Precinct Properties New Zealand Limited	
Results for announcement to the market	
Reporting Period	Year Ended 30 June 2014
Previous Reporting Period	Year Ended 30 June 2013

	Amount ($m)	Percentage change
Revenue from ordinary activities	$NZ 165.4	12.0%
Profit (loss) from ordinary activities after tax attributable to security holders.	$NZ 117.2	(25.6)%
Net profit (loss) attributable to security holders.	$NZ 117.2	(25.6)%

Final Dividend	Amount per security	Imputed amount per security
	$NZ 0.01350	$NZ 0.00165

Record Date	4 September 2014
Dividend Payment Date	18 September 2014

Comments:	Audited financial statements attached.

Precinct
PROPERTIES NEW ZEALAND

The Numbers

ANNUAL RESULTS YEAR ENDED 30 JUNE 2014

Statements of Comprehensive Income

For the year ended 30 June 2014

Amounts in $millions	Notes	Group 30 June 2014	Group 30 June 2013	Company 30 June 2014	Company 30 June 2013
Revenue					
Gross rental income		**165.4**	147.7	**–**	–
Less direct operating expenses		**(47.1)**	(43.7)	**–**	–
Operating income before indirect expenses		**118.3**	104.0	**–**	–
Indirect expenses / (revenue)					
Interest expense		**33.4**	28.2	**33.4**	28.2
Interest income		**(0.2)**	(0.2)	**(75.3)**	(66.4)
Other expenses	3	**12.6**	12.8	**12.5**	12.8
Total indirect expenses / (revenue)		**45.8**	40.8	**(29.4)**	(25.4)
Operating income before income tax		**72.5**	63.2	**29.4**	25.4
Non operating income					
Unrealised net gain in value of investment properties	10	**47.5**	46.3	**–**	–
Unrealised interest rate swap gain		**10.9**	13.2	**10.9**	13.2
Total non operating income		**58.4**	59.5	**10.9**	13.2
Net profit before taxation		**130.9**	122.7	**40.3**	38.6
Income tax expense / (benefit)					
Current tax expense	4	**8.7**	4.9	**6.9**	7.2
Deferred tax expense / (benefit)	4	**5.0**	(39.7)	**3.1**	3.7
Total taxation expense / (benefit)		**13.7**	(34.8)	**10.0**	10.9
Net profit after taxation attributable to equity holders		**117.2**	157.5	**30.3**	27.7
Total comprehensive income after income tax attributable to equity holders	5 & 7	**117.2**	157.5	**30.3**	27.7
Earnings per share (cents per share)					
Basic and diluted earnings per share	6	**11.20**	15.79		
Other amounts (cents per share)					
Operating income before current tax per share	6	**6.93**	6.33		
Net operating income per share	5 & 6	**6.10**	5.85		

The accompanying notes on pages 5 to 28 form part of these Financial Statements.

Statements of Changes in Equity

For the year ended 30 June 2014

Amounts in $millions	*Ordinary shares*	*Retained earnings*	*Total equity*
Group			
At 1 July 2012	814.7	62.5	877.2
Total comprehensive income for the period	–	157.5	157.5
Distributions to equity holders	–	(50.9)	(50.9)
At 30 June 2013	**814.7**	**169.1**	**983.8**
At 1 July 2013	**814.7**	**169.1**	**983.8**
Total comprehensive income for the period	**–**	**117.2**	**117.2**
Issue of new shares	**61.5**	**–**	**61.5**
Distributions to equity holders	**–**	**(55.7)**	**(55.7)**
At 30 June 2014	**876.2**	**230.6**	**1,106.8**
Company			
At 1 July 2012	814.7	(289.2)	525.5
Total comprehensive income for the period	–	27.7	27.7
Distributions to equity holders	–	(50.9)	(50.9)
At 30 June 2013	**814.7**	**(312.4)**	**502.3**
At 1 July 2013	**814.7**	**(312.4)**	**502.3**
Total comprehensive income for the period	**–**	**30.3**	**30.3**
Issue of new shares	**61.5**	**–**	**61.5**
Distributions to equity holders	**–**	**(55.7)**	**(55.7)**
At 30 June 2014	**876.2**	**(337.8)**	**538.4**

The accompanying notes on pages 5 to 28 form part of these Financial Statements.

Statements of Financial Position

As at 30 June 2014

		Group		Company	
Amounts in $millions	*Notes*	***30 June 2014***	*30 June 2013*	***30 June 2014***	*30 June 2013*
Current assets					
Cash and cash equivalents		**1.7**	3.0	**1.7**	3.0
Fair value of interest rate swaps		**0.1**	–	**0.1**	–
Debtors	9	**10.7**	7.3	**6.4**	3.0
Total current assets		**12.5**	10.3	**8.2**	6.0
Investment properties held for sale	10	**95.6**	–	**–**	–
Non-current assets					
Fair value of interest rate swaps		**6.0**	3.8	**6.0**	3.8
Deferred tax asset – fair value of interest rate swaps	4	**0.9**	4.0	**0.9**	4.0
Investment properties	10	**1,632.5**	1,640.4	**–**	–
Loan to subsidiaries	11	**–**	–	**1,111.3**	1,116.1
Total non-current assets		**1,639.4**	1,648.2	**1,118.2**	1,123.9
Total assets		**1,747.5**	1,658.5	**1,126.4**	1,129.9
Current liabilities					
Fair value of interest rate swaps		**0.7**	0.4	**0.7**	0.4
Provision for tax		**2.9**	2.0	**2.3**	3.3
Other current liabilities	12	**14.2**	11.4	**4.3**	3.3
Total current liabilities		**17.8**	13.8	**7.3**	7.0
Non-current liabilities					
Interest bearing liabilities	14	**572.0**	603.0	**572.0**	603.0
Fair value of interest rate swaps		**8.7**	17.6	**8.7**	17.6
Deferred tax liability – depreciation	4	**42.2**	40.3	**–**	–
Total non-current liabilities		**622.9**	660.9	**580.7**	620.6
Total liabilities		**640.7**	674.7	**588.0**	627.6
Total equity		**1,106.8**	983.8	**538.4**	502.3
Total liabilities and equity		**1,747.5**	1,658.5	**1,126.4**	1,129.9

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 12 August 2014.

Director *Director*

The accompanying notes on pages 5 to 28 form part of these Financial Statements.

Statements of Cash Flows

For the year ended 30 June 2014

		Group		Company	
Amounts in $millions	*Notes*	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Cash flows from operating activities					
Gross rental income	8	**163.1**	142.5	**–**	–
Interest income		**0.2**	0.2	**75.3**	66.4
Property expenses		**(52.8)**	(40.9)	**–**	–
Other expenses		**(10.0)**	(13.8)	**(14.7)**	(16.3)
Interest expense		**(33.2)**	(29.3)	**(33.2)**	(27.2)
Income tax		**(7.7)**	(4.5)	**(8.3)**	(5.8)
Net cash inflow from operating activities	7	**59.6**	54.2	**19.1**	17.1
Cash flows from investing activities					
Loan to subsidiaries		**–**	–	**4.8**	(220.4)
Capital expenditure on investment properties		**(35.6)**	(59.7)	**–**	–
Acquisition of investment properties		**–**	(195.8)	**–**	–
Capitalised interest on investment property		**(0.1)**	(2.0)	**–**	–
Net cash inflow / (outflow) from investing activities		**(35.7)**	(257.5)	**4.8**	(220.4)
Cash flows from financing activities					
Loan facility drawings to fund acquisitions		**–**	195.8	**–**	195.8
Loan facility drawings to fund capex		**35.6**	59.7	**–**	59.7
Loan facility repayment and cancellation		**(50.0)**	–	**(50.0)**	–
Other loan facility drawings[1]		**(16.6)**	1.0	**19.0**	1.0
Issue of new shares[2]		**61.5**	–	**61.5**	
Distributions paid to share holders		**(55.7)**	(50.9)	**(55.7)**	(50.9)
Net cash inflow / (outflow) from financing activities		**(25.2)**	205.6	**(25.2)**	205.6
Net increase / (decrease) in cash held		**(1.3)**	2.3	**(1.3)**	2.3
Cash at the beginning of the year		**3.0**	0.7	**3.0**	0.7
Cash at the end of the year		**1.7**	3.0	**1.7**	3.0

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

The accompanying notes on pages 5 to 28 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2014

1) Summary of significant accounting policies

The 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 issuer for the purposes of the Financial Reporting Act 1993.

These audited financial statements are those of Precinct and its subsidiaries (the 'Group').

Precinct's principal activity is investment in predominantly prime CBD office properties in New Zealand. Precinct is managed by AMP Haumi Management Limited.

a) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

– Financial instruments at fair value through profit or loss are measured at fair value

– Investment property is measured at fair value

b) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRS'). Financial statements have been prepared using the New Zealand Dollar functional and reporting currency. Financial statements have been rounded to the nearest hundred thousand dollars.

The following standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the reporting period:

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 July 2013 or later periods which the Company has not early adopted:

NZ IFRS 9 – Financial Instruments: Classification and measurement. The standard requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. Precinct have not yet determined the effect, if any, on the financial statements. The first balance date this standard will be applicable for Precinct will be 30 June 2016.

c) Basis of consolidation

The consolidated financial statements include Precinct and its subsidiary companies. The acquisition of subsidiaries is accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition separate from goodwill, the identifiable assets acquired, the liabilities assumed and non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities of the acquiree are measured initially at their fair values at the acquisition date.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

d) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

External, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value Precinct's investment property portfolio at least every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

1) Summary of significant accounting policies (continued)

d) Investment properties (continued)

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between Precinct and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases or decreases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time. Valuation approaches used can be found in Note 2(ii).

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 the derecognition of an investment property are recognised in profit or loss in the year of derecognition.

Investment property is transferred to investment property held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use.

Leasing fees and lease incentives are capitalised to the respective investment properties in the Statements of Financial Position and amortised over the term certain life of the lease.

e) Development properties

Investment properties that are being constructed or developed for future use are classified as investment properties. All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure is capitalised. After initial recognition, development properties are stated at fair value.

f) Revenue recognition

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

g) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to loan to subsidiaries and jointly controlled entities to the extent that they probably 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.

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale. The deferred tax liabilities or assets on investment property therefore reflect the anticipated depreciation clawback or loss on disposal arising on sale.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

h) Goods and services tax

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

1) Summary of significant accounting policies (continued)

i) Receivables

Receivables are recognised and carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectable amounts. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments of debts more than 60 days overdue are considered objective evidence of the impairment. Bad debts are written off when identified.

j) Leasing fees

Precinct capitalises all significant leasing fees to the respective investment property in the Statements of Financial Position and amortises them on a straight-line basis over the term certain life of the lease.

k) Lease incentives

Precinct capitalises all significant lease incentives to the respective investment property in the Statements of Financial Position and amortises them on a straight-line basis over the term certain life of the lease.

l) Payables

Payables are carried at amortised cost. They represent liabilities for goods and services provided to Precinct prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Interest bearing liabilities

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n) Derivative financial instruments

Precinct uses derivative financial instruments to manage its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss as the financial instrument meets the criteria of a derivative.

The fair value of interest rate swaps is the estimated amount that Precinct would receive or pay to terminate the swap at the balance date, taking into account current interest rates and creditworthiness of the swap counterparties.

o) Investments in subsidiary

Investments in subsidiary are carried at the lower of cost and estimated recoverable amount.

p) Derecognition of financial instruments

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial asset. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset. Financial liabilities are derecognised when the obligation has expired or been transferred.

q) Cash and cash equivalents

For purposes of Statements of Cash Flows, cash includes coins, notes, demand deposits and other highly liquid investments in which the group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts.

r) Operating and finance leases

Leases under which the Group retains substantially all the risks and rewards of ownership are classified as operating leases. All other leases are classified as finance leases.

1) Summary of significant accounting policies (continued)

s) Changes in accounting policies

The Group has adopted the following new standards and amendments to existing standards, with an initial application date of 1 July 2013:

(a) NZ IFRS 13 Fair Value Measurement: NZ IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other NZ IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other NZ IFRS. As a result, the Group has included additional disclosures in this regard (see Note 10).

In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has had no material impact on the measurement of the Group's assets and liabilities.

2) Significant accounting judgements, estimates and assumptions

In applying Precinct's accounting policies, management continually evaluates 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 financial statements are outlined below:

(i) Operating lease commitments

Precinct has entered into commercial property leases on its investment properties. Precinct has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(ii) Investment and development properties

Independent valuations are used to determine the fair value of investment and development properties. The most common and accepted methods for assessing the current market value of a property are the Capitalisation and Discounted Cash Flow approaches. Each approach derives a value based on contract rentals, expected future market rentals, income void assumptions, maintenance requirements and appropriate discount rates.

The Capitalisation approach is considered a 'snapshot' view of the property's value, based on current contract and market income and an appropriate market yield or return for the particular property. Capital adjustments are then made to the value to reflect under- or over-renting, pending capital expenditure, upcoming expiries and associated lease-up costs.

Taking a more long-term investment view, the Discounted Cash Flow analysis adopts a 10-year investment horizon and makes appropriate allowances for rental income growth, leasing up on expiries, along with a terminal value at the end of the investment period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10-year period.

In deriving a market value under each approach, all assumptions are compared, where possible, to market based evidence and transactions for properties with similar locations, condition and quality of accommodation. The adopted market value is a weighted combination of both the capitalisation and discounted cash flow approaches.

(iii) Deferred tax assets

As at 30 June 2014, Precinct had recognised deferred tax assets relating to the fair value of interest rate swaps. The deferred tax asset is the amount of income taxes recoverable in future periods in respect of the deductible temporary differences. In recognising this asset, management have considered the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

(iv) Deferred tax liabilities

As at 30 June 2014, Precinct has recognised deferred tax liabilities relating to the depreciation claw-back which would arise on the sale of investment properties at carrying value.

In estimating this deferred tax liability, Precinct has relied on independent valuers' assessments of the market value of the land and buildings components and an internal assessment of the market value of fixtures and fittings having regard to the useful lives of each category of fixtures and fittings. Generally, Precinct has assessed that the market value of fixtures and fittings will be equal to their tax book value.

3) Operating profit before income tax

Operating profit before income tax has been arrived at after charging the following items:

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Other expenses				
Audit fees[1]	**0.2**	0.2	**0.2**	0.1
Directors' fees and expenses	**0.5**	0.4	**0.5**	0.4
Manager's base fees	**8.3**	7.5	**8.3**	7.5
Manager's performance fees	**2.2**	3.4	**2.2**	3.4
Other[2]	**1.4**	1.3	**1.4**	1.4
Total other expenses	**12.6**	12.8	**12.6**	12.8

1. Audit fees include $133,000 for audit and review of financial statements (2013: $129,500) and $42,500 for other assurance services (2013: $36,000).
2. Other expenses includes valuation fees, share registry costs and annual report design and publication

4) Taxation

Statement of Comprehensive Income

Major components of income tax expense for the years ended 30 June 2014 and 2013 are:

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Current tax expense	**8.7**	4.9	**6.9**	7.2
Deferred tax expense / (benefit)				
Fair value of interest rate swaps	**3.1**	3.7	**3.1**	3.7
Depreciation – current year	**1.9**	(43.4)	**–**	–
Total deferred tax expense / (benefit)	**5.0**	(39.7)	**3.1**	3.7
Total taxation expense	**13.7**	(34.8)	**10.0**	10.9

4) Taxation (continued)

Statement of Comprehensive Income (continued)

A reconciliation of income tax expense applicable to accounting profit before tax at statutory tax rate to tax expense at Precinct's effective tax rate for the years ended 30 June 2014 and 2013 is as follows:

	Group		Company	
Amounts in $millions	***30 June 2014***	*30 June 2013*	***30 June 2014***	*30 June 2013*
Net profit before taxation	**130.9**	122.7	**40.3**	38.6
At the statutory income tax rate of 28.0%	**36.7**	34.3	**11.3**	10.8
Unrealised (gain) on value of investment properties	**(13.3)**	(13.0)	**–**	–
Disposal of depreciable assets	**(1.4)**	(2.4)	**–**	–
Other adjustments	**(4.9)**	(7.3)	**(4.4)**	(3.6)
Depreciation	**(8.4)**	(6.7)	**–**	–
Current tax expense	**8.7**	4.9	**6.9**	7.2
Total deferred tax expense / (benefit)	**5.0**	(39.7)	**3.1**	3.7
Total taxation expense	**13.7**	(34.8)	**10.0**	10.9
Effective tax rate	**10%**	–28%	**25%**	28%

Statement of Financial Position

	Group		Company	
Amounts in $millions	***30 June 2014***	*30 June 2013*	***30 June 2014***	*30 June 2013*
Deferred tax asset at 30 June relates to the following:				
Revaluation of interest rate swaps to fair value	**0.9**	4.0	**0.9**	4.0
Deferred tax liability at 30 June relates to the following:				
Depreciation clawback	**(42.2)**	(40.3)	**–**	–
Total deferred tax asset / (liability)	**(41.3)**	(36.3)	**0.9**	4.0

Precinct has no tax losses available to carry forward as at 30 June 2014 (2013: $nil).

As at 30 June 2014, Precinct holds its properties on capital account for income tax purposes.

5) 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, deferred tax and other non-cash NZ IFRS adjustments.

Amounts in $millions	***30 June 2014***	*30 June 2013*
Net profit after taxation	**117.2**	157.5
Unrealised net (gain) / loss in value of investment properties	**(47.5)**	(46.3)
Unrealised interest rate swap (gain) / loss	**(10.9)**	(13.2)
Deferred tax (benefit) / expense	**5.0**	(39.7)
Net operating income	**63.8**	58.3

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

6) Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary share holders (excluding distributions to share holders) by the weighted average number of shares outstanding during the period.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Group	
Amounts in $millions	***30 June 2014***	*30 June 2013*
Net profit after tax for basic and diluted earnings per share	**117.2**	157.5
Weighted average number of shares for basic and diluted earnings per share	**1,046.6**	997.1

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

Operating income before tax per share is calculated by dividing net operating income plus current tax, by the weighted average number of shares outstanding during the period.

Net operating income per share is calculated by dividing net operating income (refer Note 5) by the weighted average number of shares outstanding during the period.

These additional measures are provided to assist shareholders in assessing their returns for the year.

7) Reconciliation of net profit after taxation with cash inflow / (outflow) from operating activities

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Net profit after taxation	**117.2**	157.5	**30.3**	27.7
Add / (less) non-cash items and non operating items				
Unrealised (gain) / loss in value of investment properties	**(47.5)**	(46.3)	**–**	–
Unrealised interest rate swap gain	**(10.9)**	(13.2)	**(10.9)**	(13.2)
Deferred tax (benefit) / expense	**5.0**	(39.7)	**3.1**	3.7
Amortisation of leasing costs and incentives	**6.1**	4.3	**–**	–
Movement in working capital				
Increase / (decrease) in creditors	**(4.5)**	(0.1)	**(3.4)**	(1.1)
(Increase) / decrease in debtors	**(5.8)**	(8.3)	**–**	–
Net cash inflow from operating activities	**59.6**	54.2	**19.1**	17.1

8) Reconciliation of gross rental income recognised in the statement of comprehensive income to cash flow from gross rental income

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Gross rental income	**165.4**	147.7	**–**	–
Less: Current year incentives	**(5.9)**	(8.7)	**–**	–
Add: Amortisation of incentives	**3.5**	3.1	**–**	–
Add: Working capital movements	**0.1**	0.4	**–**	–
Cash flow from gross rental income	**163.1**	142.5	**–**	–

9) Debtors

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Trade debtors	**0.5**	1.1	**–**	–
Provision for doubtful debts	**(0.1)**	(0.1)	**–**	–
Prepaid insurance premium	**3.7**	–	**3.6**	–
Other debtors	**6.6**	6.3	**2.8**	2.9
Total debtors	**10.7**	7.3	**6.4**	2.9

Debtors are reviewed for impairment on an on-going basis. A trade debtor is considered past due when the counterparty has failed to make payment when contractually due. A debtor is considered to be impaired when all amounts due according to the original terms of receivables may not be able to be collected. Doubtful debts are provided for when the debt is considered to be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows relating to the debt. The provision for doubtful debts as at 30 June 2014 and 30 June 2013 relate to trade debtors that have been outstanding for less than a year.

10) Investment properties

Amounts in $millions	*Valuer*	*Category*	*Fair value hierarchy*	*Initial yield[2] %*
ANZ Centre	CBRE	Office	3	6.4%
AMP Centre	JLL	Office	3	7.4%
125 The Terrace	CBRE	Office	3	8.7%
171 Featherston Street	Bayleys	Office	3	7.4%
No.1 and 3 The Terrace	Colliers International	Office	3	8.5%
No. 3 The Terrace[1]	Colliers International	Office	3	N/A
PricewaterhouseCoopers Tower	JLL	Office	3	6.6%
Pastoral House	CBRE	Office	3	9.2%
Vodafone on the Quay	Bayleys	Office	3	7.1%
State Insurance Tower	Colliers International	Office	3	7.9%
Mayfair House	CBRE	Office	3	8.6%
80 The Terrace	Colliers International	Office	3	7.2%
Deloitte House	Colliers International	Office	3	7.9%
Zurich House	Colliers International	Office	3	7.2%
Bowen Campus	Colliers International	Office	3	12.7%
Downtown Shopping Centre	CBRE	Retail	3	6.5%
HSBC House	CBRE	Office	3	7.8%
Market value (fair value) of properties				7.5%
SAP Tower[6]	CBRE	Office	3	8.0%
Market value (fair value) of investment properties held for sale				8.0%

1 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

2 Total weighted average by market value.

3 Total weighted average lease term is weighted by income.

4 Valuation gain / (loss).

5 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.

6 The property is currently being marketed for sale. No specific transaction has been entered into. A sale is expected to be completed within the next 12 months.

Capitalisation rate[2] %	Occupancy %	WALT[3] years	Valuation 30 June 2013	Capitalised incentives	Additions/ disposals[5]	Revaluation[4] 30 June 2014	Valuation 30 June 2014
6.6%	97%	10.5	250.0	(0.2)	2.2	**4.0**	**256.0**
7.4%	100%	5.7	110.0	0.2	1.1	**11.1**	**122.4**
7.9%	98%	5.1	66.7	(0.3)	0.1	**(2.7)**	**63.8**
7.4%	99%	7.1	72.3	0.2	1.3	**2.0**	**75.8**
7.6%	100%	8.0	76.1	(0.1)	1.9	**(5.4)**	**72.5**
N/A	N/A	44.2	10.7	–	–	**(0.1)**	**10.6**
6.8%	98%	5.9	233.1	1.0	2.6	**26.3**	**263.0**
8.6%	100%	2.7	53.7	(0.0)	0.5	**(4.7)**	**49.5**
7.5%	88%	4.3	95.5	(0.1)	9.0	**3.6**	**108.0**
7.6%	97%	4.4	135.2	2.0	3.0	**(3.5)**	**136.7**
8.5%	100%	4.9	37.1	0.2	0.4	**(0.2)**	**37.5**
8.4%	89%	5.5	26.4	1.0	6.0	**3.2**	**36.6**
8.1%	98%	3.0	48.4	0.1	0.4	**1.7**	**50.6**
6.9%	100%	4.8	85.2	(0.1)	0.1	**6.3**	**91.5**
9.6%	100%	2.3	51.9	0.4	0.6	**(3.9)**	**49.0**
6.9%	97%	1.8	96.2	0.1	2.0	**2.7**	**101.0**
7.3%	100%	4.1	103.2	0.9	0.9	**3.0**	**108.0**
7.3%	98%	5.4	1,551.7	5.3	32.1	**43.4**	**1,632.5**
7.5%	99%	3.7	88.7	(0.7)	3.5	**4.1**	**95.6**
7.5%	99%	3.7	88.7	(0.7)	3.5	**4.1**	**95.6**

10) Investment properties (continued)

Amounts in $millions	*Valuer*	*Class of property*	*Fair value hierarchy*	*Initial yield[2] %*
ANZ Centre[6]	Colliers International	Office	3	6.8%
SAP Tower	JLL	Office	3	8.1%
AMP Centre	Colliers International	Office	3	8.0%
125 The Terrace	Bayleys	Office	3	8.1%
171 Featherston Street	Bayleys	Office	3	8.3%
No.1 and 3 The Terrace	Colliers International	Office	3	8.0%
No. 3 The Terrace[1]	Colliers International	Office	3	N/a
PricewaterhouseCoopers Tower	CBRE	Office	3	6.2%
Pastoral House	CBRE	Office	3	8.6%
Vodafone on the Quay	Colliers International	Office	3	7.3%
State Insurance Tower	Bayleys	Office	3	5.4%
Mayfair House	Colliers International	Office	3	8.7%
80 The Terrace	CBRE	Office	3	4.5%
Deloitte House	Colliers International	Office	3	9.1%
Zurich House	JLL	Office	3	7.6%
Bowen Campus	CBRE	Office	3	11.4%
Downtown Shopping Centre[7]	CBRE	Retail	3	7.1%
HSBC House[8]	CBRE	Office	3	8.0%
Market value (fair value) of properties				7.4%

1 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

2 Total weighted average by market value.

3 Total weighted average lease term is weighted by income.

4 Valuation gain / (loss).

5 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.

6 Additions include $2.0m of capitalised interest. The amount of interest that is capitalised is calculated by taking the average cost of borrowing from Precinct's lenders and the cost of interest attached to the financial instruments associated with the borrowings.

7 Downtown Shopping Centre was purchased on 31 October 2012.

8 HSBC House was purchased on 17 May 2013.

9 HSBC House was valued as at 12 April 2013 (all other properties were valued at 30 June 2013). Management are of the view that there would be no change in the value if it was valued as at 30 June 2013.

Precinct's properties were valued as at 30 June 2014 by independent registered valuers Colliers International, Bayleys, JLL and CBRE. The valuations are on the basis of fair value.

Amounts in $millions	***2014***	*2013*
Breakdown of Valuation by Valuer		
Colliers International	**447.5**	627.8
JLL	**385.4**	173.9
CBRE	**711.4**	564.5
Bayleys	**183.8**	274.2
	1,728.1	1,640.4

Capitalisation rate[2] %	Occupancy %	WALT[3] years	Valuation 30 June 2013	Capitalised incentives	Additions/ disposals[5]	Revaluation[4] 30 June 2013	Valuation 30 June 2013[9]
6.8%	100%	11.5	192.5	0.9	39.7	16.9	250.0
7.6%	96%	4.2	80.0	0.5	3.0	5.2	88.7
7.6%	100%	6.0	100.2	(0.2)	0.9	9.1	110.0
7.9%	100%	5.5	64.0	0.3	0.4	2.0	66.7
7.7%	100%	8.0	69.4	0.5	0.0	2.4	72.3
7.5%	100%	5.3	78.0	0.1	0.3	(2.3)	76.1
N/a	N/a	45.2	10.7	0.0	0.0	0.0	10.7
7.1%	92%	5.9	222.4	1.8	6.5	2.4	233.1
8.3%	100%	3.6	54.8	(0.1)	0.1	(1.1)	53.7
7.5%	100%	5.1	92.5	0.6	4.1	(1.7)	95.5
7.8%	88%	5.1	129.5	0.9	0.7	4.1	135.2
8.8%	100%	2.9	38.2	(0.3)	0.3	(1.1)	37.1
9.5%	78%	4.7	26.1	0.4	2.7	(2.8)	26.4
8.1%	100%	3.3	47.0	0.2	0.1	1.1	48.4
7.0%	94%	5.6	75.4	0.7	0.8	8.3	85.2
9.8%	97%	1.7	51.5	0.0	0.0	0.4	51.9
7.0%	99%	2.2	–	0.0	91.7	4.5	96.2
7.5%	100%	4.1	–	0.0	104.3	(1.1)	103.2
7.5%	97%	5.7	1,332.1	6.3	255.7	46.3	1,640.4

10) Investment properties (continued)

Fair value measurement, valuation techniques and inputs

The valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used are as follows:

Class of property	*Fair value hierarchy*	*Fair value 30-Jun-14 $M*	*Valuation techniques used*	*Inputs used to measure fair value*	*Range of significant unobservable inputs*
CBD Office & Retail	Level 3	1,728.1	Income capitalisation approach, discounted cashflow analysis, sales comparison approach and residual approach	Office gross market rent per sqm	$150–$650
				Retail gross market rent per sqm	$210–$8,246
				Core capitalisation rate	6.6%–9.6%
				Discount rate	8.8%–10.0%
				Terminal capitalisation rate	6.9%–10.1%
				Rental growth rate per annum	(1.2%)–5.2%

During the year there were no transfers of investment properties between levels of the fair value hierarchy.

Valuation methodologies

Income capitalisation approach	Determines fair value by capitalising the net income at a capitalisation rate reflecting the nature, location and tenancy profile of the asset. Subsequent near term capital adjustments are then made which typically include letting-up allowances for vacancy and pending expiries, capital expenditure allowances and under/over renting reversions.
Discounted cash flow analysis	A financial modelling methodology assessing the long-term return that is likely to be derived from an asset. Explicit assumptions are required for rental income growth, leasing up on expiries along with terminal value at the end of the cash flow period, typically a 10 year horizon. A market-derived discount rate is then applied to the assessed cash flows and discounted to a present value which calculates the fair value.
Sales comparison approach	Fair value is determined by applying positive and negative adjustments to recently transacted assets of a similar nature.
Residual approach	A methodology normally used for property which is undergoing, or is expected to undergo, redevelopment. Fair value is determined by firstly calculating a gross realisation which forecasts what a property is worth on completion and deducts all costs associated with the development of the property. These costs typically include letting and sale costs, a market required profit and risk margin, construction costs and finance costs.

Unobservable inputs within the income capitalisation approach

Gross market rent	The estimated amount for which a tenancy within a property is expected to achieve under a new arm's length transaction including a share of the property operating expenses.
Core capitalisation rate	The income return produced by an investment expressed as a percentage. The capitalisation rate which is applied to a property's net market income is determined through analysis of comparable sales transactions.

Unobservable inputs within the discounted cash flow analysis

Discount rate	The rate of return used to convert a property's future cash flows to present value. The discount rate is determined through analysis of comparable sales.
Terminal capitalisation rate	The rate used to convert income into an indication of the anticipated value of the property at the end of the cash flow period.
Rental growth rate	The growth rate applied to the market rental over the cash flow period.

10) Investment properties (continued)

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant inputs	*Fair value measurement sensitivity to increase in input*	*Fair value measurement sensitivity to decrease in input*
Gross market rent per sqm	Increase	Decrease
Core capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase
Terminal capitalisation rate	Decrease	Increase
Rental growth rate per annum	Increase	Decrease

11) Investment in subsidiaries

Shares in subsidiaries

Precinct owns 100 shares in each of its subsidiary companies with each parcel of 100 subsidiary shares being purchased for $100. The subsidiaries balance dates are 30 June 2014.

There were no changes in the percentage of Precinct ownership and in the balance date of the subsidiary companies. The subsidiaries are incorporated in New Zealand.

Investment in and loan to subsidiaries

Amounts in $millions	*% Company ownership*	*Incorporation date of company*	*Subsidiary loan*	
			2014	*2013*
Precinct Properties Holdings Limited	100%	15-May-12	**1,021.2**	1,116.1
Precinct Properties Downtown Limited	100%	27-Aug-13	**90.1**	–
Precinct Properties Wynyard Limited	100%	17-Dec-13	**–**	–
Total loan to subsidiaries			**1,111.3**	1,116.1

The subsidiary loans are subject to individual loan facility agreements between Precinct and the subsidiaries. The interest rate of this loan is variable and is set by Precinct. The current interest rate as set by Precinct is 8% (2013: 8%).

12) Other current liabilities

	Group		***Company***	
Amounts in $millions	***30 June 2014***	*30 June 2013*	***30 June 2014***	*30 June 2013*
Trade creditors	**3.9**	3.2	**0.4**	–
Other liabilities	**7.6**	5.5	**3.9**	3.3
Accrued capital expenditure	**2.7**	2.7	**–**	–
Total other current liabilities	**14.2**	11.4	**4.3**	3.3

13) Contingent liabilities

There are no contingent liabilities as at 30 June 2014 (2013: $nil).

14) Interest bearing liabilities

As at 30 June 2014 Precinct has a cash advance facility with ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand Limited (BNZ), Commonwealth Bank of Australia (ASB) and Bank of Tokyo-Mitsubishi UFJ Limited (BTMU) for $610,000,000 (2013: $660,000,000). The maturity profile for the facility is as follows:

Amounts in $millions	Maturity Date	Group and Company 2014 Facility	Drawn
Loan facility 2014			
ANZ	Jul-18	**67.8**	**55.3**
ASB	Jul-18	**67.8**	**55.3**
BNZ	Jul-18	**67.8**	**55.3**
ANZ	Jul-17	**67.8**	**67.8**
ASB	Jul-17	**67.8**	**67.8**
BNZ	Jul-17	**67.7**	**67.7**
ANZ	Jul-16	**51.1**	**51.1**
ASB	Jul-16	**51.1**	**51.1**
BNZ	Jul-16	**51.1**	**51.1**
BTMU	Jul-16	**50.0**	**49.5**
Total		**610.0**	**572.0**

The lenders under the loan facility 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.

Interest rates charged on the facility for the drawdown period are at the 90-day benchmark borrowing rate (BKBM) plus a margin. As at 30 June 2014 the weighted average interest rate applying to drawn amounts was 4.29% (includes margin) (2013: 3.55%). Through the use of interest rate swaps Precinct has as of 30 June 2014 effectively fixed the interest rate on $381,500,000 being 66.7% (2013: $341,500,000, 56.6%) of its total drawn amount leading to a weighted average interest rate of 5.99% (includes margin) (2013: 5.84%). The weighted average term of the swaps is 3.35 years (2013: 3.66 years).

Precinct also pays a fee for the facility which is payable quarterly to BNZ, ANZ, BTMU and ASB. Precinct also pays a facility agent fee to ANZ.

Amounts in $millions	Maturity Date	Group and Company 2013 Facility	Drawn
Loan facility 2013			
ANZ	Jul-18	67.8	48.8
ASB	Jul-18	67.8	48.8
BNZ	Jul-18	67.7	48.7
ANZ	Jul-17	67.8	67.8
ASB	Jul-17	67.8	67.8
BNZ	Jul-17	67.7	67.7
ANZ	Jul-16	67.8	67.8
ASB	Jul-16	67.8	67.8
BNZ	Jul-16	67.8	67.8
BTMU	Jul-16	50.0	50.0
Total		660.0	603.0

15) Imputation credit account

Imputation credits available for use as at 30 June 2014 are 1,745,448 (2013: nil).

16) Shares issued

	Group		Company	
Amounts in millions	***30 June 2014 shares***	*30 June 2013 shares*	***30 June 2014 shares***	*30 June 2013 shares*
Shares issued	1,059.7	997.1	1,059.7	997.1

	Group		Company	
Amounts in millions	*shares*	*$*	*shares*	*$*
Movement in shares on issue				
At 1 July 2012	997.1	814.7	997.1	814.7
At 1 July 2013	997.1	814.7	997.1	814.7
Issue of Shares via Placement (9th September 2013)	50.0	50.0	50.0	50.0
Issue of Shares via Share Purchase Plan (10th October 2013)	12.6	12.5	12.6	12.5
Issue costs	–	(1.0)	–	(1.0)
At 30 June 2014	**1,059.7**	**876.2**	**1,059.7**	**876.2**

On 9 September 2013 Precinct issued 50,000,000 shares at $1.00 per share. On 10 October 2013 Precinct issued 12,663,801 shares at $0.99 per share. Issue costs of $998,705 have been netted off the proceeds from the issues.

The total number of shares outstanding as at 30 June 2014 is 1,059,733,595 (2013: 997,069,794). The shares carry full voting rights, no redemption rights, have no par value and are subject to the terms of the constitution.

17) Distributions paid and proposed

The following distributions were declared and paid during the year.

	Group		Company	
Amounts in $millions	***30 June 2014***	*30 June 2013*	***30 June 2014***	*30 June 2013*
Q4 2013 final distribution: 1.280 cents per share (Q4 2012: 1.260 cents per share)	**12.8**	12.5	**12.8**	12.5
Q1 2014 interim distribution: 1.350 cents per share (Q1 2013: 1.280 cents per share)	**14.3**	12.8	**14.3**	12.8
Q2 2014 interim distribution: 1.350 cents per share (Q2 2013: 1.280 cents per share)	**14.3**	12.8	**14.3**	12.8
Q3 2014 interim distribution 1.350 cents per share (Q3 2013: 1.280 cents per share)	**14.3**	12.8	**14.3**	12.8
Total distributions paid	**55.7**	50.9	**55.7**	50.9
Distribution approved subsequent to balance date				
Q4 2014 final distribution 1.350 cents per share (Q4 2013: 1.280 cents per share)	**14.3**	12.8	**14.3**	12.8

18) Commitments

Precinct has $6.6m of capital commitments as at 30 June 2014 (2013: $4.5m) relating to construction contracts.

Operating lease commitments as lessor

Precinct has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one and 45 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Within one year	**155.0**	151.9	**–**	–
After one year but not more than five years	**426.6**	410.6	**–**	–
More than five years	**235.6**	274.1	**–**	–

The above rental numbers are based on contract rates as at 30 June 2014 and 30 June 2013. Actual rental amounts in future will differ due to rent review provisions within the lease agreements. The commitments are calculated using the term certain expiry dates of lease contracts.

Operating lease commitments as lessee

Precinct has entered into ground leases on some of its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one and 58 years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Within one year	**0.5**	0.5	**–**	–
After one year but not more than five years	**2.1**	2.1	**–**	–
More than five years	**11.0**	11.5	**–**	–

The above rental numbers are based on contract rates as at 30 June 2014 and 30 June 2013. Actual rental amounts in future will differ due to rent review provisions within the lease agreements. The commitments are calculated using the term certain expiry dates of lease contracts.

19) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. Precinct is internally reported as a single operating segment to the chief operating decision-maker hence no further segments have been reported.

20) Related party transactions

Manager fees

Precinct pays AMP Haumi Management Limited a base management services fee and a performance 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 $1billion; 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.

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 30 June 2014 there is a notional performance fee surplus of $nil to be carried forward to the calculation of performance fees in future quarters (2013: $nil).

For the year ended 30 June 2014 the following related party transactions occurred on an arms' length basis:

a) Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, AMP Haumi Management Limited (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 of $394,225 in 2014 (2013: $378,821).

b) Precinct pays AMP Haumi Management Limited a base management services fee. The amount paid for the year was $8,305,011 (30 June 2013: $7,466,122). An outstanding amount for Precinct of $704,331 (2013: $678,647) is payable to AMP Haumi Management Limited.

c) Precinct pays AMP Haumi Management Limited on a cost recovery basis a property and facilities management fee. The amount paid for the year was $2,628,290 (30 June 2013: $2,084,459). An outstanding amount of $nil (2013: $nil) is payable to AMP Haumi Management Limited.

d) Precinct pays AMP Haumi Management Limited a leasing fee where AMP Haumi Management Limited has negotiated leases instead of or alongside a real estate agent. The amount paid for the year was $2,697,785 (2013: $1,572,935). An outstanding amount of $nil (2013: $140,679) is payable to AMP Haumi Management Limited.

e) Precinct pays AMP Haumi Management Limited a performance fee based on Precinct's quarterly returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The amount paid for the year was $2,163,512 (2013: $3,363,788). An amount of $nil was outstanding at 30 June 2014 (2013: $1,293,000).

f) Precinct paid AMP Haumi Management Limited as development manager total fees for the year of $371,638 (2013: $556,866). An outstanding amount of $nil at 30 June 2014 (2013: $468,497) is payable to AMP Haumi Management Limited.

g) 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 Centre, AMP Centre, 80 The Terrace and 171 Featherson Street. Total rent received by Precinct from these parties during the year was $3,267,710 (2013: $5,854,108). As at 30 June 2014 an amount of $31,419 (2013: $29,305) was owing to Precinct from AMP Capital Investors (New Zealand) Limited and AMP Services (NZ) Limited.

h) Precinct paid AMP Haumi Management Limited no acqusition fees during the year (2013: $1,930,000). An outstanding amount of $nil at 30 June 2014 (2013: $1,030,000) is payable to AMP Haumi Management Limited.

i) Precinct has three subsidiary loans which are subject to individual loan facility agreements with variable interest rates as set by Precinct. See note 11. The total loan to the subsidiary companies at 30 June 2014 was $1,111.3m (2013: $1,116.1m).

j) Precinct Properties Holdings Limited sold Downtown Shopping Centre to Precinct Properties Downtown Limited on 1 October 2013.

k) No related party debts have been written off or forgiven during year (2013: $nil).

21) Capital management

The Group's capital includes ordinary shares and retained earnings. When managing capital, management's objective is to ensure Precinct continues as a going concern as well as to maintain optimal returns to share holders and benefits for other creditors. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to Precinct.

Precinct meets its objectives for managing capital through its investment decisions on the acquisition and disposal of assets, dividend policy, share buy backs and issuance of new shares.

Precinct's banking covenants require total liabilities (excluding deferred tax, interest rate swaps and sub-ordinated debt liability) to not exceed 50% of total assets. Precinct has complied with this requirement during this year and the previous year.

Precinct's policy in respect of capital management is reviewed regularly.

22) Financial risk management, objectives and policies

Precinct's principal financial instruments, other than derivatives, comprise bank loans. The main purpose of these financial instruments is to raise finance for Precinct.

Precinct has various other financial assets and liabilities such as cash and cash equivalents, trade debtors and trade creditors, which arise directly from its operations.

Precinct also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from Precinct's operations and its sources of finance.

The main risks arising from Precinct's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Summary of financial instruments

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Non-derivative financial assets				
Classified as loans and receivables				
Cash and cash equivalents	**1.7**	3.0	**1.7**	3.0
Trade debtors	**0.5**	1.1	**–**	–
Loan to subsidiary	**–**	–	**1,111.3**	1,116.1
Total non-derivative financial assets at amortised cost	**2.2**	4.1	**1,113.0**	1,119.1
Non-derivative financial liabilities				
At amortised cost				
Other current liabilities	**14.2**	11.4	**4.3**	3.3
Loan facility	**572.0**	603.0	**572.0**	603.0
Total non-derivative financial liabilities at amortised cost	**586.2**	614.4	**576.3**	606.3
Derivative financial instruments				
At fair value through profit or loss – held for trading				
Interest rates swaps	**3.3**	14.2	**3.3**	14.2
Total derivative financial instruments at fair value through profit or loss	**3.3**	14.2	**3.3**	14.2

Due to the short-term nature of trade debtors and other current liabilities, variable interest rates charged on advances to subsidiaries and 90 day interest rate resets on bank loans, the carrying value of these instruments are considered to reflect their fair value at balance date.

22) Financial risk management, objectives and policies (continued)

Fair value estimation

Precinct uses various methods in estimating fair values. The methods comprise:

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

The valuation technique applied to fair value derivatives include swap models, using present value calculations. The model incorporates various observable inputs including interest rate curves and forward rates.

The following table presents the financial instruments that are measured at fair value at 30 June 2014 and 30 June 2013.

	Group		Company	
Amounts in $millions	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Assets				
Level 1	**–**	–	**–**	–
Level 2				
Interest Rate Swaps (current)	**0.1**	–	**0.1**	–
Interest Rate Swaps (non current)	**6.0**	3.8	**6.0**	3.8
Level 3	**–**	–	**–**	–
Liabilities				
Level 1	**–**	–	**–**	–
Level 2				
Interest Rate Swaps (current)	**0.7**	0.4	**0.7**	0.4
Interest Rate Swaps (non current)	**8.7**	17.6	**8.7**	17.6
Level 3	**–**	–	**–**	–

Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the group to incur a financial loss. Financial instruments which subject Precinct to credit risk principally consist of cash and cash equivalents and trade debtors. Precinct's exposure to credit risk is equal to the fair value of the instruments.

Precinct conducts credit assessments to determine credit worthiness prior to entering into lease agreements.

In addition, receivable balances are monitored on an ongoing basis with the result that Precinct's exposure to bad debts is not significant.

With the exception of Precinct's loan to its subsidiary companies and counterparties to the interest rate swaps there is no significant concentration of credit risk and financial assets are spread amongst a number of financial institutions. Interest rate swaps counterparties may be ANZ, ASB, BNZ or Westpac. The interest rate swap counterparties have the benefit of the security trust deed in respect of Precinct's interest rate swap obligations. The maximum exposure to credit risk is disclosed in the following table.

22) Financial risk management, objectives and policies (continued)

The table below presents the categorisation of Precinct's financial assets as at 30 June 2014 and 30 June 2013.

2014	*Group*		*Company*	
Amounts in $millions	*Loans & receivables*	*At fair value through P&L*	*Loans & receivables*	*At fair value through P&L*
Financial assets				
Cash and cash equivalents	**1.7**	**–**	**1.7**	**–**
Trade debtors	**0.5**	**–**	**–**	**–**
Loan to subsidiary	**–**	**–**	**1,111.3**	**–**
Fair value of interest rate swaps	**–**	**6.1**	**–**	**6.1**
Total	**2.2**	**6.1**	**1,113.0**	**6.1**

Amounts in $millions	*Other financial liabilities*	*At fair value through P&L*	*Other financial liabilities*	*At fair value through P&L*
Financial liabilities				
Loan facility	**572.0**	**–**	**572.0**	**–**
Other current liabilities	**14.2**	**–**	**4.3**	**–**
Fair value of interest rate swaps	**–**	**9.4**	**–**	**9.4**
Total	**586.2**	**9.4**	**576.3**	**9.4**

2013	*Group*		*Company*	
Amounts in $millions	*Loans & receivables*	*At fair value through P&L*	*Loans & receivables*	*At fair value through P&L*
Financial assets				
Cash and cash equivalents	3.0	–	3.0	–
Trade debtors	1.1	–	–	–
Loan to subsidiary	–	–	1,116.1	–
Fair value of interest rate swaps	–	3.8	–	3.8
Total	4.1	3.8	1,119.1	3.8

Amounts in $millions	*Other financial liabilities*	*At fair value through P&L*	*Other financial liabilities*	*At fair value through P&L*
Financial liabilities				
Loan facility	603.0	–	603.0	–
Other current liabilities	11.4	–	3.3	–
Fair value of interest rate swaps	–	18.0	–	18.0
Total	614.4	18.0	606.3	18.0

22) Financial risk management, objectives and policies (continued)

Interest rate risk

Precinct's exposure to the risk of changes in market interest rates relates primarily to Precinct's long-term debt obligations with a floating interest rate.

Precinct's policy is to manage its interest cost using a mix of fixed and variable rate debt. Precinct's policy is to keep at least 60% of its bank borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, Precinct enters into interest rate swaps, in which Precinct agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. At 30 June 2014, after taking into account the effect of interest rate swaps, approximately 66.7 % of Precinct's bank loan is at a fixed rate of interest (2013: 56.6%).

As Precinct holds fixed rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed debt is disclosed in Note 14 and it is acknowledged that this risk is a by-product of Precinct's attempt to manage its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the loan facility, after the impact of hedging with all other variables held constant.

Group & Company 2014

Increase/decrease in basis points	***Effect on profit or equity***
+75	**(1.4)**
-25	**0.5**

Group & Company 2013

Increase/decrease in basis points	*Effect on profit or equity*
+75	(2.2)
-25	0.7

22) Financial risk management, objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that Precinct will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover any potential shortfalls.

The tables below analyse Precinct's financial assets and liabilities (principal and interest) into relevant contracted maturity groupings based on the remaining period as at 30 June 2014 and 30 June 2013.

2014

Amounts in $millions	***Carrying amount***	***0–6 mths***	***6 mths–1 yr***	***1–2 yrs***	***2–5 yrs***	***> 5 yrs***	***Total contractual cashflows***	***Effective interest rate***
Financial assets								
Group								
Trade debtors	**0.5**	**0.5**	**–**	**–**	**–**	**–**	**0.5**	
Cash and cash equivalents	**1.7**	**1.7**	**–**	**–**	**–**	**–**	**1.7**	
Interest rate swaps	**6.1**	**0.3**	**0.2**	**(0.4)**	**(2.1)**	**(0.2)**	**(2.2)**	
Company								
Loan to subsidiary	**1,111.3**	**–**	**–**	**–**	**–**	**1,111.3**	**1,111.3**	**8.00%**
Cash and cash equivalents	**1.7**	**1.7**	**–**	**–**	**–**	**–**	**1.7**	
Interest rate swaps	**6.1**	**0.3**	**0.2**	**(0.4)**	**(2.1)**	**(0.2)**	**(2.2)**	

2013

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial assets								
Group								
Trade debtors	1.1	1.1	–	–	–	–	1.1	
Cash and cash equivalents	3.0	3.0	–	–	–	–	3.0	
Interest rate swaps	3.8	–	0.1	(0.4)	(2.2)	(1.9)	(4.4)	
Company								
Loan to subsidiary	1,116.1	–	–	–	–	1,116.1	1,116.1	8.00%
Cash and cash equivalents	3.0	3.0	–	–	–	–	3.0	
Interest rate swaps	3.8	–	0.1	(0.4)	(2.2)	(1.9)	(4.4)	

22) Financial risk management, objectives and policies (continued)
Liquidity risk (continued)

2014

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial liabilities								
Group							**cashflows**	
Loan facility	**572.0**	**4.6**	**4.5**	**9.1**	**581.9**	**–**	**600.1**	**5.99%**
Interest Rate Swaps	**9.4**	**3.9**	**3.3**	**3.4**	**3.4**	**0.2**	**14.2**	
Other current liabilities	**14.2**	**14.2**	**–**	**–**	**–**	**–**	**14.2**	
Company								
Loan facility	**572.0**	**4.6**	**4.5**	**9.1**	**581.9**	**–**	**600.1**	**5.99%**
Interest Rate Swaps	**9.4**	**3.9**	**3.3**	**3.4**	**3.4**	**0.2**	**14.2**	
Other current liabilities	**4.3**	**4.3**	**–**	**–**	**–**	**–**	**4.3**	

2013

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial liabilities								
Group								
Loan facility	603.0	4.8	4.8	9.6	269.3	353.0	641.5	5.56%
Interest Rate Swaps	18.0	3.9	3.4	5.3	3.8	1.2	17.6	
Other current liabilities	11.4	11.4	–	–	–	–	11.4	
Company								
Loan facility	603.0	4.8	4.8	9.6	269.3	353.0	641.5	5.56%
Interest Rate Swaps	18.0	3.9	3.4	5.3	3.8	1.2	17.6	
Other current liabilities	3.3	3.3	–	–	–	–	3.3	

23) Events after balance date

Payment of final dividend

On 12 August 2014 the Board approved the financial statements for issue and approved the payment of a dividend of $14,306,409 (1.35 cents per share) to be paid on 18 September 2014.

Refinancing activities

On 12 August 2014 the Board approved a refinance of Precinct's bank borrowings which extended the average duration of Precinct's bank facilities by 8 months.

Chartered Accountants

Independent Auditor's Report

To the Shareholders of Precinct Properties New Zealand Limited

Report on the Financial Statements

We have audited the financial statements of Precinct Properties New Zealand Limited (the "Company") and its subsidiaries on pages 1 to 28, which comprise the statements of financial position of the Company and the group as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended of the Company and the Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's 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 audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Ernst & Young provides other assurance services to the Company and its subsidiaries. We have no other relationship with, or interest in the Company or any of its subsidiaries.

Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Opinion

In our opinion, the financial statements on pages 1 to 28:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and the group as at 30 June 2014 and the financial performance and cash flows of the Company and the group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the Company as far as appears from our examination of those records.

Ernst + Young

12 August 2014
Auckland