

## ASX Announcement

26 February 2015

### RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Unity Pacific Limited (ASX: UPG) announces the following consolidated financial results for Unity Pacific Group (the Group) for the half year ended 31 December 2014.

	<b>31 December 2014 Reviewed Result</b>	<b>31 December 2013 Reviewed Result</b>
Net Profit	\$2.56 million	\$0.02 million
Total Comprehensive Income	\$2.56 million	\$0.02 million

  

	<b>31 December 2014 Reviewed Result</b>	<b>30 June 2014 Audited Result</b>
Net Tangible Assets (NTA) per security	\$1.51	\$1.44 <sup>1</sup>

<sup>1</sup> The NTA as at 30 June 2014 has been restated from 35.9 cents as a result of the 1:4 security consolidation completed in December 2014.

The results are in line with the Group's results guidance announcement of 11 February 2015.

### RESULTS SUMMARY

The Group's net profit for the half year was \$2.56 million compared with a profit of \$0.02 million for the previous half year ended 31 December 2013.

The primary driver of the Group's profit for the half year was a \$2.53 million profit on the sale of the Group's industrial property at 69 Rivergate Place, Murarrie (Rivergate Centre) in Queensland.

The Group's business highlights during the half year included:

- the sale of Rivergate Centre for \$27.0 million resulting in a profit of \$2.53 million;
- the sale of two apartments at Cumberland Lorne Resort, leaving 5 apartments for sale;
- a \$6.3 million increase in cash reserves, primarily as a result of asset sales, and a cash balance at 31 December 2014 of \$23.7 million;
- debt repayment of \$19.6 million using proceeds from the above asset sales which reduced the Group's debt facility to \$12.0 million and balance sheet gearing to nil;
- an extension of the Group's finance facilities by 2 years to 31 October 2017 and a reduction in the total facility fees payable;
- an agreement to acquire 16 Marie Street, Milton for a new wholesale property trust;

- undertaking a 1:4 security consolidation in December 2014 which resulted in a corresponding increase in the Group's security price; and
- changing the Group's name to Unity Pacific Group with effect from 12 December 2014 and associated rebranding.

## **UNDERLYING PROFIT**

The Group's net profit of \$2.56 million includes a number of items which, in the opinion of the Directors, do not form part of the Group's underlying profit from operations. These include the profit on the sale of Rivergate Centre (\$2.53 million), property write downs (\$0.5 million) and various non-cash items (\$0.3 million). The Directors have assessed the Group's underlying profit from operations to be \$0.8 million for the half year. The underlying profit for the previous half year was also \$0.8 million.

## **NTA PER SECURITY**

The Group's NTA per security as at 31 December 2014 was \$1.51 and has increased from \$1.44 cents as at 30 June 2014 due to the profit for the half year. The NTA per security as at 30 June 2014 has been restated from 35.9 cents due to the 1:4 security consolidation which was completed in December 2014.

## **DISTRIBUTION GUIDANCE**

The profit for the half year underpins the distribution which the Board is committed to delivering in September 2015.

## **PROPERTY UPDATE**

### **308 Queen Street/88 Creek Street, Brisbane**

This property had a vacancy rate by net lettable area of 3.7% at 31 December 2014 down from 10.4% as at 30 June 2014. The focus for this property over the coming year is the management of a number of lease expiries which occur in 2015 and 2016. The Group is exposed to a deteriorating Brisbane CBD office market through the ownership of these two adjoining buildings. We are being as proactive as possible to work with the tenants who have expiring leases during this period to understand their future accommodation needs and to enhance the best prospects of ongoing tenant retention.

The heritage building at 308 Queen Street suffered damage in the severe hail storm which occurred in Brisbane on 27 November 2014. The 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. Some rectification works to the building are required to prevent future water damage to the interior of the building, should a similarly severe weather event occur in the future.

### **San Remo Site**

As mentioned at the 2014 Annual General Meeting, a 3 lot (40 hectares) rural subdivision application was lodged in late 2014 for the purposes of value preservation and to maximise sale options. The relevant shire council has requested additional information in relation to the application and a decision on that application is still being awaited.

### **Cumberland Lorne Apartments**

The Group has 5 remaining apartments at the Cumberland Lorne Resort still to be sold. Whilst the sale of 2 apartments were settled during the relevant half year period, no apartment sales have been contracted during what appears to have been a quiet sales period for the Lorne residential market and for nearby townships along the Great Ocean Road in Victoria.

## **GROWTH ACTIVITIES**

The Group continues to actively pursue new opportunities in the property funds management sector.

As previously announced, the Group has contracted to acquire 16 Marie Street, Milton and has issued an information memorandum for The Marie Street Trust. The Group is seeking to raise \$14.05 million in equity from wholesale, sophisticated and professional investors. The offer closing date is 11 March 2015.

As mentioned at the 2014 annual general meeting, extensive work has been undertaken by the Group on either the acquisition of the whole or part of an existing funds management business or securing a larger property portfolio for the creation of a property investment vehicle. The acquisition of a funds management business was deemed to be the most direct path for the Group to successfully and promptly create a business/funds management platform of scale and thus generate sustainable distributions for securityholders more readily.

Improving property capital markets and increasing confidence amongst the owners of our targeted businesses has made it difficult to agree acceptable terms for the Group to acquire a suitable funds management business.

We have therefore increased our focus on establishing new vehicles that the Group will manage in its own right and under its own name, rather than through a joint venture partner or an existing business. We have and will continue to source properties for new property trusts for which Group companies will be the responsible entity and manager.

Concurrently, we will negotiate with various parties for new opportunities including business acquisitions, joint ventures and other opportunities (e.g. investor services for inbound investment).

The Marie Street acquisition is part of the overall strategy to build the Group's external property funds management operations.

## **CONCLUSION**

The results for the half year demonstrate that the Group continues to operate within a stable financial platform, with its current cash reserves and low gearing level. The Directors believe that the Group is well positioned to actively pursue new business opportunities.

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