



Precinct Properties New Zealand Annual Results

June 2015

Agenda

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Precinct Properties New Zealand Limited

Scott Pritchard, CEO

George Crawford, COO

Note: All \$ are in NZD

Highlights

Financial performance

\$122.4 m

net profit after tax

+6.7%

increase in net tangible assets

Portfolio performance

98%

portfolio occupancy

Advanced strategy

\$274 million of asset sales

Including sale of 125 The Terrace

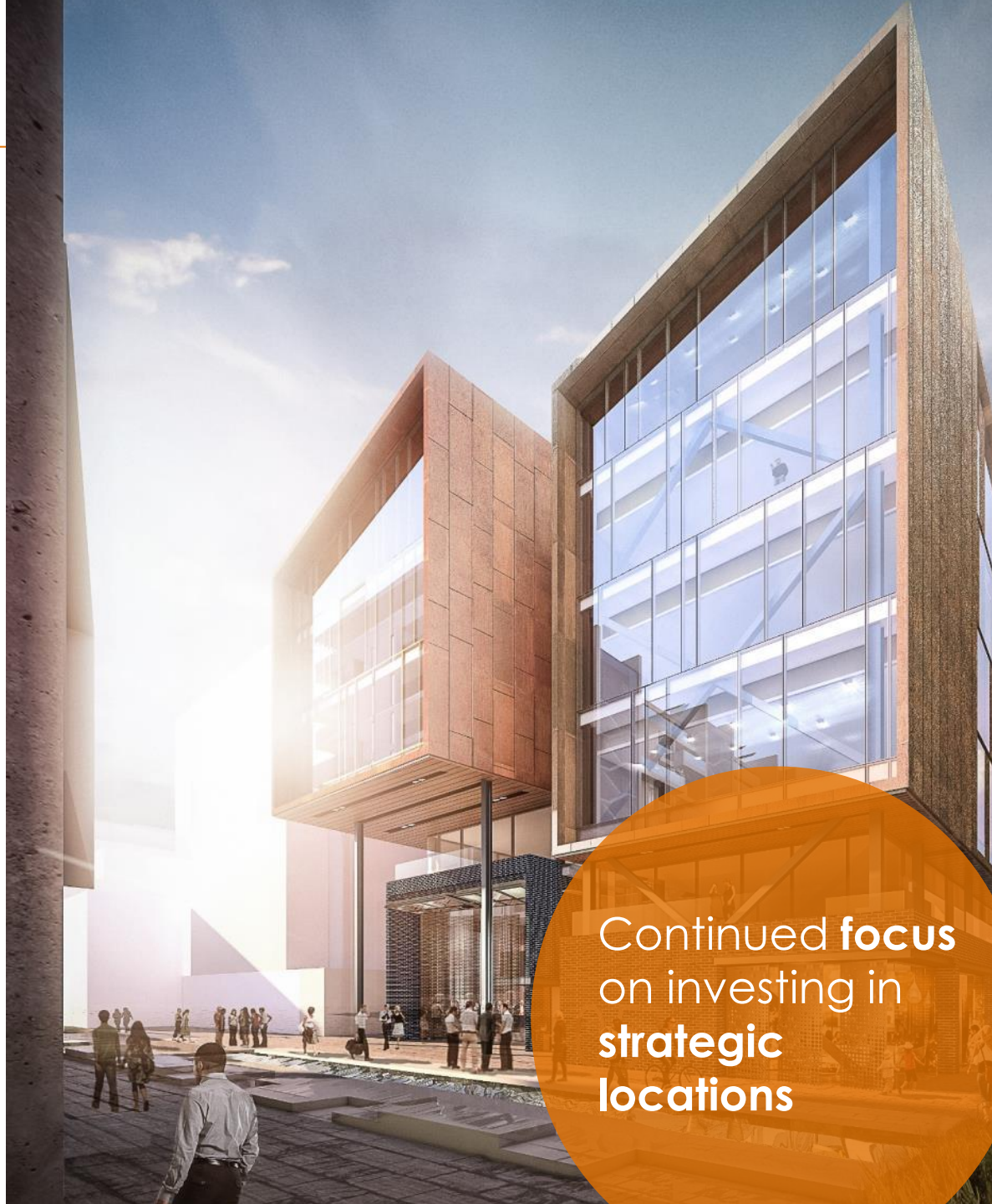
11.3% pro-forma gearing

Through asset sales and capital management initiatives

**City Rail Link
Development Agreement**

\$98.2 million

Wynyard Stage 1 secured (by value)



Continued **focus**
on investing in
strategic
locations



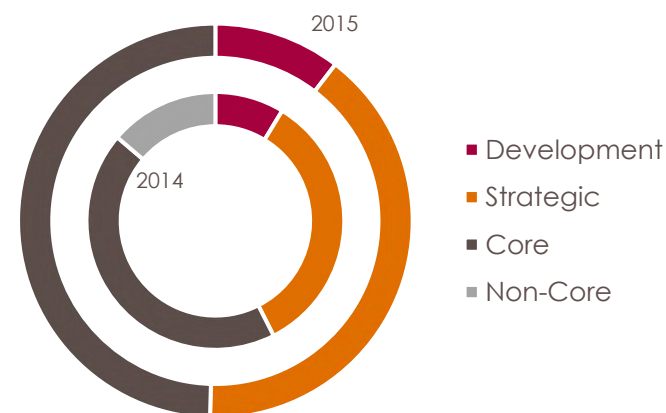
Section 1

Strategy

Strategy Overview

- Concentrated ownership of strategic assets in prime locations
- Bias to Auckland
- Reduce average age of portfolio assets
- In order to execute the strategy, Precinct will:
 - Dispose non-core assets
 - Undertake development
 - Drive value growth from investment portfolio
- Strategy will result in:
 - Superior growth in earnings and NTA over the status quo scenario,
 - Reduce maintenance capex requirement – improving cash on cash returns,
 - Increased exposure to Auckland's growing market, and
 - Significantly enhance portfolio quality

Portfolio asset composition as at 30 June 2015 (change YoY)

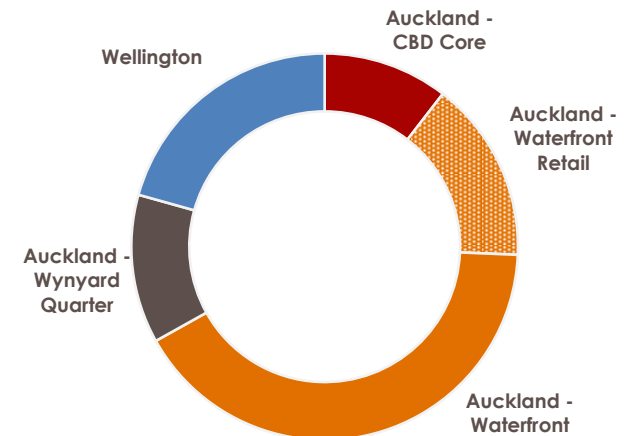


Graph excludes recent sale of 125 The Terrace

Strategic direction

- Portfolio will consist of
 - Downtown precinct
 - Wynyard precinct
 - Government precinct
 - Other core assets
- A pipeline of active opportunities
- End to end provider of accommodation

Anticipated geographic mix



c.56%

Weighting to Auckland Waterfront precinct

c.74%

Weighting to Premium assets

Targeted portfolio transformation

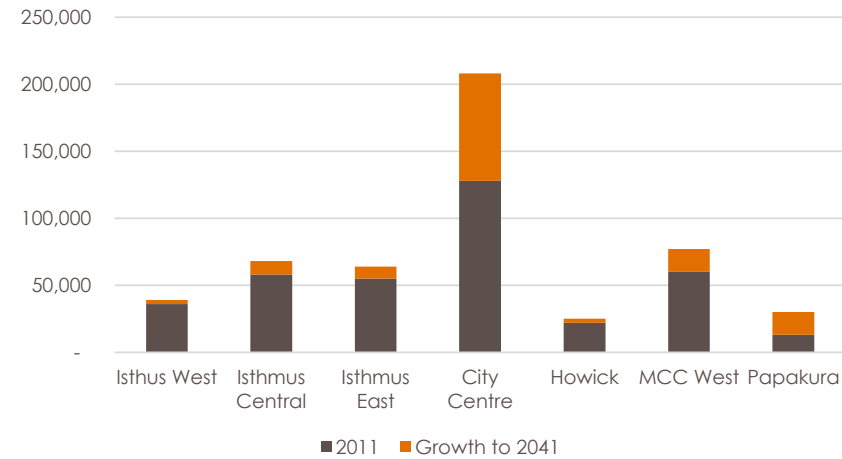
	2015	2022+
Age	27 years	11 years
Quality	A-Grade	Premium
Maintenance Capex Allowance	0.60%-0.80% p.a.	0.40% p.a.
% to Government (by value)	21%	15%
% CBD retail (by value)	10%	17%
Assets at Wynyard Quarter		16%
WALT	5.0 years	+6.0 years

- Long term strategic focus matches long term nature of assets
- Requirement to make long term decisions looking through the cycle
- Returns optimised through being conscious of cycle in execution
- Acquisitions completed in 2011 and 2012 undertaken in weaker phase of cycle
- Acquisitions secured strategic property with value add potential
- Development execution in expansion stage of cycle takes advantage of strong occupier market as well as strong investment market to generate capital for investment

Auckland drivers

- Concentration of growth in Auckland
 - Statistics NZ forecast Auckland's population to grow by 18% to 2023 compared with 11% for the rest of NZ
- Office based employment is growing at a faster rate than overall regional employment
 - The CBD has been regaining market share of regional office based employment
- Global trend towards greater centralisation
 - Lifestyle, public investment in infrastructure and amenity
 - A key indicator of the centralisation trend public transport patronage

Growth in employment by area



Source: NZTA, Preparing for a fast growing city

Breakdown of Metro patronage

	% Change Previous Year
Rail	+21.8%
Northern Express	+16.8%
Bus	+6.8%
Ferry	+7.1%
Total	+9.5%

Source: Auckland Transport Monthly Report

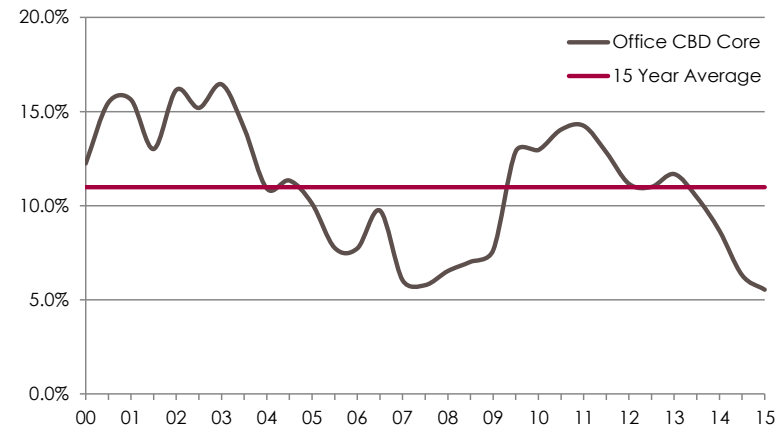
Auckland CBD office market

- CBD office vacancy of **5.5%** is below the 15 year average of 11%.
- Historic CBD office net absorption of **20,000m² p.a.**
 - Equivalent to **1,250 new workers p.a.**
 - Expectation of **1,750 new workers p.a.** in Auckland CBD until 2022
 - **82%** (ex Wynyard) of historic net absorption was captured by **prime CBD office**; -16% secondary office net absorption

Occupier preferences:

- Based on a recent CBRE **occupiers** survey;
 - 67% have little to no surplus capacity to grow in their current premises
 - **Over half** had a preference to be located in the CBD core or Waterfront

CBD Core historic Vacancy (JLL)



14,000 new office workers

Forecast increase in number of CBD employees to 2022. Equal to around 200,000sqm of new office space

+10%

30% of occupiers expect employee numbers to increase by at least 10% percent

- 71,000sqm of projects under construction
 - c.53,000sqm pre-leased
 - Resultant vacancy reduced as residual space converted to alternate use
- A further 172,000sqm of total potential projects identified
 - 104,000sqm core CBD (three distinct developments)
 - 68,000sqm fringe
 - All at varying stages of planning and certainty
- Pipeline will only eventuate with pre-commitments
 - Precinct developments are dependent on at least 50% pre-commitment
 - Other major developments also likely to require pre-commitment
 - For all 172,000sqm of potential projects to occur, it would require around 80,000sqm of pre-commitment, which is unlikely to occur in the near term

Progressing strategy

Funding

- Secured funding to deliver long term strategy
 - \$274 million of assets sales including the announcement today to sell 125 The Terrace for \$65 million
 - Accessed \$173 million of non bank funding providing valuable term and diversity
 - Successfully raised \$174 million of equity

Development

- Downtown
 - Secured development agreement with Auckland Council
 - Obtained resource consent
 - Conditional acquisition of Queen Elizabeth Square
 - Progressed design and entered construction tender phase
- Wynyard Stage 1
 - Leasing success with 70% of Stage 1 preleased
 - Commitment to stage 1 development for \$83.6 million (project cost)
- Bowen Campus
 - Cabinet approval for the Crown to enter the final phase

Section 2

Financial Results
Capital
Management
and Operations



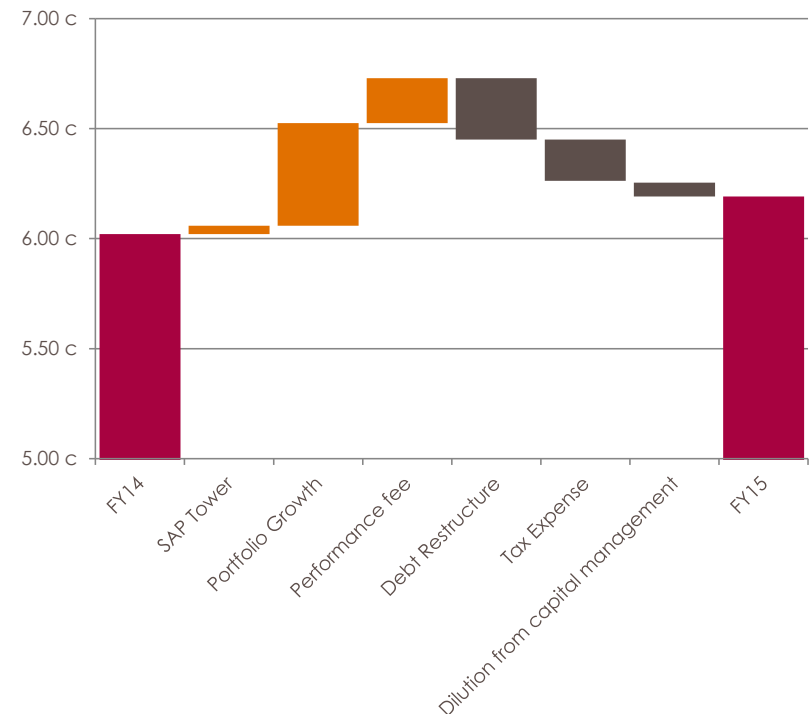
Wynyard – Mason Brothers

Financial performance

For the 12 months ended	Jun-2015	Jun-2014	
(\$m)	Audited	Audited	Δ
Net property income	\$121.6 m	\$118.3 m	+ \$3.3 m
Indirect expenses	(\$1.9 m)	(\$2.2 m)	(\$0.3 m)
Performance fee		(\$2.2 m)	(\$2.2 m)
Base fees	(\$8.5 m)	(\$8.3 m)	+ \$0.2 m
EBIT	\$111.2 m	\$105.7 m	+ \$5.5 m
Net interest expense	(\$31.4 m)	(\$33.2 m)	+ \$1.8 m
Operating profit before tax	\$79.8 m	\$72.5 m	+ \$7.3 m
Current tax expense	(\$11.5 m)	(\$8.7 m)	(\$2.8 m)
Operating profit after tax	\$68.3 m	\$63.8 m	+ \$4.5 m
Deferred tax (expense) / benefit	\$6.6 m	(\$5.0 m)	+ \$11.6 m
Unrealised net gain in value of investment properties	\$64.8 m	\$47.5 m	+ \$17.3 m
Depreciation recovered on sale (losses)	(\$3.8 m)		(\$3.8 m)
Realised loss on sale of investment properties	(\$1.6 m)		(\$1.6 m)
Unrealised derivative financial instrument gain/(loss)	(\$11.9 m)	\$10.9 m	(\$22.8 m)
Net profit after tax and unrealised gains	\$122.4 m	\$117.2 m	+ \$5.2 m
Net operating income after tax - post perf. fees	6.19 cps	6.10 cps	+ \$0.09 cps
Net operating income after tax - pre perf. fees	6.19 cps	6.24 cps	(\$0.05 cps)
Dividend	5.40 cps	5.40 cps	-
Payout ratio	87.2%	88.5%	-1.3%

- **7.1% increase in operating income after tax**
 - After expensing \$2.2 million relating to swap cancellation and bank establishment fees

Net EPS Reconciliation

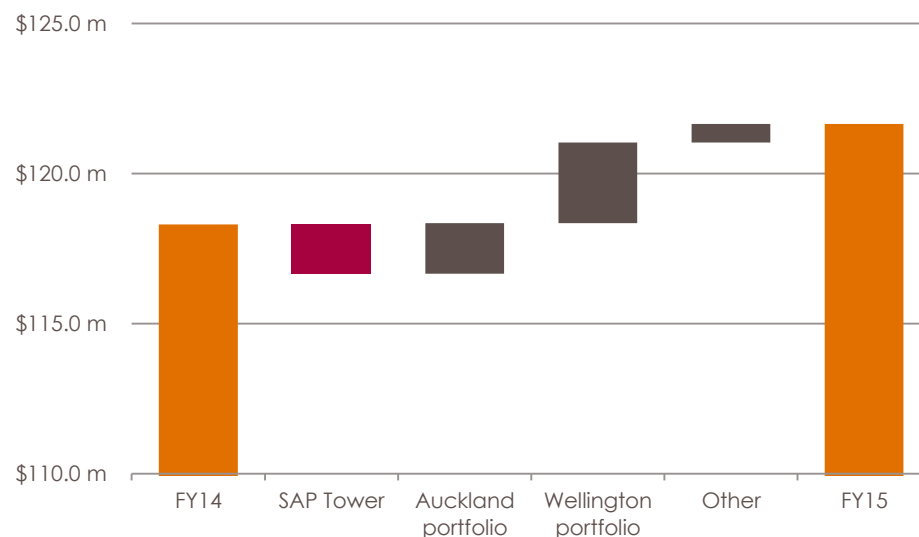


Net property income

\$m	FY15	FY14	Δ
AMP Centre	\$8.7	\$9.0	(\$0.2)
PwC Tower	\$16.0	\$13.6	+ \$2.4
ANZ Centre	\$17.0	\$17.1	(\$0.1)
HSBC House	\$8.0	\$7.7	+ \$0.3
Downtown Shopping Centre	\$6.6	\$6.5	+ \$0.1
Zurich House	\$5.8	\$6.0	(\$0.2)
Auckland total	\$62.2	\$60.0	+ \$2.2
125 The Terrace	\$5.3	\$5.2	+ \$0.1
171 Featherston Street	\$5.6	\$5.6	-
Pastoral House	\$4.3	\$4.5	(\$0.2)
Vodafone on the Quay	\$7.2	\$7.0	+ \$0.2
State Insurance Tower	\$9.9	\$8.6	+ \$1.3
Mayfair House	\$2.9	\$2.9	-
80 The Terrace	\$2.6	\$1.9	+ \$0.7
Deloitte House	\$4.0	\$3.8	+ \$0.2
Bowen Campus	\$6.5	\$6.1	+ \$0.4
No 1 The Terrace	\$6.6	\$6.4	+ \$0.1
Wellington total	\$54.7	\$52.0	+ \$2.7
Sub Total	\$116.9	\$112.0	+ \$4.9
Transactions			
SAP Tower	\$4.8	\$6.4	(\$1.6)
Total	\$121.6	\$118.3	+ \$3.3

- After adjusting for SAP Tower and straight-line rent, like for like NPI was 3.7% up
- Increased average occupancy within PwC Tower, 80 The Terrace and State Insurance

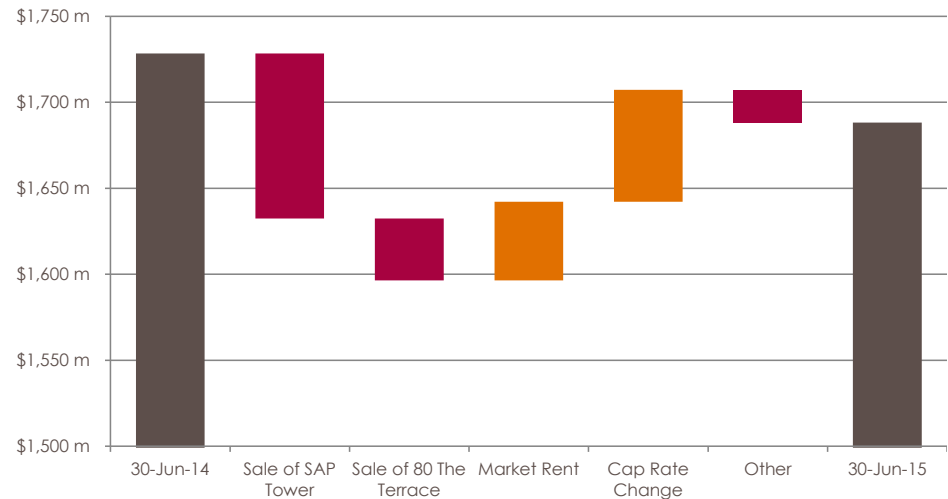
Reconciliation of movement in net property income



Valuation outcome

- Revaluation of \$64.8 million or 4.0%
- Valuation increases attributable to both cap rate compression and increases in net market rentals
- Underlying portfolio cap rate compressed from 7.3% to 7.0%

Change in property assets



Portfolio valuation movement

		2014		2015			Capitalisation Rate		
	Valuation	Additions	Book Value	Valuation	▲ \$m	▲ %	2014	2015	▲ bps
Wellington	\$578 m	\$5 m	\$583 m	\$571 m	(\$11.5 m)	(2.0%)	7.8%	7.9%	10 bps
Auckland	\$942 m	\$19 m	\$961 m	\$1,041 m	\$79.4 m	8.3%	6.9%	6.5%	(40 bps)
Sub total	\$1,520 m	\$24 m	\$1,544 m	\$1,612 m	\$67.9 m	4.4%	7.2%	7.0%	(20 bps)

Investment properties held for sale

171 Featherston Street	\$76 m	\$3 m	\$79.1 m	\$76.0 m	(\$3.1 m)	(3.9%)	7.4%	7.4%	
Total Investment properties	\$1,596 m	\$27 m	\$1,623 m	\$1,688 m	\$64.8 m	4.0%	7.3%	7.0%	(30 bps)

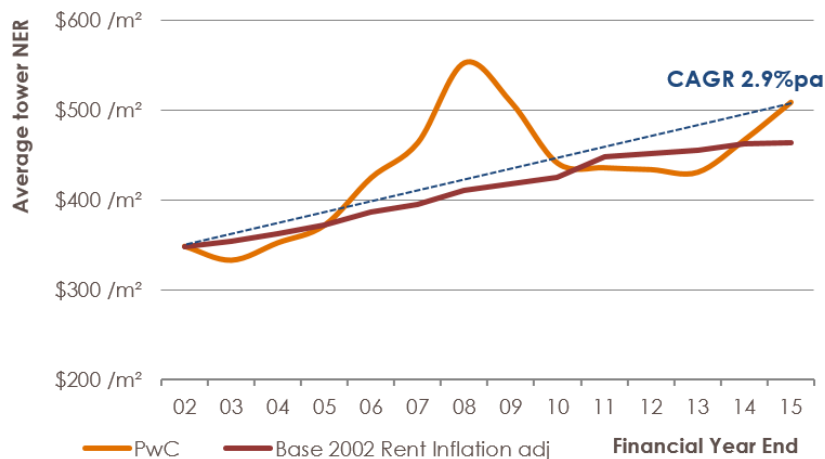
Assets sold in period

80 The Terrace	\$37 m	(\$37 m)	-	-	-	-	8.4%	-	-
SAP Tower	\$96 m	(\$96 m)	-	-	-	-	7.5%	-	-
Total	\$1,728 m	(\$105 m)	\$1,623 m	\$1,688 m	\$64.8 m	4.0%	7.3%	7.0%	(30 bps)

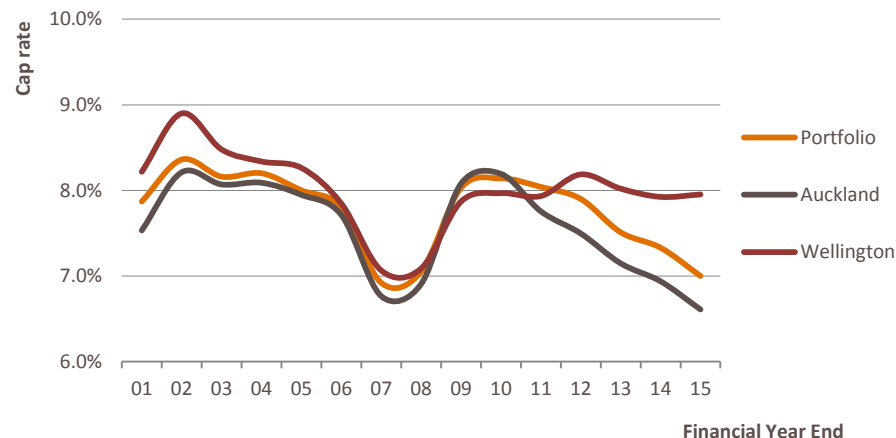
Valuation outlook

- Cap rates in Auckland at 2007 levels
- Spread to 10 year swap rate remains above historic average
- Rental levels remain below peak
- Strong investment market
 - Continued strength in Auckland
 - Strengthening in Wellington supported by yield spread c140bps

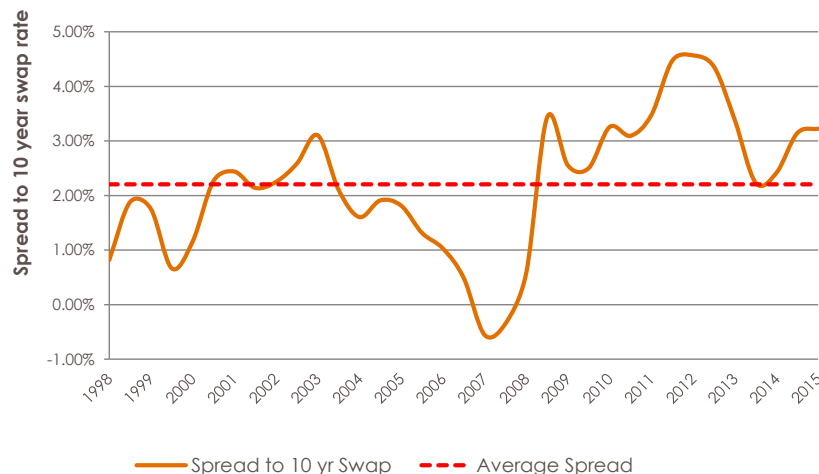
PWC average tower rent



Historic cap rates



Historic Auckland Prime cap rates to 10 year swap rate

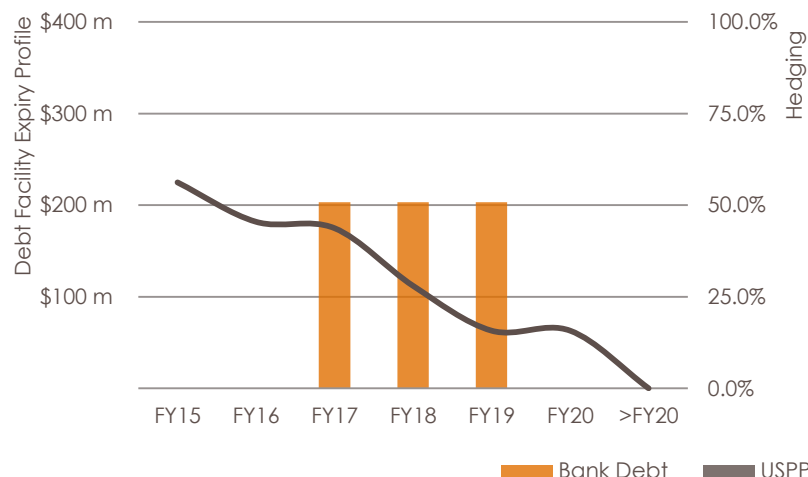


Capital management

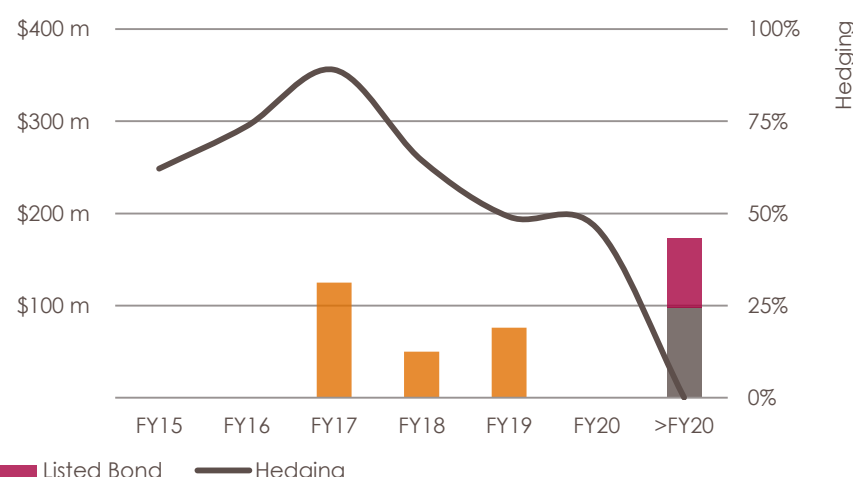
- Borrowings reduced to \$323 million following sale of SAP Tower and equity issue
- Year end gearing of 20.1%.
 - Pro-forma gearing of 11.3% following further asset sales
- Closed out \$69 million of interest rate swaps at a cost of \$1.6 million
- \$173 million of long term non bank borrowings secured
- Weighted average debt maturity increased to 4.6 years
- Weighted average interest rate of 5.4%

Key metrics	June 2015	June 2014
Debt drawn	\$323m	\$572m
Pro forma debt drawn	\$153 m	
Gearing - Banking Covenant	20.1%	33.8%
Weighted facility expiry (years)	4.6	3.1
Weighted average debt cost (incl fees)	5.4%	6.0%
Hedged	62%	67%
ICR	3.5 times	3.2 times
Weighted average hedging (years)	2.9	2.3

FY14 maturity and hedging profile

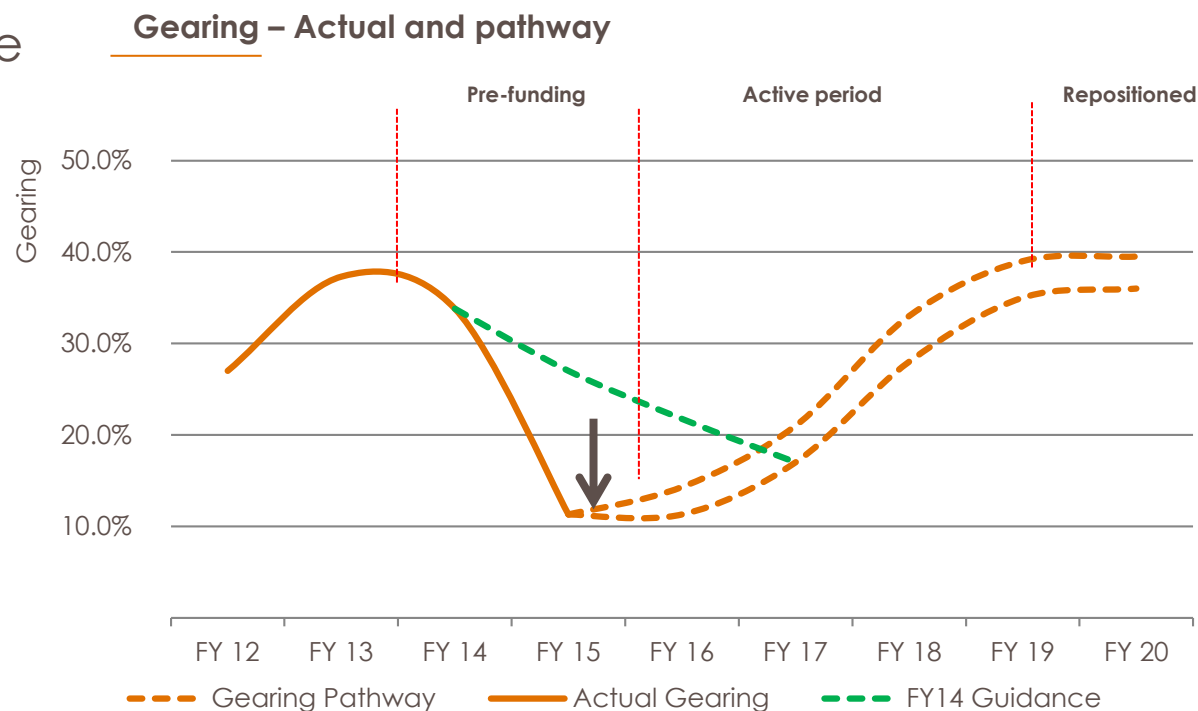


FY15 maturity and hedging profile



Gearing pathway

- Gearing reduced to 11.3%¹ from 33.8% in 2014
 - Pre funding completed and ahead of previous guidance
 - Providing sufficient balance sheet capacity
- Gearing position assisted by four asset sales
 - Executed during strengthening cycle

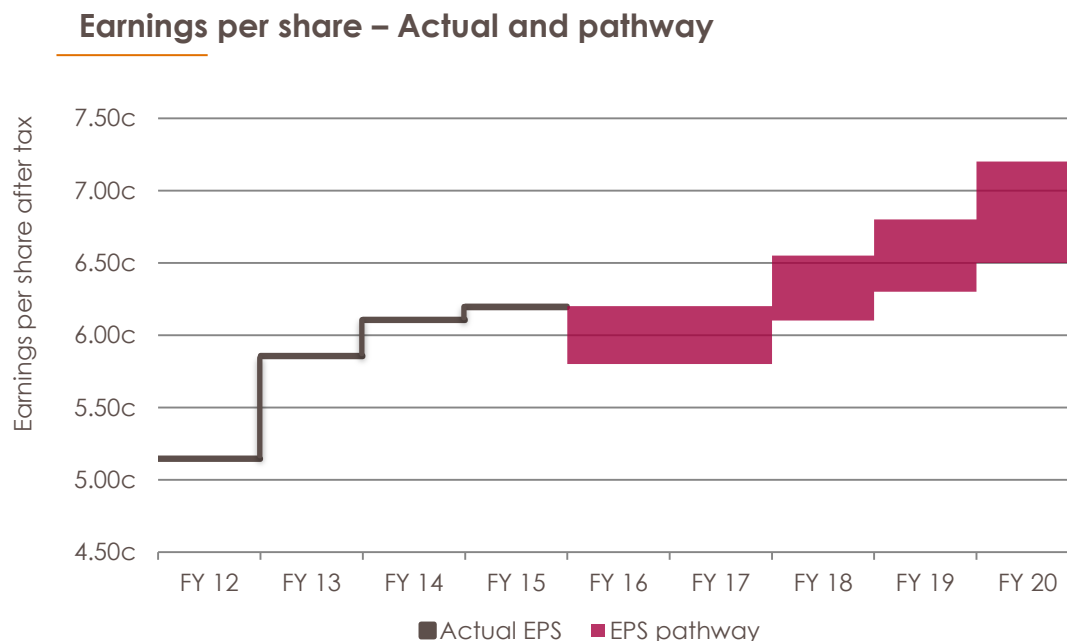


Note 1 –Gearing as at 30 June 2015 was 20.1%. Following the settlement of 80 The Terrace, 171 Featherston Street and 125 The Terrace pro-forma gearing was 11.3%

Note 2: The graph presented above represents a hypothetical scenario only and should not be considered a budget, plan or forecast. There is no certainty that gearing will eventuate as illustrated.

Earnings pathway

- Developments provide the opportunity to transform the portfolio and enable Precinct to meet occupier demand for premium space
- Targeted yield on cost ranges from mid to high 7%
- Transformation of portfolio occurring during strengthening phase of property cycle
 - Ensures earnings pathway is enhanced and sustained
 - Reduction in interest rates further support Precincts long term strategy



Note: The graph presented above represents a hypothetical scenario only and should not be considered a budget, plan or forecast. There is no certainty that earnings will eventuate as illustrated.

FY16 Earnings guidance

Consistent with FY15

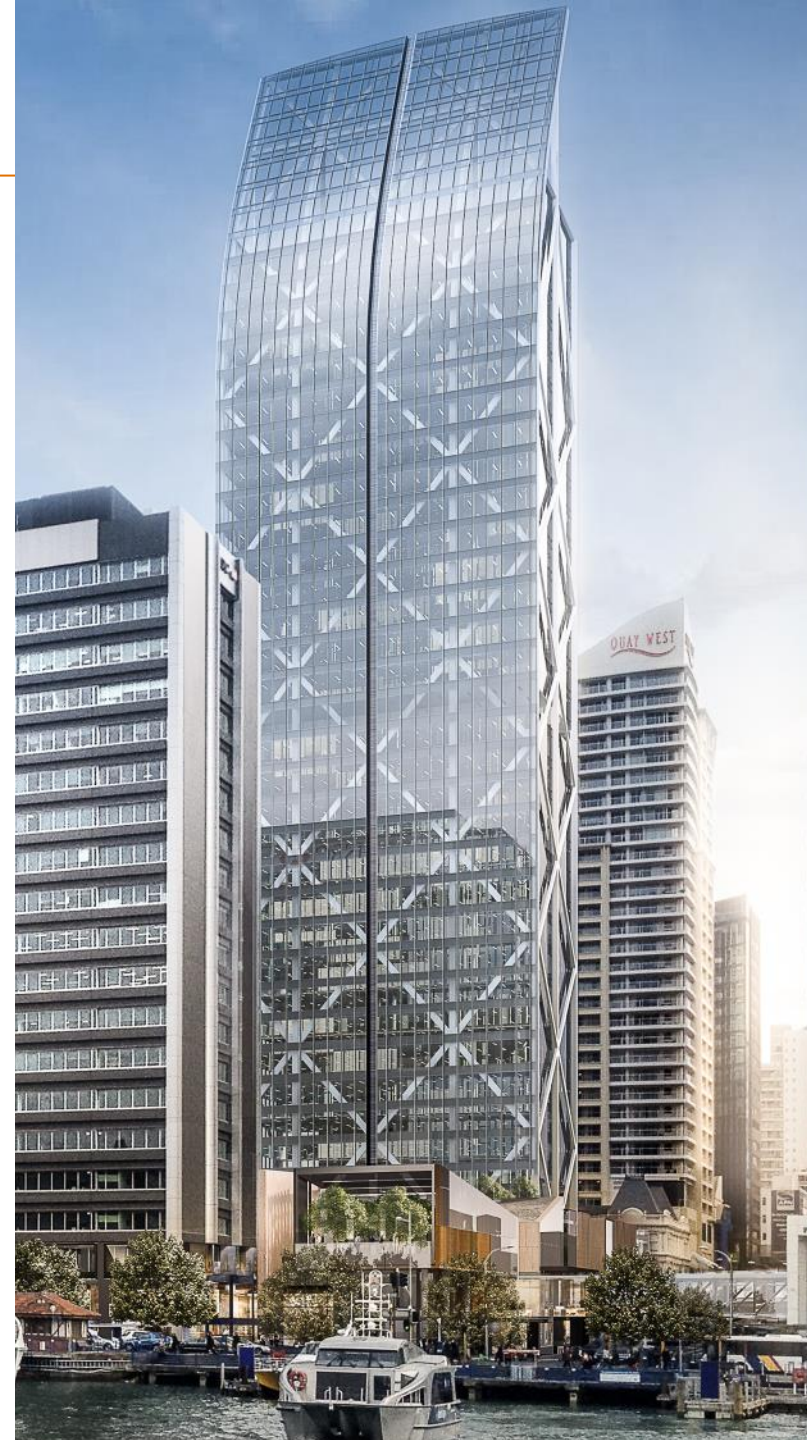
6.0 cents per share

FY16 net operating income after tax, before performance fees

5.4 cents per share

FY16 dividend guidance

- No further asset sales anticipated
- Potential effective tax rate volatility due to development related deductions

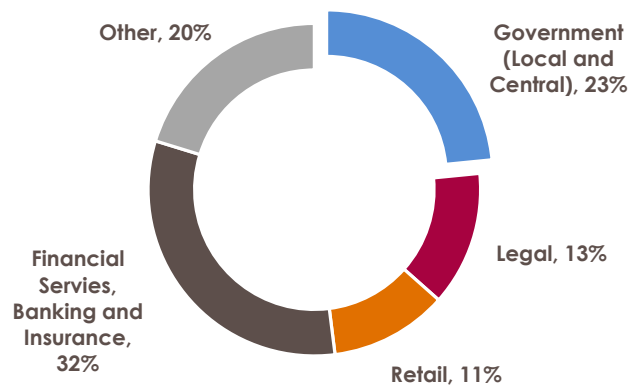


Portfolio overview (30.06.15)

Key metrics

WALT	5.0 yrs ¹
Occupancy	98% ¹
Portfolio Value	\$1688 m
Weighted average market cap rate	7.0%
Under / over renting	(1.8%)
NLA (m ²)	293,471 m ²

Portfolio by industry (NLA)



82%

proportion of office revenue

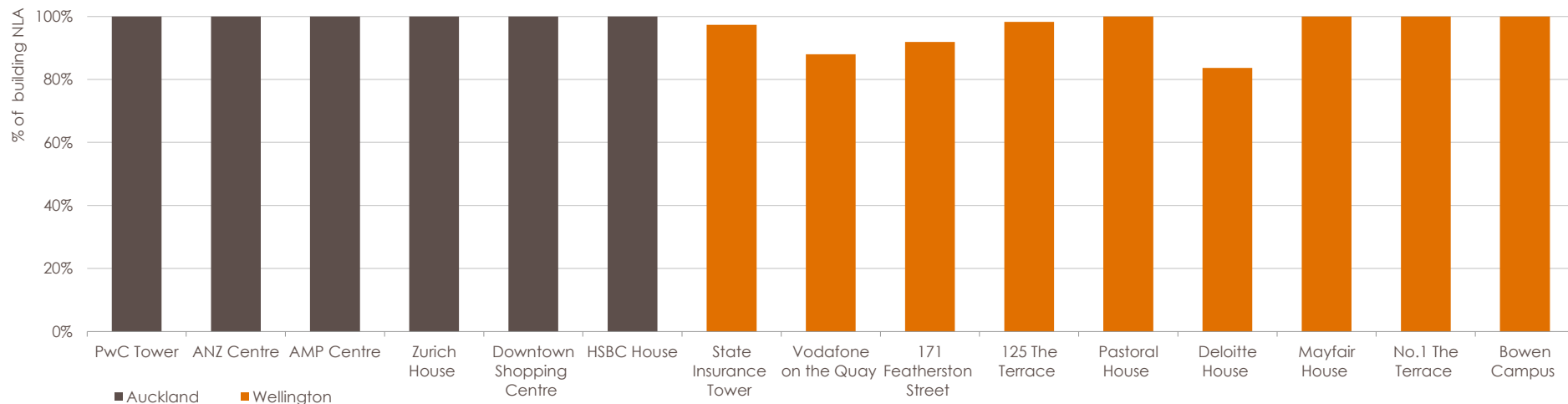
60%

weighting (by value) to Auckland

100%

Auckland portfolio occupancy

Occupancy



Note 1: Excludes Downtown Shopping Centre

Portfolio activity

Auckland	Number	NLA	Uplift on Valuation	Uplift on Contract	WALT
Leasing Transactions	30	11,217 m ²	6.5%		5.5 years
Market Reviews	5	4,659 m ²	2.8%	6.4%	
Wellington					
Leasing Transactions	36	14,433 m ²	1.3%		4.2 years
Market Reviews	19	19,377 m ²	7.7%	-0.7%	
Portfolio					
Leasing Transactions	66	25,649 m ²	3.4%		4.9 years
Market Reviews	24	24,036 m ²	6.7%	0.7%	

- 66 leasing transactions totalling 26,000m² or \$6.4 million in contract rent
 - Secured on a 4.9 year WALT
- Compared with previous contract rent
 - RoR and extensions were 5.3% higher than passing
 - An increase of 2.7% on settled rent reviews
- Majority of Wellington market reviews held at ratchet positions

1,000m²

Leased at Central on Midland Park, the recently refurbished Vodafone Central Police Station

+3.4%

leasing transactions secured at a 3.4% premium to 2014 valuations

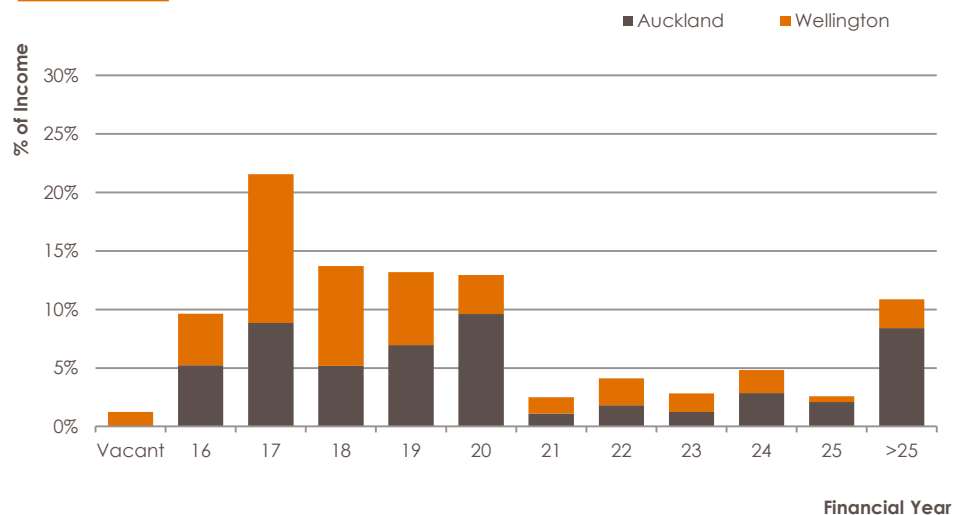
Lease events

- 47% of portfolio (by NLA) subject to lease event in FY16. Of this 44% subject to market review.
- 5% or 12,000m² expiring in 2016
- 2017 primarily relates to Bowen Campus expiry

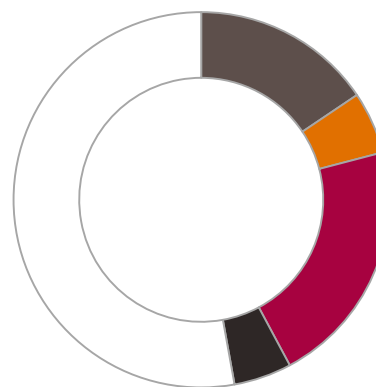
Major expiries FY16

Property	Client	Area
State Insurance	Hudson Global	1,050m ²
State Insurance	Summerset Holdings	1,016m ²
HSBC House	Consulate of Saudi Arabia	854m ²
Vodafone on the Quay	Vodafone NZ Limited	1,000m ²
Vodafone on the Quay	Russell McVeagh	1,000m ²
Total		4,920m²

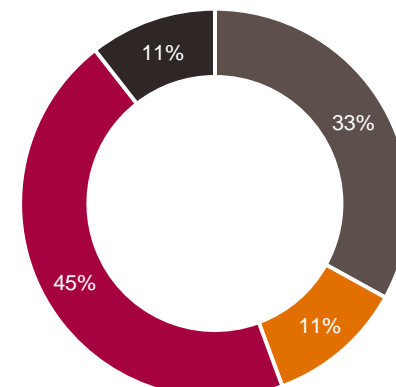
Lease expiry profile by income



FY16 event profile



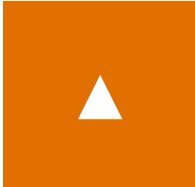
Event composition



■ Market ■ CPI ■ Fixed ■ Next Expiry □ No Event

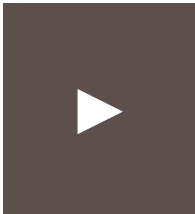
Auckland CBD office market

Occupier Demand



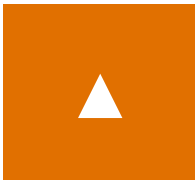
Historically low vacancy for prime stock with strong forecasted CBD employment growth.

Supply



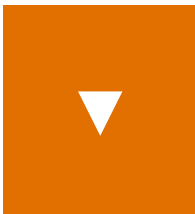
Fringe supply increasing. CBD supply is yet to emerge and remains highly dependent on pre-commitment levels.

Rental Growth



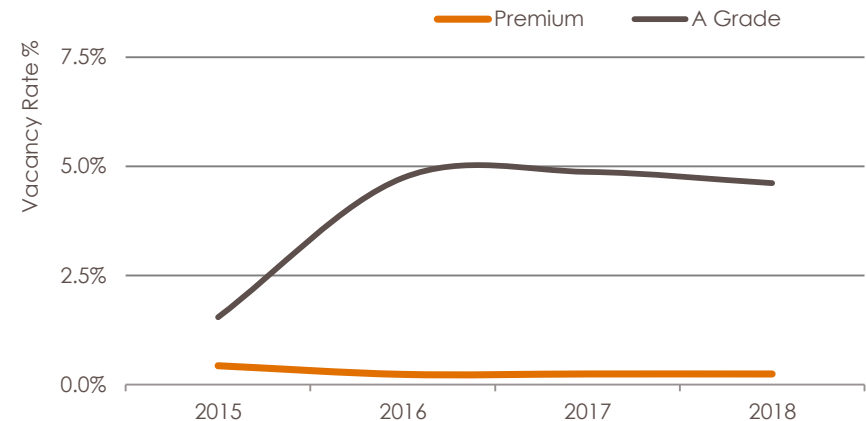
Incentive levels decreasing due to lower vacancy. Face rents increasing by 3-6%.

Cap Rates

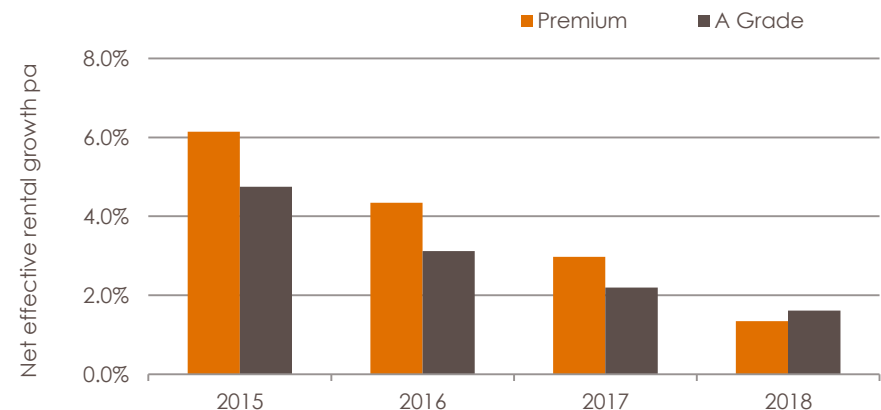


Improving investment market fundamentals and lower interest rates supports continued firming in cap rates.

Forecast vacancy (CBRE, June 2015)

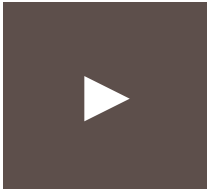


Forecast net effective rent growth (CBRE, June 2015)



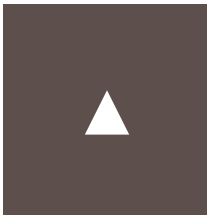
Wellington CBD office market

Occupier Demand



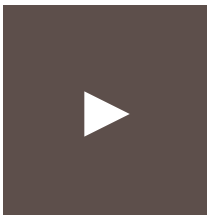
CBD based employment remains static. Quality buildings expected to attract occupiers.

Supply



New supply emerging in the CBD. Impact likely for corporate market. Economic rents 20% above market rents.

Rental Growth



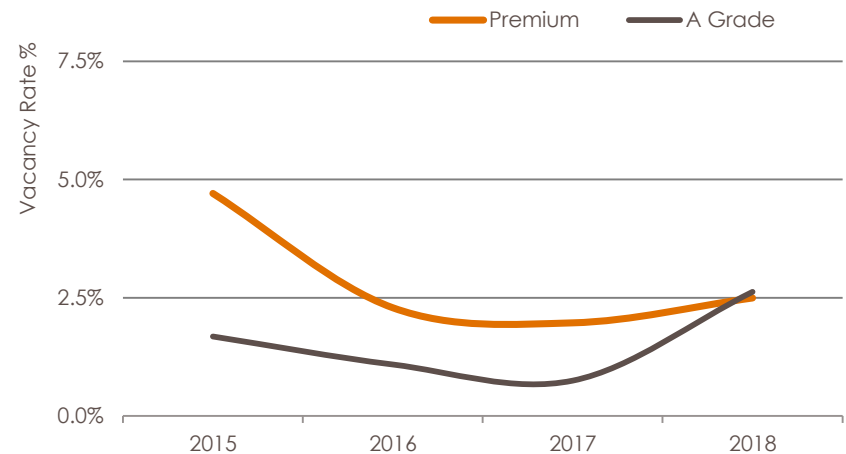
Gross face rents have remained static. Further reduction in insurance premiums provide some growth in net rents.

Cap Rates

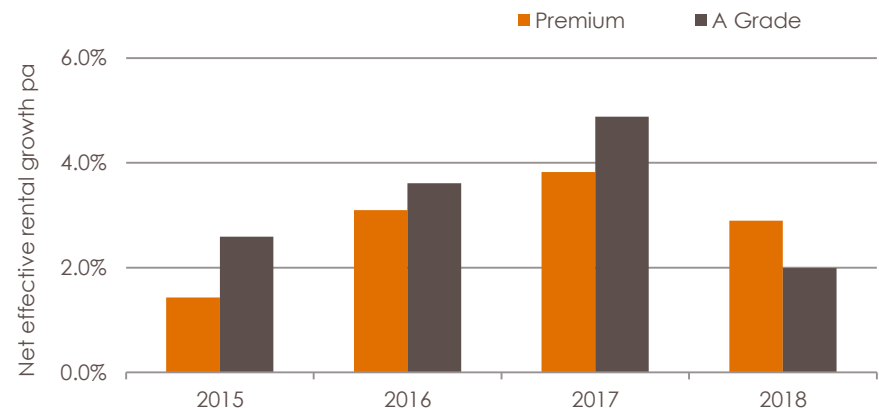


Expected to firm for high quality buildings. Greater activity in Wellington market as interest rates reduce.

Forecast vacancy (CBRE, June 2015)



Forecast net effective rent growth (CBRE, June 2015)



A nighttime photograph of a city waterfront. In the background, several modern skyscrapers are illuminated. The most prominent is a tall, curved glass building with a distinctive white structural frame. To its right is a white building with many lit windows, featuring a 'pwc' logo at the top. To the left, another building has 'ASAC' signage. The foreground shows a body of water reflecting the city lights, with a dock and some outdoor seating visible on the right.

Section 3

Development

Wynyard Stage 1

- Approval from both boards of Precinct and Waterfront Auckland to:
 - Commence development of stage 1
 - Price agreed for the 125 year prepaid lease
- Leasing success
 - Stage 1 - 70% preleased
 - Innovation building (8,100m²) entirely pre-leased to ATEED on a 12 year term for Grid AKL (Innovation Precinct)
 - Mason Brothers c.25% pre-leased to architecture firm Warren and Mahoney on a 10 year term

\$98.2m

Expected value on completion

\$6.7m

Expected annual rental fully leased

Below: Integrated Master Plan





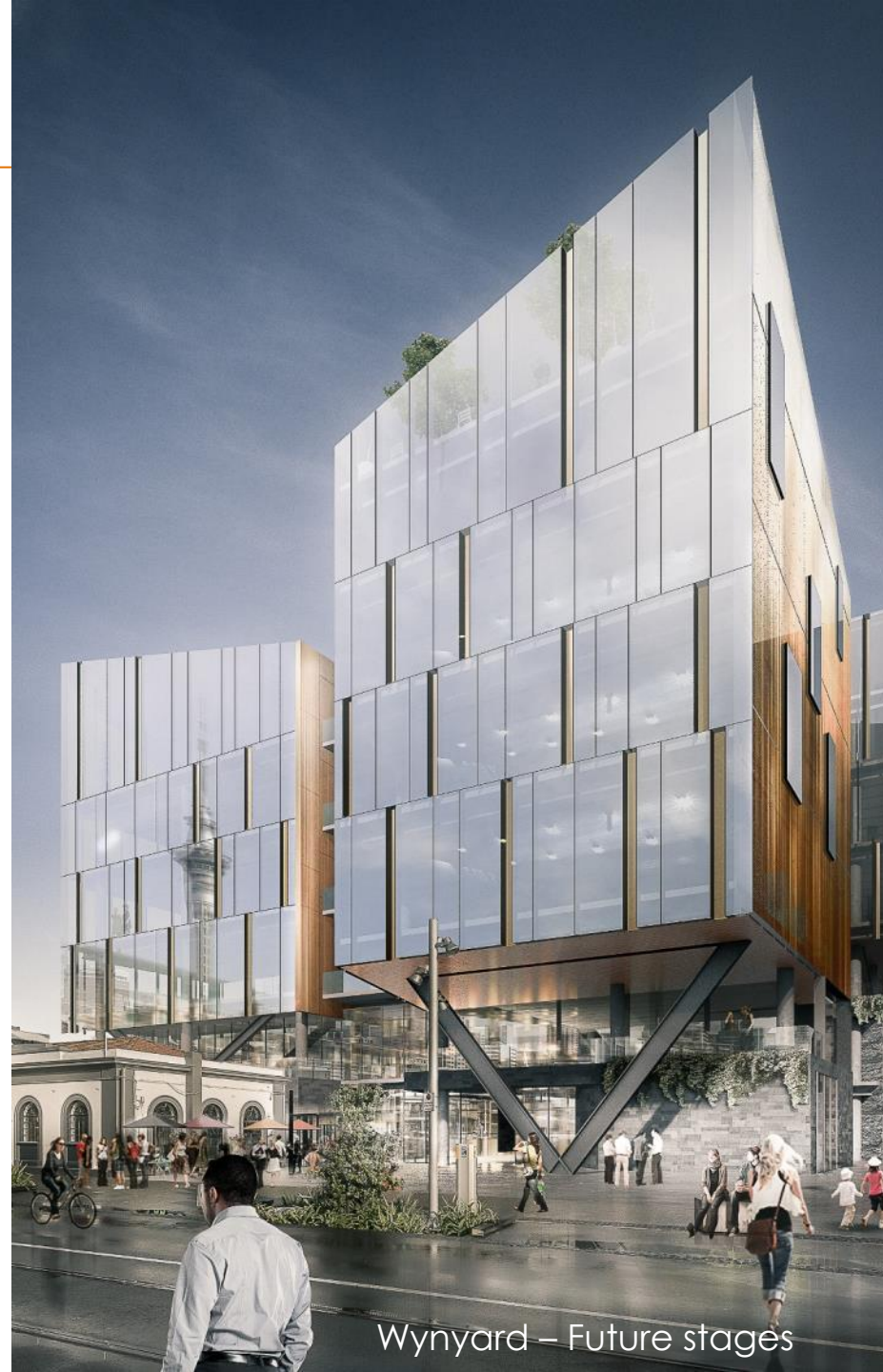
Above: Mason Brothers internal foyer

Key Metrics

Net Lettable Area (NLA)	13,400sqm	Expected valuation on completion	\$98.2m
Total project cost	\$83.6m	Expected annual rental fully leased	\$6.7m
Construction Commencement	End 2015	Yield on cost	8.0%
Grid AKL lease term	12 years	Practical completion	Mason Brothers – Dec 2016, Innovation building – July 2017
NLA Pre-commit %	70%		

Wynyard – Future Stages

- 3 remaining sites
- Around 30,000sqm of available GFA to be developed
- Timing determined by:
 - Strength of occupier market (supply)
 - Growth of Innovation Precinct (future stages)
- Future land payments determined by residual land value calculations



- **A number of milestones have been achieved over the past 12 months:**
 - Completion of concept design and preliminary design
 - Resource consent achieved on a non-notified basis
 - Secured development agreement with Auckland Transport allowing development to proceed despite Notice of Requirement
 - Conditionally acquired QE square for \$14,500/sqm
 - Lodged private plan change for rezoning of QE square
 - Commenced procurement process
 - Advanced pre-commitment strategy

Commercial update

- 20,000sqm retail
 - 100-120 retailers
 - 3 levels
- 37,000sqm office
 - 29 office levels
 - 1,300 – 1,350sqm floor plates
- Incremental spend ~\$550m
- Timing:
 - Project commitment Q4 2015
 - Commencement Q2 2016
 - Retail completion Q4 2018
 - Office completion Q2 2019

Civic update

- CRL enabling works commence Q4 2015
- Good working relationship with Auckland Transport
- Lower Queen Street to be restored as the heart of Auckland City
- Public Transport significantly enhanced and located adjacent to the site

Leasing update

- Occupier demand is strong with good levels of interest from pre-commitment occupiers
 - Occupiers completing office accommodation selection processes
- Occupiers attracted to:
 - Efficiency gains on new floor plate
 - Design ambition of creating NZ's best workplace destination
 - Level of amenity and its waterfront location
 - Around 10,000 workers in 5 office towers within 2 hectare block
- Leasing of vacant space created from tower pre-commits is a priority
 - Commenced engagement with backfill occupiers
 - Residual space of very high quality

Downtown next steps

Prior to Precinct committing to proceed, the following is required:

- 50% pre-commitment of the office tower
- Construction price confirmation
 - Procurement process well advanced
 - Competitive tender process ensuring price tension
- Funding Sourced:
 - Committed facilities established
- Decision to proceed remains on target – late 2015



Bowen Campus status

- Received Cabinet approval for the Crown to enter the final phase of the Governments Wellington Accommodation Project
- The following properties have also been approved:
 - Pastoral House
 - Mayfair House
 - 3 The Terrace
- 1 The Terrace remains under consideration for accommodation requirements
- Final approval remains subject to PMCoE being satisfied that the Crown's commercial and legal terms are met to a satisfactory level

Note 1: The Property Management Centre of Expertise (PMCoE) (hosted by the Ministry of Social Development) is running the Wellington Accommodation Project (WAP). The main goal of this project is to realise the goals of the Governments National Property Strategy. The Wellington Accommodation Project will see multiple agencies provided with accommodation solutions using a collective approach to the market.



Section 4

Conclusions and Outlook



Conclusion

- New Zealand economy remaining positive due to:
 - Population growth
 - Construction activity in Auckland and Christchurch
 - Historically low interest rates
- Some risk exists from lower commodity prices and rising construction costs
- Property market improving:
 - Auckland vacancy at historic lows with rental growth occurring
 - Wellington office market remains challenged with subdued corporate market demand
 - Investment market active as investors seeking yielding assets
- Strategy of concentrated ownership supported through:
 - Auckland population growth leading to increased CBD employees
 - Centralisation trend
 - Public investment in infrastructure and transport

- Precinct well positioned given strong market conditions
- Strategy designed to reposition portfolio during a period of market strength
- Short term impacts expected to be managed due to:
 - Quality of residual portfolio
 - Strength of occupier market
- Precinct to consist of distinct offerings with assets located in:
 - Downtown precinct (Auckland)
 - Wynyard precinct (Auckland)
 - Government precinct (Wellington)
 - Wellington corporate assets



Appendices

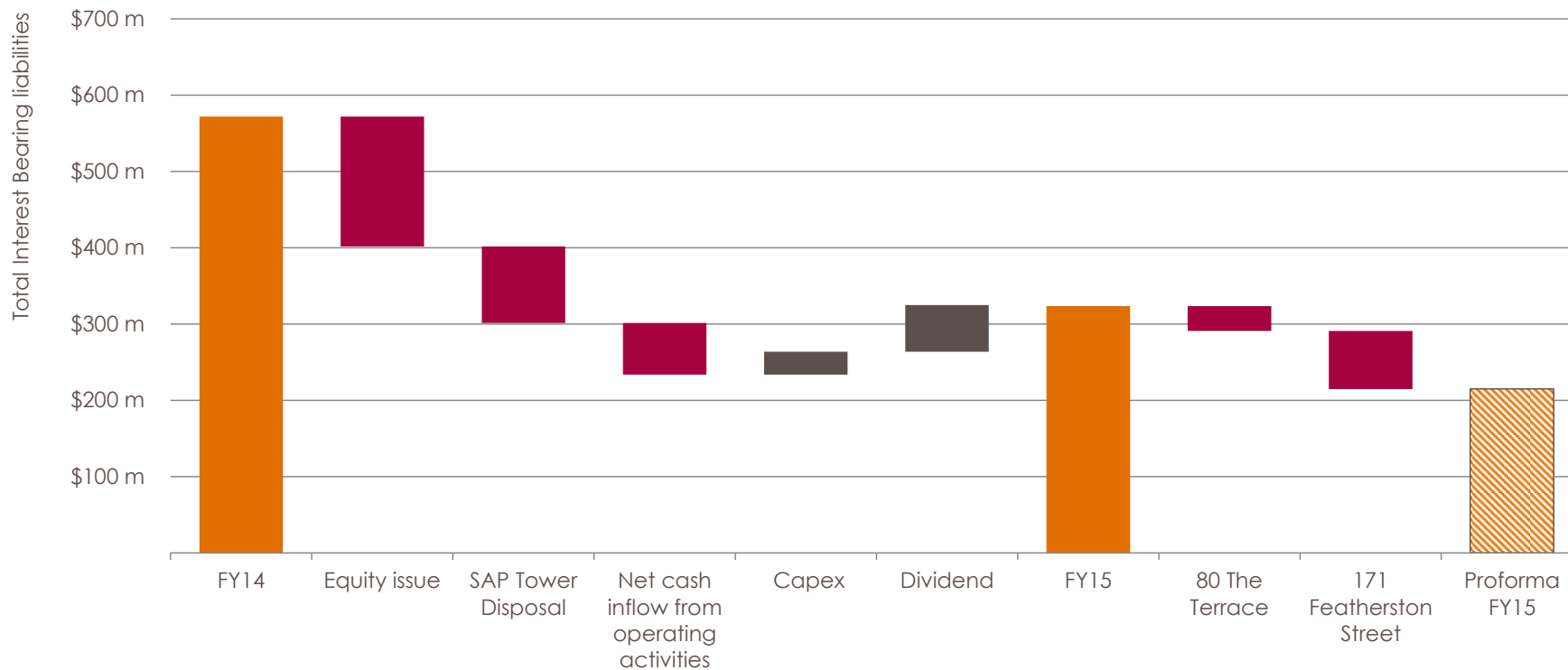
Balance sheet

Financial Position as at (\$m)	Jun-2015 Audited	Jun-2014 Audited	Movement
Assets			
Property Assets	\$1,611.8	\$1,632.5	(\$20.7)
Fair Value of Swap's	\$2.5	\$6.0	(\$3.5)
Deferred Tax - Fair Value of Swap's & USPP	\$4.3	\$0.9	+ \$3.4
Assets held for sale	\$76.0	\$95.6	(\$19.6)
Property sale proceeds to be settled	\$32.5		+ \$32.5
Other	\$26.1	\$12.5	+ \$13.6
Total Assets	\$1,753.2	\$1,747.5	+ \$5.7
Liabilities			
Total Borrowings	\$340.0	\$572.0	(\$232.0)
Deferred Tax depreciation	\$39.0	\$42.2	(\$3.3)
Fair value of swaps	\$13.9	\$0.7	+ \$13.2
Other	\$22.0	\$25.8	(\$3.7)
Total Liabilities	\$414.9	\$640.7	(\$225.8)
Equity	\$1,338.2 m	\$1,106.8 m	+ \$231.4 m
Liabilities to Total Assets - Loan Covenants	20.1%	33.8%	-13.7%
Shares on Issue (m)	1,211.1 m	1,059.7 m	151.4 m
Net tangible assets per security	\$1.11	\$1.04	0.07

Reconciliation of NTA movement (cps)

Reconciliation of NTA movement	cps
NTA 30 June 2014	104
Equity issue	1
Revaluation	5
Interest rate swap movement	-1
Other (incl rounding)	2
NTA 30 June 2015	111

Borrowings movement



Taxation reconciliation

- Higher tax charge:
 - Reflecting higher pre-tax profit
 - The 2014 tax deduction relating to the 2011 sale of Chews Lane
 - Offset by deductions relating to Wynyard Quarter and Downtown
- FY16 expected effective tax rate of around 14%
- Future tax profile will be impacted by deductible costs associated with developments

Tax expense reconciliation

	FY15	FY14
Net profit before taxation		
Less non assessable income	\$127.3 m	\$130.9 m
Unrealised net gain in value of investment properties	(\$64.8)	(\$47.5)
Depreciation recovered on sale losses	\$3.8	-
Realised loss on sale of investment properties	\$1.6	-
Unrealised derivative financial instrument gain/(loss)	\$11.9	(\$10.9)
Operating profit before Tax	\$79.8 m	\$72.6 m
Other deductible expenses		
Depreciation	(\$24.9)	(\$30.5)
Chews Lane	-	(\$4.2)
Leasing fees and incentives in the period	(\$0.2)	(\$2.8)
Other deductibles	(\$8.9)	(\$3.8)
Taxable income	\$45.7 m	\$31.2 m
Current tax expense	\$12.8 m	\$8.7 m
Prior period washup	(\$1.3)	
Tax at 28%	\$11.5 m	

Funds from operations (FFO)

PCA Definition		FY15
	Net profit after tax	\$122.4m
A	Investment Property and Inventory	
A2	Losses from Sales of investment property	\$1.6m
A3	Fair Value Gain on investment property	(\$64.8m)
	Financial instruments	
C2	Fair value loss on the mark to market of derivatives	\$11.9m
E	Deferred Tax	
E1	Non-FFO deferred tax benefits	(\$6.6m)
	Depreciation recovered on sale	\$3.8m
	Net operating income after tax	\$68.3m
D	Incentives and Rent Straight lining	
D2&4	Amortisations of incentives and leasing costs	\$7.3m
D5	Straight-line rents	(\$1.1m)
	Funds from Operations (FFO)	\$74.6m
	FFO per weighted security	6.76c
	Adjusted Funds From Operations	
G1	Derivative closeout costs	\$1.6m
G2	Maintenance capex	(\$2.6m)
G2	Tenant Improvement	(\$4.0m)
G3	Incentives and leasing fees given for the period	(\$7.1m)
	Adjusted Funds From Operations (AFFO)	\$62.4m
	AFFO per weighted security	5.66c
	Dividend paid in financial year	
	Dividend paid	5.40c
	Payout ratio to AFFO	95%

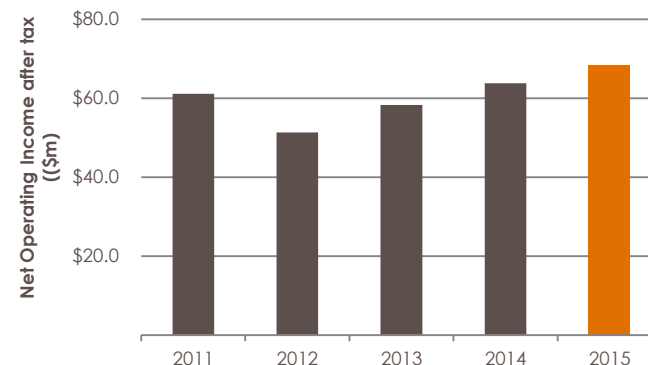
- Funds from operations (FFO) is the organisations underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit for certain non-cash and other items.
- FFO per weighted security for FY15 was 6.76 cps compared with a dividend of 5.40 cps

FFO and Adjusted Funds From Operations (AFFO) have been calculated based on the Property Council of Australia's white paper 'Voluntary best practice guidelines for disclosing FFO and AFFO'.

5 year summary

(\$ millions unless otherwise stated)	2011	2012	2013	2014	2015
Financial performance					
Gross rental revenue	\$137.0	\$127.3	\$147.7	\$165.4	\$170.5
Operating profit before indirect expenses	\$101.1	\$90.9	\$104.0	\$118.3	\$121.6
Net interest expense	(\$22.3)	(\$20.8)	(\$28.0)	(\$33.2)	(\$31.4)
Other expenses	(\$9.2)	(\$11.6)	(\$12.8)	(\$12.6)	(\$10.4)
Operating income before income tax	\$69.6	\$58.5	\$63.2	\$72.5	\$79.8
Non operating income / expense					
Unrealised net gain in value of investment properties	(\$36.3)	\$5.5	\$46.3	\$47.5	\$64.8
Other non operating income	(\$10.0)	(\$5.4)	\$13.2	\$10.9	(\$13.5)
Net profit before taxation	\$23.3	\$58.6	\$122.7	\$130.9	\$131.1
Current tax benefit / (expense)	(\$8.5)	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)
Depreciation recovered on sale benefit / (expense)					(\$3.8)
Deferred tax benefit / (expense)	(\$4.4)	(\$6.3)	\$39.7	(\$5.0)	\$6.6
Net profit after taxation	\$10.4	\$45.1	\$157.5	\$117.2	\$122.4
Net operating income after tax	\$61.1	\$51.3	\$58.3	\$63.8	\$68.3
Net operating Income after tax per share (cents)	6.13	5.14	5.85	6.10	6.19
Net dividend (cents)	5.468	5.040	5.120	5.400	5.400
Payout ratio	89.2%	98.1%	87.5%	88.5%	87.2%

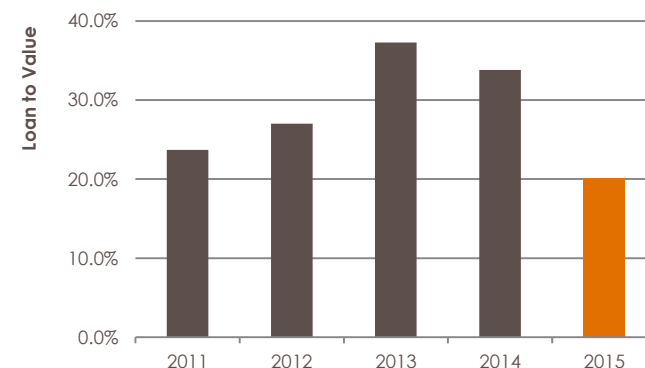
Net operating income



5 year summary cont.

(\$ millions unless otherwise stated)	2011	2012	2013	2014	2015
Financial position					
Total assets	\$1,283.9	\$1,350.4	\$1,658.5	\$1,747.5	\$1,753.2
Interest bearing liabilities	\$282.5	\$346.5	\$603.0	\$572.0	\$340.0
Total liabilities	\$401.5	\$473.2	\$674.7	\$640.7	\$414.9
Total equity	\$882.4	\$877.2	\$983.8	\$1,106.8	\$1,338.3
Bank covenant loan to value	23.7%	27.0%	37.3%	33.8%	20.1%
Interest coverage ratio	4.1 x	3.5 x	3.0 x	3.2 x	3.5 x
Number of shares (m)	997.1 m	997.1 m	997.1 m	1,059.7 m	1,211.1 m
Weighted average number of shares (m)	997.1 m	997.1 m	997.1 m	1,046.6 m	1,103.1 m
Net tangible assets per share	\$0.88	\$0.88	\$0.99	\$1.04	\$1.11
Share price at 30 June	\$0.84	\$0.93	\$1.02	\$1.07	\$1.14
Key portfolio metrics					
Average portfolio cap rate	8.0%	7.9%	7.5%	7.3%	7.0%
Weighted average lease term (years)	5.8	5.9	5.7	5.4	5.0
Occupancy (by NLA)	94%	94%	97%	98%	98%
Net lettable area	265,757 m ²	289,934 m ²	322,115 m ²	322,115 m ²	304,485 m²
Number of properties	15	16	17	17	15

Loan to value ratio



Asset level valuations

	Cap Rates %			Valuations		Value Movement		
	FY15	FY14		FY15	FY14	Additions/ Disposals	Revaluation	%
125 The Terrace	7.9%	7.9%		\$64.9 m	\$63.8 m	(\$0.1 m)	\$1.2 m	1.9%
157 Lambton Quay	7.5%	7.5%		\$106.0 m	\$108.0 m	\$1.1 m	(\$3.1 m)	-2.8%
Bowen Campus	9.6%	9.6%		\$49.0 m	\$49.0 m			0.0%
Deloitte House	8.3%	8.1%	13 bps	\$49.3 m	\$50.6 m	\$0.7 m	(\$2.0 m)	-3.9%
Mayfair House	8.8%	8.5%	25 bps	\$38.1 m	\$37.5 m	\$1.4 m	(\$0.8 m)	-2.1%
No.1 and 3 The Terrace	7.6%	7.6%		\$70.0 m	\$72.5 m		(\$2.5 m)	-3.4%
No.3 The Terrace	n/a	n/a		\$10.6 m	\$10.6 m			0.0%
Pastoral House	8.8%	8.6%	13 bps	\$47.0 m	\$49.5 m	\$0.4 m	(\$2.9 m)	-5.8%
State Insurance Tower	7.6%	7.6%		\$136.3 m	\$136.7 m	\$1.0 m	(\$1.4 m)	-1.0%
Wellington	7.9%	7.8%	4 bps	\$571.2 m	\$578.2 m	\$4.5 m	(\$11.5 m)	-2.0%
AMP Centre	7.0%	7.4%	(37 bps)	\$136.0 m	\$122.4 m	\$1.1 m	\$12.5 m	10.1%
ANZ Centre - Auckland	6.4%	6.6%	(25 bps)	\$271.1 m	\$256.0 m	\$3.3 m	\$11.8 m	4.6%
Downtown Shopping Centre	6.1%	6.9%	(76 bps)	\$120.0 m	\$101.0 m	\$11.3 m	\$7.7 m	6.9%
HSBC House	6.9%	7.3%	(37 bps)	\$120.0 m	\$108.0 m	\$2.2 m	\$9.8 m	8.9%
PricewaterhouseCoopers Tower	6.4%	6.8%	(38 bps)	\$293.0 m	\$263.0 m	\$1.6 m	\$28.4 m	10.7%
Zurich House	6.6%	6.9%	(25 bps)	\$100.5 m	\$91.5 m	(\$0.2 m)	\$9.2 m	10.1%
Auckland	6.5%	6.9%	(37 bps)	\$1,040.6 m	\$941.9 m	\$19.3 m	\$79.4 m	8.3%
Sub Total	7.0%	7.2%	(25 bps)	\$1,611.8 m	\$1,520.1 m	\$23.8 m	\$67.9 m	4.4%
Investment Properties Held for Sale								
ANZ Centre - Wellington	7.4%	7.4%	(3 bps)	\$76.0 m	\$75.8 m	\$3.3 m	(\$3.1 m)	-3.9%
Total Portfolio	7.0%	7.3%	(24 bps)	\$1,687.8 m	\$1,595.9 m	\$27.1 m	\$64.8 m	4.0%

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