MAKING
AUCKLAND
THRIVE

INTERIM REPORT **2016**

Precinct
PROPERTIES NEW ZEALAND


pwc
HSBC

*THERE IS AN UNPRECEDENTED LEVEL OF INVESTMENT ON AUCKLAND'S CBD WATERFRONT AND **IT'S A PRIVILEGE TO BE AT THE HEART OF THIS TRANSFORMATION**.*

CHAIRMAN'S AND CEO'S REPORT

It has been a pivotal and exciting start to the financial year. The commitment to Commercial Bay is a milestone for the company and is a project which will transform the Precinct portfolio and Auckland's CBD.

There is an unprecedented level of investment on Auckland's CBD waterfront and it's good to be at the heart of this transformation. Complementing our projects and existing assets, are a number of residential and hotel developments along with extensive public investment.

Central Government's recent commitment to the city rail link is a further step forward for Commercial Bay.

$34.8M

NET PROFIT AFTER TAX

At Wynyard, we have commenced works on the first stage which is 70% pre-leased and expected to cost $84 million. Demolition works have been completed and site infrastructure works have commenced. After planning and developing our long term strategy over the past 5 years it is very pleasing to be underway with construction of prime assets in waterfront locations.

The Auckland office market continues to strengthen with overall vacancy rates declining further to 6.7% (June 2015: 7.3%). The preference for the majority of occupiers' is to be situated in the CBD Waterfront precinct. CBRE calculated that the Auckland prime CBD vacancy rate decreased to 1.4% in December 2015 compared with 1.6% recorded six months earlier.

INTERIM RESULTS

Net profit after tax for the six months ended 31 December 2015 was $34.8 million (December 2014: $31.6 million). The increase was mainly attributable to the reduction in interest expense following the $174 million entitlement offer, and a fair value gain in financial instruments.

Net operating income, which adjusts for a number of non-cash items, increased $0.4 million to $35.7 million (31 Dec 2014: $35.3 million). The increase occurred primarily due to a fall in interest costs following the debt repayment from the proceeds of the entitlement offer undertaken in March 2015.

With a focus on balancing risk and return Precinct has reduced gearing to 12.8% from 33.7% a year ago. This significant reduction in gearing has put Precinct in a strong financial position to fund its development opportunities. This deleveraging has meant that earnings per share are reduced in the short term from 3.33 cps in the comparative period.

Net property income (NPI) reduced to $53.7 million (2014: $62.1 million). After adjusting for recent asset sales, like for like income was consistent with the comparative period.

Net interest expense decreased from $16.9 million to $6.0 million, reflecting lower debt levels following the asset sales and the 2015 entitlement offer.

Tax expense increased by $2.1 million to $6.9 million. This period's tax expense was higher due to a higher pre-tax profit and a lower level of deductibles.

The fair value gain in financial instruments of $4.3 million compares with a $5.3 million loss for the same period last year. The gain primarily reflected a positive fair value movement of the USPP notes due to an increase in market credit margins.

An internal review of the 30 June 2015 property valuations indicated no material value movement in the period. The 31 December 2015 investment property book values were consistent with Precinct's policy of carrying investment property at fair value.

The value of net tangible assets per share at interim balance date was $1.11 (30 June 2015: $1.11).

KEY FINANCIAL INFORMATION

	31 December 2015 ($ millions unless otherwise stated)	31 December 2014 ($ millions unless otherwise stated)	% change
Operating income before indirect expenses	$53.7	$62.1	-13.5%
Net operating income before taxation	$42.6	$40.1	6.2%
Net operating income	$35.7	$35.3	1.1%
Net profit/(loss) after taxation	$34.8	$31.6	10.1%
EPS[1] based on net operating income before current taxation	3.52 cents	3.78 cents	-6.9%
EPS based on net operating income after current taxation	2.95 cents	3.33 cents	-11.4%
Net distribution for interim period (cents per share)	2.70 cents	2.70 cents	0.0%
Payout ratio	92%	81%	12.8%
	31 December 2015	30 June 2015	
NTA	111 cents	111 cents	0.0%
Debt Drawn[2]	$178.1 m	$323.4 m	-44.9%
Gearing	12.8%	20.1%	-36.3%
Weighted average term to expiry of debt facility	5.6 years	4.6 years	21.7%
Weighted average debt cost (including fees)	5.7%	5.4%	5.6%
Hedged	128%	62%	106.5%
Interest coverage ratio (previous 12 months)	4.9 times	3.5 times	40.0%

1. Earnings per share (EPS)
2. Excludes USPP note fair value adjustment of $12.0 million (30 June 2015 $16.6 million)

CAPITAL MANAGEMENT

The proceeds from asset sales have been used to repay borrowings which reduced to $178 million (30 June 2015: $323 million). Precinct's gearing decreased to 12.8% (30 June 2015: 20.1%).

Existing secured bank debt facilities were refinanced, providing material savings from lower margins and additional tenor. Following the bank refinance the weighted average term to expiry increased to 5.6 years at 31 December 2015 (30 June 2015: 4.6 years). Importantly the five year $680 million facility reduces refinance risk during the development phase of Commercial Bay.

Following debt repayment, Precinct was fully hedged through the use of interest rate swaps (30 June 2015: 62%). This hedging level will reduce as capital is deployed on development projects. This weighted average interest rate including all fees was 5.7% at 31 December 2015 (30 June 2015: 5.4%).

PORTFOLIO PERFORMANCE

A fall in Wellington occupancy in the period led to overall occupancy falling to 97% (30 June 2015: 98%). This was a result of additional vacancy at 157 Lambton Quay, State Insurance Tower and Deloitte House. Post balance date, the vacancy at Deloitte House has been leased. Leasing the remaining vacant space in Wellington is a key focus for 2016.

Over the period we increased our weighting to Auckland to 67% (June 2015: 60%). In Auckland, the portfolio remained almost fully occupied. As a result there were only two new lease transactions in the period. These transactions were secured at a 4% premium to 30 June 2015 valuations.

Precinct secured 11 leasing transactions covering 4,100 square metres at a 1.5% premium to the market rents adopted within the June valuations.

Caption: Artist impression of the proposed food and beverage offering at Commercial Bay.

At 31 December 2015 Precinct's weighted average lease term across the investment portfolio was 4.7 years (excluding Downtown Shopping Centre) compared with 5.0 years at 30 June 2015. Including development pre-commitments the WALT increases to 5.8 years.

Precinct settled 24,300 square metres of market rent reviews at a 4.3% premium to valuation in the period with a number of Wellington reviews held at ratchet.

Across the 44,700 square metres of rent reviews, we saw an increase in passing rents of around 0.8%.

OFFICE MARKET UPDATE

Strong occupier demand and limited available prime Auckland CBD office stock has resulted in a continuation of historically low vacancy rates. CBRE calculated that the Auckland prime CBD vacancy rate decreased to 1.4% in December 2015 compared with 1.6% recorded six months earlier.

As occupiers continue to compete for limited vacant prime grade office stock, forecasts from most research houses are anticipating meaningful rental growth during 2016. Wellington vacancy rates continue to fluctuate as occupiers relocate to accommodate refurbishment and redevelopment projects. According to CBRE, the Wellington prime grade vacancy rate increased from 3.1% to 3.9% over the six months to December 2015.

The Wellington Accommodation Project which looks to optimise government departments' requirements continues to be a key consideration for the Wellington CBD office market. This is expected to increase the amount of secondary space available as various government agencies vacate their current office locations.

DEVELOPMENT PROGRESS

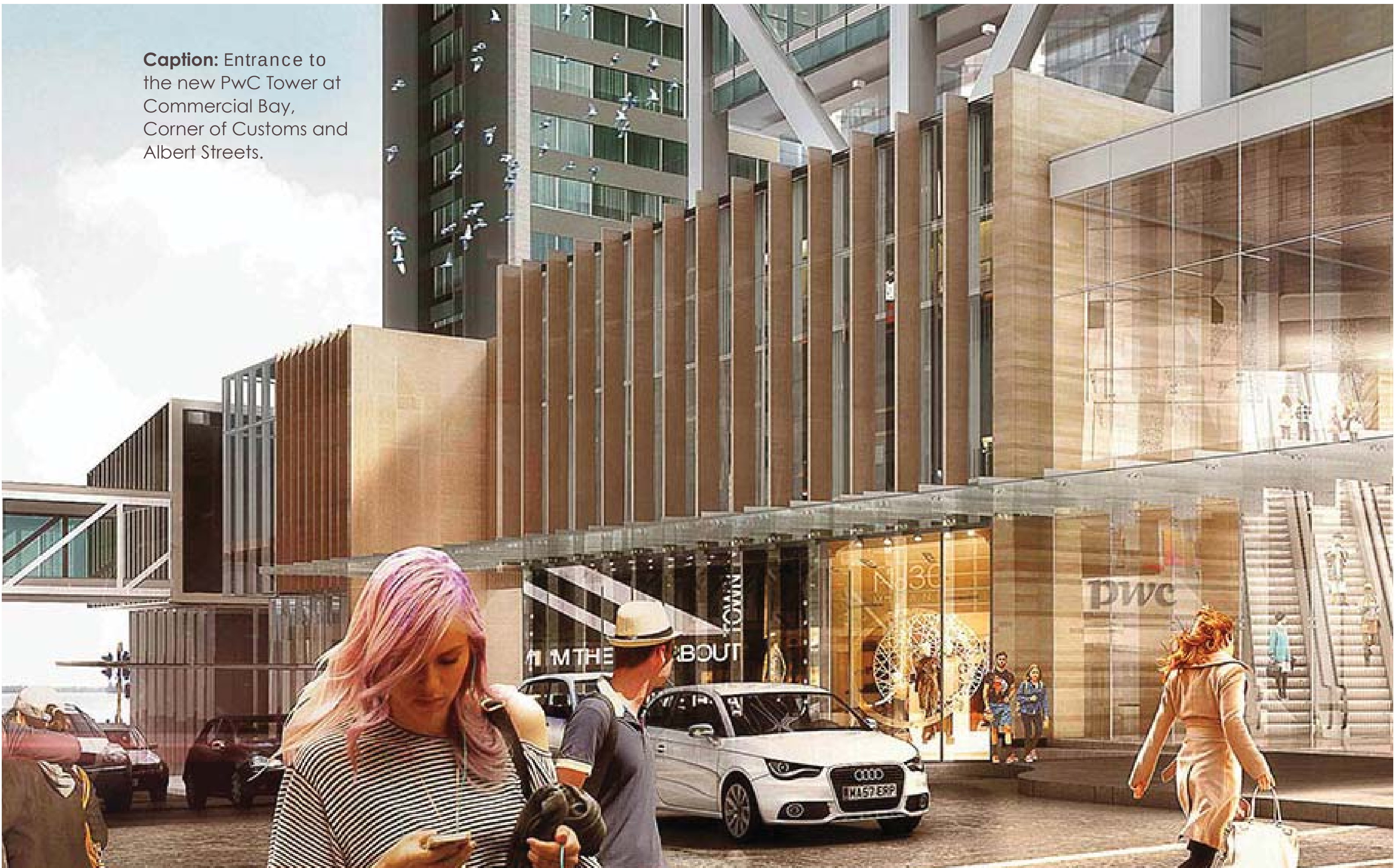
In the period Precinct announced that it will proceed with Commercial Bay, a $681 million development including a new 39 level commercial office tower and a world class retail centre at its Downtown Shopping Centre site on Auckland's waterfront.

The anchor client for the new tower, PwC, will be joined by Chapman Tripp, along with three other foundation clients. In total the tower pre-commitment is 52%.

Since launch, Commercial Bay has had strong retail and commercial leasing enquiry. Negotiations are advancing well with mini major retailers for the flagship stores and other tower occupiers.

At Wynyard Quarter demolition works are now complete and ground works have commenced. The project is 70% pre-committed and there remains good interest in the balance of the uncommitted space within the Mason Brothers building.

As previously announced, Bowen Campus has been Cabinet approved to enter the final negotiations phase of the Government's Wellington Accommodation Project.
This phase is progressing well for Bowen Campus, as well as 3 The Terrace, Pastoral House and Mayfair House.



Caption: Entrance to the new PwC Tower at Commercial Bay, Corner of Customs and Albert Streets.

OUTLOOK

Full-year operating earnings after tax are expected to be around 6.0 cents per share (before performance fees). Dividend guidance for the 2016 financial year remains unchanged at 5.4 cents per share, consistent with the 90% pay out dividend policy.

The Auckland portfolio is expected to benefit from rental growth given the sustained demand and current low vacancy levels.

In Wellington, the majority of research houses are anticipating moderate rental growth during 2016, however seismically strong, good quality assets continue to be well sought after by both public and private occupiers with the Wellington portfolio well positioned to absorb this demand.

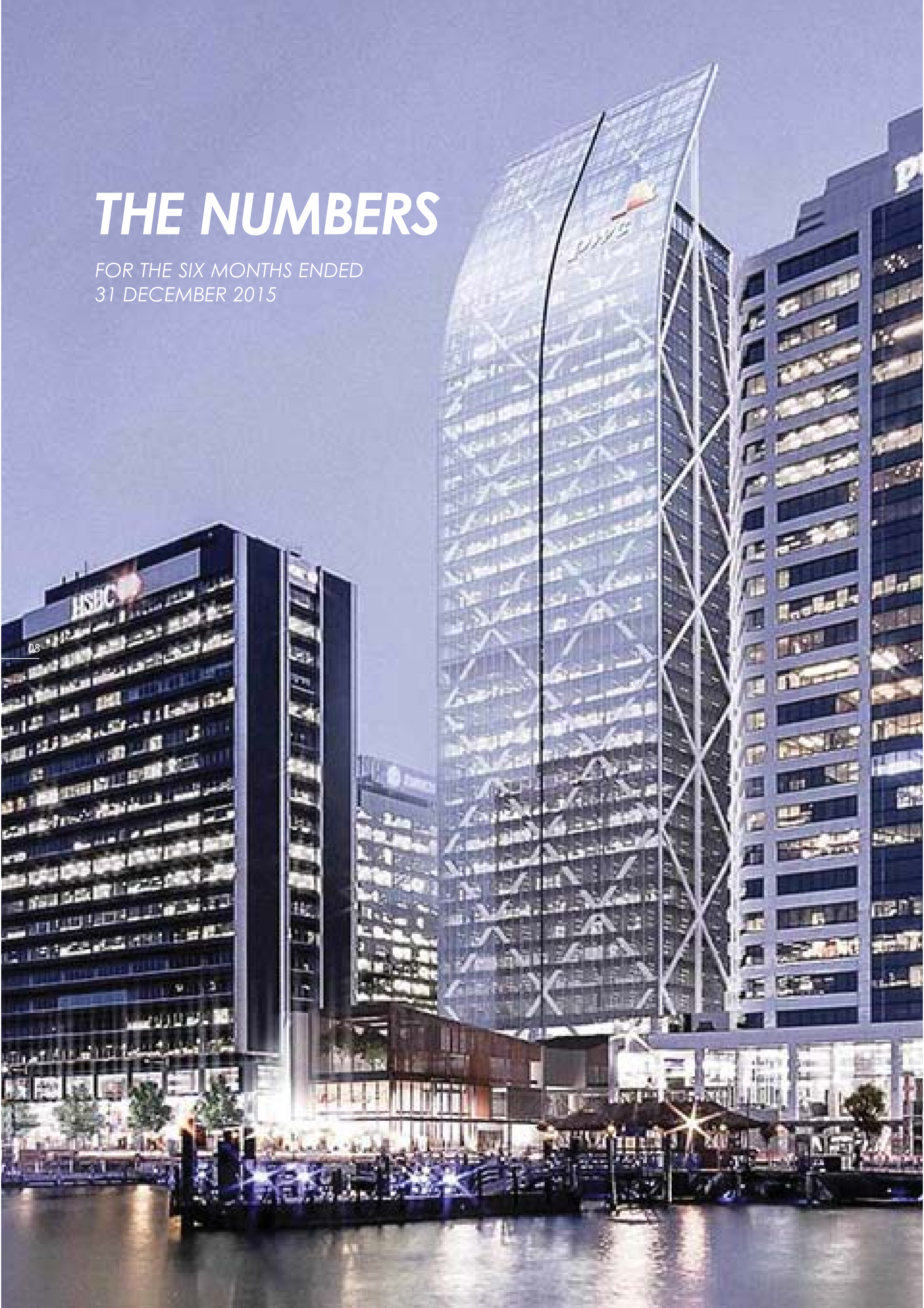
In coming years as the development programme is executed and as associated risks are reduced, it is anticipated that returns will grow, as they reflect the solid earnings growth and value created from the completed developments.

SCOTT PRITCHARD, CEO

CRAIG STOBO, CHAIRMAN

THE NUMBERS

FOR THE SIX MONTHS ENDED
31 DECEMBER 2015



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015

Amounts in $millions	Notes	Unaudited six months ended 31 December 2015	Unaudited six months ended 31 December 2014	Audited year ended 30 June 2015
Revenue				
Gross rental income		**74.9**	86.1	**170.5**
Less direct operating expenses		**(21.2)**	(24.0)	**(48.9)**
Operating income before indirect expenses		**53.7**	62.1	**121.6**
Indirect expenses/(revenue)				
Interest expense		**6.2**	17.0	**31.6**
Interest income		**(0.2)**	(0.1)	**(0.2)**
Other expenses	8	**5.1**	5.1	**10.4**
Total indirect expenses/(revenue)		**11.1**	22.0	**41.8**
Operating income before income tax		**42.6**	40.1	**79.8**
Non operating income/(expenses)				
Unrealised net gain/(loss) in value of investment properties	6	**–**	–	**64.8**
Unrealised net gain/(loss) on financial instruments		**4.3**	(5.3)	**(11.9)**
Net realised gain/(loss) on sale of investment properties	6	**(2.7)**	0.2	**(1.6)**
Total non operating income/(expenses)		**1.6**	(5.1)	**51.3**
Net profit before taxation		**44.2**	35.0	**131.1**
Income tax expense/(benefit)				
Current tax expense		**6.9**	4.8	**11.5**
Depreciation recovered on sale		**10.0**	–	**3.8**
Deferred tax expense/(benefit) – financial instruments		**1.2**	(1.5)	**(3.3)**
Deferred tax expense/(benefit) – depreciation		**(0.0)**	0.1	**1.2**
Deferred tax expense/(benefit) – depreciation recovered		**(8.7)**	–	**(4.5)**
Total taxation expense/(benefit)		**9.4**	3.4	**8.7**
Net profit and total comprehensive income after income tax attributable to equity holders		**34.8**	31.6	**122.4**
Earnings per share (cents per share)				
Basic and diluted earnings per share	10	**2.87**	2.98	**11.10**
Other amounts (cents per share)				
Operating income before current tax per share	10	**3.52**	3.78	**7.23**
Net operating income per share	10	**2.95**	3.33	**6.19**

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

Amounts in $millions	*Cents per share*	*Shares*	*Ordinary shares*	*Retained earnings*	*Total equity*
At 1 July 2014		1,059.7	876.2	230.6	1,106.8
Total comprehensive income for the period				31.6	31.6
Distributions					
FY14 Q4 final distribution	1.35			(14.3)	(14.3)
FY15 Q1 interim distribution	1.35			(14.3)	(14.3)
At 31 December 2014		1,059.7	876.2	233.6	1,109.8
At 1 January 2015		1,059.7	876.2	233.6	1,109.8
Total comprehensive income for the period				90.8	90.8
Issue of new shares					
Institutional rights issue – 4 March 2015	115.00	46.8	53.9		53.9
Retail rights issue – 25 March 2015	115.00	104.6	120.2		120.2
Issue costs			(3.6)		(3.6)
Distributions					
FY15 Q2 interim distribution	1.35			(16.4)	(16.4)
FY15 Q3 interim distribution	1.35			(16.4)	(16.4)
At 30 June 2015		1,211.1	1,046.7	291.6	1,338.3
At 1 July 2015		**1,211.1**	**1,046.7**	**291.6**	**1,338.3**
Total comprehensive income for the period				**34.8**	**34.8**
Distributions					
FY15 Q4 final distribution	**1.35**			**(16.4)**	**(16.4)**
FY16 Q1 interim distribution	**1.35**			**(16.4)**	**(16.4)**
At 31 December 2015		**1,211.1**	**1,046.7**	**293.6**	**1,340.3**

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

Amounts in $millions	Notes	Unaudited as at 31 December 2015	Audited as at 30 June 2015
Current assets			
Cash		2.3	2.7
Fair value of derivative financial instruments	12	–	–
Debtors		2.9	5.2
Property sale proceeds to be settled		–	32.5
Total current assets		5.2	40.4
Investment properties held for sale		–	76.0
Non current assets			
Fair value of derivative financial instruments	12	17.7	15.4
Deferred tax asset – fair value of financial instruments		3.1	4.3
Other assets		0.6	5.3
Development properties	6	11.1	–
Investment properties	6	1,569.7	1,611.8
Total non current assets		1,602.2	1,636.8
Total assets		1,607.4	1,753.2
Current liabilities			
Fair value of derivative financial instruments	12	–	–
Provision for tax		13.8	5.9
Other current liabilities		16.3	16.1
Total current liabilities		30.1	22.0
Non current liabilities			
Interest bearing liabilities	11	190.1	340.0
Fair value of derivative financial instruments	12	16.6	13.9
Deferred tax liability – depreciation		30.3	39.0
Total non current liabilities		237.0	392.9
Total liabilities		267.1	414.9
Total equity		1,340.3	1,338.3
Total liabilities and equity		1,607.4	1,753.2

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 16 February 2016.

CRAIG STOBO
CHAIRMAN

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

Amounts in $millions	Notes	Unaudited six months ended 31 December 2015	Unaudited six months ended 31 December 2014	Audited year ended 30 June 2015
Cash flows from operating activities				
Gross rental income per statement of comprehensive income		**74.9**	86.1	**170.5**
Less: Current year incentives		**(0.6)**	(2.2)	**(3.9)**
Add: Amortised incentives		**1.6**	2.0	**4.0**
Add: Working capital movements		**0.4**	(1.1)	**(0.9)**
Cash flow from gross rental income		**76.3**	84.8	**169.7**
Interest income		**0.2**	0.1	**0.2**
Property expenses		**(21.0)**	(24.9)	**(47.5)**
Other expenses		**(8.3)**	(5.2)	**(10.4)**
Interest expense		**(8.6)**	(15.7)	**(32.0)**
Income tax		**(9.0)**	(5.0)	**(12.4)**
Net cash inflow/(outflow) from operating activities		**29.6**	34.1	**67.6**
Cash flows from investing activities				
Capital expenditure on investment properties		**(18.6)**	(13.3)	**(27.3)**
Capital expenditure on development properties		**(6.4)**	–	**(2.5)**
Disposal of investment properties		**171.2**	–	**100.1**
Net cash inflow/(outflow) from investing activities		**146.2**	(13.3)	**70.3**
Cash flows from financing activities				
Loan facility drawings to fund capital expenditure		**25.0**	13.3	**29.8**
Other loan facility drawings[1]		**(15.5)**	4.6	**(89.8)**
Loan facility cancellations		**(153.0)**	(83.0)	**(359.0)**
Issue of retail bonds		**–**	75.0	**75.0**
Issue of United States private placement		**–**	–	**97.9**
Issue of new shares[2]		**–**	–	**170.5**
Distributions paid to share holders		**(32.7)**	(28.6)	**(61.3)**
Net cash inflow/(outflow) from financing activities		**(176.2)**	(18.7)	**(136.9)**
Net increase/(decrease) in cash held		**(0.4)**	2.1	**1.0**
Cash at the beginning of the period		**2.7**	1.7	**1.7**
Cash at the end of the period		**2.3**	3.8	**2.7**

1. Loan facility drawings are net of repayments made throughout period.
2. Issue of new shares are net of issue costs.

The accompanying notes form part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1. REPORTING ENTITY

Precinct Properties New Zealand Limited (Precinct) is incorporated in New Zealand and is registered under the New Zealand Companies Act 1993.

Precinct is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

These interim financial statements are those of Precinct and its three 100% owned subsidiaries (the Group).

The Group's principal activity is investment in predominantly prime CBD office properties in New Zealand. Precinct is managed by AMP Haumi Management Limited (the Manager).

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting.

The interim financial statements have been prepared:

- On a historical cost basis except for financial instruments and investment properties which are measured at fair value.
- Using the New Zealand Dollar functional and reporting currency.
- On a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

These interim financial statements should be read in conjunction with the financial statements and related notes included in Precinct's Annual Report for the year ended 30 June 2015.

Precinct has elected to include additional comparative periods to assist users of the financial statements.

3. FAIR VALUE ESTIMATION

Precinct classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (by price) or indirectly (derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing Precinct's interim financial statements, management continually makes judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on Precinct.

All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made by management.

The significant judgements, estimates and assumptions made in the preparation of these interim financial statements are in relation to:

i) Investment properties

ii) Deferred tax assets and deferred tax liabilities

iii) Cross currency interest rate swaps and USPP notes

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

5. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

Precinct's financial position and performance was affected by the following events and transactions that occurred during the reporting period:

i) Sale of 80 The Terrace

On 29 May 2015, 80 The Terrace was unconditionally sold for $36.1 million resulting in a loss on sale of $1.8 million. The sale was settled on 27 July 2015.

ii) Sale of ANZ Centre – Wellington and 125 The Terrace

On 30 July 2015, the sale of ANZ Centre – Wellington for $76.0 million was settled resulting in a loss on sale of $1.7 million.

On 16 September 2015, the sale of 125 The Terrace for $65.0 million was settled resulting in a loss on sale of $0.9 million.

6. INVESTMENT PROPERTIES

Amounts in $millions	*Valuer[1]*	***Valuation 30 June 2015***	*Capitalised incentives*	*Additions/ disposals*	***Book value 31 December 2015***
Auckland					
AMP Centre	JLL	**136.0**	(0.3)	0.3	**136.0**
ANZ Centre – Auckland	CBRE	**271.1**	0.3	–	**271.4**
Downtown Shopping Centre[2]	JLL	**120.0**	–	15.3	**135.3**
HSBC House	CBRE	**120.0**	0.1	0.3	**120.4**
PricewaterhouseCoopers Tower	JLL	**293.0**	(0.8)	0.3	**292.5**
Zurich House	Colliers	**100.5**	(0.5)	0.2	**100.2**
Wellington					
125 The Terrace	CBRE	**64.9**	–	(64.9)	**–**
157 Lambton Quay[3]	Bayleys	**106.0**	–	3.2	**109.2**
Bowen Campus	Colliers	**49.0**	(0.2)	1.0	**49.8**
Deloitte House[4]	CBRE	**49.3**	0.2	0.3	**49.8**
Mayfair House	CBRE	**38.1**	(0.2)	0.2	**38.1**
No.1 and 3 The Terrace	Colliers	**70.0**	(0.1)	0.1	**70.0**
No. 3 The Terrace[5]	Colliers	**10.6**	–	–	**10.6**
Pastoral House	Bayleys	**47.0**	(0.1)	0.2	**47.1**
State Insurance Tower	Colliers	**136.3**	(0.2)	3.2	**139.3**
Market value (fair value) of investment properties		**1,611.8**	(1.8)	(40.3)	**1,569.7**
ANZ Centre – Wellington[6]	Colliers	**76.0**	–	(76.0)	**–**
Market value (fair value) of properties held for sale		**76.0**	–	(76.0)	**–**

1. 30 June 2015 valuer.
2. Additions include capitalised development costs relating to the Commercial Bay tower and retail complex.
3. This property was previously known as Vodafone on the Quay.
4. Leasehold property on a perpetually renewable lease.
5. No 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
6. Sale of ANZ Centre - Wellington was settled on 30 July 2015. The property was previously known as 171 Featherston Street.

7. DEVELOPMENT PROPERTIES

Amounts in $millions	Valuer	Book value 30 June 2015	Capitalised incentives	Additions/ disposals	Book value 31 December 2015
Wynyard Quarter Stage One[1]	N/A	–	–	11.1	**11.1**
Market value (fair value) of development properties		**–**	–	11.1	**11.1**

1. Subsequent to entering into a ground lease at Wynyard Quarter the costs relating to Wynyard Quarter Stage 1 have been transferred from other assets to development properties.

8. OTHER EXPENSES

Amounts in $millions	Unaudited six months ended 31 December 2015	Unaudited six months ended 31 December 2014	Audited year ended 30 June 2015
Other expenses			
Audit fees	**0.1**	0.1	**0.2**
Directors' fees and expenses	**0.3**	0.2	**0.5**
Manager's base fees	**4.1**	4.3	**8.5**
Manager's performance fees	**–**	–	**–**
Other[1]	**0.6**	0.5	**1.2**
Total other expenses	**5.1**	5.1	**10.4**

1. Other expenses includes valuation fees, share registry costs and annual report design and publication.

9. RECONCILIATION OF NET PROFIT AFTER TAX TO NET OPERATING INCOME

Net operating income is net profit after tax, before revaluations on investment properties, revaluations of derivative financial instruments, realised gain or loss on sale of investment property, tax on disposal of depreciable assets and deferred tax.

Amounts in $millions	***Unaudited six months ended 31 December 2015***	*Unaudited six months ended 31 December 2014*	***Audited year ended 30 June 2015***
Net profit after taxation	**34.8**	31.6	**122.4**
Unrealised net (gain)/loss in value of investment properties	**–**	–	**(64.8)**
Unrealised net (gain)/loss on financial instruments	**(4.3)**	5.3	**11.9**
Net realised (gain)/loss on sale of investment properties	**2.7**	(0.2)	**1.6**
Depreciation recovered on sale	**10.0**	–	**3.8**
Deferred tax (benefit)/expense	**(7.5)**	(1.4)	**(6.6)**
Net operating income	**35.7**	35.3	**68.3**
Weighted average number of shares for net operating income per share (M)	**1,211.1**	1,059.7	**1,103.1**
Net operating income per share (cents)	**2.95**	3.33	**6.19**

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

10. EARNINGS PER SHARE

	Unaudited six months ended 31 December 2015	*Unaudited six months ended 31 December 2014*	***Audited year ended 30 June 2015***
Net profit after tax for basic and diluted earnings per share ($millions)	**34.8**	31.6	**122.4**
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,211.1**	1,059.7	**1,103.1**

There have been no new shares issued subsequent to balance date that would affect the above calculations.

11. INTEREST BEARING LIABILITIES

Amounts in $millions	***31 December 2015***	*30 June 2015*
Interest bearing liabilities		
Bank loans	**9.5**	153.0
US private placement[1]	**109.9**	114.5
NZ retail bond	**75.0**	75.0
Subtotal	**194.4**	342.5
Capitalised borrowing costs	**(4.3)**	(2.5)
Net interest bearing liabilities	**190.1**	340.0

1. The fair value of the US private placement note includes the initially translated interest bearing borrowings of $97.9 million and fair value adjustment of $12.0 million.

Amounts in $millions	*Held at*	*Maturity*[1]	*Coupon*[1]	***31 December 2015***	*30 June 2015*
Bank loans	Amortised cost	Jul-16[2]	Floating[3]	**–**	103.0
Bank loans	Amortised cost	Jul-17[2]	Floating[3]	**–**	50.0
Bank loans	Amortised cost	Nov-20	Floating[3]	**9.5**	–
NZ retail bond	Amortised cost	Dec-21	5.54%	**75.0**	75.0
US private placement	Fair value[4]	Jan-25	4.13%	**73.4**	76.3
US private placement	Fair value[4]	Jan-27	4.23%	**36.5**	38.2
Total				**194.4**	342.5

Weighted average term to maturity	**5.6 years**	4.6 years
Weighted average interest rate before swaps (including funding costs)	**4.29%**	5.08%

1. As at 31 December 2015.
2. Facility cancelled on 18 December 2015.
3. Interest rates on bank loans are at the 90-day benchmark borrowing rate (BKBM) plus a margin. Precinct also pays facility fees.
4. The US private placement is recognised at fair value including translation to NZD with any gains or losses recognised in the profit or loss as they arise. The fair value is determined using the swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. This measurement falls into level 2 of the fair value hierarchy.

As at 31 December 2015 Precinct has a cash advance facility of $680 million.

All lenders have the benefit of security over certain assets of the Group. The Group has given a negative pledge which provides that it will not permit any security interest in favour of a party other than the lenders to exist over more than 15% of the value of its properties.

To substantially remove currency risk, US private placement proceeds have been fully swapped back to New Zealand dollars.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Amounts in $millions	31 December 2015	30 June 2015
Fair value of derivative financial instruments		
Current assets	–	–
Non-current assets[1]	**17.7**	15.4
Current liabilities	–	–
Non-current liabilities	**(16.6)**	(13.9)
Total	**1.1**	1.5

1. This includes the cross currency interest rate swap valuation of $16.9 million (June 2015: $15.8 million) and a net credit value adjustment of $3.1 million (June 2015: $2.9 million).

Notional contract cover (fixed payer)	**632.5**	452.5
Notional contract cover (fixed receiver)	**75.0**	75.0
Notional contract cover (cross currency swaps – fixed receiver)	**97.9**	97.9
Percentage of net drawn borrowings fixed	**127.5%**	62.1%
Weighted average term to maturity (fixed payer)	**4.91 years**	4.54 years
Weighted average interest rate after swaps (including funding costs)	**5.68%**	5.37%

The fair value is the estimated amount that Precinct would receive or pay to terminate the swap at the balance date, taking into account current rates and creditworthiness of the swap counterparties. This is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. The fair value of derivatives fall into level 2 of the fair value hierarchy.

13. CAPITAL COMMITMENTS

As at 31 December 2015 Precinct had outstanding capital commitments totalling $466.2 million, relating to construction contracts (June 2015: $2.1 million; December 2014: $5.1 million).

14. RELATED PARTY TRANSACTIONS

Fees charged by and owing to the Manager:

Amounts in $millions	31 December 2015		31 December 2014		30 June 2015	
	Fees charged	Owing at 31 December	Fees charged	Owing at 31 December	Fees charged	Owing at 30 June
Base management services fee	4.1	0.7	4.3	0.7	8.5	0.7
Performance fee	–	–	–	–	–	–
Leasing fees	2.5	1.3	1.1	–	3.0	1.5
Development manager fees	8.6	6.8	–	–	1.8	1.8
Acquisition and disposal fees	0.4	–	–	–	0.8	0.3
Property and facilities management fee	1.6	–	1.4	–	2.9	0.3

a) Base management services fee

The base management services fee structure is as follows:

- 0.55% of the value of the investment properties to the extent that the value of the investment properties is less than or equal to $1 billion; plus
- 0.45% of the value of the investment properties to the extent that the value of the investment properties is between $1 billion and $1.5 billion; plus
- 0.35% of the value of the investment properties to the extent that the value of the investment properties exceeds $1.5 billion.

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters. No performance fee is payable in quarters where equity total returns are negative. As at 31 December 2015 there is a notional performance fee deficit of $6,581,863 to be carried forward to the calculation of performance fees in future quarters (June 2015: $10,227,608 deficit; December 2014: $1,166,578 deficit).

14. RELATED PARTY TRANSACTIONS *CONTINUED*

c) Leasing fees
Precinct pays the Manager leasing fees where the Manager has negotiated leases instead of or alongside a real estate agent.

d) Development manager fees
Precinct pays development manager fees where the Manager acts as development manager on Precinct developments.

e) Acquisition and disposal fees
Precinct pays fees to the Manager for managing the sale or purchase of properties instead of or alongside a real estate agent.

f) Property and facilities management fee
Precinct pays a property and facilities management fee on a cost recovery basis to the Manager.

g) Other transactions with the Manager
Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the Manager is appointed to manage and administer Precinct. The Manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's Directors are considered to be the key management personnel and received Directors' fees for the period ended 31 December 2015 of $240,810 (June 2015: $425,446; December 2014: $205,446).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia Ltd and AMP Services (NZ) Limited, being the Manager or companies related to the Manager for premises leased in PWC Tower, AMP Centre, 80 The Terrace, and 157 Lambton Quay. Total rent received by Precinct from these parties during the period ended 31 December 2015 was $1,497,569 (June 2015: $4,188,931; December 2014: $1,979,538). As at 31 December 2015 an amount of $129.38 (June 2015: $2,466; December 2014: $5,676) was owing to Precinct from these related parties.

h) Related party debts
No related party debts have been written off or forgiven during the period (June 2015: $nil; December 2014: $nil).

15. EVENTS AFTER BALANCE DATE

On 16 February 2016 the Board approved the payment of a dividend of 1.35 cents per share ($16,350,129 in total) to be paid on 16 March 2016.

INDEPENDENT REVIEW REPORT

Building a better working world

Chartered Accountants

Review Report to the Shareholders of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group")

We have reviewed the interim financial statements on pages 9 to 21, which comprise the statement of financial position of the group as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Ernst & Young provides other assurance services to the group. We have no relationship with, or interests in, the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 9 to 21, do not present fairly, in all material respects, the financial position of the group as at 31 December 2015 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.

Our review was completed on 16 February 2016 and our findings are expressed as at that date.

Ernst + Young

Auckland

DIRECTORY

Board

Directors

Craig Stobo – Chairman, Independent
Don Huse – Independent Director
Launa Inman – Independent Director
Graeme Wong – Independent Director
Chris Judd – Director
Mohamed Al Nuaimi – Director
Robert Campbell – Director
Anthony Bertoldi – Alternate Director

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Scott Pritchard – Chief Executive Officer
George Crawford – Chief Operating Officer
Davida Dunphy – General Counsel and Company Secretary

Bond Trustee

The New Zealand Guardian Trust Company Limited
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Manager

AMP Haumi Management Limited
Level 12, PwC Tower
188 Quay Street
Auckland 1010
New Zealand

Bankers

ANZ New Zealand Bank
Bank of New Zealand
ASB Institutional Bank
Westpac New Zealand
The Hong Kong and Shanghai Banking Corporation

Auditor

Ernst & Young
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Registrar

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Please contact our registrar;

- To change investment details such as name, postal address or method of payment.
- For queries on dividends.
- To elect to receive electronic communication.

precinct.co.nz