

# 2016

Annual Report



Unity Pacific

# Contents

<b>ABOUT UNITY PACIFIC</b>	<b>i</b>
<b>RESULTS AT A GLANCE</b>	<b>ii</b>
<b>CHAIRMAN'S REPORT</b>	<b>iii</b>
<b>MANAGING DIRECTOR'S REPORT</b>	<b>v</b>
<b>PROPERTY UPDATE</b>	<b>vi</b>
<b>FINANCIAL REPORT</b>	<b>viii</b>
<b>SECURITYHOLDER INFORMATION</b>	<b>87</b>
<b>CORPORATE DIRECTORY</b>	<b>89</b>

## About Unity Pacific

Unity Pacific Group (Unity Pacific or the 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 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 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.

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 2016

Cash	\$35.2 million
Property	\$9.6 million
Investment in Managed Fund	\$0.1 million
Other	\$0.4 million
<b>Total</b>	<b>\$45.3 million</b>

## Results at a Glance

KEY FINANCIAL INFORMATION		
	30 JUNE 2016	30 JUNE 2015
Net Tangible Assets (NTA) (\$ per security)	0.42 <sup>1</sup>	1.47
Closing Security Price (\$ per security)	1.18 <sup>2</sup>	1.03
Net Assets (\$M)	15.1	52.7
Balance Sheet Gearing Ratio (%)	-	-
Property Loan to Value Ratio (LVR) (%)	-	30.4
Securities on Issue (M)	35.8	35.8

SUMMARY OF FINANCIAL RESULTS		
	30 JUNE 2016	30 JUNE 2015
Revenue and Other Income (\$M)	8.2	9.8
Net Profit/(Loss) (\$M)	6.1	1.3
EPS (cents)	17.0	3.7
Distributions (\$ per security)	1.22 <sup>3</sup>	-

1 The reduction in NTA per security is due to two (2) capital distributions referred to in note 3 below, which more than offset the profit for the year.

2 The closing price per security is 'cum div' and includes the 80 cents per security capital distribution paid on 25 July 2016.

3 A 42 cents per security capital distribution was paid on 31 August 2015. An 80 cents per security capital distribution was announced in June 2016 and paid on 25 July 2016.

### KEY BUSINESS HIGHLIGHTS

- Sale of 308 Queen Street/88 Creek Street, Brisbane for a profit of \$2.18 million after transaction costs.
- Sale of 760m<sup>2</sup> of TSAs (transferable site areas) which attach to the 308 Queen Street heritage building for a profit of \$0.98 million.
- Sale of the final 374m<sup>2</sup> of TSAs for \$0.60 million. Settlement occurred on 31 August 2016.
- \$4.65 million increase in the independent 'as is' valuation of the San Remo land.
- 'Rezoning' of land at San Remo progressed with a Notice of Decision to Grant a Permit issued by the local council. New applications submitted following appeals against the San Remo permit.
- Settlement of 1 Cumberland Lorne Resort apartment, 4 remain for sale.
- Debt reduction of \$12.0 million from the proceeds of asset sales, reducing Unity Pacific's debt facility to nil.
- 42 cents per security capital distribution paid on 31 August 2015, totalling \$15.04 million from cash reserves.
- 80 cents per security capital distribution paid on 25 July 2016, totalling \$28.64 million from property sale proceeds and cash reserves
- Bid Implementation Deed entered into on 28 July 2016 with Ebert Investments Pty Ltd for an off-market takeover bid by Ebert Investments Pty Ltd or its nominee.

# Chairman's Report



**On behalf of the Board, I am pleased to present Unity Pacific Group's 2016 Annual Report.**

## The Year in Review

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

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

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

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

In addition, Unity Pacific sold 760m<sup>2</sup> of transferrable site areas (TSAs) attached to the 308 Queen Street property for a premium to the 2015 valuation amount, resulting in a profit of \$0.98 million. Settlement of a further contract to sell 374m<sup>2</sup> of TSAs for \$0.60 million occurred on 31 August 2016. Following the completion of this final TSA sale, we have achieved an overall premium to the 2015 valuation for 308 Queen Street/88 Creek Street, Brisbane, including the TSAs, of \$3.75 million.

As a consequence of the sale of the 308 Queen Street/88 Creek Street, Brisbane property a further

capital distribution of 80 cents per security totalling \$28.64 million was paid to securityholders on 25 July 2016.

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

## Takeover Bid

During the 2016 financial year an expressions of interest process was conducted to ascertain parties that may have interest in the corporate vehicle (particularly in its state post the sale of the 308 Queen Street/88 Creek Street, Brisbane property). That process culminated in two parties having competitive levels of interest.

At the time of writing this report, and as announced on 28 July 2016, Unity Pacific has entered into a Bid Implementation Deed with Ebert Investments Pty Ltd for an off-market takeover bid for all of the securities in Unity Pacific. Ebert Investments Pty Ltd has nominated Sentinel Security Investments Limited to make the bid.

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

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

## A Review of the Journey

As it is likely this will be my last report to securityholders in view of the takeover bid, I hope I will be forgiven for taking a ride down memory lane.

In August 2009 when Chris Morton (as Managing Director) and myself (as Chairman) became directors of Unity Pacific, the security price was 9 cents and the property gearing was 82.9%. The Group was on the verge of receivership. By the end of that financial year, the Group's net tangible assets had reduced to a low of \$45.1 million as a result of development losses and asset write-downs suffered as a consequence of the GFC.

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

Since 2009, Unity Pacific has undertaken numerous capital management initiatives resulting in approximately \$67 million being returned to securityholders.

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

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

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

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

The above are achievements of which the Unity Pacific team can be justifiably proud.

## Acknowledgements

These significant achievements would not have been realised without a constant focus on the maximisation of securityholder value and the application of a considered and strategic approach to the challenges that confronted the Group. Some securityholders may have construed the approach as not being sufficiently aggressive. However, in the end, it was all about achieving maximum value for existing securityholders' capital.

At this time, it is appropriate that I thank all of those involved in Unity Pacific since I joined the Group as Chairman in 2009 some 7 years ago. It has been an eventful and challenging experience for all of those involved in the business and hopefully financially rewarding for securityholders who acquired securities after 2009. Chris Morton and I joined a business in crisis – one which required the resolution of many complex issues with often competing securityholder desires and interests having to be balanced.

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

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

Finally, I want to make particular mention of, Chris Morton, the Company's Managing Director. During the course of the journey, Chris has relentlessly pushed for the best outcome for securityholders. Unity Pacific went through some dry gullies but the ultimate outcome is a wonderful result. For those securityholders who bought at 9 cents per security in August 2009 (when Chris became a substantial securityholder) and retained their securityholding throughout, then on the basis of receiving the capital distributions and the bid of 41.5 cents, a total return of 388% will have been achieved over the 7 years. If the San Remo sale achieves an additional payment of 5.5 cents then that total return increases to over 400%.

So on behalf of the securityholders, Chris, a big thank you.



Brett Heading  
Chairman

# Managing Director's Report



Our operations focus for the 2016 financial year has been ensuring Unity Pacific achieves maximum value for its remaining real estate assets, returning capital to securityholders, reducing operating costs and overheads, and the sale of the listed corporate structure.

The result for the 2016 financial year was a profit attributable to securityholders of \$6.07 million as compared to a profit of \$1.32 million for FY15.

The Directors assessed Unity Pacific's underlying loss from operations to be \$0.31 million compared with a \$0.97 million profit from operations for the previous year.

Unity Pacific's net profit for FY16 was primarily as a result of the \$2.18 million profit on the sale of the 308 Queen Street/88 Creek Street, Brisbane in June 2016, a \$0.98 million profit on the sale of 760m<sup>2</sup> of TSAs and a \$4.65 million increase in the value of land at San Remo, Victoria. Other key transactions and events which impacted the profit result were lower debt costs and a reduction in administration, overheads and employment costs which occurred following the decision to not pursue business growth. Annualised employment costs have been reduced by approximately 50% since 30 June 2015. In addition, administration and overheads reduced by \$0.41 million or 33.0% during the year compared to the previous financial year.

Total property sales of \$39.52 million occurred during the financial year including the sale of 308 Queen Street/88 Creek Street, Brisbane for \$37.3 million, the sale of 1,134m<sup>2</sup> of TSAs for \$1.85 million (the final \$0.6 million of which settled on 31 August 2016) and the settlement of 1 apartment at Cumberland Lorne Resort for \$0.37 million.

The most significant change to the value for the remaining property assets was the increase in value of the San Remo site from \$3.85 million as at 30 June 2015 to \$8.5 million as at 30 June 2016. The \$4.65 million improvement in the land value was offset by \$0.29 million of costs incurred in pursuing improved town planning outcomes for the site and estimated selling costs of \$0.43 million. The independent valuation is on an 'as is' basis. We are now actively pursuing the sale of this land.

Part of the proceeds from the sale of 308 Queen Street/88 Creek Street, Brisbane was used to repay the \$12.0 million debt facility held with National Australia Bank. As a consequence, Unity Pacific's loan to property valuation was reduced from 30.4% as at 30 June 2015 to nil as at 30 June 2016. The balance of the sale proceeds

and existing cash reserves were used for the payment of a capital distribution of 80 cents per security totalling \$28.64 million on 25 July 2016, which followed a 42 cent per security capital distribution totalling \$15.04 million on 31 August 2015.

Total revenue decreased by \$1.53 million or 15.7% compared to FY15. This was primarily due to a decrease in property revenue following the sale of Rivergate Centre, Murarrie in December 2014 and the expiry of a number of leases at 308 Queen Street/88 Creek Street, Brisbane during the year.

At year end, Unity Pacific's net tangible assets (NTA) per security was \$0.42 compared to \$1.47 per security as at 30 June 2015. The \$6.07 million profit for the year caused the NTA per security to increase by 17 cents per security (or 11.6%), which was then offset by the two capital distributions during year which totalled \$1.22 per security.

I take this opportunity to thank all of my fellow directors. In particular, I thank our Chairman, Brett Heading, who has been an active 'hands-on' non-executive chairman since we both came together in August 2009 to resolve the issues of an entity in crisis. Brett has shown strong leadership and has made a significant contribution to the direction of Unity Pacific and the positive outcome achieved for our securityholders. I also thank all Unity Pacific staff, past and present, for their contributions, commitment and loyalty particularly during what were at times, difficult circumstances for them.

Assuming the off-market takeover bid by Sentinel Security Investments Limited (as nominee for Ebert Investments Pty Ltd) is successful, then this will be my last report to securityholders. It has indeed been, from a personal perspective, a challenging journey but at the same time it has been, for many securityholders, a financially rewarding one.

Finally, thank you to our securityholders for their historical and ongoing support.

A handwritten signature in black ink, appearing to read 'Chris Morton', written over a light blue horizontal line.

Chris Morton  
Deputy Chairman/Managing Director

# Property Update

## 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.

During the 2016 financial year, Unity Pacific settled the sale of 1 apartment that resulted in a profit on sale of \$0.03 million. This is compared to a profit on sale of \$0.02 million for 2 apartments sold in the previous financial year.

The 30 June 2016 book value for the remaining apartments is \$1.1 million.

## San Remo Site

This 120 hectare site is located at San Remo, Victoria and is currently zoned rural. The Board has continued to pursue improved town planning outcomes for the land.

In December 2015, the Bass Coast Shire Council resolved to issue a Notice of Decision to Grant a Permit to subdivide Unity Pacific's land in San Remo into three lots in two stages and to use one of the lots for a Leisure and Recreation Facility (golf course) and associated tourist accommodation in accordance with certain endorsed plans and subject to numerous conditions. Objectors had 21 days from the issue of the Notice of Decision to lodge an application for a review of the decision at the Victorian Civil and Administrative Tribunal (VCAT). An appeal was lodged by a nearby land owner, leaving the issuing of the permit dependent upon mediation with the objector and/or subsequent review of the decision by VCAT.

Following a recent VCAT order, the original application for subdivision into 3 lots has been withdrawn and a new subdivision application for subdivision of the land into 2 lots has been lodged. Furthermore, the original application for the use of the land as a golf resort and associated tourist accommodation has been withdrawn and replaced with a new application of a similar nature. The council's decision in relation to the new applications is not expected until late 2016.

Due to the corporate vehicle expressions of interest process and the time period since the last valuation, the Board commissioned an independent valuation of the San Remo site as at 31 March 2016. At that time, the independent valuer determined the value of the land on an 'as is' basis to be \$6.0 million. This 'as is' valuation was based on the rural zoning of the property and did not incorporate the potential valuation impact of the Notice of Decision to Grant a Permit which was issued by the Bass Coast Shire Council in December 2015.

Following the sale of a comparable parcel of land in close proximity to Unity Pacific's land in San Remo (after the 31 March 2016 valuation was obtained), the Board commissioned a further independent valuation of the San Remo site as at 30 June 2016. The independent valuer determined the value of the land on an 'as is' basis to be \$8.5 million as at 30 June 2016. The 30 June 2015 book value was \$3.85 million.



## Property Sales

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

The sale of 308 Queen Street/88 Creek Street, Brisbane was approved by Securityholders at Unity Pacific's 2015 AGM, subject to a premium to the 30 June 2015 independent valuation amount of \$34.1 million, including the TSAs being achieved.

The sale of this property was completed on 30 June 2016 for a sale price of \$37.3 million (prior to vendor allowances for lease incentives) and resulted in a profit of \$2.18 million after transaction costs.

In addition, 1,134m<sup>2</sup> of TSAs have been sold since 30 June 2015 for a profit of \$1.57 million, including one final TSA sale contract for 374m<sup>2</sup> which settled on 31 August 2016. Following that TSA sale, since 30 June 2015, the sale of the Property and the TSAs have resulted in a profit to the 30 June 2015 book value of \$3.75 million.

## 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, in its capacity as responsible entity and manager, manages the operations of the Trust.

Unity Pacific has two Australian Financial Services Licences (AFSLs). The second AFSL is used for Unity Pacific's external property funds management operations.

Unity Pacific Funds Management Limited is the responsible entity and manager of The Marie Street Trust which commenced operations in March 2015 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. Unity Pacific receives base management fees as well as fees for other services it provides including accounting and property management services at normal commercial rates.

As at 30 June 2016, Unity Pacific held 0.15 million units in The Marie Street Trust.



**Unity Pacific Group**  
**FINANCIAL REPORT**  
**30 JUNE 2016**

Comprising the Consolidated Financial Reports for

**Unity Pacific Limited**

ABN 11 110 831 288

and its controlled entities

and

**Unity Pacific Stapled Trust**

ARSN 111 389 596

and its controlled entities

## Contents

Directors' Report	1
Remuneration Report	18
Auditor's Independence Declaration	25
Statements of Profit or Loss and Other Comprehensive Income	26
Statements of Financial Position	28
Statements of Cash Flows	29
Statements of Changes in Equity	30
Notes to the Financial Statements	32
Directors' Declaration	84
Independent Auditor's Report	85
Securityholder Information	87

## Corporate Directory

### Company Name

#### Unity Pacific Limited

Level 1, 88 Creek Street

Brisbane QLD 4000

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F: +61 7 3041 6125

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

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

### Registrar

#### Link Market Services Limited

Level 15, 324 Queen Street

Brisbane QLD 4000

T: 1300 554 474

F: +61 2 9287 0303

### Auditor

#### BDO Audit Pty Ltd

Level 10, 12 Creek Street

Brisbane QLD 4000

T: +61 7 3237 5999

F: +61 7 3221 9227

## Directors' Report

for the year ended 30 June 2016

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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 2016 of both:

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

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

#### 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
Christopher Morton	Managing Director	Appointed 10 June 2009
Bevan Towning	Executive Director & Chief Investment Officer	Appointed 22 October 2014 Resigned 31 October 2015
Murray Boyte	Independent Non-Executive Director	Appointed 6 March 2015

## Directors' Report (continued) for the year ended 30 June 2016

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Details of the directors' experience, qualifications, special responsibilities and other interests are outlined on page 15 of the Directors' Report.

Meetings of directors, and their attendance at those meetings, for the year ended 30 June 2016 (including meetings of committees of directors) are disclosed on page 14 of the Directors' Report.

### 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 2016 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

Details of the company secretaries' experience and qualifications are outlined on page 16 of the Directors' Report.

### Principal Activities

Unity Pacific Group's principal activities during the year were:

- 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 (sold in June 2016) Rivergate Centre, Murarrie QLD (sold in December 2014)
Property Held as Inventory	Cumberland Lorne Resort apartments, Lorne VIC Land parcel, San Remo VIC

The Trust's principal activities are investment in, and management of, 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 2016 ("year") was a profit attributable to securityholders of \$6.07 million compared with a profit of \$1.32 million for the year ended 30 June 2015 ("previous year"). Key transactions are noted below.

#### The Trust

The Trust's result for the year was a profit attributable to securityholders of \$6.01 million compared with a profit of \$1.22 million for the previous year. Key transactions are noted below. The result for the Trust in each reporting period is also affected 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. The gain for the year was \$2.24 million (2015: expense of \$1.97 million).

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 2016	30 June 2015	30 June 2016	30 June 2015
Revenue and other income	\$'000	8,229	9,763	7,420	8,791
Profit attributable to securityholders <sup>1</sup>	\$'000	6,069	1,321	6,014	1,215
Basic/diluted earnings per security /unit	cents	17.0	3.7	16.8	3.4

<sup>1</sup> The result for the previous year excludes the profit attributable to non-controlling interests. Refer to note 23 for further information.

### Key Transactions

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

- a \$2.18 million profit on the sale of 308 Queen Street/88 Creek Street, Brisbane (308 Queen Street/88 Creek Street);
- a \$0.98 million profit on the sale of 760m<sup>2</sup> of transferrable development rights (known as TSAs) which attach to the heritage 308 Queen Street building;
- a \$4.65 million increase in the valuation of Unity Pacific Group's land in San Remo (currently valued at \$8.50 million as previously announced) offset by costs associated with pursuing town planning outcomes for the land and estimated selling costs;
- costs associated with a capital works program at 308 Queen Street/88 Creek Street; and
- a \$0.31 million underlying loss from operations for the year. Further details of the Loss from Operations are provided on page 6.

The profit for the previous year included a \$2.53 million gain on the sale of Rivergate Centre, Murarrie, which was partly offset by a \$1.31 million reduction in the value of the TSAs attached to the 308 Queen Street heritage building due to pending changes in the Brisbane CBD planning laws.

Further details are provided below.

***Gain on sale of investment property***

Securityholders approved the sale of Unity Pacific Group's investment property located at 308 Queen Street/88 Creek Street at the 2015 Annual General Meeting, subject to a premium to the 30 June 2015 independent valuation amount of \$34.1 million, including the TSAs, being achieved.

The sale of 308 Queen Street/88 Creek Street and 760m<sup>2</sup> of TSAs during the year has resulted in a total gain on sale (or premium to the 2015 valuation amount) of \$3.16 million being achieved. Details of these transactions are as follows:

- The sale of 308 Queen Street/88 Creek Street completed on 30 June 2016, following a successful on-market expressions of interest sales campaign which was managed by JLL.
- The contracted sale price for this property was \$37.30 million and resulted in Unity Pacific receiving a profit of \$2.18 million after deducting usual vendor allowances for outstanding lease incentives and transaction costs.
- The sale of 760m<sup>2</sup> of TSAs resulted in a profit of \$0.98 million. The value of these TSAs was reduced by \$0.88 million in June 2015, due to pending changes in the Brisbane CBD planning laws. The sales prices achieved therefore equal or exceed the former valuation amount, which predated the announcement of the pending change in planning laws which were considered to affect TSA values.

At balance date, Unity Pacific Group still had one conditional contract to sell 374m<sup>2</sup> of TSAs for \$0.60 million. This TSA sale contract was conditional on the purchaser of the TSAs obtaining its development approval from the Brisbane City Council by 30 September 2016 (or, if extended, by 31 December 2016). The purchaser of 308 Queen Street/88 Creek Street agreed that Unity Pacific Group would remain entitled to any proceeds received from the settlement of this TSA sale contract.

Due to the conditional nature of the contract, the potential profit of \$0.60 million is not included in Unity Pacific Group's or the Trust's results for the year. Instead, it has been included as a contingent asset. Refer to note 32 for further details.

Subsequent to balance date, this contract has become unconditional as disclosed on page 12. When this sale completes, it will result in a profit of \$0.60 million, thus increasing the overall premium to the 2015 valuation amount to \$3.75 million.

The value of these TSAs was reduced by \$0.43 million in June 2015, due to pending changes in the Brisbane CBD planning laws. The sales price achieved therefore exceeds the former valuation amount, notwithstanding the pending change in planning laws.

***Increase in net realisable value of inventory***

In light of recent sales activity in San Remo and the surrounding area and in particular, the sale of a relevant parcel of land in close proximity to Unity Pacific Group's land in San Remo, Victoria (the Land), the Board commissioned an independent valuation of the Land as at 30 June 2016.

The independent valuer has determined that the value of the Land on an 'as is' basis is \$8.50 million as at 30 June 2016. The Land was previously valued at \$6.00 million by an independent valuer as at 31 March 2016 and compared with a \$3.85 million book value as at 30 June 2015.

This 'as is' valuation is based on the rural zoning of the Land and does not incorporate the potential valuation impact of the Notice of Decision to Grant a Permit which was issued by the Bass Coast Shire Council in December 2015, or the subsequent amendments to the relevant application.

The \$4.65 million improvement in the value of the Land during the year was offset by \$0.29 million relating to costs incurred in pursuing improved town planning outcomes for the Land and estimated selling costs of \$0.43 million.

## **Other Transactions**

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

Rental income and recoverable outgoings were lower during the year by \$2.15 million or 40.0% compared to the previous year as a result of the sale of Rivergate Centre, Murarrie in December 2014, the expiry of a number of leases at 308 Queen Street/88 Creek Street during the year and property revenue from The Marie Street Trust not being included in the current year.

Property expenses and outgoings were higher during the year by \$0.22 million or 13.8% compared to the previous year despite the sale of Rivergate Centre and property expenses from The Marie Street Trust not being included in the current year. The primary cause was the cost of storm repairs (most of which were covered by insurance) and repairs and maintenance conducted at 308 Queen Street/88 Creek Street.

### ***Income***

Revenue from rendering services was \$0.20 million during the year (2015: nil) relating to management fees and fees for other services provided to The Marie Street Trust. Fees totalling \$0.46 million were charged to that Trust in 2015. However, they were eliminated on consolidation due to Unity Pacific Group's control of The Marie Street Trust during the previous year.

Proceeds of insurance during the year was \$0.75 million (2015: \$0.35 million). The heritage building at 308 Queen Street suffered damage in storms which occurred in Brisbane in November 2014 and October 2015. The required repairs and capital works were completed and due to insurance coverage, the financial loss to Unity Pacific Group and the Trust from these weather events was minimal.

Interest income reduced by \$0.32 million due to reduced cash reserves following payment of a capital distribution during the year.

Distribution income of \$0.17 million was earned from The Marie Street Trust during the year (2015: \$0.23 million). As this investment has been treated as both an equity accounted investment and a financial asset during the year, the effect of the distribution has been split across Share of net profit of equity accounted associates and Other revenue and other income in the Statement of Profit or Loss and Other Comprehensive Income. Refer to note 15 for further details.

One apartment at Cumberland Lorne Resort was sold during the year, resulting in a profit of \$0.03 million (2015: a profit of \$0.02 million on the sale of two apartments).

### ***Expenses***

Employment costs decreased during the year, primarily as a result of staff redundancies which occurred during the year. As at the date of this report, annualised employment costs have been reduced by approximately 50% since 30 June 2015.

Administration and overhead costs reduced by \$0.41 million or 33.0% during the year compared to the previous year. The decrease related primarily to reduced legal expenses, travel and consultants' fees.

Finance costs reduced by \$0.64 million or 57.2% compared to the previous year due to debt reduction of \$19.59 million in December 2014 following the sale of Rivergate Centre, the inclusion of The Marie Street Trust's financing costs of \$0.12 million in the previous year result and lower interest rates and facility fees in the year. Unity Pacific Group complied with all financial covenants during the year. Its debt facility was repaid in full on 30 June 2016.

Prior to the sale of 308 Queen Street/88 Creek Street, capital expenditure at that property resulted in a write down of \$1.04 million (2015: \$0.65 million). Proceeds from insurance claims of \$0.54 million offset some of these capital costs. The remaining capital expenditure was incurred as part of a capital works program for the property. Further details on investment property values are provided in note 16 of the Notes to the Financial Statements.



### Profit/Loss from Operations

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

A reconciliation of Unity Pacific Group's and the Trust's profit or loss from operations, as assessed by the Directors, to the reported profit for the year is set out below. Further details of the profit or loss from operations and the reconciling items can be found in note 25 Operating Segments.

The Directors have assessed Unity Pacific Group's loss from operations to be \$0.31 million for the year, compared to a profit from operations of \$0.97 million for the previous year. The sale of Rivergate Centre during the previous year as well as lease expiries in 308 Queen Street/88 Creek Street negatively impacted Unity Pacific Group's and the Trust's underlying profit from operations.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
<b>Profit/(loss) from operations</b>	<b>(310)</b>	<b>968</b>	<b>1,310</b>	<b>2,771</b>
<i>Reconciliation to profit for the year</i>				
Fair value increases / (write downs)	2,891	(1,621)	(1,037)	(1,571)
Non-cash property investment income/(expense)	(173)	(312)	(173)	(312)
Other non-cash/non-recurring income/(expenses) <sup>1</sup>	3,661	2,712	5,914	753
Profit for the year	6,069	1,747	6,014	1,641
Profit attributable to non-controlling interests	-	(426)	-	(426)
<b>Profit for the year attributable to securityholders</b>	<b>6,069</b>	<b>1,321</b>	<b>6,014</b>	<b>1,215</b>

<sup>1</sup> 2016: includes \$2.18 million gain on sale of 308 Queen Street/88Creek Street, \$0.98 million gain on sale of TSAs and \$0.54 million insurance settlement for capital expenditure (2015: \$2.53 million gain on sale of investment property).

### Earnings and Distributions

No income distributions were paid or payable to securityholders during the year (2015: nil).

A capital distribution of 42 cents per security totalling \$15.04 million was paid on 31 August 2015 from the Trust. In June 2016, the Board resolved to pay a capital distribution of 80 cents per security totalling \$28.64 million using the proceeds from the sale of 308 Queen Street/88 Creek Street. The capital distribution was subsequently paid on 25 July 2016. Further details are provided in note 19.

## Financial Position

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

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Total assets	\$'000	45,327	65,651	44,266	65,057
Net assets	\$'000	15,110	52,733	14,821	52,496
Cash and cash equivalents	\$'000	35,175	20,442	27,585	16,406
Debt (Bank bills)	\$'000	-	12,000	-	12,000
Balance sheet gearing ratio <sup>1</sup>	%	-	-	-	-
Property loan-to-value ratio <sup>2</sup>	%	-	30.4	-	n/a
Securities on issue	'000	35,804	35,804	35,804	35,804
Net tangible assets (NTA) per security	\$	\$0.42	\$1.47	\$0.41	\$1.47
Distributions per security <sup>3</sup>	\$	\$1.22	-	\$1.22	-

<sup>1</sup> Debt (less unamortised borrowing costs) less cash and cash equivalents divided by total assets less cash and cash equivalents. When cash and cash equivalents exceeds debt, balance sheet gearing is nil.

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

<sup>3</sup> Includes the 42 cent capital distribution paid on 31 August 2015 and the 80 cent capital distribution which was announced in June 2016 and subsequently paid on 25 July 2016. Refer to note 19 for more details.

## **Significant Changes in the State of Affairs**

### **Direct Property**

During the year, Unity Pacific Group sold its commercial investment property. At 30 June 2016, Unity Pacific Group owned two property assets, being four apartments in Cumberland Lorne Resort and a parcel of rural zoned land in San Remo, Victoria.

### **Commercial Property**

Unity Pacific Group's commercial investment property, comprising a heritage listed property located at 308 Queen Street, Brisbane, and an interconnecting modern commercial tower at 88 Creek Street, was sold on 30 June 2016. At the time of the sale, this property had a vacancy rate of 26.1% by income and 31.6% by net lettable area (NLA) (2015: 5.3% of the NLA). The increase in the vacancy rate was the result of significant lease expiries during the year. In addition to preparing the property for sale, the property management focus for these buildings during the year was the re-leasing of the vacant space and continued management of major tenant lease expiries.

Refer to page 4 for details of the property sale, and the separate sales of the TSAs attached to it.

### **Cumberland Lorne Resort**

As at 30 June 2016, Unity Pacific Group owns four apartments at Cumberland Lorne Resort. One apartment was sold during the year at a small profit to carrying value (2015: 2). All apartments at Lorne held by Unity Pacific Group are currently recorded at cost in the Statement of Financial Position.

### **Rural Land**

Value uplift opportunities were pursued for the rural land located at San Remo, Victoria during the year. In December 2015, the local council issued a Notice of Decision to Grant a Permit to subdivide the Land into three lots and to use one of the lots for a Leisure and Recreation facility (golf course) and associated tourist accommodation in accordance with certain endorsed plans and subject to numerous conditions. An appeal was lodged which resulted in the matter being referred to the Victorian Civil and Administrative Tribunal (VCAT) for review. As part of this process, in August 2016, Unity Pacific Group submitted an application to subdivide the Land into two lots (rather than the previous application's three lots) and resubmitted the application for the permit to use the rural land for a golf course resort and associated accommodation facilities. The local council's decision in relation to this amended application will not be known until late 2016.

The Board has also decided to market the Land for sale. As a result, the Land has been included as a current asset at balance date.

The Board will continue to pursue improved town planning outcomes, including large/rural lot subdivision, whilst it holds the view that the net financial impact of such will positively impact the sales process.

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

During the year, Unity Pacific Group's investment in The Marie Street Trust, a single asset fixed term, unlisted property trust established by Unity Pacific Group in 2015 reduced from 5.20 million units (a 37% interest) to 0.15 million units (a 1% interest) through the redemption of its underwrite units following the issue of ordinary units to other third party investors.

Further details about the investment are contained in notes 14 and 15.

## Funds Management

Unity Pacific Investment Management Limited, a wholly owned subsidiary of Unity Pacific Limited, acts as the responsible entity and manager of Unity Pacific Stapled Trust.

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

The responsible entities are responsible for all aspects of operation of the relevant trusts, including the day to day running of the business, property and asset management and asset transactions. The responsible entities have appointed an external custodian (The Trust Company (Australia) Limited) for the scheme assets.

Funds management fees paid by Unity Pacific Stapled Trust to Unity Pacific Investment Management Limited are intra-group transactions and eliminate on presentation of Unity Pacific Group's consolidated result.

Unity Pacific Funds Management Limited is entitled to receive ongoing management fees and potentially performance fees in future periods.

## Capital Management

### Debt and Gearing

Unity Pacific Group's \$12.00 million debt facility held with National Australia Bank (NAB) was repaid on 30 June 2016 using proceeds from the sale of 308 Queen Street/88 Creek Street. The facility was fully drawn to \$12.00 million at 30 June 2015 and had an expiry date of 31 October 2017. During the year, Unity Pacific Group complied with its financial covenants.

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

At 30 June 2016 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 (2015: nil). Unity Pacific Group's property loan-to-value ratio, calculated as debt divided by bank accepted property valuations, was nil (2015: 30.4%).

Key information regarding Unity Pacific Group's debt position with NAB is as follows:

		Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Debt (Bank bills)	\$'000	-	12,000	-	12,000
Debt repayments during the year	\$'000	12,000	19,591	12,000	19,591
Property loan-to-value ratio (LVR) <sup>1</sup>	%	-	30.4	-	n/a
LVR covenant	%	-	50.0	-	n/a
Debt hedged	%	-	-	-	-

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

Further details on borrowings of Unity Pacific Group and the Trust are set out in note 18 of the Notes to the Financial Statements.

### Cash Equivalents and Cash Flow

Unity Pacific Group's cash holdings increased by \$14.73 million during the year to \$35.18 million at 30 June 2016.

Key cashflow movements during the year were:

- proceeds from the sale of 308 Queen Street/88 Creek Street, including TSAs, of \$37.82 million;
- debt repayment of \$12.0 million;
- payment of a \$15.04 million capital distribution to securityholders;
- receipt of \$5.20 million from the redemption of units in The Marie Street Trust as a result of the ongoing capital raising for that trust;
- payments for capital expenditure of \$1.21 million for 308 Queen Street/88 Creek Street. This amount includes \$0.54 million for storm repairs which was covered by insurance; and
- an operating cash outflow of \$0.38 million.

On 25 July 2016, a further capital distribution of \$28.64 million was paid to securityholders. Unity Pacific Group has retained sufficient cash reserves following the payment of this capital distribution to fund future working capital requirements until the program for realising the remaining asset value for securityholders is completed (refer to page 11 for further details). Following the sale of 308 Queen Street/88 Creek Street, Unity Pacific Group and the Trust would not otherwise generate sufficient cash flows to meet operating expenses due to the largely non-income producing nature of the remaining property assets and minimal fees derived from managing The Marie Street Trust.

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 previous year includes the cash flows of The Marie Street Trust during the period it controlled that trust.

### Capital Initiatives

Since 2011, Unity Pacific Group has returned \$66.99 million to securityholders via a number of capital management initiatives:

- \$2.20 million on-market buyback completed in October 2011;
- \$15.00 million off-market buyback in December 2012;
- \$4.48 million capital distribution (3 cents per security) paid in June 2013;
- \$1.63 million on-market buyback completed in November 2013;
- \$15.04 million capital distribution (42 cents per security) paid in August 2015; and
- \$28.64 million capital distribution (80 cents per security) paid in July 2016.

## **Business Update and Outlook**

### **2016 Board objectives**

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

The Board also proposed the sale of 308 Queen Street/88 Creek Street to maximise the property's value in a strong commercial property investment market notwithstanding difficult leasing market conditions in Brisbane. The sale of the property and the attached TSAs resulted in a \$3.16 million premium to the 30 June 2015 book value being achieved during the year and enabled full repayment of Unity Pacific Group's debt facilities and payment of a further capital distribution to securityholders in July 2016.

In February 2016, Unity Pacific Group commenced an expression of interest process (EOI Process) in relation to the corporate vehicle and the remaining assets. Several parties submitted expressions of interest which led to detailed discussions and negotiations with some parties.

### **Off-market takeover bid**

On 28 July 2016, Unity Pacific Group entered into a Bid Implementation Deed with Ebert Investments Pty Ltd (Ebert Investments) pursuant to which Ebert Investments or its nominee (the Bidder) proposes to make an off-market takeover bid for all of the stapled securities in Unity Pacific Group which are not currently held by Ebert Investments.

The consideration offered for the off-market takeover bid is 47 cents in respect of each stapled security, being 41.5 cents cash and one (1) share in the Bidder (San Remo Share), being a contingent value redeemable preference share deemed to be fully paid to an amount of 5.5 cents. Each San Remo Share will be redeemed for an additional cash payment if Unity Pacific Group's land in San Remo is sold within nine months of the offer period closing for net proceeds (after allowing for sale, marketing and agency costs) exceeding \$6.00 million. The amount of the additional cash payment will be the amount by which the net proceeds from the sale of the Land exceed \$6.00 million, converted to an amount per Unity Pacific Group stapled security.

Unity Pacific Group's directors will unanimously recommend that securityholders accept Ebert Investments' offer, in the absence of a superior proposal. Further details in relation to this off-market takeover bid are contained in Unity Pacific Group's ASX announcements dated 28 July 2016 and 19 August 2016.

Unity Pacific Group had previously had a short period of exclusive negotiations with Ebert Investments in relation to a conditional offer made by them to fund a buyback of all of the Unity Pacific Group securities that it did not currently own. However the parties were unable to agree terms during that exclusivity period which expired on 31 January 2016.

If the off-market takeover bid is successful, Ebert Investments and/or its nominee will own at least 50% of the securities in Unity Pacific Group, which will result in a change of board composition. Ebert Investments will announce its vision for Unity Pacific Group in its Bidder's Statement which is expected to be sent to Unity Pacific Group securityholders in late August 2016.

If the off-market takeover bid is unsuccessful, the Board of Unity Pacific Group will seek alternative means to maximise the value of the remaining assets and the corporate vehicle.

### **Value realised for securityholders**

Unity Pacific Group's NTA per stapled security was \$1.47 as at 30 June 2015. Since determining that the funds management growth strategy was not viable in the short-term, securityholders have received \$1.22 per security through the payment of two capital distributions and may now realise the remainder of their investment if they accept the Ebert Investments' offer. The considered and systematic manner in which the Board has conducted the above transactions and the corporate expressions of interest process has had the effect of increasing the potential value able to be realised by securityholders by \$7.88 million or 22 cents per security since 30 June 2015 (i.e. assuming the Land is able to be sold for the current valuation amount of \$8.50 million).

## **Securities Information**

### **Securities on Issue**

At 30 June 2016 there were 35,803,992 securities on issue (2015: 35,803,992). Details of movements in contributed equity, including shares in Unity Pacific Limited and units in the Trust are disclosed in note 20 of the Notes to the Financial Statements.

### **Security Options**

At 30 June 2016 there were 1,875,000 options on issue (2015: 1,875,000). Following the 80 cents per security capital distribution paid on 25 July 2016, the options have an exercise price of \$0.18.

No options were issued during the year ended 30 June 2016. No options lapsed during the year. There are no other 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 20.

### **Register of Securityholders**

The register of securityholders has, during the year ended 30 June 2016, 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:

- The capital distribution of 80 cents per security totalling \$28.64 million was paid to securityholders by the Trust on 25 July 2016. This capital distribution was included in Unity Pacific Group's net tangible assets per security as at 30 June 2016.
- On 28 July 2016, Unity Pacific Group entered into a Bid Implementation Deed with Ebert Investments Pty Ltd (Ebert Investments) pursuant to which Ebert Investments or its nominee (the Bidder) proposes to make an off-market takeover bid for all of the stapled securities in Unity Pacific Group which are not currently held by Ebert Investments. Further details are contained on page 11.
- On 19 August 2016, Unity Pacific Group's entitlement to receive proceeds of \$0.60 million from a contract to sell 374m<sup>2</sup> of TSAs (as discussed on page 4) became unconditional. The sale of these TSAs will now complete no later than 31 August 2016.

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.

## **Likely Developments and Expected Results of Operations**

Unity Pacific Group's current operations include property investment and funds management. Its future strategy and results from operations is dependent on the success of the off-market takeover bid made by Ebert Investments on 28 July 2016 (refer page 11).

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 26 of the Notes to the Financial Statements.

### **Issued Units**

Movements in units on issue in the Trust during the year are disclosed in note 20 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 2016 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:

<b>Director</b>	<b>No. of Securities</b>	<b>No. of Options</b>
Brett Heading	73,976	-
Christopher Morton	9,757,720	-
Murray Boyte	-	-
<b>Former Director</b>		
Bevan Towning	50,000	1,875,000
<b>Key Management Personnel</b>		
Laura Fanning	486	-
Janita Robba	-	-

Further details of these holdings are set out in the Remuneration Report on page 20.



## 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 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 2016. 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	32	32	5	5	-	-
Christopher Morton	32	32	5	5	3	3
Murray Boyte	32	32	5	5	-	-
Bevan Towning <sup>1</sup>	9	9	-	-	-	-
<b>Company Secretary</b>						
Janita Robba	32	31	5	5	3	1
Laura Fanning	32	32	5	5	3	2
<b>External Committee Member</b>						
Alex Fraser	-	-	-	-	3	3
Valda Wheeler	-	-	-	-	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 resigned as a director on 31 October 2015.

## 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**

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

Mr Heading is an experienced company director and corporate lawyer with more than 30 years of experience in capital raising, mergers and acquisitions. In February 2016, he joined global law firm, Jones Day, as a partner. Previously, he was a partner (and former Chairman) of McCullough Robertson since 1985.

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:  
Nil

Other former directorships in listed companies within the last three years:  
Empire Oil & Gas NL and Invion Limited

Qualifications:  
BCom LLB (Hons) FAICD

### **Christopher Morton, Managing Director**

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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

### **Murray Boyte, Non-Executive Independent Director**

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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**

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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 20 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**

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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.

## Remuneration Report

The Remuneration Report attached at pages 18 to 24 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 Group's 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## **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, did not perform any services in addition to audit services. However, 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 33 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 25.

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 22<sup>nd</sup> day of August 2016.

## Remuneration Report

### for the year ended 30 June 2016

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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 2016 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 22. The Executive Directors are the Managing Director and the former 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 2016

### 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 2016 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	
Former Director	
Bevan Towning, Executive Director and Chief Investment Officer <sup>1</sup>	

<sup>1</sup> Bevan Towning's employment ceased on 31 October 2015.

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 2016 financial year.

## Equity Based Remuneration

### Employee Equity Plans

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

### Options and Securities Granted as Compensation

No options were granted during the year (2015: nil) and no securities were granted as compensation during the year (2015: nil).

During the 2014 year, Unity Pacific Group made a one-off grant of 7,500,000 stapled securities options to Mr Towning, 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 number of options was reduced to 1,875,000 as a result of the 1:4 security consolidation undertaken in December 2014.

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 (adjusted to \$0.18 at the date of this report following various capital management initiatives);
- 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 (this term ceased to apply following the cessation of Mr Towning's employment in October 2015);
- 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.

**Remuneration Report** (continued)  
for the year ended 30 June 2016

**Exercise of Options Granted as Compensation**

No options granted as compensation were exercised during the year.

**Modification of Terms of Equity Based Payment Transactions**

Since December 2014, the key terms of the options have been amended following various capital management initiatives. The 1:4 security consolidation undertaken in December 2014 reduced the number of options on issue from 7,500,000 to 1,875,000. The exercise price is \$0.18 cents as at the date of this report. Further details are provided in note 29.

**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 (2015: nil).

2016	Held at 30 June 2015	Purchases / (Sales)	Employee Stapled Securities Plan	Dividend Reinvestment Plan	Exercise of Options	Held at 30 June 2016
<b>Current Directors</b>						
Brett Heading	73,976	-	-	-	-	73,976
Christopher Morton	9,757,720	-	-	-	-	9,757,720
Murray Boyte	-	-	-	-	-	-
<b>Former Director</b>						
Bevan Towning	50,000	-	-	-	-	50,000
<b>Current Senior Executives</b>						
Laura Fanning	486	-	-	-	-	486
Janita Robba	-	-	-	-	-	-

**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 pages 19 to 20.

2016	Held at 30 June 2015	Granted During the Year	Exercised During the Year	Forfeited During the Year	Held at 30 June 2016
<b>Current Directors</b>					
Brett Heading	-	-	-	-	-
Christopher Morton	-	-	-	-	-
Murray Boyte	-	-	-	-	-
<b>Former Director</b>					
Bevan Towning	1,875,000	-	-	-	1,875,000
<b>Current Senior Executives</b>					
Laura Fanning	-	-	-	-	-
Janita Robba	-	-	-	-	-

## Alignment of Remuneration and Unity Pacific Group Performance

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:

	2012	2013	2014	2015 <sup>2</sup>	2016 <sup>2</sup>
Basic earnings/(loss) per security (cents)	9.5	(2.6)	0.3	3.7	17.0
Security price at year end	\$0.25	\$0.25	\$0.25	\$1.03	\$1.18 <sup>3</sup>
Change in security price	\$0.07	-	-	\$0.78	\$0.15
Total dividends/distributions declared (\$ per security) <sup>1</sup>	-	\$0.03	-	-	\$1.22
Net tangible asset per security (\$)	\$0.38	\$0.35	\$0.36	\$1.47	\$0.42

<sup>1</sup> Capital distributions were paid from the Trust on 7 June 2013 (3 cents), 31 August 2015 (42 cents) and 25 July 2016 (80 cents).

<sup>2</sup> The 2015 and 2016 figures reflect the 1:4 security consolidation completed in December 2014. The \$0.78 change in security price in 2015 is a consequence of the security consolidation.

<sup>3</sup> An 80 cent per security capital distribution was announced during the year and paid on 25 July 2016. Securities traded 'cum div' until 6 July 2016.

During the year ended 30 June 2016 the share price of Unity Pacific Group's stapled securities ranged from \$0.69 to \$1.27.



## **Service Contracts**

### **Senior Executives**

It is Unity Pacific Group's policy that service contracts for senior executives, excluding the Managing Director and the former 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 contractually or 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 six times since then, each for approximately six months, and currently to 31 December 2016. Mr Morton's title changed to Managing Director in December 2014.

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 was Unity Pacific Group's Chief Investment Officer from 25 November 2013 until 31 October 2015.

Mr Towing's employment contract with Unity Pacific Limited had a completion date of 30 June 2018 and 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 no short term incentives were paid during his employment);
- an entitlement to long term incentives and 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.

Details of the options granted to Mr Towing are outlined on page 20.

**Remuneration Report** (continued)  
for the year ended 30 June 2016

**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 Group are set out below.

2016	Short Term		Long Term	Post-Employment		Equity based	Total	Proportion of Remuneration Performance Related	Proportion of Remuneration Consisting of Options
	Salary & Fees	Non-Monetary Benefits	Long Service Leave	Super-annuation	Termination benefits	Options			
	\$	\$	\$	\$		\$	\$	%	%
<b>Current Directors</b>									
Brett Heading	93,323	-	-	3,687	-	-	97,010	-	-
Christopher Morton	250,000	5,804	16,851	23,750	-	-	296,405	-	-
Murray Boyte	73,059	-	-	6,941	-	-	80,000	-	-
<b>Former Director</b>									
Bevan Towning <sup>1</sup>	109,345	-	-	6,902	87,500	-	203,747	-	-
<b>Current Senior Executives</b>									
Laura Fanning	115,686	5,060	20,077	10,990	-	-	151,813	-	-
Janita Robba	81,105	2,083	-	7,705	-	-	90,893	-	-
<b>Total Remuneration</b>	<b>722,518</b>	<b>12,947</b>	<b>36,928</b>	<b>59,975</b>	<b>87,500</b>	<b>-</b>	<b>919,868</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Bevan Towning's employment ceased on 31 October 2015

**Remuneration Report** (continued)  
for the year ended 30 June 2016

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	Superannuation	Options			
	\$	\$	\$	\$	\$	\$	%	%
<b>Current Directors</b>								
Brett Heading	102,000	-	-	-	-	102,000	-	-
Christopher Morton	250,000	4,219	14,090	23,750	-	292,059	-	-
Murray Boyte <sup>1</sup>	18,950	-	-	1,800	-	20,750	-	-
<b>Former Director</b>								
Bevan Towning <sup>2</sup>	348,654	-	-	18,783	-	367,437	-	-
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> Murray Boyte was appointed on 6 March 2015

<sup>2</sup> Bevan Towning's employment ceased on 31 October 2015

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

No bonuses have been paid or accrued for any director or key management personnel in either the 2016 or 2015 financial year. However Laura Fanning and Janita Robba received additional remuneration during the 2016 year based on additional hours worked in relation to key strategic matters.

Long service leave was accrued in the 2015 and 2016 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.**



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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 2016, 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 light blue horizontal line.

**C R Jenkins**  
Director

**BDO Audit Pty Ltd**

Brisbane, 22 August 2016

**Statements of Profit or Loss and Other Comprehensive Income**  
for the year ended 30 June 2016

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Revenue and other income</b>					
Rental income and recoverable outgoings		3,230	5,381	3,143	5,209
Revenue from sale of apartments	5	365	672	-	-
Gain on sale of investment property	4	3,155	2,530	3,155	2,530
Revenue from rendering services		202	-	-	-
Interest	8	267	586	117	450
Share of net profit of equity accounted associates		77	-	77	-
Other revenue and other income	4	933	594	928	602
<b>Total revenue and other income</b>	4	<b>8,229</b>	<b>9,763</b>	<b>7,420</b>	<b>8,791</b>
<b>Expenses</b>					
Property expenses and outgoings		(1,773)	(1,558)	(1,716)	(1,478)
Cost of sale of apartments	5	(338)	(649)	-	-
Employee related expenses		(1,585)	(1,813)	-	-
Administration and overhead costs	7	(832)	(1,241)	(106)	(162)
Doubtful debts – trade and other receivables	6	(35)	(6)	2,207	(1,972)
Responsible entity fees		-	-	(281)	(858)
Depreciation and amortisation		(11)	(14)	-	-
Finance costs	8	(477)	(1,114)	(473)	(1,109)
Fair value net loss from investment properties	16	(1,037)	(1,452)	(1,037)	(1,452)
Increase/(decrease) in net realisable value of inventory		3,928	(50)	-	-
Net change in fair value of derivative financial instruments		-	(119)	-	(119)
<b>Total expenses</b>		<b>(2,160)</b>	<b>(8,016)</b>	<b>(1,406)</b>	<b>(7,150)</b>
<b>Profit before tax</b>		<b>6,069</b>	<b>1,747</b>	<b>6,014</b>	<b>1,641</b>
Income tax expense		-	-	-	-
<b>Net profit for the year</b>		<b>6,069</b>	<b>1,747</b>	<b>6,014</b>	<b>1,641</b>
<b>Other comprehensive loss</b>					
Fair value loss on other financial assets		(3)	-	-	-
<b>Other comprehensive loss for the year, net of tax</b>		<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>6,066</b>	<b>1,747</b>	<b>6,014</b>	<b>1,641</b>

**Statements of Profit or Loss and Other Comprehensive Income** (continued)  
for the year ended 30 June 2016

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Net profit for the year attributable to:</b>					
Members of the parent		2,004	(2,797)	-	-
Unitholders of the Trust		4,065	4,118	6,014	1,215
<b>Unity Pacific Group securityholders</b>		<b>6,069</b>	<b>1,321</b>	<b>6,014</b>	<b>1,215</b>
Other non-controlling interests		-	426	-	426
<b>Net profit for the year</b>		<b>6,069</b>	<b>1,747</b>	<b>6,014</b>	<b>1,641</b>
<b>Total comprehensive loss for the year attributable to:</b>					
Members of the parent		2,001	(2,797)	-	-
Unitholders of the Trust		4,065	4,118	6,014	1,215
<b>Unity Pacific Group securityholders</b>		<b>6,066</b>	<b>1,321</b>	<b>6,014</b>	<b>1,215</b>
Other non-controlling interests		-	426	-	426
<b>Total comprehensive income for the year</b>		<b>6,066</b>	<b>1,747</b>	<b>6,014</b>	<b>1,641</b>
<b>Earnings per security</b>					
Basic / diluted earnings per security (cents)	9	17.0	3.7	n/a	n/a
Basic / diluted earnings per unit (cents)	9	n/a	n/a	16.8	3.4

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 2016

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current assets</b>					
Cash and cash equivalents	34	35,175	20,442	27,585	16,406
Trade and other receivables	11	315	430	275	373
Inventory	12	9,597	1,424	-	-
Other assets	13	40	121	-	73
<b>Total current assets</b>		<b>45,127</b>	<b>22,417</b>	<b>27,860</b>	<b>16,852</b>
<b>Non-current assets</b>					
Trade and other receivables	11	-	-	16,406	8,860
Other financial assets	14	147	-	-	-
Equity accounted investments	15	-	5,200	-	5,200
Investment properties	16	-	34,145	-	34,145
Inventory	12	-	3,850	-	-
Property, plant and equipment		49	36	-	-
Intangible assets		4	3	-	-
<b>Total non-current assets</b>		<b>200</b>	<b>43,234</b>	<b>16,406</b>	<b>48,205</b>
<b>Total assets</b>		<b>45,327</b>	<b>65,651</b>	<b>44,266</b>	<b>65,057</b>
<b>Current liabilities</b>					
Trade and other payables	17	1,433	821	802	580
Employee benefits		104	86	-	-
Provision for capital distribution	19	28,643	-	28,643	-
<b>Total current liabilities</b>		<b>30,180</b>	<b>907</b>	<b>29,445</b>	<b>580</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	18	-	11,981	-	11,981
Employee benefits		37	30	-	-
<b>Total non-current liabilities</b>		<b>37</b>	<b>12,011</b>	<b>-</b>	<b>11,981</b>
<b>Total liabilities</b>		<b>30,217</b>	<b>12,918</b>	<b>29,445</b>	<b>12,561</b>
<b>Net assets</b>		<b>15,110</b>	<b>52,733</b>	<b>14,821</b>	<b>52,496</b>
<b>Equity</b>					
<b>Equity attributable to members of the Company</b>					
Contributed equity	20	43,965	43,965	-	-
Reserves	22	(3)	-	-	-
Accumulated losses		(68,712)	(70,716)	-	-
		(24,750)	(26,751)	-	-
<b>Equity attributable to unitholders of the Trust</b>					
Contributed equity	20	193,367	237,056	193,367	237,056
Reserves	22	200	200	200	200
Deficiency	21	(153,707)	(157,772)	(178,746)	(184,760)
		39,860	79,484	14,821	52,496
<b>Total equity</b>		<b>15,110</b>	<b>52,733</b>	<b>14,821</b>	<b>52,496</b>

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

**Statements of Cash Flows**  
for the year ended 30 June 2016

	Notes	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		4,709	6,827	4,383	6,604
Cash payments in the course of operations		(4,965)	(5,264)	(2,786)	(2,894)
Interest received		295	566	143	430
Interest and finance costs paid		(419)	(1,081)	(415)	(1,076)
<b>Net cash from/(used in) operating activities</b>	34(b)	(380)	1,048	1,325	3,064
<b>Cash flows from investing activities</b>					
Payments for investment properties		(1,211)	(22,523)	(1,211)	(22,523)
Proceeds from sale of investment properties		37,822	27,000	37,822	27,000
Payments for capitalised development costs		(234)	(61)	-	-
Proceeds from sale of inventory		365	672	-	-
Payments for property, plant and equipment		(27)	(10)	-	-
Proceeds from redemption of investment		5,200	-	5,200	-
Payments for financial assets		(150)	-	-	-
Loss of control of subsidiary		-	(393)	-	(393)
Loans repaid by related entities		-	-	2,304	657
Loans to related entities		-	-	(7,609)	(1,812)
Distributions received		392	-	392	-
<b>Net cash from investing activities</b>		42,157	4,685	36,898	2,929
<b>Cash flows from financing activities</b>					
Payment of capital distribution		(15,038)	-	(15,038)	-
Transaction costs on capital distribution		(6)	(70)	(6)	(70)
Transactions with non-controlling interests		-	8,850	-	8,850
Payment of trust establishment fee		-	-	-	(419)
Proceeds from borrowings		-	8,170	-	8,170
Repayment of borrowings		(12,000)	(19,591)	(12,000)	(19,591)
Payments for loan establishment costs		-	(47)	-	(47)
<b>Net cash used in financing activities</b>		(27,044)	(2,688)	(27,044)	(3,107)
Net increase in cash and cash equivalents		14,733	3,045	11,179	2,886
Cash and cash equivalents at beginning of the year		20,442	17,397	16,406	13,520
<b>Cash and cash equivalents at the end of the year</b>	34(a)	35,175	20,442	27,585	16,406

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 2016

	Attributable to members of the Company					Attributable to unitholders of the Trust					Non-controlling interests		
	Contributed equity	Reserve	Accumulated losses	Total	Contributed equity	Reserves	Accumulated losses	Total	Contributed equity	Reserves	Accumulated losses	Total	Total equity
<b>At 1 July 2015</b>	43,965	-	(70,716)	(26,751)	237,056	200	(157,772)	79,484	-	-	-	-	52,733
Profit for the year attributable to members of the Company	-	-	2,004	2,004	-	-	-	-	-	-	-	-	2,004
Profit for the year attributable to members of the Trust	-	-	-	-	-	-	4,065	4,065	-	-	-	-	4,065
Other comprehensive income for the year	-	(3)	-	(3)	-	-	-	-	-	-	-	-	(3)
Total comprehensive income for the year	-	(3)	2,004	2,001	-	-	4,065	4,065	-	-	-	-	6,066
<i>Transactions with members recorded directly in equity:</i>													
Capital distribution	-	-	-	-	(43,681)	-	-	(43,681)	-	-	-	-	(43,681)
Transaction costs on capital distribution	-	-	-	-	(8)	-	-	(8)	-	-	-	-	(8)
Total changes in equity as a result of transactions with members	-	-	-	-	(43,689)	-	-	(43,689)	-	-	-	-	(43,689)
<b>At 30 June 2016</b>	43,965	(3)	(68,712)	(24,750)	193,367	200	(153,707)	39,860	-	-	-	-	15,110
<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 attributable to members of the Trust	-	-	-	-	-	-	4,118	4,118	-	-	426	426	4,544
Total comprehensive income for the year	-	-	(2,797)	(2,797)	-	-	4,118	4,118	-	-	426	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)	(140)
De-recognition of non-controlling interest on loss of control	-	-	-	-	-	(9)	-	(9)	-	-	(9,057)	(9,057)	(9,066)
Total changes in equity as a result of transactions with members	-	-	-	-	-	-	-	-	-	-	(426)	(426)	(426)
<b>At 30 June 2015</b>	43,965	-	(70,716)	(26,751)	237,056	200	(157,772)	79,484	-	-	-	-	52,733

**Statements of Changes in Equity** (continued)  
for the year ended 30 June 2016

Unity Pacific Stapled Trust Consolidated	Contributed equity	Deficiency	Reserves	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2015</b>	237,056	(184,760)	200	-	52,496
Profit for the year attributable unitholders	-	6,014	-	-	6,014
Total comprehensive income for the year	-	6,014	-	-	6,014
<i>Transactions with members recorded directly in equity:</i>					
Capital distribution	(43,681)	-	-	-	(43,681)
Transaction costs on capital distribution	(8)	-	-	-	(8)
Total changes in equity as a result of transactions with members	(43,689)	-	-	-	(43,689)
<b>At 30 June 2016</b>	193,367	(178,746)	200	-	14,821
<b>At 1 July 2014</b>	237,056	(185,975)	200	-	51,281
Profit for the year attributable unitholders	-	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)
De-recognition 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

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

## **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.

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 22 August 2016.

### **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:

- 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.

## **1. Statement of Significant Accounting Policies (continued)**

### **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 36 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.

### **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 2016 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.

## **1. Statement of Significant Accounting Policies (continued)**

### **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.

#### **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.

## **1. Statement of Significant Accounting Policies (continued)**

### **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.

## **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. Investments**

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

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

## **1. Statement of Significant Accounting Policies (continued)**

### **n. 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.

### **o. 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.



## **1. Statement of Significant Accounting Policies (continued)**

### **p. 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

### **q. 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.

## **1. Statement of Significant Accounting Policies (continued)**

### **r. 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.

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.

## **1. Statement of Significant Accounting Policies (continued)**

### **s. 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.

### **t. 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.

### **u. 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.

### **v. 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.

## **1. Statement of Significant Accounting Policies (continued)**

### **v. Financial Assets and Financial Liabilities (continued)**

#### **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.

#### **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.

## **1. Statement of Significant Accounting Policies (continued)**

### **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.

### **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".

## **1. Statement of Significant Accounting Policies (continued)**

### **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 2015 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 assessed the entities' exposure to, and rights to, variable returns from The Marie Street Trust as well as the ability to affect those returns through their power over The Marie Street Trust. They determined that during the 2015 year, the entities 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.

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

#### **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.

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;

## **Statement of Significant Accounting Policies (continued)**

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

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

- (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 16 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 (2015: nil).

### **ee. New Standards Adopted**

Unity Pacific Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015. Unity Pacific Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## **1. Statement of Significant Accounting Policies (continued)**

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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.

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

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. This standard is applicable to annual reporting periods beginning on or after 1 July 2018.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application in incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on Unity Pacific Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.



## **1. Statement of Significant Accounting Policies (continued)**

### **ff. New Standards and Interpretations not yet Adopted (continued)**

#### **AASB 16 Leases**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease: and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact Unity Pacific Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

#### **gg. Rounding of Amounts**

Unity Pacific Group and the Trust has applied the relief available to them under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and directors' report have been rounded 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.

### **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.

### **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.

#### **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.

### **3. Financial Risk Management (continued)**

#### **Liquidity Risk (continued)**

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 2016 and 30 June 2015 were nil. At 30 June 2015, total cash and cash equivalents exceeded the amount of debt, resulting in a gearing ratio of nil. At 30 June 2016 Unity Pacific Group's debt facility had been repaid in full, 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 a capital distribution was paid to securityholders on 25 July 2016. Unity Pacific Group and the Trust are not subject to externally imposed capital requirements.

#### 4. Revenue and Other Income

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
Rent (including outgoings recovered)	3,230	5,381	3,143	5,209
Rendering of services	202	-	-	-
Revenue from sale of Lorne apartments	365	672	-	-
Gain on sale of investment property <sup>1</sup>	3,155	2,530	3,155	2,530
Share of net profit of equity accounted associates <sup>2</sup>	77	-	77	-
<b>Other revenue and other income</b>				
Insurance claim proceeds <sup>3</sup>	752	353	752	353
Distribution income	44	-	39	-
Gain on disposal of equity accounted investments <sup>4</sup>	28	-	28	-
Fair value movement in available for sale financial assets	19	-	19	-
Gain on deconsolidation of subsidiary <sup>5</sup>	-	240	-	240
Other revenue	90	1	90	9
	933	594	928	602
<b>Finance income</b>				
Interest	267	586	117	450
<b>Total revenue and other income</b>	<b>8,229</b>	<b>9,763</b>	<b>7,420</b>	<b>8,791</b>

<sup>1</sup> During the 2016 year, the sale of 308 Queen Street/88 Creek Street resulted in a gain on sale of \$2.178 million after transaction costs and the sale of 760m<sup>2</sup> of transferrable development rights (known as TSAs) which attach to the heritage building at 308 Queen Street resulted in a gain of \$0.977 million after transaction costs. The gain on sale in the previous year relates to the sale of Rivergate Centre, Murarrie, Qld.

<sup>2</sup> Share of net profit of equity accounted associates relates to Unity Pacific Group's and the Trust's interest in The Marie Street Trust. From 30 June 2015 until 31 October 2015, Unity Pacific Group and the Trust were considered to have significant influence over The Marie Street Trust and accounted for their interest in that trust using the equity method of accounting. Further details are provided in note 15.

<sup>3</sup> The heritage building at 308 Queen Street suffered damage in storms which occurred in Brisbane in November 2014 and October 2015. The resultant damage has been repaired. Proceeds from the insurance claims are included in 'Other revenue'. The costs of the non-capital repairs to the property are included in 'Property expenses and outgoings'.

<sup>4</sup> The gain on disposal of equity accounted investments relates to the redemption of underwrite units in The Marie Street Trust.

<sup>5</sup> On 30 June 2015 Unity Pacific Group and the Trust ceased to control The Marie Street Trust. The resulting gain on deconsolidation was \$0.240 million. Further details are provided in note 24.

## 5. Cumberland Lorne Resort Revenue and Expenses

During the 2016 year, Unity Pacific Group sold 1 apartment at the Cumberland Lorne Resort in Lorne, Victoria. The sale price of \$0.365 million less the cost of sale (including transaction costs) of \$0.338 million resulted in an overall gain on sale of \$0.027 million.

During the 2015 year, Unity Pacific Group sold 2 apartments at the Cumberland Lorne Resort. The combined sales price of \$0.672 million less the cost of sale (including transaction costs) of \$0.649 million resulted in an overall gain on sale of \$0.023 million.

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

## 6. Doubtful Debts – Trade and other Receivables

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Intra-group loan provision <sup>1</sup>	-	-	2,242	(1,972)
Trade receivables - provision for impairment	(35)	(6)	(35)	-
Total doubtful debts – trade and other receivables	(35)	(6)	2,207	(1,972)

<sup>1</sup> 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. Refer to note 11 for further details about these loans.

During the year, the Trust decreased the amount of an intra-group loan provision that had been raised previously, resulting in a net gain of \$2.242 million (2015: a net loss of \$1.972 million).

## 7. Administration, Overhead and Other Expenses

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Classified by nature</b>				
<b>Administration and overhead costs</b>				
Management and administration expenses	390	541	20	28
Consultancy and legal fees	315	489	47	70
Accounting and audit	103	144	39	64
Placement fees and rebates <sup>1</sup>	24	67	-	-
Total administration and overhead costs	832	1,241	106	162

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

## 8. Finance Income and Expense

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Finance income</b>				
Bank and security deposits	267	586	117	450
Finance income	267	586	117	450
<b>Finance expenses</b>				
Interest paid and payable to third parties	(458)	(1,069)	(454)	(1,064)
Amortisation of finance costs	(19)	(45)	(19)	(45)
Finance expenses	(477)	(1,114)	(473)	(1,109)
Net finance expense	(210)	(528)	(356)	(659)

## 9. Earnings per Security

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Earnings used in calculating earnings per security</b>				
Net profit after tax attributable to securityholders	6,069	1,321	6,014	1,215
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary securities for basic earnings per security	35,803,992	35,803,992	35,803,992	35,803,992
Effect of dilution <sup>1</sup>	-	-	-	-
Adjusted weighted average number of ordinary securities for diluted earnings per security	35,803,992	35,803,992	35,803,992	35,803,992
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic/diluted earnings per security	17.0	3.7	n/a	n/a
Basic/diluted earnings per unit	n/a	n/a	16.8	3.4

<sup>1</sup> For the years ended 30 June 2016 and 30 June 2015, 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 security because they were 'out of the money', meaning the exercise price of the options exceeded the average security price during the relevant year, and were not considered to be dilutive for those years.

As at 30 June 2016 and subsequent to balance date the options are 'in the money' and are considered to be dilutive, meaning the exercise price of the options is less than recent security prices.

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.

## 10. Taxation

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'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	6,069	1,747	6,014	1,641
Tax (expense) / benefit at the statutory tax rate of 30%	(1,821)	(524)	(1,804)	(492)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:				
Non-assessable / (non-deductible) net trust income	1,131	1,084	1,804	492
Net non-assessable / (non-deductible) items	(3)	(5)	-	-
Other expenses	-	-	-	-
Over provision recognised in prior year	-	-	-	-
Current year tax losses and temporary differences for which no deferred tax asset was recognised	693	(555)	-	-
Total income tax expense	-	-	-	-
<b>Deferred tax assets and liabilities</b>				
<b>Deferred tax assets</b>				
Tax losses carried forward <sup>1</sup>	32,128	31,595	-	-
Provisions, accruals, employee entitlements, accrued expenditure and share issue expenses not currently deductible	3,721	4,954	-	-
	35,849	36,549	-	-
<b>Deferred tax liabilities</b>				
Other	5	6	-	-
	5	6	-	-
<b>Net recognised deferred tax assets</b>				
Net deferred tax assets	35,844	36,543	-	-
Deferred tax assets not recognised	(35,844)	(36,543)	-	-
Net recognised deferred tax assets	-	-	-	-
<b>Unrecognised deferred tax assets</b>				
Deductible temporary differences <sup>2</sup>	3,716	4,948	-	-
Tax losses	32,128	31,595	-	-
	35,844	36,543	-	-



## 10. Taxation (continued)

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

- <sup>1</sup> Deferred tax asset for tax losses carried forward (tax effected) as at 30 June 2016 includes capital losses of \$22.065 million (2015: \$22.065 million) which are available to be utilised only against future capital gains with the balance of tax losses of \$10.063 million (2015: \$9.530 million) relating to revenue losses.
- <sup>2</sup> A deferred tax asset attributable to temporary differences of \$3.716 million (2015: \$4.948 million) has not been recognised because as at 30 June 2016, 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 2016, there is no recognised or unrecognised deferred income tax liability (2015: 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Trade receivables	97	93	94	59
Less: Allowance for impairment	(35)	-	(35)	-
Sundry receivables	73	6	53	-
Accrued income	176	103	163	86
Distribution receivable	4	228	-	228
Total current	315	430	275	373
<b>Non-current</b>				
<i>Loans to entities in Unity Pacific Group</i>				
Unity Pacific Limited	-	-	76,749	69,141
Less: Allowance for impairment	-	-	(60,343)	(62,585)
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
Total non-current	-	-	16,406	8,860

### 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 in the 2015 year the receivable 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 26.

## 11. Trade and Other Receivables (continued)

### b. Future Minimum Lease Receivables

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Future minimum lease repayments to the Trust under current leases from tenants are:				
Within one year	-	2,732	-	2,732
Later than one year and no later than five years	-	4,721	-	4,721
Later than five years	-	617	-	617
	-	8,070	-	8,070

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

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Property held for sale - Cumberland Lorne Resort <sup>1</sup>	1,097	1,424	-	-
Property under development - San Remo <sup>2</sup>	8,500	-	-	-
Total current	9,597	1,424	-	-
<b>Non-current</b>				
Property under development - San Remo <sup>2</sup>	-	3,850	-	-
Total non-current	-	3,850	-	-

<sup>1</sup> As at 30 June 2016, Unity Pacific Group owned 4 apartments at the Cumberland Lorne Resort (2015: 5 apartments). The value of apartments expected to be sold within the next 12 months is reassessed at each balance date.

<sup>2</sup> Improved town planning outcomes have and are being pursued for the rural land located at San Remo, Victoria. The value of this property is based on a valuation provided by a registered independent valuer. Unity Pacific Group intends to sell this property within the next 12 months.

The carrying amount of inventory pledged as security for liabilities as at 30 June 2016 is \$nil due to the debt facility being repaid in full on 30 June 2016 (2015: \$5.274 million). See note 18 for further information.

## 13. Other Assets

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Prepayments	40	121	-	73
Total current	40	121	-	73

## 14. Other financial assets

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Unlisted investments</b>				
The Marie Street Trust <sup>1</sup>	147	-	-	-
Total other financial assets	147	-	-	-

<sup>1</sup> Unity Pacific Group and the Trust accounted for their investment in The Marie Street Trust as a financial asset from 31 October 2015. Refer to note 15 for further details. The value of the investment at that date was \$1.850 million. All of the underwrite units held by Unity Pacific Group and the Trust were redeemed during the year for \$1.850 million, resulting in no gain or loss on disposal. Unity Pacific Group (through Unity Pacific Limited) subscribed for 0.150 million ordinary units during the year which were still held at balance date.

## 15. Equity Accounted Investments

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
The Marie Street Trust	-	5,200	-	5,200
Total equity accounted investments	-	5,200	-	5,200

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	
		2016	2015
		%	%
The Marie Street Trust	Australia	1	37

From 30 June 2015 until 31 October 2015, Unity Pacific Group and the Trust was considered to have significant influence over The Marie Street Trust and accounted for their interest in that trust using the equity method of accounting. With effect from 31 October 2015, Unity Pacific Group and the Trust ceased to significantly influence that trust as a result of the external capital raised as at that date and have accounted for their interest in the trust from that date as a financial asset (refer to note 14).

Distribution income of \$0.168 million was earned from The Marie Street Trust for the year (2015: \$0.228 million). As this investment has been treated as an equity accounted investment and financial asset during the period, the effect of the distribution has been split across Share of net profit of equity accounted associates and Other revenue and other income in the Statement of Profit or Loss and Other Comprehensive Income.

## 15. Equity Accounted Investments (continued)

Summarised financial information for The Marie Street Trust at balance date (whilst treated as an equity accounted investment):

	The Marie Street Trust	
	2016 \$'000	2015 \$'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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Reconciliation of Unity Pacific Group's and the Trust's carrying amount</b>				
Opening carrying amount	5,200	-	5,200	-
Fair value on loss of control of subsidiary	-	5,200	-	5,200
Share of profit after income tax	77	-	77	-
Distributions received	(125)	-	(125)	-
Disposals	(3,322)	-	(3,322)	-
Derecognition of investment in associate	(1,830)	-	(1,830)	-
Closing carrying amount	-	5,200	-	5,200

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

**Notes to the Financial Statements** (continued)  
for the year ended 30 June 2016

**16. Investment Properties**

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Investment properties at fair value <sup>1</sup>	-	34,145	-	34,145
<b>Movements in investment properties:</b>				
Balance at beginning of financial year	34,145	60,250	34,145	60,250
Purchase of investment property <sup>2</sup>	-	21,710	-	21,710
Vendor allowances granted at settlement <sup>2</sup>	-	(537)	-	(537)
Capital expenditure <sup>3</sup>	1,087	760	1,087	760
Disposals <sup>4</sup>	(34,145)	(24,200)	(34,145)	(24,200)
Loss of control of subsidiary <sup>2</sup>	-	(22,000)	-	(22,000)
Movement in lease incentives	(50)	(386)	(50)	(386)
Net loss from fair value movements	(1,037)	(1,452)	(1,037)	(1,452)
Balance at end of financial year	-	34,145	-	34,145

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

<sup>2</sup> Relates to the acquisition of 16 Marie Street, Milton by The Marie Street Trust during the period that Unity Pacific Group controlled that trust, and Unity Pacific Group's subsequent deconsolidation of that trust on 30 June 2015. Refer to note 24 for further details.

<sup>3</sup> Capital expenditure incurred during the 2016 year relates to 308 Queen Street/88 Creek Street (2015: \$0.651 million for 308 Queen Street/88 Creek Street and \$0.109 million for 16 Marie Street, Milton).

<sup>4</sup> 308 Queen Street/88 Creek Street and the associated TSAs were sold during the year (refer to note 4 for more details). Rivergate Centre, Murarrie, QLD was sold in December 2014.

Details of investment properties are as follows:

Property	Acquisition Date	Book Value 30 June 2016 \$'000	Book Value 30 June 2015 \$'000	Independent Valuation Date	Independent Valuation Amount \$'000	Capitalisation Rate %	Average Lease Duration <sup>3</sup>	Valuer
<b>Commercial</b>								
308 Queen St/ 88 Creek St, QLD <sup>1</sup>	21/12/2006	-	33,750	30/06/15	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	30/06/15	395	n/a	n/a	m3 property
<b>Total investment properties</b>		-	34,145					

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

<sup>2</sup> The 2015 book value relates to 1,134m<sup>2</sup> transferable site areas (TSAs) owned by Unity Pacific Group and the Trust.

<sup>3</sup> Average Lease Duration by income as at the independent valuation date.

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Unexpired lease incentives	-	375	-	375

## 17. Trade and Other Payables

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade payables	247	259	169	176
Accrued expenses	1,055	145	536	53
Rent received in advance	-	206	-	206
Other payables	131	211	97	145
Total current	1,433	821	802	580

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

## 18. Interest Bearing Loans and Borrowings

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Non-Current</b>				
Bank bills – secured	-	12,000	-	12,000
Borrowing costs net of amortisation	-	(19)	-	(19)
Total non-current	-	11,981	-	11,981

On 30 June 2016, Unity Pacific Group fully repaid its debt facility with National Australia Bank Limited (NAB) (2015: limit of \$12.000 million). Prior to repayment the facility was due to expire on 31 October 2017 and was secured by:

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

During the year, Unity Pacific Group complied with its financial covenants, which were as follows:

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

At 30 June 2016, Unity Pacific Limited held a loan facility with Unity Pacific Stapled Trust on no fixed terms and with an interest rate of 0% (2015: 0%). Loan transactions arise due to Unity Pacific Group treasury policies and the effect of stapling.

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 2015 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 24 for more details of the deconsolidation.

## 18. Interest Bearing Loans and Borrowings (continued)

### Derivative financial instruments

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

Unity Pacific Group and the Trust had no fixed rate debt during the year due to continuing low interest rates and the planned sale of 308 Queen Street/88 Creek Street that would result in total debt repayment.

In the previous year, Unity Pacific Group's \$16.0 million interest rate swap expired. The fair value of the interest rate swap on expiry was \$nil. Unity Pacific Group also 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, in December 2014. 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 24 for more details.

Unity Pacific Group and the Trust had access to the following lines of credit:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Total facilities available</b>				
Bill acceptance facility	-	12,000	-	12,000
<b>Facilities utilised at reporting date</b>				
Bill acceptance facility	-	12,000	-	12,000
<b>Facilities not utilised at reporting date</b>				
Bill acceptance facility	-	-	-	-

## 19. Distributions / Dividends

No income distributions or dividends were paid or payable to securityholders for the year (2015: nil).

A capital distribution of 42 cents per security was paid by the Trust on 31 August 2015. The total amount paid was \$15.038 million and was funded from surplus cash reserves.

In June 2016, the Board resolved that the Trust would pay a capital distribution of 80 cents per security on 25 July 2016. The total amount paid was \$28.643 million and was funded from surplus cash reserves.

Unity Pacific Group's franking account balance is as follows:

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Franking Credits				
Balance of franking account at year end	265	265	-	-

## 20. Contributed Equity

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Ordinary stapled securities – fully paid	237,332	281,021	193,367	237,056

The 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 securities 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	
	No. of units	\$'000	No. of units	\$'000
<b>2016</b>				
During the financial year the following movements in ordinary issued securities occurred:				
<b>Contributed equity attributable to members of the Company</b>				
On issue at 1 July 2015	35,803,992	43,965	-	-
On issue at 30 June 2016	35,803,992	43,965	-	-
<b>Contributed equity attributable to members of the Trust</b>				
On issue at 1 July 2015	35,803,992	237,056	35,803,992	237,056
Capital distribution <sup>1</sup>	-	(43,681)	-	(43,681)
Transaction costs on capital distribution	-	(8)	-	(8)
On issue at 30 June 2016	35,803,992	193,367	35,803,992	193,367
Total contributed equity attributable to securityholders		237,332		193,367

<sup>1</sup> Refer to note 19 for details of the two capital distributions.

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	No. of units	\$'000	No. of units	\$'000
<b>2015</b>				
During the financial year the following movements in ordinary issued securities occurred:				
<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.



## 21. Deficiency of the Trust

	Unity Pacific Stapled Trust Consolidated	
	2016	2015
	\$'000	\$'000
Balance at beginning of the year	(184,760)	(185,975)
Profit attributable to members of the Trust	6,014	1,215
Balance at end of year	(178,746)	(184,760)

## 22. Reserves

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Shared based payments reserve	200	200	200	200
Available for sale reserve	(3)	-	-	-
Transactions with non-controlling interests reserve	-	-	-	-
	197	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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	200	200	200	200
Options granted / (exercised)	-	-	-	-
Balance at 30 June	200	200	200	200

### Available for sale reserve

The available for sale reserve records revaluations of financial assets. Changes in the fair value of investments classified as available for sale financial assets are recognised in other comprehensive income as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

#### Movement in reserve

Available for sale reserve	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	-	-	-	-
Change in fair value	(3)	-	-	-
Balance at 30 June	(3)	-	-	-

## 22. Reserves (continued)

### 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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 2016 and 2015.

## 23. Non-controlling interests

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'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	-	-	-	-

Further details are contained in note 24.

## 24. Controlled Entities

	Country of incorporation / formation	Ownership interest	
		2016	2015
		%	%
<b>Entities controlled by Unity Pacific Limited (parent entity)</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	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	1	37
Marie Street Holding Trust <sup>3</sup>	Australia	100	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.

## 24. Controlled Entities (continued)

### Entity over which control has been lost

Unity Pacific Group and the Trust did not cease to have control over any entities during the 2016 year.

In the previous year Unity Pacific Group and the Trust ceased to control The Marie Street Trust on 30 June 2015. Relevant details are as follows:

- Unity Pacific Group and the Trust controlled The Marie Street Trust and the consolidated financial statements for Unity Pacific Group and the Trust incorporate the results of The Marie Street Trust for the 2015 year, with non-controlling interests calculated in accordance with the accounting policy described in note 1.
- 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.
- From 30 June 2015 until 31 October 2015, Unity Pacific Group and the Trust was considered to have significant influence over The Marie Street Trust. Further detail is contained in notes 14 and 15.

### *Change in ownership interest in The Marie Street Trust and interaction with non-controlling interests*

- 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% in the 2015 year 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 23.

### Gain on deconsolidation of The Marie Street Trust

The loss of control of The Marie Street Trust on 30 June 2015 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 \$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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'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

## 24. 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 15:

	<b>The Marie Street Trust</b>			
	<b>2016</b>	<b>2015</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>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</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	-	-	-	-

## **25. 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:

<b>Operating segments</b>	<b>Products / services</b>
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 and Rivergate Centre)
Property held as inventory	Properties acquired for re-sale or development activities (Cumberland Lorne Resort apartments and San Remo)

### **Unity Pacific Stapled Trust Consolidated**

The Trust operated in predominantly one operating segment being property investment. The impact of Unity Pacific Group's and the Trust's declining investment in The Marie Street Trust is included within this segment. In the previous year, this investment was shown as a separate segment so that the effect of Unity Pacific Group's and the Trust's control of The Marie Street Trust was separately identifiable.

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.

## 25. Operating Segments (continued)

Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated Year Ended 30 June 2016	Property Investment	Funds Management	Property held as Inventory	Other	Unity Pacific Group Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue and other income</b>					
External revenue	3,743	206	495	-	4,444
Inter-segment revenue	43	337	-	(380)	-
Interest revenue	117	148	2	-	267
<b>Total segment revenue and other income</b>	<b>3,903</b>	<b>691</b>	<b>497</b>	<b>(380)</b>	<b>4,711</b>
<b>Segment expenses</b>					
Property expenses and outgoings	(1,716)	-	(113)	56	(1,773)
Employee related expenses	-	(1,585)	-	-	(1,585)
Administration and overhead costs	(106)	(699)	(2)	-	(807)
Inter-segment expenses	(281)	(43)	-	324	-
Doubtful debts – trade and other receivables	(35)	-	-	-	(35)
Finance costs	(455)	(1)	(2)	-	(458)
Other costs, including Lorne	-	(25)	(338)	-	(363)
<b>Total segment expenses</b>	<b>(2,593)</b>	<b>(2,353)</b>	<b>(455)</b>	<b>380</b>	<b>(5,021)</b>
<b>Segment net profit / (loss) before tax</b>	<b>1,310</b>	<b>(1,662)</b>	<b>42</b>	<b>-</b>	<b>(310)</b>
<b>Reconciliation to reported profit / (loss)</b>					
Fair value adjustments / (write downs)					
- Investment properties	(1,037)	-	-	-	(1,037)
- Inventory	-	-	3,928	-	3,928
Total fair value adjustments / (writedowns)	(1,037)	-	3,928	-	2,891
Non-cash expenses - property investment					
- Straight-line lease income	(1)	-	-	-	(1)
- Lease incentive and lease cost amortisation	(172)	-	-	-	(172)
Total non-cash expenses - property investment	(173)	-	-	-	(173)
Non-cash and non-recurring income/(expenses) - other					
- Gain on sale of investment properties	3,155	-	-	-	3,155
- Insurance proceeds for capital expenditure	536	-	-	-	536
- Amortisation of finance costs	(19)	-	-	-	(19)
- Depreciation and amortisation	-	(11)	-	-	(11)
- Doubtful debts – intra-group loans	2,242	-	-	(2,242)	-
Total non-cash income/(expenses) - other	5,914	(11)	-	(2,242)	3,661
Income tax benefit/(expense)	-	-	-	-	-
<b>Total adjustments</b>	<b>4,704</b>	<b>(11)</b>	<b>3,928</b>	<b>(2,242)</b>	<b>6,379</b>
<b>Profit / (loss) for the year</b>	<b>6,014</b>	<b>(1,673)</b>	<b>3,970</b>	<b>(2,242)</b>	<b>6,069</b>
<b>Profit / (loss) attributable to members</b>	<b>6,014</b>	<b>(1,673)</b>	<b>3,970</b>	<b>(2,242)</b>	<b>6,069</b>
<b>Segment assets and liabilities</b>					
Segment assets	44,266	7,835	9,634	(16,408)	45,327
Segment asset increases for the year:					
- Capital expenditure	1,087	27	-	-	1,114
Segment liabilities	(29,445)	(280)	(492)	-	(30,217)

## 25. Operating Segments (continued)

Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated Year Ended 30 June 2015	Property Investment	Investment in Managed Funds	Unity Pacific Stapled Trust Total	Funds Management	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)

## 25. 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	
	2016 \$'000	2015 \$'000
Total segment revenue and other income	4,711	7,305
Reconciliation to reported revenue and other income		
Straight-line lease income	(1)	(26)
Lease incentive and lease cost amortisation	(172)	(286)
Gain on sale of investment property	3,155	2,530
Insurance proceeds for capital expenditure	536	-
Gain on deconsolidation of subsidiary	-	240
Total revenue and other income	8,229	9,763

### Revenue by Geographical Region

Unity Pacific Group operates in Australia only. The amount of revenue from external customers in Australia is \$4.444 million (2015: \$6.719 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 \$0.200 million (2015: \$43.234 million).

## 26. 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	
	2016 \$	2015 \$
<i>Fees paid or payable to Unity Pacific Investment Management Limited</i>		
Management fees – Unity Pacific Stapled Trust	281,292	298,767
Management fees – UPG Prime Industrial Trust	-	96,800
At balance date, there was \$nil owing to the Responsible Entity (2015: \$nil).		



## 26. 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	
	2016	2015
	\$	\$
<i>Fees paid or payable by Unity Pacific Stapled Trust</i>		
Property management and facilities management services – Unity Pacific Limited	53,000	58,956
Project management fee – Unity Pacific Limited	3,119	-
At balance date, there was \$1,244 owing to the associated entity (2015 \$37,501).		
<i>Fees paid or payable by / (to) The Marie Street Trust<sup>1</sup></i>		
Base management fees – Unity Pacific Funds Management Limited	158,291	43,630
Trust establishment fee – Unity Pacific Funds Management Limited	-	408,500
Compliance services – Unity Pacific Funds Management Limited	23,288	6,554
Interest on subscriptions – Unity Pacific Funds Management Limited	-	(8,352)
Property management services – Unity Pacific Property Services Pty Ltd	28,634	6,628
Accounting services – Unity Pacific Limited	15,000	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 \$4,125 owing to / (by) the associated entities (2015: \$34,356).		
<i>Novation of swap by Unity Pacific Stapled Trust to The Marie Street Trust</i>		
As stated in note 18, 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 (2015: \$nil).		

<sup>1</sup> The Marie Street Trust was controlled by Unity Pacific Stapled Trust until 30 June 2015 and significantly influenced by Unity Pacific Stapled Trust 31 October 2015. Refer to note 24. Its responsible entity is Unity Pacific Funds Management Limited.

## 26. Related Party Disclosures (continued)

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

#### Other transactions with related parties (continued)

	Unity Pacific Stapled Trust Consolidated	
	2016	2015
	\$	\$
<i>Other amounts received/(paid) during the year by the Trust</i>		
Unity Pacific Limited <sup>1</sup> – fees for rent of business premises and outgoings	45,745	22,691
Unity Pacific Limited <sup>2</sup> – transfer of office furnishings	33,310	-
Unity Pacific Limited <sup>3</sup> – transfer of office furnishings	(12,420)	-
mCap Pty Ltd – fees for rent of business premises and outgoings - director related entity of Mr C Morton <sup>4</sup>	23,417	10,381
Murray Boyte – fees for rent of business premises – director related <sup>5</sup>	12,833	-
At balance date, there was \$2,111 owing by related parties to the Trust (2015: \$nil).		
<i>Professional fees for legal advice (and disbursements) were paid during the year by the Trust to a director related entity:</i>		
McCullough Robertson Lawyers – director related entity of Mr B Heading <sup>6</sup>	-	16,797
Jones Day - director related entity of Mr B Heading <sup>7</sup>	26,973	-
At balance date, there was \$nil owing to McCullough Robertson Lawyers and Jones Day (2015: \$nil).		

<sup>1</sup> On 1 February 2016 the Trust entered into a 17 month commercial lease agreement with Unity Pacific Limited. The commercial lease agreement is based on normal market rates and payable under normal payment terms.

<sup>2</sup> During the year, the Trust transferred certain office furnishings to Unity Pacific Limited. The amount paid was based on the written down value of the assets at 30 June 2015.

<sup>3</sup> During the year, Unity Pacific Limited transferred certain office furnishings to the Trust. The amount paid was based on the written down value of the assets at 30 June 2015.

<sup>4</sup> 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 was based on normal market rates and payable under normal payment terms. The licence agreement was terminated on 31 January 2016. On 1 February 2016 the Trust entered into a 3 year commercial lease agreement with mCap Pty Ltd. The commercial lease agreement is based on normal market rates and payable under normal payment terms.

<sup>5</sup> On 1 July 2015 the Trust entered into a month-to-month licence agreement with Murray Boyte. The licence agreement is based on normal market rates and payable under normal payment terms.

<sup>6</sup> Mr Heading was Senior Partner of McCullough Robertson Lawyers until his resignation on 31 January 2016. Fees payable to McCullough Robertson Lawyers from 1 February 2016 are not included as a related party transaction. All services were provided on arm's length terms.

<sup>7</sup> Mr Heading was a Partner of the law firm Jones Day from 1 February 2016. All services were provided on arm's length terms.

## 26. Related Party Disclosures (continued)

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

#### Loans to Related Parties

As at 30 June 2016, the Trust is owed \$76.749 million from Unity Pacific Limited (2015: \$69.141 million). Unity Pacific Stapled Trust advanced funds to Unity Pacific Limited on no fixed terms and interest free (2015: 0% pa). An impairment allowance of \$60.343 million (2015: \$62.585 million) has been recognised in relation to this receivable.

As at 30 June 2016, the Trust is owed \$26.991 million from UPG Holdings No. 2 Pty Ltd (2015: \$26.991 million). Unity Pacific Stapled Trust advanced funds to UPG Holdings No. 2 Pty Ltd on no fixed terms and interest free (2015: 0% pa). An impairment allowance of \$26.991 million (2015: \$26.991 million) has been recognised in relation to this receivable.

As at 30 June 2016, the Trust is no longer owed funds from UPG Lorne Resort Pty Ltd as the loan was repaid in full during the year (2015: \$2.304 million). Unity Pacific Stapled Trust had advanced funds to UPG Lorne Resort Pty Ltd on no fixed terms and interest free (2015: 0% pa).

### 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 pages 70 to 73 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:

	Unity Pacific Group Consolidated	
	2016	2015
	\$	\$
<i>Professional fees for legal advice (and disbursements) were paid during the year by Unity Pacific Group to a director related entity:</i>		
McCullough Robertson Lawyers – director related entity of Mr B Heading <sup>1</sup>	31,094	135,364
<i>Other amounts paid during the year by Unity Pacific Group</i>		
mCap Pty Ltd <sup>2</sup> – fees for rent of business premises, car parking and outgoings - director related entity of Mr C Morton	16,618	-

<sup>1</sup> Mr Heading was Senior Partner of McCullough Robertson Lawyers until his resignation on 31 January 2016. Fees payable to McCullough Robertson Lawyers for services provided from 1 February 2016 are not included as a related party transaction. All services were provided on arm's length terms.

<sup>2</sup> On 1 February 2016 Unity Pacific Limited entered into an 8 month licence agreement for rent of business premises, car parking and outgoings with mCap Pty Ltd, a company wholly owned by interests associated with Christopher Morton. The licence agreement was based on normal market rates and payable under normal payment terms.

## 26. 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 2016 were:

#### Current Directors

Brett Heading	Chairman
Christopher Morton	Managing Director
Murray Boyte	Independent Non-Executive Director (appointed 6 March 2015)

#### Former Director

Bevan Towning	Executive Director & Chief Investment Officer
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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	
	2016	2015
	\$	\$
Short term employee benefits (including salaries and directors fees)	735,465	932,129
Post employment benefits	59,975	63,628
Long term benefits	36,928	30,178
Termination benefits	87,500	-
Share based payments	-	-
<b>Total</b>	<b>919,868</b>	<b>1,025,935</b>

#### 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.

## 27. 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Carrying amount</b>				
Cash and cash equivalents	35,175	20,442	27,585	16,406
Trade receivables	97	98	94	59
Other receivables	77	228	53	228
Related entity loans	-	-	16,406	8,860

### Impairment Losses - Trade Receivables

As at 30 June 2016, certain trade receivables relating to rental income were past due but are still considered recoverable and therefore not impaired.

As at 30 June 2016, other trade receivables relating to rental income were past due, considered impaired and provided for (2015: nil). An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The individually impaired receivables relate to tenants who are in difficult economic situations.

The aging of these receivables is as follows:

1 month or less	10	-	10	-
2 to 3 months	19	-	19	-
4 months or more	6	-	6	-
	35	-	35	-

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

Balance at 1 July	-	-	-	-
Allowance for impairment recognised during the year	35	6	35	-
Receivables written off during the year as uncollectible	-	(6)	-	-
Balance as at 30 June	35	-	35	-

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 (net of the allowance for impairment) at reporting date was:

1 month or less	39	98	40	43
2 to 3 months	18	-	18	16
4 months or more	5	-	1	-
	62	98	59	59

The following receivables have also been impaired as at 30 June 2016:

Group entity loans	-	-	103,741	98,437
Allowance for impairment	-	-	(87,335)	(89,577)
	-	-	16,406	8,860

For Group entity loans, an impairment gain of \$2.242 million (2015: impairment loss of \$1.972 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.

## 27. 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 2016</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	-	-	-	-	-	-
Trade and other payables	1,433	1,433	1,008	425	-	-
Provision for capital distribution	28,643	28,643	28,643	-	-	-
<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	-	-	-
Provision for capital distribution	-	-	-	-	-	-

## 27. Financial Instruments (continued)

### Liquidity Risk (continued)

#### Contractual Maturities (continued)

Unity Pacific Stapled Trust Consolidated	Carrying amount \$'000	Contractual cash flows \$'000	Less than 6 months \$'000	6 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000
<b>30 June 2016</b>						
<b>Non-derivative financial liabilities</b>						
Interest bearing liabilities						
Variable rate – non-current	-	-	-	-	-	-
Trade and other payables	802	802	802	-	-	-
Provision for capital distribution	28,643	28,643	28,643	-	-	-
<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	-	-	-

### 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	
	2016 Net profit / Equity \$'000	2015 Net profit / Equity \$'000	2016 Net profit / Equity \$'000	2015 Net profit / Equity \$'000
Interest rates increase by 50bps	176	42	138	22
Interest rates decrease by 50bps	(176)	(42)	(138)	(22)

## 28. Fair Value Measurement

The carrying values of Unity Pacific Group's financial assets and financial liabilities approximate their fair values as at 30 June 2016.

### 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)

<b>Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated 30 June 2016</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Other financial assets	-	147	-	-
Investment properties	-	-	-	-
Total assets	-	147	-	-
<b>30 June 2015</b>				
<b>Assets</b>				
Investment properties	-	-	34,145	34,145
Total assets	-	-	34,145	34,145

There were no transfers between levels during the financial year.

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

Other financial assets have been valued based on the net tangible asset value of the investment.

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



## 28. 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:

<b>Unity Pacific Group Consolidated and Unity Pacific Stapled Trust Consolidated</b>	<b>Investment properties \$'000</b>	<b>Total \$'000</b>
Balance at 30 June 2014	60,250	60,250
Losses recognised in total 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
Losses recognised in total comprehensive income	(1,302)	(1,302)
Movements in lease incentives	(50)	(50)
Capital expenditure	1,087	1,087
Disposals	(33,880)	(33,880)
Balance at 30 June 2016	-	-

## 29. Share Based Payments

### Options Granted to Key Management Personnel

In the 2014 year, Unity Pacific Group granted options to acquire stapled securities to Mr Bevan Towning, 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 Towning on 25 November 2013	7,500,000	\$0.35 or \$0.40 <sup>2</sup>	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	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 of options decreased to 1,875,000 and the exercise price of the options increased to \$1.40 or \$1.60<sup>2</sup>. Following the capital distribution in August 2015 the exercise price of the options decreased to \$0.98 or \$1.18<sup>2</sup>. As at 30 June 2016, 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 Towning on 25 November 2013 <sup>1</sup>	1,875,000	\$0.98 <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 2016, 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> A higher exercise price applied if certain termination events occurred. These events did not occur so the higher exercise price is no longer applicable.

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 <sup>1</sup>
	2016	2016	2015	2015
		\$		\$
Outstanding at beginning of year	1,875,000	1.40	7,500,000	0.35
Effect of capital distribution	-	(0.42)		
Effect of security consolidation	-	-	(5,625,000)	1.05
Outstanding at year end	1,875,000	0.98	1,875,000	1.40

<sup>1</sup> The weighted average contractual life at 30 June 2016 was 2 years (2015: 3 years).

Following the \$0.80 capital distribution paid on 25 July 2016 the exercise price has been further reduced to \$0.18.

### 30. Commitments for Expenditure

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'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	109	19	-	-
One to two years	-	-	-	-

Operating lease commitments for the current year include contracted amounts for an office in Brisbane. Operating lease commitments for the 2015 year included contracted amounts for an office in Sydney and office equipment under non-cancellable operating leases which expired during the 2016 year.

### 31. Events Subsequent to Balance Date

Subsequent to balance date:

- The capital distribution of 80 cents per security totalling \$28.643 million was paid to securityholders by the Trust on 25 July 2016. This capital distribution was included in Unity Pacific Group's net tangible assets per security as at 30 June 2016.
- On 28 July 2016, Unity Pacific Group entered into a Bid Implementation Deed with Ebert Investments Pty Ltd (Ebert Investments) pursuant to which Ebert Investments or its nominee (the Bidder) proposes to make an off-market takeover bid for all of the stapled securities in Unity Pacific Group which are not currently held by Ebert Investments. Further details are contained on page 11.
- On 19 August 2016, Unity Pacific Group's entitlement to receive proceeds of \$0.598 million from a contract to sell 374m<sup>2</sup> of TSAs (as discussed on page 4) became unconditional. The sale of these TSAs will now complete no later than 31 August 2016.

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.

### 32. Contingent Assets and Liabilities

As at 30 June 2016 Unity Pacific Group and the Trust have:

- a contingent asset being \$0.598 million receivable in relation to the sale of 374m<sup>2</sup> of TSAs. Further details are contained on page 4.
- a contingent liability of \$0.500 million being the maximum warranty claim that may be made by the purchaser of 308 Queen Street/88 Creek Street pursuant to the contract of sale. The purchaser has until 30 September 2016 to bring a claim. The directors have assessed the likelihood of a claim being made as low, and if a claim is made, expect it would be for an immaterial amount.

Unity Pacific Group and the Trust are unaware of any other contingent assets or contingent liabilities as at 30 June 2016.

### 33. 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	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>Audit services</b>				
In accordance with the <i>Corporations Act 2001</i> :				
Audit and review of financial reports	74,834	85,344	29,191	39,543
Audit of compliance plans	9,208	5,000	4,600	4,500
<b>Other non-audit services</b>				
Property outgoing audit	2,500	-	2,500	-
Taxation advice and compliance services	31,757	30,526	3,950	10,626
General accounting advice	-	5,320	-	3,850
	118,299	126,190	40,241	58,519

### 34. Notes to the Statement of Cash Flows

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>(a) Cash and cash equivalents</b>				
Cash at bank and on hand	35,175	20,442	27,585	16,406

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 2016, the following funds are not available to Unity Pacific Group to be used in its ordinary course of business:

- \$0.330 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.

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

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Operating profit / (loss) after income tax	6,069	1,747	6,014	1,641
<i>Non operating items:</i>				
Trust establishment fee	-	-	-	419
<i>Non-cash items:</i>				
Movement in allowance for doubtful debts	35	6	(2,207)	1,972
Fair value movement in investment properties	1,037	1,452	1,037	1,452
Fair value movement in derivative financial instruments	-	119	-	119
Fair value movement in financial assets	(19)	-	(19)	-
Amortisation expense	2	1	-	-
Depreciation expense	10	12	-	-
Write (up)/down of inventory to net realisable value	(3,928)	50	-	-
Gain on deconsolidation of subsidiary	-	(240)	-	(240)
Gain on sale of inventory	(38)	(43)	-	-
Gain on sale of investment properties	(3,155)	(2,800)	(3,155)	(2,800)
Gain on disposal of equity accounted investments	(28)	-	(28)	-
Share of profit of equity accounted associates	(77)	-	(77)	-
Amortised borrowing costs	19	45	19	45
<i>Changes in operating assets and liabilities:</i>				
Decrease / (increase) in trade and other receivables	3	424	(176)	343
Decrease / (increase) in other assets	42	31	34	(14)
Increase / (decrease) in trade and other payables	(376)	199	(117)	127
Decrease / (increase) in provisions	24	45	-	-
Net cash provided by operating activities	(380)	1,048	1,325	3,064

### 35. Net Tangible Assets

	Unity Pacific Group Consolidated		Unity Pacific Stapled Trust Consolidated	
	2016	2015	2016	2015
<i>Reconciliation of net tangible assets</i>				
Net assets \$'000	15,110	52,733	14,821	52,496
Intangible assets \$'000	(4)	(3)	-	-
Net tangible assets \$'000	15,106	52,730	14,821	52,496
Securities issued – '000	35,804	35,804	35,804	35,804
Net tangible asset backing (book value) per security (\$)¹	0.42	1.47	0.41	1.47

¹ There are currently 1.875 million options on issue to acquire stapled securities with an exercise price of \$0.18. These options are considered to be 'in the money' and if exercised, the net tangible asset backing per security for Unity Pacific Group would be \$0.41 (refer to note 29 for further details).

### 36. Parent Entity Information

	Unity Pacific Limited Parent		Unity Pacific Stapled Trust Parent	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Information relating to Unity Pacific Limited and Unity Pacific Stapled Trust</b>				
<i>(a) Summary financial information</i>				
Current assets	17,781	2,440	27,860	16,841
Total assets	20,567	11,754	44,266	65,356
Current liabilities	209	349	29,445	578
Total liabilities	80,973	74,339	29,445	12,559
Issued shares / units	43,965	43,965	193,367	237,056
Accumulated losses / deficiency	(104,368)	(106,550)	(178,746)	(184,460)
Available for sale reserve	(3)	-	-	-
Share based payment reserve	-	-	200	200
Total equity	(60,406)	(62,585)	14,821	52,796
Profit / (loss) of the parent entity	2,182	(2,101)	5,713	1,215
Total comprehensive profit/(loss) of the parent entity	2,179	(2,101)	5,713	1,215

#### *(b) Guarantees*

During the 2015 and 2016 years, Unity Pacific Limited and Unity Pacific Stapled Trust did not provide any guarantees.

#### *(c) Contingent assets and liabilities*

Unity Pacific Limited has no contingent liabilities.

Refer to note 32 for details of Unity Pacific Stapled Trust's contingent assets and liabilities.

## **Directors' Declaration**

for the year ended 30 June 2016

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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 2016 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 2016.

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 22<sup>nd</sup> day of August 2016



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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 2016, 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 2016 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 18 to 24 of the directors' report for the year ended 30 June 2016. 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 2016 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', written over a faint, larger version of the same signature.

**C R Jenkins**

Director

Brisbane, 22 August 2016

# Securityholder Information

as at 15 August 2016

## 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
Ebert Investments Pty Ltd <Ebert Investments A/C>	5,757,494	16.08
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
Est John Allan Stewart Pidgeon	2,250,000	6.28
One Managed Invt Funds Ltd <1 A/C>	1,469,836	4.11
BNP Paribas Noms Pty Ltd <DRP>	1,211,211	3.38
Jesmond Capital Pty Ltd <Lochmort Family>	687,500	1.92
Mr Donald Gordon Mackenzie & Mrs Gwenneth Edna Mackenzie	643,678	1.80
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>	328,516	0.92
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	266,461	0.74
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
Treasure Island Hire Boat Company Pty Ltd <Staff Super Fund Account>	245,736	0.69
Mr Andrew Rudolph Sypkes & Mrs Elizabeth Anne Petrusma <R & E Sypkes Family Sf A/C>	209,403	0.58
Mrs Louise Jayne Maggacis	183,000	0.51
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	173,157	0.48
Mr Warwick Sauer	159,543	0.45

## 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	323	138,001
1,001 to 5,000	401	1,047,809
5,001 to 10,000	108	817,465
10,001 to 50,000	135	2,750,983
50,001 to 100,000	11	796,564
100,001 and Over	27	30,253,170
Total	1,005	35,803,992

The number of securityholders holding less than a marketable parcel is 348.

# Securityholder Information (CONTINUED)

as at 15 August 2016

## Substantial Securityholders

The names of substantial securityholders who have notified the company in accordance with Part 6C.1 of the *Corporations Act 2001* as at 15 August 2016 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%
Ebert Investments Pty Ltd <Ebert Investments A/C>	5,757,494	16.08%

## 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	22 August 2016
Lodgement of the Annual Report with ASX	6 September 2016

## 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 Report 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)

# Corporate Directory

## COMPANY NAME

### Unity Pacific Limited

Level 1, 88 Creek Street  
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T: +61 7 3370 4800  
F: +61 7 3041 6125  
E: info@unitypacific.com.au

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

## RESPONSIBLE ENTITY

### Unity Pacific Investment Management Limited

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## REGISTRAR

### Link Market Services Limited

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T: 1300 554 474  
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## AUDITOR

### BDO Audit Pty Ltd

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# Notes

# Notes



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