pacific Investment Management Limited (the Responsible Entity of the Trust) during the year to 30 June 2015 were:

#### Current Directors

Brett Heading	Chairman
Christopher Morton	Managing Director
Bevan Towning	Executive Director & Chief Investment Officer
Murray Boyte	Independent Non-Executive Director (appointed 6 March 2015)

#### Former Director

Richard Friend	Non-Executive Director (resigned 22 October 2014)
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#### Current Senior Executives

Janita Robba	Joint Chief Financial Officer and Joint Company Secretary
Laura Fanning	Joint Chief Financial Officer and Joint Company Secretary

Under the provisions of AASB 124 *Related Party Disclosures* there are no further employees or other members of the organisation who would fit the definition of key management personnel.

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the key management personnel.

No compensation is paid to directors or any of the key management personnel of the Responsible Entity by the Trust.

The key management personnel compensation included in Employee related expenses in the Statement of Profit or Loss and other Comprehensive Income is as follows:

	Unity Pacific Group Consolidated	
	2015	2014
	\$	\$
Short term employee benefits (including salaries and directors fees)	932,129	820,214
Post employment benefits	63,628	55,230
Long term benefits	30,178	-
Termination benefits	-	-
Share based payments	-	200,700
Total	1,025,935	1,076,144

#### Individual Directors and other Key Management Personnel Compensation Disclosures

Information regarding compensation paid to individual Directors and other key management personnel is provided in the Remuneration Report section of the Directors' Report.



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 26. FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, trade and other receivables, available for sale financial assets, trade and other payables, interest bearing loans and borrowings and derivatives.

### Credit Risk

The carrying amount of Unity Pacific Group's financial assets represents the maximum credit exposure. Trade receivables as disclosed below are generally aged on 30 day terms. Unity Pacific Group's maximum exposure to credit risk at the reporting date was:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Carrying amount</b>				
Cash and cash equivalents	20,442	17,397	16,406	13,520
Trade receivables	98	55	59	50
Other receivables	228	135	228	-
Related entity loans	-	-	8,860	9,677

### Impairment Losses - Trade Receivables

As at 30 June 2015, no trade receivables were impaired and provided for (2014: nil). An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the allowance for impairment of trade receivables are as follows:

Balance at 1 July	-	-	-	-
Allowance for impairment recognised during the year	6	-	-	-
Receivables written off during the year as uncollectible	(6)	-	-	-
Balance as at 30 June	-	-	-	-

The creation and release of the allowance for impaired trade receivables has been included in Doubtful debts – trade and other receivables in the Statement of Profit or Loss and Other Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The balance of trade receivables at reporting date was:

1 month or less	98	45	43	40
2 to 3 months	-	10	16	10
4 months or more	-	-	-	-
	98	55	59	50

As at 30 June 2015, certain trade receivables relating to rental income were past due. They are considered recoverable and therefore not impaired.

The following receivables have also been impaired as at 30 June 2015:

Other receivables	-	-	-	-
Allowance for impairment	-	-	-	-
Group entity loans	-	-	98,437	97,281
Allowance for impairment	-	-	(89,577)	(87,604)
	-	-	8,860	9,677

For Group entity loans, an impairment loss of \$1.972 million (2014: impairment gain of \$1.108 million) has been recognised by the Trust during the financial year. There have been no other movements in the allowance for impairment. Based on the underlying net asset value of the relevant Group entities, it is not probable that the Trust will recover the full amount. Group entity loans are not secured and are considered non-current.

No receivables, with the exception of those mentioned above, contain impaired assets or are past due. The majority of the other balances will be received within 1-2 months.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 26. FINANCIAL INSTRUMENTS (continued)

### Liquidity Risk

The following are the contractual maturities of financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The following table reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts disclosed in the table are the contractual undiscounted cash flows.

### Contractual Maturities

Unity Pacific Group Consolidated	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2015</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	11,981	13,008	236	1,711	413	10,648
Trade and other payables	615	615	615	-	-	-
<b>Derivative financial instruments</b>						
Interest rate swaps	-	-	-	-	-	-
<b>30 June 2014</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	31,548	33,238	734	729	31,775	-
Trade and other payables	627	627	627	-	-	-
<b>Derivative financial instruments</b>						
Interest rate swaps	28	28	28	-	-	-
<b>Unity Pacific Stapled Trust Consolidated</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 6 months</b>	<b>6 – 12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2015</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	11,981	13,008	236	1,711	413	10,648
Trade and other payables	373	373	373	-	-	-
<b>Derivative financial instruments</b>						
Interest rate swaps	-	-	-	-	-	-
<b>30 June 2014</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	31,548	33,238	734	729	31,775	-
Trade and other payables	435	435	435	-	-	-
<b>Derivative financial instruments</b>						
Interest rate swaps	28	28	28	-	-	-

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 26. FINANCIAL INSTRUMENTS (continued)

### Market Risk

Market risk is defined as “the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices” and includes interest rate risk. All financial instruments are subject to market risk; however, the required market risk quantitative disclosures are restricted to the sensitivity of profit and loss and equity to changes in market risks. The following disclosures therefore focus on accounting (as opposed to economic) sensitivity and exclude interest rate risk arising on fixed rate financial loans and receivables.

Interest rates over the twelve month period were analysed and sensitivities determined to show the effect on profit if the interest rates at reporting date had been 50 basis points higher or lower with all other variables held constant. The level of sensitivity was considered reasonable given the current level of both short term and long term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date on both financial liabilities and assets.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	Net profit / Equity	Net profit / Equity	Net profit / Equity	Net profit / Equity
	\$'000	\$'000	\$'000	\$'000
Interest rates increase by 50bps	22	(90)	22	(90)
Interest rates decrease by 50bps	(22)	90	(22)	90

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 27. FAIR VALUE MEASUREMENT

The carrying values of Unity Pacific Group's financial assets and financial liabilities approximate their fair values as at 30 June 2015.

### Fair Value Hierarchy

The following table analyses assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Unity Pacific Group can assess at the measurement date
- 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)

#### Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated

	Level 1	Level 2	Level 3	Total
30 June 2015	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Investment properties	-	-	34,145	34,145
Total assets	-	-	34,145	34,145
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-
<b>30 June 2014</b>				
<b>Assets</b>				
Investment properties	-	-	60,250	60,250
Total assets	-	-	60,250	60,250
<b>Liabilities</b>				
Derivative financial instruments	-	28	-	28
Total liabilities	-	28	-	28

There were no transfers between levels during the financial year.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

### Valuation techniques for fair value measurements categorised within level 2 and level 3

Investment properties have been valued based on similar assets, location and market conditions.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 27. FAIR VALUE MEASUREMENT (continued)

### Fair Value Hierarchy (continued)

#### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated	Non-current assets held for sale \$'000	Investment properties \$'000	Total \$'000
Balance at 30 June 2013	8,305	57,694	65,357
Gains / (losses) recognised in other comprehensive income	(412)	1,144	732
Classified as held for sale – transfers in / (out)	(1,406)	1,406	-
Movements in lease incentives	-	(642)	(642)
Capital expenditure	-	648	648
Disposals	(6,487)	-	(6,487)
Balance at 30 June 2014	-	60,250	60,250
Gains / (losses) recognised in other comprehensive income	-	(1,452)	(1,452)
Movements in lease incentives	-	(386)	(386)
Purchases	-	21,710	21,710
Vendor allowances granted at settlement	-	(537)	(537)
Capital expenditure	-	760	760
Disposals	-	(24,200)	(24,200)
Loss of control of subsidiary	-	(22,000)	(22,000)
Balance at 30 June 2015	-	34,145	34,145

The level 3 assets and liabilities unobservable inputs and sensitivity for the 2015 year are as follows:

Description	Unobservable inputs	Range of inputs	Fair Value Measurement Sensitivity To	
			Significant Increase in Input	Significant Decrease in Input
Investment properties	Average Net passing rent to market rent	\$673/m <sup>2</sup> - \$688/m <sup>2</sup>	Increase	Decrease
	Average Gross passing rent to market rent	\$816/m <sup>2</sup> - \$847/m <sup>2</sup>	Increase	Decrease
	Market rental growth	3.28%	Increase	Decrease
	Let up periods	6 – 12 months	Decrease	Increase
	Core capitalisation rate	7.81%	Decrease	Increase
	Terminal yield	8.31%	Decrease	Increase
	Discount rate	8.25%	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. The mid-point of the two valuations is then adopted.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. An increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially have an offsetting impact on a property's fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact on a property's fair value.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 27. FAIR VALUE MEASUREMENT (continued)

### Fair Value Hierarchy (continued)

#### Level 3 assets and liabilities (continued)

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

An increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially have an offsetting impact on a property's fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact on a property's fair value.

For all investment properties, the current use equates the highest and best use.

## 28. SHARE BASED PAYMENTS

### Employee Share Schemes

Unity Pacific Group previously operated two employee stapled securities schemes which were wound up in the 2014 year.

#### Options Granted to Key Management Personnel

In the 2014 year, Unity Pacific Group granted options to acquire stapled securities to Mr Bevan Towing, one of the key management personnel, as part of his employment agreement. The terms and conditions of the grant were as follows:

Grant date / employees entitled	Number of options	Exercise price	Vesting conditions	Contractual life of options	Expiry date
Options granted to Bevan Towing on 25 November 2013	7,500,000	\$0.35 or \$0.40	Nil – vested on 25 November 2013	4.5 years	30 June 2018

The assumptions underlying the Black Scholes model used to value the fair value of the options granted and vested were as follows, including an adjustment to the market price due to the escrow conditions attaching to the options:

Exercise Price	Grant date	Fair value at grant date	Market share price <sup>2</sup>	Expected volatility	Option life	Expected Dividends	Risk Free Interest rate
\$0.35 or \$0.40 <sup>1</sup>	25 November 2013	\$0.0268	\$0.27	30.00%	1,678 days	7.8%	3.77%

As a result of the 1:4 security consolidation completed by Unity Pacific Group in December 2014, the number and exercise price of the options were adjusted. As at 30 June 2015, the details of the options are as follows:

Grant date / employees entitled	Number of options	Exercise price	Vesting conditions	Contractual life of options	Expiry date
Options granted to Bevan Towing on 25 November 2013 <sup>1</sup>	1,875,000	\$1.40 or \$1.60 <sup>2</sup>	Nil – vested on 25 November 2013	4.5 years	30 June 2018

<sup>1</sup> These options were granted at no cost to the recipient and as at 30 June 2015, none of the options had been exercised. The value of the options granted was \$0.2 million and this was recorded as an expense in the 2014 year. All options are to be settled by the physical delivery of stapled securities.

<sup>2</sup> The \$1.60 exercise price applies should certain termination events occur.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 28. SHARE BASED PAYMENTS (continued)

### Options Granted to Key Management Personnel (continued)

The following table illustrates the number and movements in security options during the year:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2015	2015	2014	2014
		\$		\$
Outstanding at beginning of year	7,500,000	0.35	-	-
Granted during the year <sup>1</sup>	-		7,500,000	0.35
Exercised during the year	-		-	-
Effect of security consolidation	(5,625,000)	1.05	-	-
Outstanding at year end	1,875,000	1.40	7,500,000	0.35

1 As a result of the 1:4 security consolidation in December 2014, the exercise price will increase to \$1.60 (2014: \$0.40) should certain termination events occur. The weighted average contractual life at 30 June 2015 was 3 years (2014: 4 years).

## 29. COMMITMENTS FOR EXPENDITURE

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Operating lease commitments</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	19	24	-	-
One to two years	-	5	-	-

Operating lease commitments include contracted amounts for an office in Sydney and office equipment under non-cancellable operating leases expiring within the next year.

## 30. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date:

- Unity Pacific Group sold 1 apartment at Cumberland Lorne Resort, at a small profit to carrying value, leaving 4 apartments remaining for sale.
- On 4 August 2015, Unity Pacific Group announced that, having considered alternative options to return surplus cash reserves to securityholders in light of its decision not to pursue growth through business acquisitions, a capital distribution of 42 cents per security totalling \$15.038 million would be paid to securityholders from Unity Pacific Stapled Trust on 31 August 2015. The capital distribution will reduce Unity Pacific Group's net tangible assets per security as at 30 June 2015 by 42 cents to \$1.05. Whilst further strategic alternatives for the current business are being considered by the Board, Unity Pacific Group announced that its overhead structure would be reduced.
- Unity Pacific Group's and the Trust's investment in The Marie Street Trust has been reduced by \$1.85 million to \$3.35 million, a 24% interest in The Marie Street Trust, as a result of the ongoing capital raising for that trust.

There have been no other significant events since balance date which may affect either the operations of Unity Pacific Group or the Trust or the results of those operations or the state of affairs of Unity Pacific Group or the Trust, which have not been disclosed already in this report.



# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 31. CONTINGENT ASSETS AND LIABILITIES

Unity Pacific Group and the Trust are unaware of any contingent assets or contingent liabilities as at 30 June 2015.

## 32. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of Unity Pacific Group:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Audit services</b>				
In accordance with the <i>Corporations Act 2001</i> :				
Audit and review of financial reports	85,344	76,373	39,543	29,500
Audit of compliance plans	5,000	13,056	4,500	9,056
<b>Other non-audit services</b>				
Property outgoings audit	-	3,000	-	3,000
Taxation advice	30,526	-	10,626	-
General accounting advice	5,320	3,640	3,850	-
	126,190	96,069	58,519	41,556

## 33. NOTES TO THE STATEMENT OF CASH FLOWS

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>(a) Cash and cash equivalents</b>				
Cash at bank and on hand	20,442	17,397	16,406	13,520

For the purpose of the statement of cash flows, cash includes cash on hand and at bank and short term deposits, generally with an original maturity of three months or less.

As at 30 June 2015, the following funds are not available to Unity Pacific Group to be used in its ordinary course of business:

- \$0.405 million is being held by Unity Pacific Investment Management Limited as security for its Australian Financial Services Licence.
- \$0.150 million is being held by Unity Pacific Funds Management Limited as security for its Australian Financial Services Licence.

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 33. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

### (b) Reconciliation of net profit for the year to net cash flows from operating activities

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Operating profit / (loss) after income tax	1,747	469	1,641	3,732
<i>Non operating items:</i>				
Trust establishment fee	-	-	419	-
<i>Non-cash items:</i>				
Movement in allowance for doubtful debts	6	(40)	1,972	(1,148)
Fair value movement in investment properties	1,452	(1,144)	1,452	(1,144)
Fair value movement in derivative financial instruments	119	(66)	119	(66)
Amortisation expense	1	1	-	-
Depreciation expense	12	12	-	-
Write down of inventory to net realisable value	50	1,095	-	-
Gain on deconsolidation of subsidiary	(240)	-	(240)	-
Loss / (gain) on sale of inventory	(43)	(561)	-	-
Loss / (gain) on sale of investment properties	(2,800)	75	(2,800)	75
Equity security based payment transactions	-	200	-	-
Amortised borrowing costs	45	62	45	62
<i>Changes in operating assets and liabilities:</i>				
Decrease / (increase) in trade and other receivables	424	449	343	631
Decrease / (increase) in other assets	31	(49)	(14)	(22)
Increase / (decrease) in trade and other payables	199	50	127	(34)
Decrease / (increase) in provisions	45	32	-	-
Net cash provided by operating activities	1,048	585	3,064	2,086

# Notes to the Financial Statements (CONTINUED)

for the year ended 30 June 2015

## 34. NET TANGIBLE ASSETS

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2015	2014	2015	2014
<i>Reconciliation of net tangible assets</i>				
Net assets \$'000	52,733	51,412	52,496	51,281
Intangible assets \$'000	(3)	(4)	-	-
Net tangible assets \$'000	52,730	51,408	52,496	51,281
Securities issued – '000 <sup>1</sup>	35,804	35,804	35,804	35,804
Net tangible asset backing (book value) per security (\$) <sup>1</sup>	1.47	1.44	1.47	1.43

<sup>1</sup> The 30 June 2014 values have been restated as a result of the 1:4 security consolidation completed in December 2014.

## 35. PARENT ENTITY INFORMATION

	Unity Pacific Limited Parent		Unity Pacific Stapled Trust Parent	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Information relating to Unity Pacific Limited and Unity Pacific Stapled Trust</b>				
<i>(a) Summary financial information</i>				
Current assets	2,440	2,580	16,841	13,936
Total assets	11,754	11,926	65,356	74,118
Current liabilities	349	259	578	624
Total liabilities	74,339	72,410	12,559	22,536
Issued shares / units	43,965	43,965	237,056	237,056
Accumulated losses / deficiency	(106,550)	(104,449)	(184,460)	(185,675)
Share based payment reserve	-	-	200	200
Total equity	(62,585)	(60,484)	52,796	51,582
Profit / (loss) of the parent entity	(2,101)	1,629	1,215	4,032
Total comprehensive loss of the parent entity	(2,101)	1,629	1,215	4,032

### (b) Guarantees

Unity Pacific Limited and Unity Pacific Stapled Trust have guaranteed the debt facilities provided to Unity Pacific Group by National Australia Bank.

During the 2014 and 2015 years, Unity Pacific Limited and Unity Pacific Stapled Trust did not provide any guarantees.

### (c) Contingent liabilities

Unity Pacific Limited and Unity Pacific Stapled Trust have no contingent liabilities.

# Directors' Declaration

for the year ended 30 June 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:

- (a) In the Directors' opinion the attached financial statements and the Remuneration Report in the Directors Report are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of Unity Pacific Group's and the Trust's consolidated financial position as at 30 June 2015 and of their consolidated performance, for the financial year ended on that date; and
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.
- (b) The financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; 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.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Joint Chief Financial Officers for the financial year ended 30 June 2015.

Signed in accordance with resolutions of the Boards of Directors of Unity Pacific Limited and Unity Pacific Investment Management Limited.



**Brett Heading**  
Chairman

Dated this 31st day of August 2015

# Independent Auditor's Report

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Australia

## INDEPENDENT AUDITOR'S REPORT

To the Security Holders of Unity Pacific Group

### Report on the Financial Report

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

We have audited the accompanying financial report of Unity Pacific Group, which comprises the statements of financial position as at 30 June 2015, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, 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 the Unity Pacific Stapled Trust.

### Directors' Responsibility for the 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 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 about whether the financial report is free from material misstatement.

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. 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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

## Independence

In conducting our audit, 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 report.

## Opinion

In our opinion:

- (a) the financial report of Unity Pacific Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Unity Pacific Group's and the Trust's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 32 of the directors' report for the year ended 30 June 2015. The directors of the Parent Entity 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.

## Opinion

In our opinion, the Remuneration Report of Unity Pacific Group for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

## BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a faint, larger signature that appears to read 'BDO'.

**C R Jenkins**

Director

Brisbane, 31 August 2015

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# Securityholder Information

as at 19 August 2015

## SECURITYHOLDERS

The names of the 20 largest holders of quoted equity securities are listed below:

Securityholder	Number of Stapled Securities Held	Percentage of Issued Stapled Securities
Lochinvar Pastoral Company Pty Ltd <CA Morton Super Fund A/C>	5,608,624	15.66
Kingsley Developments Pty Ltd	5,529,507	15.44
Mcap Pty Ltd <The Frandola Family A/C>	3,461,596	9.67
Sir John Allan Stewart Pidgeon	2,250,000	6.28
Ebert Investments Pty Ltd <Ebert Investments A/C>	1,754,407	4.90
Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	1,619,952	4.52
J P Morgan Nominees Australia Limited	1,572,920	4.39
Mercantile Investment Company Ltd	1,559,322	4.36
BNP Paribas Noms Pty Ltd <Drp>	1,384,368	3.87
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	790,476	2.21
Jesmond Capital Pty Ltd <Lochmort Family>	687,500	1.92
McNeil Nominees Pty Limited	517,366	1.44
Horrie Pty Ltd	376,315	1.05
Berne No 132 Nominees Pty Ltd <52293 A/C>	375,000	1.05
Worldwide Finances Holding Pty Limited <The Arijambi S/F A/C>	312,282	0.87
Treasure Island Hire Boat Company Pty Ltd <Staff Super Fund Account>	275,736	0.77
Worldwide Finances Holding Pty Limited	259,363	0.72
J J N A Super Pty Ltd <Chatterton Family Super A/C>	250,000	0.70
Mercantile Investment Company Ltd	226,992	0.63
Kreskin Pty Ltd <KD Superannuation Fund A/C>	225,000	0.63

## Distribution of Equity Securities

Analysis of numbers of equity securityholders by size of holding:

Range	Number of Holders	Number of Stapled Securities
1 to 1,000	308	125,882
1,001 to 5,000	355	954,626
5,001 to 10,000	111	827,540
10,001 to 50,000	123	2,506,403
50,001 to 100,000	14	1,037,669
100,001 and Over	28	30,351,872
Total	939	35,803,992

The number of securityholders holding less than a marketable parcel is 209.



# Securityholder Information (CONTINUED)

as at 19 August 2015

## Substantial Securityholders

The names of substantial securityholders who have notified the company in accordance with Part 6C.1 of the *Corporations Act 2007* as at 19 August 2015 are:

Holder	Number of Stapled Securities	Percentage
Lochinvar Pastoral Company and associated entities	9,757,720	27.25%
Kingsley Developments Pty Ltd and associated entities	7,779,507	21.73%
Mercantile Investment Company Ltd	2,273,627	6.35%

## On-Market Buyback

There is no current on-market buyback of Unity Pacific's securities.

## Voting Rights

Unity Pacific has only stapled securities on issue. Each stapled security carries the right to vote at any members' meeting.

## Key Reporting Events

Lodgement of Appendix 4E Full Financial Results with ASX	31 August 2015
Lodgement of the Annual Report with ASX	28 September 2015

## Registry

Securityholders who have any queries or questions regarding their holding should contact Unity Pacific's Registrar:

Link Market Services Limited  
P: 1300 554 474 (in Australia) or +61 1300 554 474 (from overseas)  
F: +61 2 9287 0303  
E: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
[www.investorcentre.linkmarketservices.com.au](http://www.investorcentre.linkmarketservices.com.au)

Level 15, 324 Queen Street  
Brisbane QLD 4000  
Locked Bag A14  
Sydney South NSW 1235 Australia

All securityholder forms are available from Link Market Services or can be downloaded from the Link Market Services website <http://www.linkmarketservices.com.au/corporate/InvestorServices/Forms.html>

All forms should be submitted directly to Link Market Services.

## Electronic Securityholder Communications

Unity Pacific makes the Annual Report and Financial Reports available on the website at [www.unitypacific.com.au](http://www.unitypacific.com.au) and provides hard copy reports only to those securityholders who elect to receive them in that form. Unity Pacific notifies all other securityholders on how to access the reports online.

Securityholders who wish to receive all securityholder communication via email, such as notice of meetings and other advices, should contact Unity Pacific's registry, Link Market Services on 1300 554 474.

## Security Price

The security price can be obtained at either:

The ASX website: [www.asx.com.au](http://www.asx.com.au) and using Unity Pacific's ASX Code: UPG; or

Unity Pacific's website: [www.unitypacific.com.au](http://www.unitypacific.com.au)

## COMPANY NAME

### Unity Pacific Limited

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

## RESPONSIBLE ENTITY

### Unity Pacific Investment Management Limited

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## REGISTRAR

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Unity Pacific Limited ACN 110 831 288  
Unity Pacific Investment Management Limited ACN 137 565 149  
Unity Pacific Stapled Trust ARSN 111 389 596