

The Precinct logo features a stylized sunburst icon above the word "Precinct" in a sans-serif font, with a small trademark symbol. A thin red horizontal line is positioned below the text.

Precinct™

Shaping cities we invest in.

ANNUAL REPORT 2019



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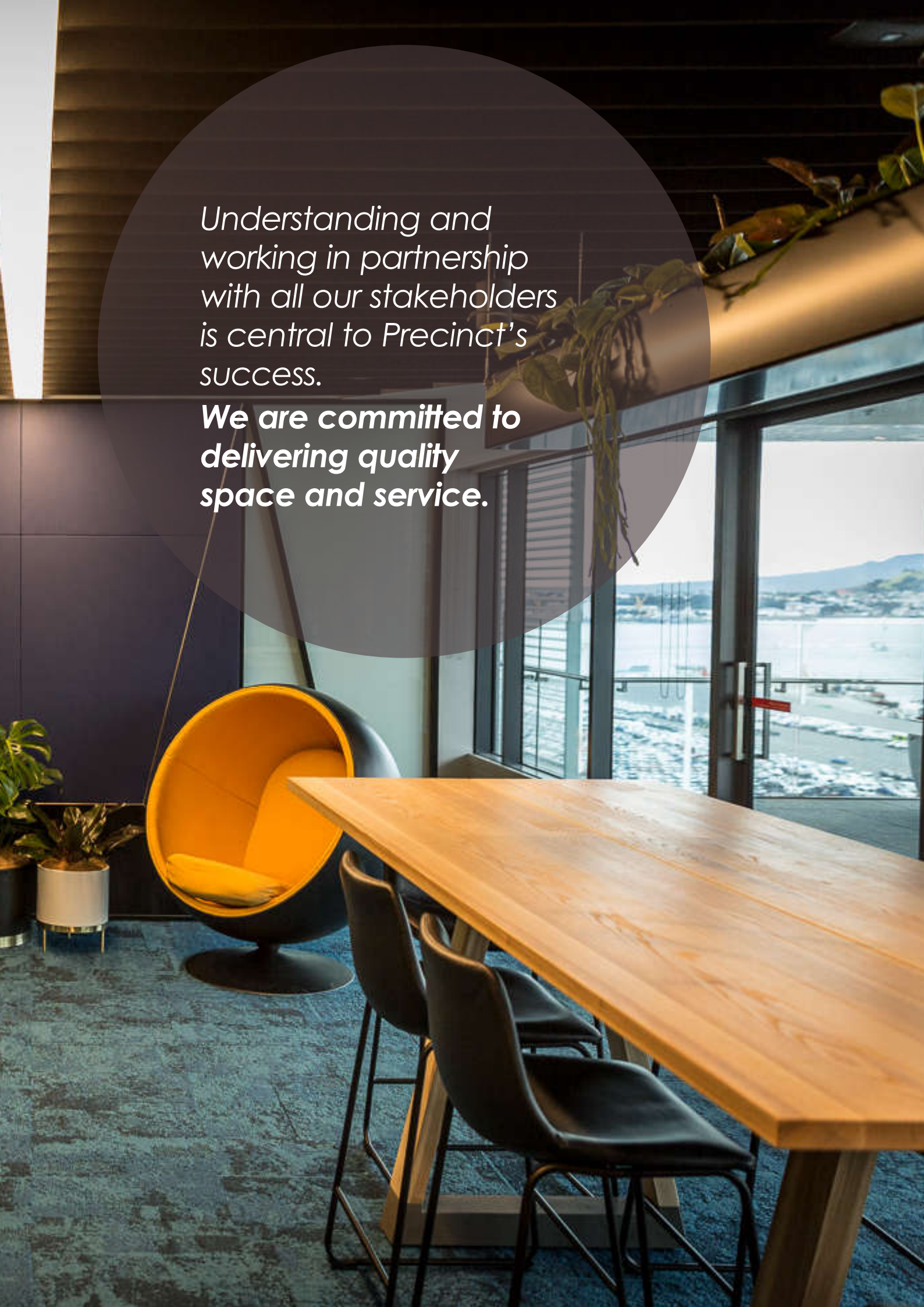
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The Numbers

103

Directory.

A modern office interior featuring a large, light-colored wooden table with several black chairs. To the left, there is a yellow pod chair. The room has large windows offering a view of a harbor with boats and hills in the background. A hanging plant is visible near the windows. The floor is covered with a blue patterned carpet. A semi-transparent dark circle is overlaid on the upper left portion of the image, containing text.

Understanding and
working in partnership
with all our stakeholders
is central to Precinct's
success.

**We are committed to
delivering quality
space and service.**

Precinct is a city centre specialist and long term owner of real estate. Our business owns high quality, strategically located city centre buildings.

Through our property offering, we are able to contribute to the life of a city. We are creating spaces where people and businesses can thrive.



\$2.8^B
PORTFOLIO VALUE

Ranked in the NZX top 30, Precinct is the largest owner and developer of premium inner-city real estate in Auckland and Wellington. Launched in 2014, Precinct's 2020 vision set out to transform its portfolio by identifying three key development opportunities, commencing a sales programme for non-core assets and matching this vision with a fully funded capital management plan.

With a number of initiatives now complete, we are advancing our business transformation and realising this vision.

Business *transformation.*



*Reviewed annually, Precinct's strategy focuses on three distinct areas, **our people and partners, operational excellence and developing the future.** The primary objective being to create **sustainable value** from city centre real estate.*

Our ambition is to control or own strategic city centre precincts, enabling us to create vibrant environments which attract occupiers. While predominantly invested in office buildings, Precinct may invest in other city centre real estate including land, retail, hotel and value add properties where there is opportunity to create value. Precinct's development activities are enhancing our portfolio while attracting and retaining high quality clients.

We have a well-defined strategy. It includes a prominent integration of sustainability across all areas of the business and a renewed focus on Environmental, Social and Governance (ESG). It provides clear direction for both the Precinct team and our investors. Having targets across our business is helping us drive performance and achieve results.

Establishing our 2020 vision in 2014 has seen our business transform significantly. As we execute our long-term strategy, we are continuing to drive meaningful growth in our operating income while also transforming the portfolio into a higher quality set of assets. We recognise the importance of each of our stakeholders. Understanding their requirements, expectations and opinions is important to us and to the overall success of our business. Precinct have an active management approach in everything we do.

Strategic execution

2017-2019

- Generator acquisition
- Launch of One Queen Street
- Bowen Campus Stage One completion
- Commitment to Wynyard Quarter Stage Two
- Wynyard Quarter Stage One completion
- Adopted current strategy - sustainable city centre real estate owner

2014-2016

- Government Wellington Accommodation development agreement
- Launch of Commercial Bay
- Sold 125 The Terrace, 171 Featherston Street, SAP Tower and 80 The Terrace
- Wynyard Quarter Stage One commitment
- Established 2020 Vision

2011-2013

- Wynyard Quarter development agreement
- Bowen Campus, Downtown Shopping Centre and 1 Queen Street acquisitions
- Undertook strategic review - identifying opportunity to acquire yielding development sites



Investment in flexible and coworking space provides an opportunity to support Precinct in delivering sustainable outperformance.

Through Precinct's investment in Generator, we are able to provide enhanced amenity and service for Precinct clients as well as extending our offer to a broader range of occupiers. The Generator business provides a differentiating component to our real estate offering.

The philosophies and strategies for Generator are well aligned with those of Precinct.

2019 strategy **progress.**

Operational excellence

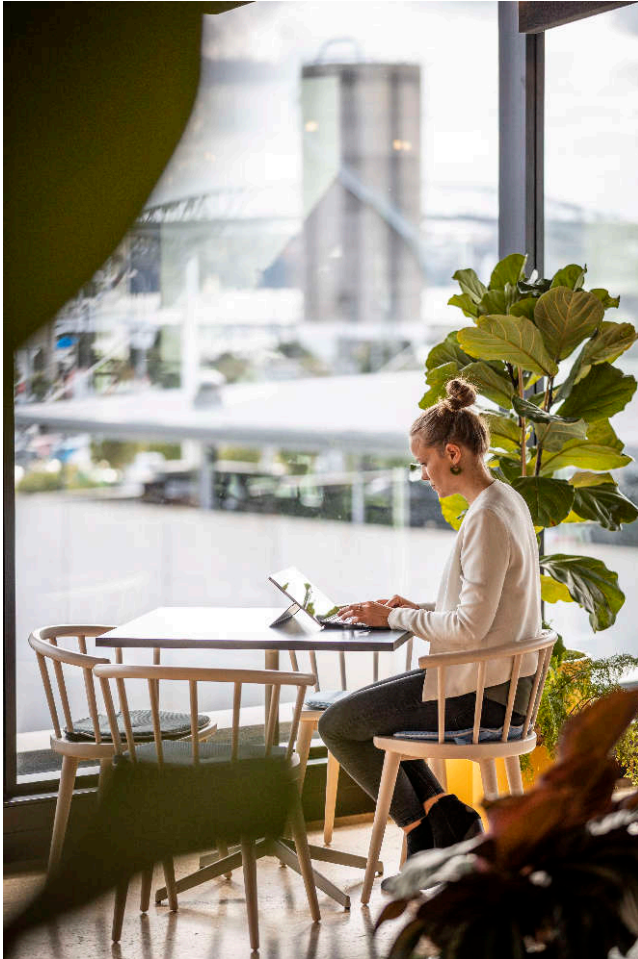
- 99% portfolio occupancy and WALT of 9.0 years
- \$151.8 million raised through successful equity issue
- Asset recycling with \$191 million of assets sold
- Strategic acquisition of the remaining 50% equity interest in coworking space provider, Generator
- Long term funding secured via \$162.8 million USPP
- Refinancing \$460 million bank debt facility
- Global Real Estate Sustainability Benchmark (GRESB) score of 69 achieved



Developing the future

- Leasing progress at Commercial Bay:
 - retail commitments of 95%
 - office commitments of 82%
- Revised targeted opening dates at Commercial Bay:
 - March 2020 for the retail centre
 - April 2020 for the new PwC Tower
- One Queen Street redevelopment with leasing pre-commitments at 78%
- Wynyard Quarter Stage Two construction commenced, now 62% pre-committed
- Charles Fergusson Building completed and occupied
- Mason Bros. building awarded a 6 Star Green Star As-Built rating





We recognise the **importance of each of our stakeholders**. Understanding their requirements, expectations and opinions is important to us and to the overall **success of Precinct**.

Our people and partners

- Staff increase to nearly 100 following remaining 50% acquisition of Generator
- Board succession process underway
- Focus on diversity and inclusion across the business
- Focus on providing excellent client service
- Focus on supporting our community and their well-being
- 2019 intern program completed
- Client survey completed
- Investor perception study completed
- Staff survey completed



Generator.



Generator's mission is to combine unique space and high-quality service to create a dynamic community that enables people to connect in order to achieve their goals.

Market overview

The trend towards increasing demand for flexible space is well established both globally and locally.

Coworking has evolved and is growing at a rapid rate. The global size of coworking space has increased by 4.3 times since 2002. The number of members has grown to around 2.3 million in 2018.

Within the Auckland city centre, there is currently around 20,000 sqm of flexible office space. Generator makes up around 66% of this space.

Benefits of coworking

The economic benefits of coworking is evident. Small and medium sized businesses are able to deliver meaningful community experiences while also being able to benefit from the larger shared facilities that they would not usually have access to.

- **Increased flexibility:** coworking commitment terms are generally significantly lower than traditional office leases. As a result they provide a much higher degree of flexibility. This can benefit businesses going through an expansion or contraction period.
- **Collaboration and networking:** with various small businesses working in close proximity to one another, there is an increased ability to network. This adds value to the businesses by increasing the number of connections they have to other small businesses, be it through future growth opportunities, or usage of services.
- **Improved wellness:** with many people in a similar situation working together creates a sense of community. This increases members wellness and creates a working community where members are able to help one another.
- **Talent attraction:** many new start-ups look to use coworking space to attract talent into their organisations.
- **Corporate appeal:** corporates are finding coworking space appealing when looking for a flexible occupancy option. It can provide greater flexibility if corporates are looking to gain space in a new city, or house new staff or project teams.

HOT-DESKING

Casual desks or hot-desking refers to a membership style whereby desks are not specifically allocated. Members have a set number of days or hours for which they are permitted to use a selection of spaces. It is the most flexible style of membership.

COWORKING SPACE

Coworking forms one of two types of fixed-desk flexible workspace. This space has set desks allocated to the members. Usage of the desk is exclusive, however is located amongst a collective group of other co-workers. This option provides the most social offering available.

PRIVATE OFFICES

Private offices are where a group of desks within a contained space, usually between 2 to 20+ desks, are sold to a single firm. This is the premium offering that flexible workspace has to offer with a higher degree of privacy than coworking. Although the offices themselves are private, there is still a large social aspect, as the common areas are shared with all offering occupants.

Generator[®]
POWERED BY
Precinct[™]

Precinct's investment in Generator

Since Precinct's initial 50% investment in Generator, there has been significant growth in the business over the past two years. Generator currently encompasses 13,200 sqm of space across four locations in Auckland. Pleasingly, with over 1,400 members average occupancy levels are now 88%.

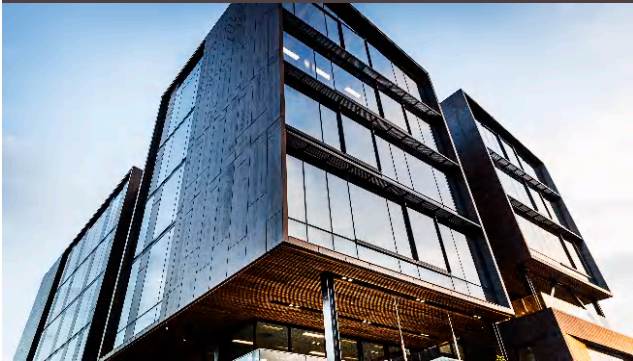
We have increased our ownership of Generator to 100%. We are now placed at the forefront of an evolving market segment which has been particularly active. Generator provides Precinct with a unique opportunity, broadening the market in which it operates and enhancing both amenity and service levels that Precinct can offer its clients. The philosophies and strategies for Generator are well aligned with those of Precinct. With expected growth in demand for flexible and coworking space, we believe the Generator business places Precinct in a stronger market position.



*Flexible space provides a number of benefits to an organisation, adding value to a business. **It is a tailored solution.** Generator provides a unique offering which is expected to continue to evolve.*

Our Auckland locations

Madden Street (GridAKL)



Britomart Place



Stanbeth & Excelsior (Stan Ex)



Mason Bros.



2019 highlights.

\$190.1M

Total comprehensive income after tax
For the 12 months ended 30 June 2019.

\$161.7M

Revaluation gain
For the 12 months ended 30 June 2019.



Over the last year, we have continued to focus on delivery of our major development projects while ensuring our business is in the best position to take advantage of future opportunities.

Precinct's long-term objectives and strategy remain consistent.

\$151.8m

Equity raised
Through an underwritten placement and underwritten retail offer.

+3.4%

Increase in dividend
Year on year to shareholders.

100%

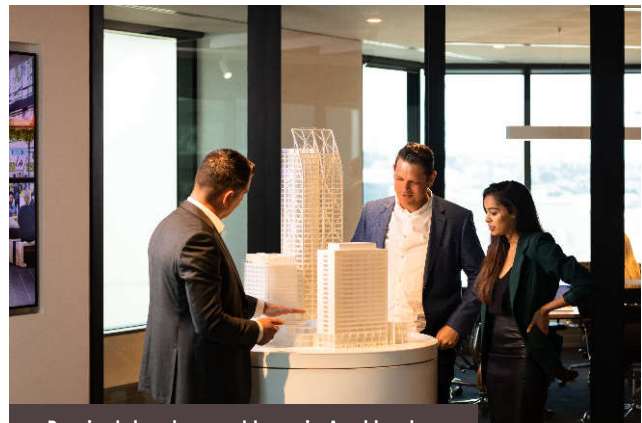
Ownership of Generator
Strategic acquisition in February 2019.

69/100

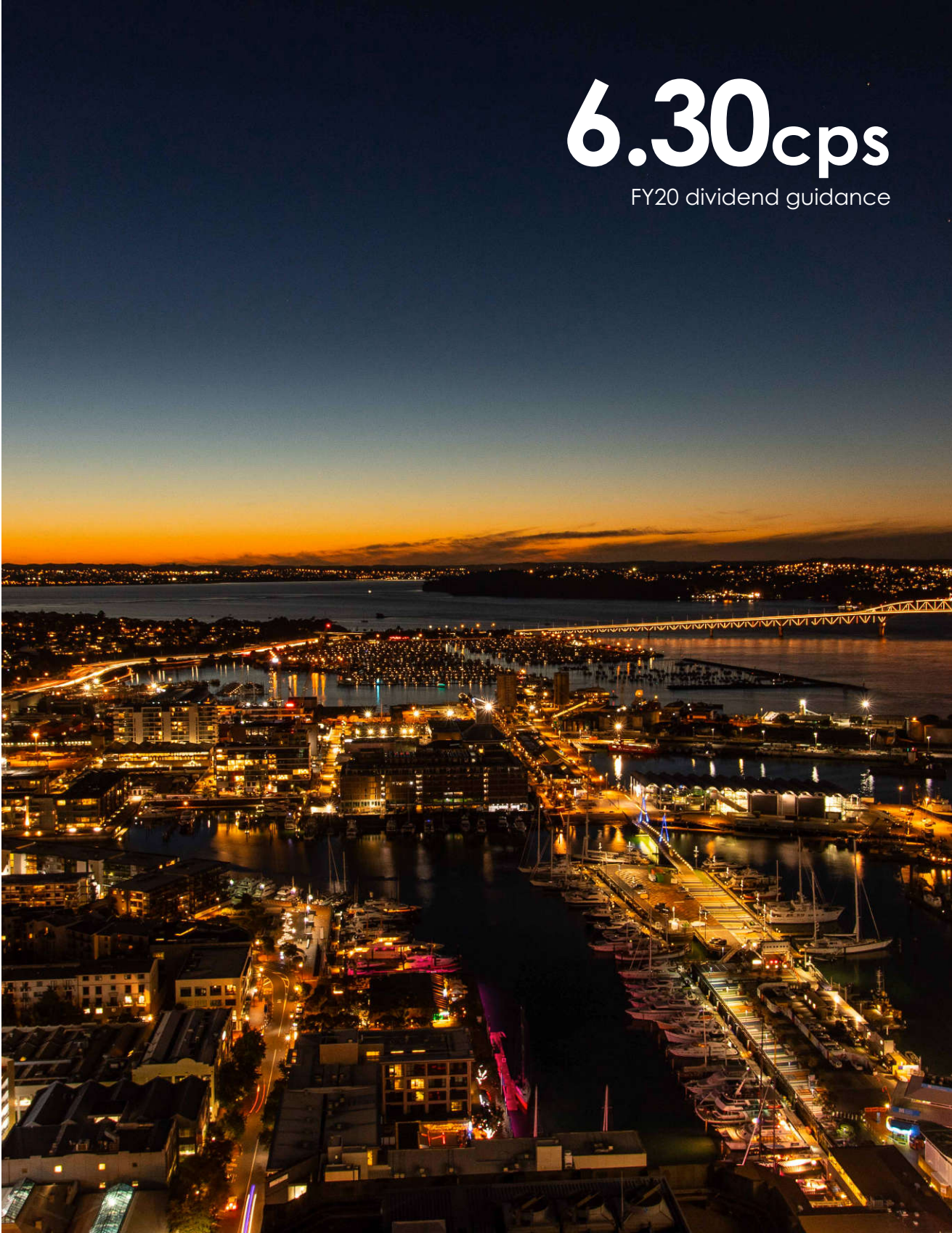
GRESB score
Global Real Estate Sustainability Benchmark result in 2018.



View from level 36 at Commercial Bay



Precinct development team in Auckland



Chairman's report.



Craig Stobo, Chairman



*Our business is in a fortunate position of being able to help shape the cities that we are invested in. We are committed to the long term prosperity of both Auckland and Wellington city centres. Precinct's success is a direct result of the continual progress made across all aspects of its operations. **We are delivering a premium offering.***

Superior performance

Precinct's strong performance in the 2019 financial year has been underpinned by another active period for our business. We have advanced key initiatives while maintaining a strong balance sheet through our conservative approach to capital management.

A high quality investment and development portfolio has delivered a portfolio revaluation gain of \$161.7 million or 6.1% for the period. This has resulted in total comprehensive income after tax of \$190.1 million. In line with guidance, net operating income increased to \$79.4 million or 6.37 cents per share (cps), up 3.7%. Full year dividend to shareholders is 6.00 cps, representing a 3.4% increase.

On behalf of the Board of Precinct, we are pleased to deliver another strong financial result this year and to once again present Precinct's Annual Report to our investors.

Positioning for future opportunities

An integral part of Precinct's capital management is ensuring our business is in the best position to take advantage of future opportunities. Raising \$151.8 million through an underwritten placement and underwritten retail offer during the period has provided additional capacity to deliver on our medium term projects, while also providing flexibility for growth opportunities as they arise.

The level of investment demand from both our institutional and retail investors was pleasing. Receiving applications exceeding the offer size via the retail offer demonstrated the strong shareholder support, reinforcing investor confidence in our strategy.

When designing the equity issue structure, an important consideration was that we provide an equitable treatment to all our existing shareholders. We believe the structure was fair and an equitable outcome for everyone was achieved.

In addition, Precinct secured \$162.8 million of long term funding through a United States Private Placement (USPP) in April of this year. This provided valuable funding diversity and further reinforces investor confidence in the quality of our business.

Board and dividend policy changes

Over the past eight years, Precinct has benefited from a strong and stable governance regime. Having a Board of Directors comprising the right balance of skills, knowledge and perspective provides Precinct with an effective leadership team to take the business forward.

In November 2018, it was announced that Don Huse will retire in the second half of 2020. Appointed in 2010, Don has been an integral part of Precinct's strategic review and execution. We would like to thank him formally for his on-going contribution over the last 9 years and wish him all the best.

Commencing a recruitment process earlier this year for a new Independent Director has been part of the succession plan. Ensuring a seamless transition and best practice corporate governance is maintained has been a key priority. We look forward to announcing the appointment of a new Independent Director ahead of this year's Annual General Meeting of shareholders.

Recognising a dividend policy should optimise long term sustainable returns for Precinct's shareholders, the Board has recently reviewed Precinct's dividend policy. Accordingly, Precinct intends to transition towards paying out approximately 100% of Adjusted Funds From Operations (AFFO) as dividends, with the retained earnings being used to fund the capital expenditure required to maintain the quality of Precinct's property portfolio. Aligning dividends with AFFO is considered to be best practice in a global context for real estate entities. It is consistent with the objectives of the current dividend policy. AFFO best reflects the sustainable cash flow produced by our portfolio. AFFO is defined in more detail on page 44. The Board is of the view that this updated dividend policy will provide a stable long-term profile which is in line with the execution of Precinct's strategy. The updated policy will be phased in over the next two years.

Next Annual General Meeting of shareholders scheduled for:

20 NOV 2019

We encourage all shareholders to attend or for those unable to attend to lodge their proxy online.

More details on the meeting including time and venue will be provided in the coming months.

Assessing our performance

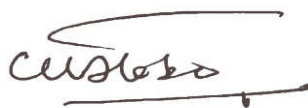
We are pleased to disclose our Global Real Estate Sustainability Benchmark (GRESB) results in this year's Annual Report. Precinct achieved a GRESB score in 2018 of 69 out of 100. This was above the GRESB global average and significantly higher than our 2017 score. We remain committed to improving our score. Submissions for 2019 have been made and results will be disclosed in our 2020 Annual Report. GRESB remains the overarching measure for Precinct to benchmark its sustainability performance against its peers.

We are considering a broad range of issues impacting our business, including Environmental, Social and Governance (ESG) factors material to Precinct. With increased accountability across our operations, we continue to proactively look at ways in which we can operate our business in a socially and environmentally sustainable way. We aim to create value for all our stakeholders. I encourage you to read more about Sustainability at Precinct on pages 28 to 39.

Outlook and dividend guidance

The Board expects full year earnings for the 2020 financial year to be at least 6.80 cps, before performance fees and expects to pay a total dividend of 6.30 cps. This represents a 5.0% increase in dividends to shareholders.

Our business is in a fortunate position of being able to help shape the cities that we are invested in. We remain committed to the delivery of our current and future development projects and overseeing their completion. I am confident about what Precinct will offer Auckland and Wellington in the future. Finally, I would like to thank you, our shareholders, once again for your continued investment in Precinct. On behalf of my Board colleagues, Management and wider Precinct team, we look forward to another successful year ahead.



Craig Stobo, Chairman

Management report.



From left to right: Richard Hilder (CFO), Scott Pritchard (CEO) and George Crawford (COO).



*The markets we are invested in continue to perform well. Demand drivers for city centre real estate across the office, retail and hotel markets remain positive. **Precinct continued to deliver on its long term strategy and has grown dividends by 3.4% over the past financial year.***

Auckland's city centre is growing twice as fast as the rest of New Zealand and continues to be a significant contributor to our national Gross Domestic Product (GDP). As a result, the Auckland city centre office market in particular is displaying strong occupier demand. Supply is limited, and prime vacancy rates are well below historic averages. In Wellington, supply remains constrained due to stock withdrawals from the Kaikoura earthquake in November 2016. While new supply is at visibly low levels, there is solid demand from a growing government employment base.

Supporting our strategy

First established in 2011 and reviewed regularly, Precinct's current strategy is responsible for our business performance. The primary objective is to drive outperformance through creating sustainable value from city centre real estate. A high quality investment and development portfolio, supportive markets and clear strategic direction are advancing our business transformation.

The way in which people are working is changing. We are responding to this. Businesses and employees are now demanding flexibility, social interaction, work-life balance, digital connectivity and a positive workplace environment.

The Auckland city centre market is strong. As Auckland grows, businesses and employees are increasingly recognising the value of being located in the city centre. We believe this trend will continue as major public transport infrastructure projects progress.

Forecast growth in the economy is expected to grow office employment by around 11,000 city centre workers by 2023. Notably, city centre office workers in service based industries have made a significant contribution to the overall increase in employment over the last two years. In addition, more than 30,000 additional inner city residents are expected over the next 10 years. These drivers will further underpin activity levels in the Auckland city centre and growth in demand for office, retail, hotel, leisure, and the residential market.

So, while our strategy continues to deliver performance, we are enhancing our portfolio composition through diversification of city centre real estate and increasing our investment in coworking/flexible space. We believe these initiatives, along with aligning dividends with AFFO further support our strategy in the long-term.

Generator acquisition to 100%

Expanding further into the fast-growing coworking/flexible space market has provided Precinct with a unique investment opportunity. Purchasing the remaining 50% equity interest in coworking space provider, Generator for \$7.4 million in February 2019 has significantly increased our presence.

Our investment now makes up 66% market share of total coworking/flexible space in Auckland city. This acquisition has been a pursued investment of Precinct, in line with our business strategy of being city centre specialists. Generator allows us to extend our traditional offering, providing flexible office space and meeting/events solutions to a broad range of New Zealand businesses.

We have a clear strategy for the Generator business. Similar to other global cities, over the long-term we expect to see continued growth and demand from this market in Auckland and Wellington city centres.

Commercial Bay update

During the year we have advanced pre-leasing at Commercial Bay. Pleasingly, we have welcomed a number of high quality retailers ensuring the retail mix is first class. This has increased retail leasing commitments to 95% (June 2018: 76%). Leasing across the office tower has also progressed during the year, with pre-leasing now at 82% (June 2018: 78%).

With designs now progressed, the second stage of the Commercial Bay project, One Queen Street is set to create a true and vibrant mixed-use community in the heart of the Auckland city centre. Fully integrated into the Commercial Bay retail precinct, One Queen Street reinforces our commitment to creating a world-class waterfront destination on par with other gateway cities. Construction remains scheduled to commence during 2020.

As previously disclosed in May 2019, the targeted opening dates of Commercial Bay have been revised to March 2020 for the retail centre and to April 2020 for the new PwC Tower due to observed delays in construction progress by the main contractor. We are working closely with all retailers and office occupiers to manage risks and minimise any potential disruptions. This is our key priority. Precinct remains confident the provisions of the construction contract appropriately protect Precinct from losses due to contractor delay and/or breach of contractor obligations.

Forecasted total project cost remains in the range of \$690 to \$700 million and the yield on cost is expected to be in the 7.4% to 7.5% range. You can read more on the project on page 24 of this report.

Outlook

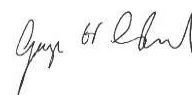
As our business evolves, so does the city centre markets in which we invest in. We recognise the uncertainty which exists as a consequence of global events. However, we remain confident in the occupier markets of Auckland and Wellington and the key drivers which support them.

Our business is unique. We understand the operational aspects of Precinct, as an active owner and developer of property. Through our active management approach, our portfolio continues to perform well. Precinct is delivering strong results year on year.

While Precinct's long term predominant asset class will be city centre office, widening our mix of real estate to include retail, hotels and flexible workspace is enabling us to realise our potential as a city centre specialist. Our continued success is underpinned by our strong balance sheet, a focus on quality to provide exceptional spaces, commitment to all our stakeholders and ensuring we maintain our market leading position.



Scott Pritchard,
CEO



George Crawford,
COO



Richard Hilder,
CFO

Our markets.



Auckland city centre. *A gateway city moving ahead.*

The Auckland economy continues to outperform the rest of New Zealand with 2.8% GDP growth achieved in the twelve months to 31 March 2019 (NZ: 2.5%) with the Auckland city centre continuing to achieve higher growth compared to the wider Auckland region. Amidst elevated demand for CBD office accommodation and no new supply over the past twelve months, prime vacancy fell to 4.7% in June 2019 (June 2018: 5.3%) according to JLL research. Over the same period, office rentals remained relatively steady in the first half of 2019 after recording a modest lift over the latter part of 2018, resulting in prime market rents increasing by 1.2% in the 12 months to June 2019 (June 2018: 1.1%). Strong occupier demand and limited new supply are expected to underpin low prime vacancy rates. Whilst trading conditions for high street retailers remain under pressure from online retail, CBD retail vacancy rates remained relatively steady over the past 12 months at 2.4%

Precinct's investment

Precinct currently owns 7 properties in Auckland.

Current development projects total 64,000 square metres with an expected value on completion of \$1.1 billion.

\$1.1B

Asset value (excluding developments)

(June 2018: 2.1%) despite the completion of H&M at Commercial Bay adding around 3,800 sqm to the market. However, while the top end of the market continues to perform well with high profile international retailers committing to prime CBD locations, trading conditions in secondary locations continue to soften, resulting in overall CBD retail rents declining 2.2% over the last 12 months (June 2018: 0.2% increase). Positive demographic trends and the continued shift towards experiential retail are expected to support demand for prime retail over the medium to long term.



Auckland city centre aerial view (May 19)



Wellington city centre. *New Zealand's centre of government.*

Occupier market conditions remain at historically high levels with JLL research reporting prime vacancy at 0.7% at June 2019 (June 2018: 1.0%) despite a net increase of approximately 28,000 sqm in prime stock over the past twelve months.

Regionally, the Wellington city centre is performing well with 1.8% GDP growth achieved in the 12 months to 31 March 2019.

Notably, full time employment in the public services has grown by 7% over the past year.

Over the period, the demand and supply imbalance, together with the opening of the new premium grade assets such as the PwC Centre at Waterloo Quay, resulted in a 9.9% increase in prime rentals year-on-year (June 2018: 2.8%).

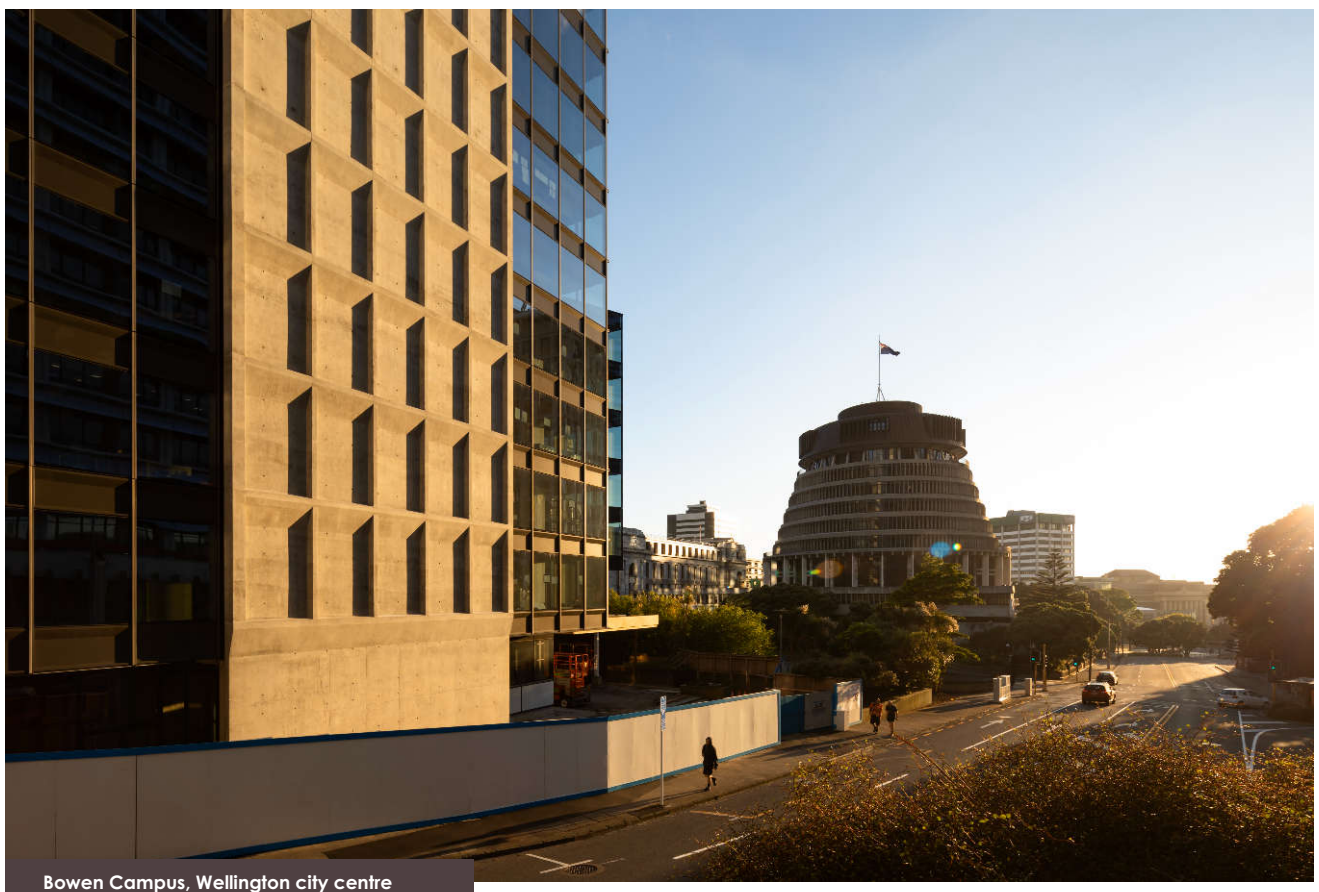
Precinct's investment

Precinct currently owns 7 properties in Wellington.

\$0.7^B

Asset value (excluding developments)

Looking forward, market fundamentals are anticipated to remain strong due to continued expansion in public sector accommodation requirements and high levels of pre-commitment in projects currently under construction.



Bowen Campus, Wellington city centre

Results overview.

FY19 results

A strong revaluation gain contributed to total comprehensive income after tax of \$190.1 million. This compares with \$254.9 million last year, with the difference mainly attributable to the movement in financial instruments and the prior period revaluation gain.

Net operating income, which adjusts for a number of non-cash items, was up 3.7% to \$79.4 million (June 2018: \$76.6 million) or 6.37 cps. Net operating income before performance fees was 6.62 cps, in line with guidance.

Dividends paid and attributed to the 2019 financial year totalled 6.00 cps and reflected a year on year increase of 3.4%. Importantly the dividend matched Adjusted Funds From Operations (AFFO) for the year of 6.02 cps. This is consistent with Precinct's intention to transition towards paying out approximately 100% of AFFO as dividends.

Gross rental revenue was \$135.8 million, 3.9% higher than the previous year (June 2018: \$130.7 million). This increase was primarily due to the acquisition in February of the remaining 50% interest in Generator. Allowing for Generator, the sale of a 50% interest in the ANZ Centre, the completion of Bowen Campus Stage One and other transactions, like for like gross rental income was 3.8% higher than the previous period.

Property expenses on a like for like basis increased around 3% in the period reflecting an increase in insurance and rates.

Adjusting for development projects and sales, like for like net property income was 3.9% higher than the previous comparable period. The Auckland portfolio saw an increase of 6.1%, while Wellington was flat.

Following the acquisition of the remaining 50% interest in Generator, Precinct has now obtained control and will include Generators performance as part of operating income. Prior to acquisition (19 February 2019) Generator recorded a loss with Precinct's 50% share being \$1.1 million. Since February Generator recorded a net profit after tax loss of \$0.7 million. Business performance continues to improve driven by increased occupancy and utilisation. As part of the acquisition Precinct has also recognised intangible assets of \$21.2 million relating to brand, goodwill and customer relationships.

Total interest expense was higher due to higher debt levels compared with the previous 12 month period. However net interest expense of \$1.8 million was consistent to the previous period (30 June 2018: \$2.2 million) due to capitalised interest relating to developments.

Precinct recorded a 34.4% shareholder total return for the year to 30 June 2019. This outperformed the benchmark New Zealand listed property sector return (excluding Precinct) of 31.4%. In line with the agreed process for recognising outperformance of the market two performance management fees were paid totalling \$4.4 million (June 2018: \$0). Excluding the performance fee, overall indirect expenses were \$11.4 million, 11.8% higher than the previous period. The increase primarily reflects the completion of Bowen Campus Stage One and an increase in total investment assets.

Reconciliation of net operating income

(Amounts in \$ millions)	2019	2018
Net profit after taxation	189.9	254.9
Unrealised net (gain) / loss in value of investment and development properties	(161.7)	(208.7)
Unrealised net loss / (gain) on financial instruments	44.3	11.1
Net realised loss on sale of investment properties	1.7	0.0
Net realised loss / (gain) on disposal of investment in joint venture	(6.6)	0.0
Depreciation - property, plant and equipment	0.3	0.0
Depreciation recovered on sale	10.7	0.0
Deferred tax expense / (benefit)	(0.3)	17.0
Share of (profit) / loss of joint venture	1.1	2.3
Net operating income	79.4	76.6
Addback: Amortisations	7.1	7.2
Less: Straightline rents	(0.3)	(0.4)
Less: Maintenance capex	(7.2)	(4.9)
Less: Incentives and leasing costs	(3.9)	(8.3)
AFFO	75.1	70.2

Note: Net operating income and AFFO are alternative performance measures which adjust net profit after tax for a number of cash and non-cash items as detailed in the reconciliation below. Precinct's past Dividend Policy has been based upon net operating income and Precinct is transitioning to a dividend policy based on AFFO. These alternative performance measures are provided to assist investors in assessing Precinct's performance for the year.

Funds from operations (FFO)

FFO and AFFO are measures used by real estate entities to describe the underlying performance from their operations. Aligning dividends with AFFO is generally considered to be best practice for real estate entities. FFO and AFFO are defined in more detail on page 44.

FFO for the year increased \$2.8 million to \$86.2 million (June 2018: \$83.4 million) or 6.92 cps. This represented an FFO payout ratio of 87%. AFFO for the year was \$75.1 million, or 6.02 cps, matching the dividend paid.

PRECINCT'S AFFO PAYOUT RATIO OVER THE PAST 5 YEARS HAS AVERAGED 100%.

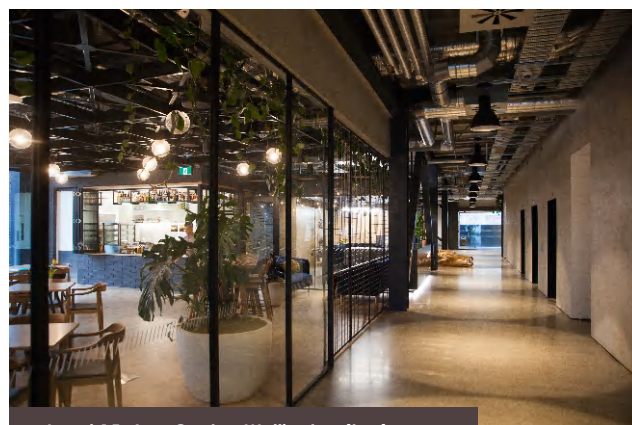
Current tax expense decreased to \$0.0 million (June 2018: \$6.3 million). This outcome reflects the level of activity occurring within the company. The primary drivers relate to the significant amount of leasing achieved across the development portfolio, higher levels of deductible expenditure and the disposal of depreciable assets.

During the year the large fall in interest rates led to a fair value loss in interest rate swaps of \$22.8 million while the increase in Precinct's share price to \$1.77 (June 2018: \$1.35), led to a fair value loss in the convertible note option of \$22.9 million.

The overall loss in financial instruments for the period was \$44.0 million (30 June 2018: \$11.1 million loss). The convertible note continues to be a valuable funding tool and has allowed Precinct to execute on strategy and progress its development pipeline.

The revaluation gain of \$161.7 million (June 2018: \$208.7 million) reflects a 6.1% increase on year end book values and is evenly split between investment revaluations and development profit recognition. On a like-for-like basis, Auckland asset valuations increased by around 6.5% and Wellington assets, excluding Bowen Campus, recorded an uplift of 3.2%, compared with 30 June 2019 book values. Valuation gains in Auckland and Wellington were mainly attributable to further market rental growth, capitalisation rate compression and positive leasing activity.

As at 30 June 2019 Precinct's portfolio totalled \$2.8 billion (June 2018: \$2.5 billion), with Precinct's net asset value (NAV) per share at balance date increasing 6.4% to \$1.49 (June 2018: \$1.40). The increase in NAV is due to the revaluation gain and is partly offset by the fair value loss in financial instruments.



Level 15, Aon Centre, Wellington (top)
GridAKL, Auckland (bottom)

Key financial information

(Amounts in \$ millions unless otherwise stated)

	2019	2018	Change (%)
Rental revenue	135.8	130.7	3.9
Operating income before indirect expenses	95.0	95.3	(0.3)
Operating income before tax	79.4	82.9	(4.2)
Net operating income ¹	79.4	76.6	3.7
Net profit after income tax	190.1	254.9	(25.4)
Earnings per share based on operating income before tax (cents)	6.21	6.84	(9.2)
Earnings per share based on operating income after tax (cents)	6.37	6.32	0.8
Gross distribution (cents per share) ²	6.65	6.29	5.8
Net distribution (cents per share) ²	6.00	5.80	3.4
Payout ratio (%)	94.2	91.8	2.6
Total assets	2,893.4	2,561.7	12.9
Total liabilities	938.5	871.0	7.7
Total equity	1,954.9	1,690.7	15.6
Shares on issue (million shares)	1,313.7	1,211.1	8.5
NTA (cents per share)	147	140	5.0
NAV (cents per share)	149	140	6.4

The information set out above has been extracted from the financial statements set out on pages 74 to 99.

¹ Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

² Dividend paid and proposed relating to financial year.

Results overview. *(Continued)*

Capital management

Since 2014, undertaking a comprehensive capital management programme has been essential to the financial strength and operational success of Precinct. We have managed our strong financial position by completing several capital management initiatives during the 2019 financial year.

This includes Precinct raising \$151.8 million through an underwritten placement and retail offer. It has provided further funding capacity to our business with proceeds initially used to repay bank debt. During the period, we also refinanced Precinct's \$460 million bank debt facility which was due to expire in November 2020 representing around half of our bank facilities.

In April, Precinct added further funding diversity to its borrowings through a USPP issue of \$162.8 million for 10 and 12 year terms. This is the second successful USPP issue Precinct has undertaken since late 2014. It increases Precinct's weighting of non-bank funding while also improving tenor.

Precinct's balance sheet is in a good position and we have sufficient funding capacity to deliver all committed developments.

At balance date total borrowings (including convertible notes) decreased to \$710.4 million (June 2018: \$751.4 million). Gearing as measured under borrower covenants, which disregards subordinated debt has also decreased during the period to 22.4% as at 30 June 2019 (June 2018: 25.0%).

As at 30 June 2019, around 50% of committed debt was sourced from non-bank sources. Precinct's weighted average term to expiry has improved to 4.4 years as at 30 June 2019 (June 2018: 3.3 years).

Precinct remains within its borrowing covenants with total debt facilities of \$1.2 billion at 30 June 2019. Precinct was 101% hedged through the use of interest rate swaps at 30 June 2019 (June 2018: 85%). Average hedging for the 2020 financial year will be around 80%. The weighted average interest rate including all fees was 5.7% at 30 June 2019 (June 2018: 5.3%).

Asset recycling continues to form a significant part of Precinct's capital management plan. During the period, a total of \$191 million of assets were sold. This included the sale of a 50% interest in the ANZ Centre in Auckland for \$181 million, to a fund controlled by Invesco, together with the sale of 10 Brandon Street in Wellington. Post balance date, Precinct has agreed a conditional sale of Pastoral House in Wellington. The property is now under contract for sale and remains conditional at this stage on the purchaser's due diligence. We will provide an update on this transaction in due course.

Capital management metrics

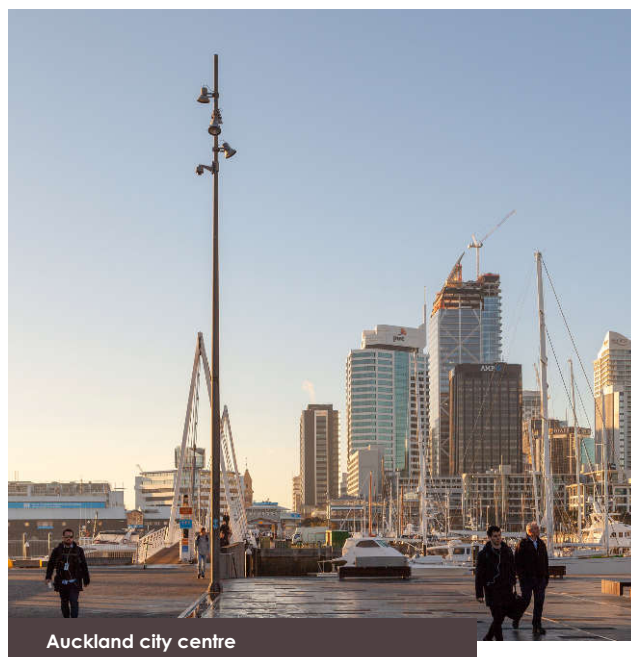
	2019	2018
Debt drawn (\$ millions) ¹	710.4	751.4
Gearing - banking covenant (%)	22.4	25.0
Weighted average term to expiry (years)	4.4	3.3
Weighted average debt cost (incl fees) (%)	5.7	5.3
% of debt hedged (%)	101.4	84.5
Weighted average hedging (years)	4.2	3.2
Interest coverage ratio (previous 12 months)	2.0 x	2.4 x
Total debt facilities (\$ millions)	1,196	1,183

¹ Excludes the USPP note fair value adjustment of \$28.0 million (June 2018: \$15.0 million). Interest bearing liabilities are detailed in Note 20 of the Financial Statements.



We are actively managing our balance sheet by undertaking a comprehensive capital management plan.

RICHARD HILDER, CFO



Auckland city centre

Operational update

Our investment portfolio continues to benefit from the significant leasing activity and high occupancy achieved in both Auckland and Wellington. The strength in our assets is driving Precinct's operating performance and reinforces the position that our portfolio holds in meeting the needs of our clients.

At 30 June 2019, overall portfolio occupancy was maintained at 99% (June 2018: 99%) and our WALT has increased to 9.0 years (June 2018: 8.7 years).

During the last 12 months, we have seen good demand for our assets and strong rental growth. A total of 27 office leasing transactions were completed and totalled over 20,000 sqm of space. Rentals achieved was on average 3.6% higher than valuation rents at 30 June 2018.

In Auckland, key leasing secured included a 10 year lease to Jarden at Zurich House and 10 year lease to UBS NZ at PwC Tower. Countdown have taken 1,100 sqm at the bottom of the AMP Centre, which will house one of its first smaller format stores, planned to open in December 2019.

In Wellington, both the Medical Council and MBIE have committed to a total of 2,925 sqm at Aon Centre on 9 and 6 year lease terms, respectively. Ministry of Education have also agreed to occupy 7,900 sqm at No. 1 The Terrace on a 9 year lease.

In total, including structured rent reviews, Precinct settled 65,900 sqm of reviews at a 2.4% premium to previous contract rental and 5.6% premium to 2018 valuations.

At balance date, Precinct's portfolio is under-rented by 5.2% (June 2018: 6.4% under-rented).

Operational metrics

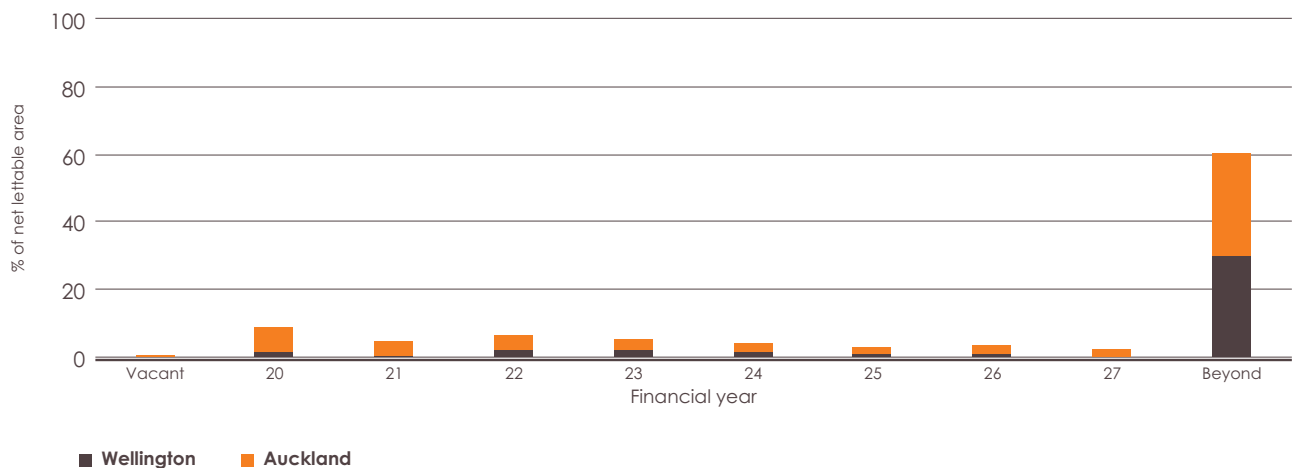
	2019	2018
Precinct		
Occupancy (%)	99	99
WALT (years)	9.0	8.7
NLA (sqm)	232,210	221,513
Under-renting (%)	5.2	6.4
Leasing	23,330	21,900
Generator		
Occupancy (%)	88	73
Members	1,415	816
Sites	4	4
Sqm	13,200	12,000
Revenue (\$m pa)	16.4	7.6

Generator performance

The Generator business has achieved significant occupancy growth to 88% across its sites as the business matures. This has underpinned 116% growth in revenue for the year to \$16.4 million.

As occupancy has grown and we are now using spaces more efficiently, we are pleased to report that the business has contributed to Precinct's profit for the period since 100% acquisition.

Lease expiry profile by office NLA



Lease expiry includes all committed office developments and excludes Commercial Bay retail

Development portfolio.

Commercial Bay

During the year retail leasing commitments have increased to 95% (June 2018: 76%). This equates to a total of 42 additional leasing transactions completed. Office commitments have also progressed to 82% (June 2018: 78%).

With 120 brand new retailers, the retail offer set to open in Commercial Bay will be a varied mix of leading international retailers, including new market entrants, and smaller New Zealand brands. Around 44 of the 120 shops will be restaurants and dining outlets, half will be fashion, and the balance will be dedicated to service-based amenities.

During the period, retailers joining Commercial Bay include Dior Perfumes and Beauty, Sandro & Maje, Kate Spade, Furla, Hershel Supply Co. New Zealand brands include Federation, 3 Wise Men and Barkers. Wittner, Solect and Scarpa are also coming to the complex in 2020, along side Rodd & Gunn, Superette and Just Another Fisherman. Hair salon Loxy's will also be opening at Commercial Bay.

Across the food and beverage offering, we will have operators Al Brown, Ben Bayly, Saxon & Parole, Ghost Donkey, Burger Burger, Hawker and Roll, Simon and Lee and Honest Chocolat making up the mix of both international and homegrown vendors. Located on the second level of the complex, Commercial Bay's food hall Harbour Eats will house around 27 operators including food truck brands Kai Eatery and Got Pasta. Harbour Eats will accommodate around 700 seats providing a unique food hall experience unlike anywhere else in the world. Other vendors include cafes, popular Middle Eastern eatery Fatima's and juice bar Cali Press.

In November 2018, we also welcomed New Zealand's leading digital services provider, Spark to Commercial Bay. Spark's three-level flagship store within the precinct will be used to redefine the experience of visiting a Spark store. It will provide its customers with a unique offering and we are excited to see this space develop over the coming months.

Where the future works

Level 36 offers private workspaces - five premium private workplaces, featuring stunning Auckland city centre and Waitemata Harbour views, shared reception lounge and boardroom, and access to the PwC Tower bookable meeting and conference room spaces on Level One.

Project information

	Announcement	Current Projections
Retail committed	0%	95%
Office committed	52%	82%
Total project cost	\$681 m	\$690 - \$700 m
Value on completion	\$853 m	\$1,035 m
Yield on cost	7.5%	7.4% - 7.5%
Retail completion date	October 2018	March 2020
Office completion date	Mid 2019 (July)	April 2020

First stage of retail open

Swedish retailer H&M, opened their new four storey flagship store on 30 August 2018.

Awarded Yardi Retail Property Award (Excellence and Best in Category) at the 2019 Property Council New Zealand Rider Levett Bucknall Property Industry awards.



The new PwC Tower at Commercial Bay is targeting a 5-star Green Star Design & As-Built NZ, a standard of excellence in New Zealand.

Features incorporated into the new PwC Tower at Commercial Bay to support the targeted Green Star ratings include:

- Rainwater harvesting to supplement the water supply serving the cooling towers.
- The building is designed and specified to achieve an operational building energy consumption of 80kWh/m²/yr, a much more efficient score than traditional buildings that score on average 120kWh/m²/yr. It will achieve this via a highly innovative chilled and heating water strategy utilising heat recovery chillers and integrated chiller management software.
- Targeting 80% of waste to be re-used or recycled during demolition and construction.
- The offices have 3m high floor to ceiling glazing, providing excellent natural light.
- End of trip facilities for the tower providing high quality shower, changing and locker space including a secure bike park for 208 cycles.

The PwC Tower will provide occupiers great access to the outdoors and fresh air, which has known benefits for productivity. An extension of the lobby, the Sky Terrace is a large outdoor sanctuary in the city. The urban rooftop landscape will be an adaptable space suitable for events from morning to night. Designed by LandLab, the native plantings and variety of informal seating and breakout spaces come together to create an engaging space for occupants of the PwC Tower.



*One Queen Street has been wholly reimagined from the inside out. The development ensures the building is efficient and **designed to cater for modern ways of working.***

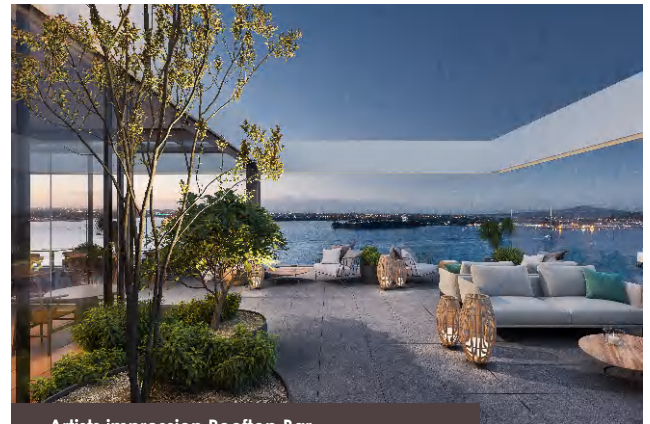
*It will bring together the best of hospitality, lifestyle and commercial - delivering a totally **integrated experience.***

One Queen Street

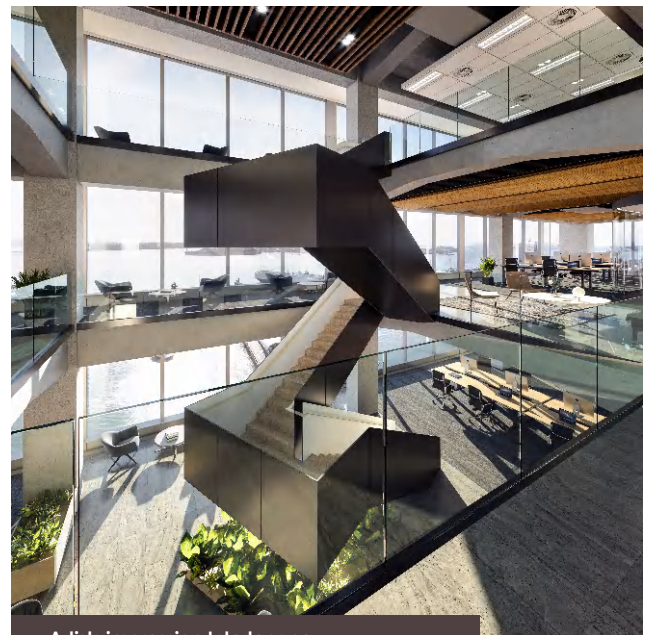
Since our commitment to the redevelopment of One Queen Street (currently HSBC House), the project has now entered into the detailed design phase. We are pleased to share some of the latest design renders with you.

Construction remains on schedule to commence in the first half of 2020 with the hotel expected to open in mid 2022. Similarly, the commercial office and hospitality space are due to open during 2022.

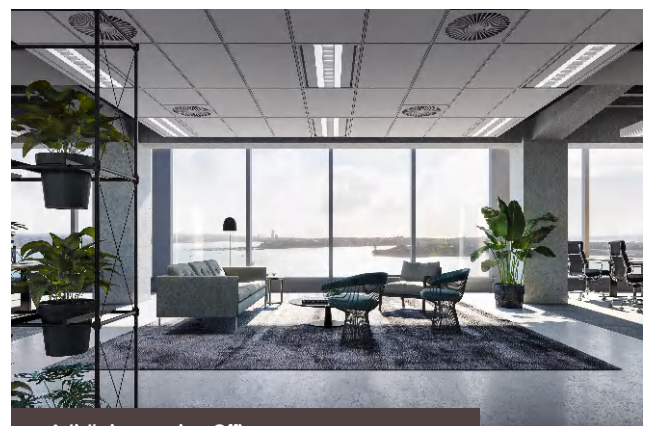
Securing leading law firm Bell Gully during the period has been a major leasing transaction at One Queen Street. Their lease represents 43% of the office space and we are delighted to have concluded this agreement three years ahead of practical completion. The overall project has lifted pre-commitments to 78% which includes the previously announced InterContinental Hotels Group across 11 levels of the building.



Artists impression Rooftop Bar



Artists impression Intertency



Artist's impression Office space

Development portfolio. *(Continued)*



*Designed to support modern and **agile ways of working.***

Wynyard Quarter Stage Two

The development of the second stage of Wynyard Quarter, 10 Madden Street remains on budget and on schedule for practical completion at the end of 2020. The building is 62% committed with the remainder of the office space conditionally leased.



Artist's impression of 10 Madden Street



Stage Two of the Bowen Campus redevelopment is set to **transform Wellington's government precinct.**

40 and 44 Bowen Street is the next step in the reinvigoration of Bowen Campus. The buildings have been designed to cater to the demands of the **modern workforce.**

Bowen Campus

Construction at the Charles Fergusson Building is now complete with it reaching practical completion in December 2018. The Ministry for Primary Industries is now in occupation.

At Defence House (previously Bowen State Building), base build works are now complete with integrated fitout progressing well. The project remains on schedule for New Zealand Defence Force to occupy the building in October 2019.

Bowen Campus Stage Two continues to progress with detailed design now complete. Active leasing discussions are underway with a number of potential occupiers. We were also pleased to have been granted a resource consent in the period for two additional buildings on site.



Artist's impression of 40 and 44 Bowen Street

Name

Bowen Campus Stage One: Charles Fergusson Building

Location

38 Bowen Street, Wellington 6011

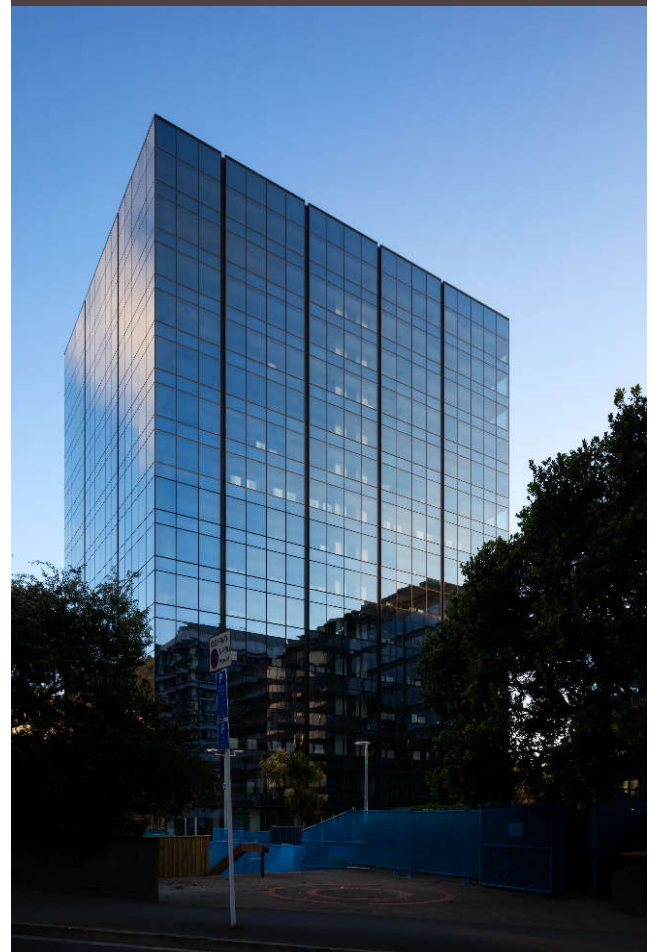
Description

Redevelopment of the Charles Fergusson Building (originally constructed in the 1970s) to provide approx. 13,700 sqm NLA of Premium Grade office space. The building has been 100% leased to the Ministry for Primary Industries on a long-term basis.

Completion

December 2018

Awarded RCP Commercial Office Property Award (Merit) at the 2019 Property Council New Zealand Rider Levett Bucknall Property Industry awards.



Sustainability at Precinct.



We are city centre specialists dedicated to enabling sustainable and successful businesses. **This means we aim to create value through designing and delivering exceptional spaces for our clients and communities, in which they can thrive.**

At Precinct our sustainability efforts are focussed on incorporating sustainable design across our portfolio of properties and improving our operational performance.

Our value-creating business model follows four key principles:

1. Concentrated ownership in strategic locations
2. Great client relationships
3. Investing in quality
4. A long term view

In the past year we have continued to focus our efforts on understanding and responding to our material sustainability risks and opportunities. We have developed an initial suite of ESG (Environmental, Social and Governance) targets which are aligned with our material sustainability topics. We want to effectively communicate our progress in addressing those topics and we have included metrics which indicate our current performance.

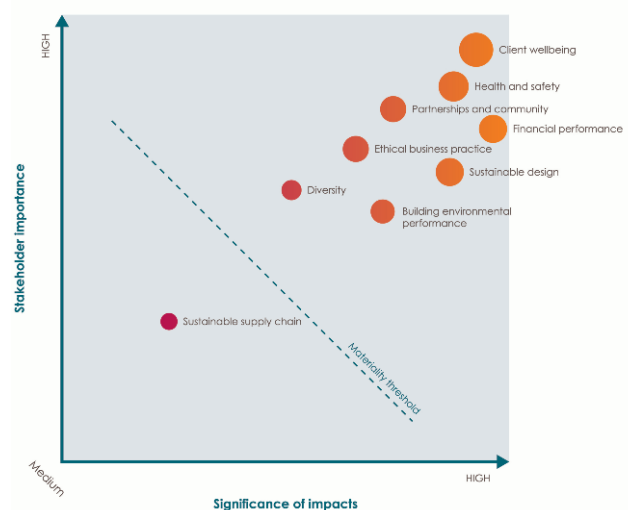
Recent declarations of climate emergencies, introduction of plastics legislation and the formation of the Zero Carbon Act point to an accelerating shift in how Central and Local Government are responding to sustainability issues. Our response to these sustainability challenges acknowledges the growing societal awareness and increasing expectations for businesses to transparently address those challenges and to act now.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (core option). The GRI Standards are the world's most widely used sustainability reporting standard.

Our sustainability framework



Precinct's materiality matrix



Our material issues

In 2018 we engaged an independent consultant to undertake an analysis of material sustainability issues facing our business. The analysis considered a wide array of information sources, including the opinion of our key stakeholders. Precinct's key stakeholders include our people and partners, clients and people using our spaces and services, contractors and service providers, funding providers, shareholders, industry bodies and Government (Central and Local).

Our material topics have remained relatively unchanged in 2019, as validated by a desktop review, and are presented below.

The following topics were determined to be material to Precinct, in order of priority:

Material topic	Topic component
Client wellbeing	<ul style="list-style-type: none"> Client wellbeing and productivity Quality space Client satisfaction
Health and safety	<ul style="list-style-type: none"> Health and safety
Financial performance	<ul style="list-style-type: none"> Occupancy rates/weighted average lease term Earnings outlook Commercial and investment returns Flexible financing for Green Building Investment due diligence
Partnerships and community	<ul style="list-style-type: none"> Partnerships with Mana Whenua, local and central government, and council-controlled organisations Sponsorships, financial and in-kind donations Strengthening communities
Sustainable design	<ul style="list-style-type: none"> Efficient design Contributing to urban vibrancy/prosperity
Ethical business practice	<ul style="list-style-type: none"> Code of ethical conduct Whistle-blower policy
Diversity	<ul style="list-style-type: none"> Diversity
Building environmental performance	<ul style="list-style-type: none"> Carbon emissions Waste reduction Water use Greenstar/NABERSNZ ratings



Sustainability at Precinct. *(Continued)*



Creating environments in which our **clients can thrive.**

Client wellbeing

Our approach

Our goal is to create environments in which our clients can thrive. Client wellbeing is critical to the long-term success of our business and it drives our lease renewal rates, the ability to attract and retain clients and the longevity of leases, making it a highly material issue. We proactively seek and record feedback from our clients about their wellbeing and levels of satisfaction within our properties. This information shapes our decision-making in creating healthy environments in which our clients can thrive.

Our key measures of client wellbeing include the things we work to deliver to enhance client satisfaction, such as amenities, service levels and location; and the things that our clients tell us are important to their wellbeing. Based on client feedback we are continuing to develop our understanding of the things our clients value.

Our performance

Independently-run client satisfaction surveys are now undertaken every 2 years, the most recent in May 2019. The results of the surveys indicate that overall satisfaction levels have remained constant at around 70%. Overall satisfaction levels take into account core services, relationship management, communication and responsiveness. For the first time in 2019 clients were asked survey questions about ESG initiatives and wellbeing. A third of clients indicated an interest to partner with Precinct to implement ESG initiatives. The most important initiatives identified by clients were health and safety and wellbeing. Ethical business practice, building environmental performance and sustainable design were also identified by clients as ESG initiatives of interest. High quality air and natural light along with access to outdoor open spaces were rated as the most valuable drivers of wellbeing for clients.

We are constantly focussed on delivering client satisfaction and are using feedback from the latest survey to further focus our efforts and meet our ambitious 80% satisfaction target.

We believe that having a portfolio comprising of predominantly A grade or better stock across Auckland and Wellington will directly benefit our clients wellbeing. We are currently meeting this target and exceeding our 50% portfolio weighting for Greenstar 4 stars rated buildings and above (59% in 2019).

Over 70% of respondents from our client satisfaction survey also indicated that they either currently utilise flexible working in some form, or would be interested in doing so. The recent acquisition of the Generator business will enable us to respond to this growing demand for flexible space, while enhancing both the amenity and service levels that Precinct currently offer its clients.

Targets

≥80%

overall satisfaction score

A GRADE

or better portfolio composition

>50%

portfolio weighting to Green Star +4 stars rating



Images on the next page: ANZ Concierge, Parvinder Singh and Olivia Heighton from the Precinct team at ANZ Centre (top left), AMP Centre (top right) and ANZ Centre (bottom).



Sustainability at Precinct. *(Continued)*



*Ensuring all workers go home healthy and safe - **zero harm.***

Health and safety

Our approach

As a corporate value and legislative requirement, health and safety is a material topic which we and our key stakeholders are committed to addressing. Our Health and Safety policy guides our management approach.

We are striving to develop and embed a positive health and safety culture at Precinct and amongst all workers under our control. We also acknowledge our role influencing health and safety culture within our industry and those who work on and visit our portfolio and active developments.

In 2019 we commissioned an independent governance review of our health and safety processes and systems, and are now implementing the recommendations from that review. We are focussed on understanding developments in health and safety management, particularly as it applies to our industry, which includes addressing suicide risk in the construction sector.

Our performance

We recorded 269 health and safety incidents in the year compared to 246 reported in FY18. Precinct's recorded incidents include observations, near misses, first aid injuries, medical treatment injuries and lost time injuries.

There were no significant injuries during the period with approximately 64% of recorded incidents being classified as minor (for example, rolled ankles, minor cuts and grazes).

A total of 61 recorded incidents occurred on our stabilised property portfolio with no change from 2018. The majority (208) of our recorded incidents occurred on our development sites which are under the direct control of a Precinct-appointed main contractor.

Precinct incentivises health and safety observations to enable them to be reviewed and improvements made where relevant. Over 250 principal audit and monitoring inspections were undertaken during FY19. These inspections are in addition to regular internal contractor health and safety monitoring practices and included internal and external principal audits and inspections, Project Control Group H&S meetings and specific H&S workshops. Over 190 of these were in relation to our development sites given the weighting of both number and severity of incidents to our development portfolio and the number of workers on site. This included 51 external audits by Construct Health Limited, with audit scores averaging 92% for Commercial Bay and 95% for Bowen Campus during the year.

Targets

RECORD

Precinct's LTIFR to a benchmark LTIFR

≥90%

onsite audit score



Health and Safety is a highly material issue. It is embedded into all parts of our business. We are committed to promoting an engaged and positive health and safety culture throughout the supply chain.

CRAIG STOBO, CHAIRMAN

Looking further into our performance targets, we have recorded Precinct's Lost Time Injury Frequency Rate (LTIFR) at both Wynyard Quarter Stage One and Bowen Campus Stage One. The LTIFR's recorded for both these two completed development projects were better than the Australian construction industry benchmark (Safe Work Australia). We have used the Australian benchmark for non-residential construction in the absence of a readily available and publicly reported benchmark for non-residential construction in New Zealand.

Health and safety

Our H&S policy guides our management approach and includes the following requirements:

- **Training** - All Precinct management staff receive regular training including external accreditation where relevant to their role.
- **KPI's** - All Precinct management staff have health and safety objectives included in their performance reviews.
- **Contractor pre-qualification** - Each contractor engaged by Precinct is required to be pre-qualified by Workplace Safety Limited or Construct Health Limited.
- **Hazard and asbestos registers** - Registers identify the observed hazards at each site. These are live registers subject to constant internal review and are reviewed annually by independent experts.
- **Audit and monitoring** - Precinct monitors live sites to ensure oversight of health and safety matters.



Reporting process

1
Health and Safety
Committee



2
Audit and Risk
Committee



3
Precinct Board

On-line reporting - Precinct uses MangoLive, an online live reporting and incident management system to report all incidents and observations on Precinct controlled workplaces. This includes client fit out and development sites under the direct control of a Precinct appointed contractor.

Audit and monitoring - Precinct audits and monitors live sites both through management staff and third party consultants Work Safety Limited and Construct Health Limited.

Internal review - Precinct's Health and Safety (H&S) Committee meets monthly and provides oversight on all H&S matters. The H&S Committee has representation from all parts of the business. Workplace Safety Limited, an independent third party consultant, also sits on the H&S Committee to provide external input and advice.

Management and oversight - The H&S Committee reports directly to Precinct's Audit and Risk Committee and the Precinct Board.

External review - In addition to external audit and monitoring by Workplace Safety Limited and Construct Health Limited, Precinct also instigates annual third party reviews of its processes by Aon and ICSafety Solutions. Precinct also holds ACC Workplace Safety Management Practices tertiary status (the highest level of accreditation) commending the strong health and safety policies in place and recognising Precinct's commitment to continued improvement.

Sustainability at Precinct. *(Continued)*

Sustainable design

Our approach

Our ambition is to create spaces which generate environmental, social and economic benefits for a sustainable future. We define sustainable design as the creation of built spaces which deliver net positive environmental, social and economic value.

It encompasses building and interior design, master planning and systems thinking about the inter-dependencies of our built assets and the ecology of their location. For Precinct, this thinking is underpinned with a fundamental consideration of the people that will inhabit the spaces we create.

Our clients and the communities in which we operate increasingly expect us to lead the development of sustainable and enriching built spaces. Our analysis of current building trends and feedback from our key stakeholders indicates that sustainable design is a highly material issue for our business.

We are continuing our learning journey in sustainable design and are focussed on demonstrating its value to our building occupiers.

Our performance

Our investment in sustainable design is yielding positive results. Most recently reflected in the recognition of the Mason Bros. building as winner of the Green Building Award by the New Zealand Property Council. As well as setting a new benchmark in sustainable design, the building has delivered measurable environmental improvements and social benefits.

Achieving a 6 Star Green Star rating, 90% of demolition waste was recycled during its construction and the building uses 70% less water and 35% less energy than similar benchmark buildings. Building occupiers benefit from an 8% increase in occupant productivity and up to a 25% reduction in absenteeism. Over its lifespan, the building will reduce greenhouse gas emissions by over 3,000 tonnes when compared to an equivalent benchmark building.

Our focus on sustainable design as part of our wider approach to sustainability is reflected in our improved Global Real Estate Sustainability Benchmark (GRESB) results. Precinct achieved a GRESB score in 2018 of 69 out of 100. This score was above the GRESB global average and significantly higher than our 2017 score. Submissions for 2019 have been made and results will be disclosed in our 2020 Annual Report. GRESB remains our overarching measure for Precinct to benchmark its sustainability performance against its peers.

Design and building ratings such as Greenstar and NABERSNZ ratings provide a credible method to measure and independently certify the environmental and sustainability performance of our properties. A description of our current ratings is included in the Building Environmental Performance section on page 37.



Creating built spaces which deliver net positive environmental, social and economic value.

Target

DESIGN

to 5 Green Star design for new build



Artist's impression of 10 Madden Street

Sustainable design is one of the core principles of 10 Madden Street. The building is targeting both a 5 Green Star Design and 5 Green Star As-built rating, as well as a market leading NABERNZ rating.



6 STAR

Green Star As-built rating

90%

of demolition waste recycled

5.5 STAR

NABERSNZ Energy Base Building rating

20-25%

reduction in absenteeism

8.3%

average increase in
productivity per occupant

35%

less energy usage compared to
the benchmark building

Sustainability at Precinct. *(Continued)*



Reducing **carbon, energy and waste.**

Building environmental performance

Our approach

Growing awareness of buildings' environmental impacts, developing carbon legislation and clients' increased expectations, make the environmental performance of our buildings a material issue. The environmental performance of our buildings includes the energy they consume, the waste they generate and their operational greenhouse gas (GHG) emissions. We take a disciplined approach to meeting our clients' expectations around optimal operating conditions while maintaining a focus on energy efficiency of our buildings.

Our Facilities Management (FM) team maintain and upgrade our buildings' plant and building management systems (BMS) on an ongoing basis. Monthly monitoring meetings are held by our FM team in collaboration with engineers and contractors to ensure our buildings are constantly being tested and fine-tuned to achieve their optimum environmental performance levels.

In 2018 we initiated a worm farm for processing organic wastes in our PwC Tower property which you can read more about below. In addition, we are in the planning stages for solar photovoltaic ("PV") installations which will provide on-site generation of electricity. PV installations at 12 Madden Street and PwC Tower are expected to be undertaken in FY20.

In line with our focus on reducing carbon we are working to understand and accurately quantify GHG emissions from our operations. Our management approach is to focus on GHG emissions reductions, while investigating credible options and partners for offsetting unavoidable emissions from our operations. We will include more detailed reporting on our GHG emissions and management of them in FY20.

Worm farm initiative

Hungry bins is an innovative New Zealand worm farm solution, providing modular, relocatable containment systems for collecting and processing organic wastes in commercial environments. In 2018 Precinct invested in an 8-bin system for our PwC Tower, enabling clients to remove organics wastes from their landfill waste stream. Organic material typically ranges between 5-15% but can account for up to 30% of office waste by weight and has significant climate impacts through the release of methane in landfill. By removing it from the waste stream, cost and environmental impacts are eliminated, while producing high quality top soil and worm juice for home garden use by clients. The implementation of the worm farm system was made possible by working in partnership with our clients and management contractor Total Property Services.

Targets

NABERSNZ

annual rating for all our assets and achieve a minimum 4 star base build NABERSNZ for all properties

DEVELOP

environmental management system

CARBON

work towards carbon zero



We are committed to creating a more sustainable environment. Precinct are now considering more environmental projects which we plan to implement during FY20. This includes a focus on GHG emissions reduction.

**PAUL SINGLETON, NATIONAL
OPERATIONS MANAGER**

Our performance

Currently eight buildings in our portfolio have a NABERSNZ™ building energy efficiency rating, ranging from 2 to 5.5 out of 6 stars. Our recent investment in the upgrade of 1980's plant in the AMP Centre achieved a number of positive environmental performance outcomes and shifted the building's NABERSNZ™ rating from 2 to 4 stars. The recently completed Mason Bros. building has also achieved a 5.5 stars NABERSNZ™ Energy Base Building rating, demonstrating market leading performance in energy efficiency.

Energy use intensity	kWh/m ²			Variance (change %)	
	Base year (2016)	2018	2019	to base year	to 2018
Auckland portfolio average	135.5	123.3	105.0	(22.5)	(14.8)
Wellington portfolio average	132.2	114.6	113.0	(14.5)	(1.4)
Total portfolio average	133.7	119.0	107.4	(19.7)	(9.7)

Carbon emission intensity	kgCO ₂ e/m ²			Variance (change %)	
	Base year (2016)	2018	2019	to base year	to 2018
Auckland portfolio average	21.3	19.5	16.2	(23.9)	(16.9)
Wellington portfolio average	22.0	19.1	18.7	(15.0)	(2.1)
Total portfolio average	21.7	19.3	17.0	(21.7)	(11.9)



Positive financial performance.

Financial performance

Disclosure of our financial performance can be found in the results overview section on page 20 and in Precinct's financial statements on pages 74 to 99.

Targets

≥98%

occupancy and secure income stream

<37.5%

gearing level maintained

DIVIDEND

payment optimising long term sustainable returns to shareholders

Sustainability at Precinct. *(Continued)*



Contributing, engaging and supporting the partnerships and communities we invest in.

Partnerships and community

Our approach

We are focussed on building strong and enduring relationships with Iwi, local government, council-controlled entities, industry bodies and community-based organisations. The strength of these partnerships enables us to create positive social, economic and environmental value. They are integral to our business model and creating spaces in which people can thrive.

As a significant commercial real estate owner in Auckland and Wellington city centres the quality of our relationships with key partners and our communities are critical to our own success and the sustainable development outcomes we aspire to. This makes the topic of Partnerships and Community a material one for Precinct.

MEMBER OF



Formerly the Equal Employment Opportunities Trust



Targets

CONTRIBUTE

positively to the city centre environments and wider community where we operate

ENGAGE

with key stakeholders in our investment approach

Our performance

In 2019, Precinct continued our long term support of Auckland City Mission and Wellington City Mission. The cost and impact of homelessness on individuals, families and society is high with homelessness being one of the most severe forms of disadvantage and social exclusion a person can experience. In addition to financial support, Precinct works together with both Missions on fundraising initiatives throughout the year, including the prominent two can appeal, collecting and distributing non-perishable food items in emergency food parcels. The Precinct team in Wellington recently took part in the Wellington City Mission's iconic Brown Paper Bag Collection, part of the winter appeal during July 2019.

In 2018 Precinct agreed to a 5-year financial commitment over and above our annual investment level to support Auckland City Mission's HomeGround project – a multi-million dollar project which will create 80 new studio and one-bedroom units on the Mission's current site. Homelessness is a significant issue in Auckland with a 2018 study identifying 336 people living without shelter and nearly 3000 people in temporary accommodation.

You can read more about HomeGround at:

<https://www.aucklandcitymission.org.nz/homeground/>

Our partnership with community organisations such as City Mission is based on our belief that we have a role to play in strengthening communities in the areas where we operate. Our support of City Mission is aligned with our overarching focus on partnerships and community initiatives that create positive social value. Other social investments in the past year were made by Precinct to Keystone Trust, Tuputoa and the Tania Dalton Foundation. Our current annual memberships include NZ Green Building Council, Property Council, GRESB, Council on Tall Buildings & Urban Habitats, Heart of the City and Diversity Works.

Diversity

Our approach

Precinct is committed to promoting and improving diversity and inclusion at all levels across our business. Diversity includes, but is not limited to gender, age, disability, ethnicity, marital or family status, socio-economic background, religious or cultural background, sexual orientation and gender identity. Our core values, stakeholder expectations and NZX reporting requirements make diversity a material topic.

Our approach to managing diversity is guided by our Diversity and Inclusion Policy (available at www.precinct.co.nz in the corporate documents under the corporate governance section). We use a number of internal management policies to support diversity including our Equal Opportunities Policy, Health and Wellbeing Policy, Recruitment and Selection Policy, Remuneration Policy and Leave policy. We are also guided by our Culture Charter, adopted in 2016. We have recently extended our Diversity and Inclusion policy to include more specific wording in regard to Gender Identity and Sexual Diversity.

Our performance

Our management approach and diversity performance are reported in the corporate governance section of this report on page 49. The Precinct team includes 11 different ethnicities and has speakers of 6 languages. The number of female employees as a proportion of our overall staff numbers has increased slightly during the year.

We are committed to ongoing improvement and awareness. During the year the whole business undertook unconscious bias training. Rainbow Awareness and support training has now been introduced and will also be undertaken annually.

Ethical business practice

Our approach

Disclosure on our ethical business practices, including our Code of Ethics and Financial Products Dealing Policy is reported on in the corporate governance section of this report on page 48. Our Code of Ethics includes a whistle-blowing clause for reporting unethical or unlawful behaviour and the full code can be found on our website at www.precinct.co.nz under the corporate governance section, along with our Financial Product Dealing Policy and other key governance documents.

Our performance

All of our employees have access to our code of ethics and when new employees join it forms part of their induction pack. Targeted staff training is delivered each year including on ethics-related topics. No ethics related issues were reported via any whistle-blowing channels during the last financial year.



Achieve a diverse and highly inclusive workforce.

Targets

IMPROVE

gender diversity across the whole business, position (employee level) and Board

MONITOR

measure and improve age, ethnicity and flexible working arrangements and parental leave by gender



Ensuring Precinct is governed transparently and to the highest of ethical standards.

Target

MAINTAIN

best practice policies and culture of ethical business practice

Board of Directors.



From left to right: Don Huse, Chris Judd, Craig Stobo (Chairman), Launa Inman, Graeme Wong, Rob Campbell, Anthony Bertoldi and Mohammed Al Nuaimi at Bowen Campus, Wellington.

Craig Hamilton Stobo

Chairman, Director, Independent BA (Hons) First Class Economics

Educated at the University of Otago and Wharton Business School, Craig Stobo has worked as a diplomat, economist, investment banker, and as CEO. He has authored reports for the Government on "The Taxation of Investment Income", chaired the Government's International Financial Services Development group in 2010, and chaired the Establishment Board of the Local Government Funding Agency in 2011. Craig is a professional director and entrepreneur. In addition to chairing Precinct, he is chairman of the New Zealand Local Government Funding Agency (LGFA) and director of AIG Insurance New Zealand Limited and a number of private companies including Saturn Portfolio Management, Elevation Capital Management and Biomarine Limited.

Donald William Huse

Director, independent BCA, FCA

Don Huse is a professional director. He is chair of OTPP New Zealand Forest Investments Limited and deputy chair of the Civil Aviation Authority of New Zealand.

His previous roles include chief executive officer of Auckland International Airport Limited, chief financial officer of Sydney Airport Corporation Limited, chief executive officer of Wellington International Airport Limited, chair of Crown Irrigation Investments Limited, deputy chair of Transpower New Zealand Limited and a director of Cavalier Corporation Limited, Sydney Airport Corporation Limited and TransAlta New Zealand Limited.

A chartered accountant, Don holds a degree in economics from Victoria University of Wellington, and is also a member of the Institute of Directors in New Zealand and of the Australian Institute of Company Directors.

Launa Inman

Director, Independent

Launa Inman has broad experience in retailing, multi-brand wholesaling, e-commerce, strategic planning, marketing and corporate restructuring. Launa was managing director of Australia's largest retailer of apparel, Target Australia, for 7 years and has also served as managing director/CEO of Officeworks and Billabong International. She was the recipient of the Telstra Australian Businesswoman of the Year award in 2003. In 2015 the Australian Marketing Institute awarded her the prestigious Sir Charles McGrath Award for her significant contribution to the field of marketing and wider industry achievements in Australia.

Launa has completed an Advanced Executive Program at Wharton Business School and holds a Bachelor of Commerce Hons and a Master of Commerce. She is currently a director of Super Retail Group and two Not for Profit organisations being the Alannah and Madeline Foundation and the Virgin Australia Melbourne Fashion Festival.

Graeme Henry Wong

Director, Independent BCA (HONS) Bus Admin, INFINZ (Fellow)

Graeme Wong has a background in stock broking, capital markets and investment. He was founder and executive chairman of Southern Capital Limited which listed on the NZX Main Board and evolved into Hirequip New Zealand Limited. The business was sold to private equity interests in 2006.

Previous directorships include New Zealand Farming Systems Uruguay Limited, Sealord Group Limited, Tasman Agriculture Limited, Magnum Corporation Limited and At Work Insurance Limited and alternate director of Air New Zealand Limited.

Graeme is currently chairman of Harbour Asset Management Limited, director of CMT Industries Limited, Areograph Limited, Tourism Holdings Limited, Southern Capital Partners (NZ) Limited together with a number of other private companies. He is also a member of the Trust Board of Samuel Marsden Collegiate School and member of the Management Board of The Bible Society Development (New Zealand) Incorporated.

Christopher James Judd

Director, Manager Appointee

Chris Judd has over 29 years' experience in the property industry including a 15 year association with property and property funds in New Zealand. Chris is the Head of Real Estate Funds Management for AMP Capital Australia with executive and governance responsibilities in Australia and New Zealand. He is a director of AMP Haumi Management Limited and director of AMP Capital (New Zealand) Limited. He is a registered valuer being an Associate of the Australian Property Institute. Chris was the inaugural chairman of the Property Council of Australia's Unlisted Property Roundtable and is a member of the International and Capital Markets Division Committee.

Robert James Campbell

Director, Shareholder Appointee

Rob Campbell is an appointee of Haumi Company Limited. He has over 30 years' experience in investment management and corporate governance.

Rob is currently chairman and director of SKYCITY Entertainment Group Limited, Summerset Group Holdings Limited, Tourism Holdings Limited, WEL Networks Limited and UltraFast Fibre Limited. He is also a director of, or advisor to, a number of hedge and private equity funds in a number of countries and earlier this year was appointed to the Capital Markets Taskforce 2029. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Mohammed Al Nuaimi ¹

Director, Manager Appointee, CFA

Mohammed is a Senior Investment Manager in the Real Estate and Infrastructure Department at Abu Dhabi Investment Authority (ADIA). He joined ADIA in January 2008 and moved to the Real Estate department in early 2012. He is in the AsiaPacific investment team covering Australia and New Zealand. He is a director of Haumi Company Limited, Haumi Development Auckland Limited, HIP Company Limited and AMP Haumi Management Limited.

Mohammed has a Bachelor of IT Security from the United Arab Emirates University and he is a CFA charter holder since September 2011.

¹. Anthony Bertoldi is the alternate Director for Mohammed Al Nuaimi. Anthony is the Deputy Head – Asia Pacific at ADIA.

Executive team.



From left to right: Andrew Buckingham, George Crawford, Lauren Joyce, Scott Pritchard, Richard Hilder, Nicola McArthur, Kym Bunting, and Edward Timmins on Level 10 at Generator Britomart Place, Auckland.

Scott Pritchard

Chief Executive Officer

Scott has led the team since 2010 being responsible for the overall strategy and operations of Precinct. Scott has extensive experience in property funds management, development and asset management.

His previous experience includes various property roles with NZX-listed entities Goodman Property Trust, Auckland International Airport Limited and Urbus Properties Limited.

Scott holds a Masters degree in Management from Massey University. He is a member of the Property Council's national council and a trustee of the Keystone Property Trust and the Tania Dalton Foundation.

George Crawford

Chief Operating Officer

George joined Precinct in late 2010 as Chief Financial Officer and in 2015 was appointed as Precinct's Chief Operating Officer. George leads the property team with responsibility for the performance of the investment portfolio, as well as taking a leading role in strategy, development and major projects. He also retains responsibility for risk and compliance, human resources and provides input to financial and capital management strategy.

After gaining experience with a large accountancy firm in the United Kingdom, George moved to New Zealand and worked for Fonterra and PwC before joining Goodman Property Trust, where he was Chief Financial Officer.

George has a Bachelor of Science Honours degree from Edinburgh University and qualified as a Chartered Accountant in the United Kingdom.

Richard Hilder

Chief Financial Officer

Richard was appointed Chief Financial Officer in 2017, prior to this he held the role of General Manager of Finance. He is responsible for investor relations, financial planning and analysis, the execution of capital management initiatives and treasury management alongside leadership of the finance and analyst teams. He has been instrumental in developing and implementing Precinct's long-term strategy. Richard is also the Chair of Precinct's Sustainability Committee which encompasses ESG topics material to Precinct.

Prior to joining Precinct in 2010 Richard worked in the United Kingdom for Goodman Group's European Funds Management business where he gained experience in capital structuring, fund management and developments in both continental Europe and the United Kingdom. Richard has worked for Goodman Property Trust and Trust Investment Management Limited in New Zealand. Richard holds a Bachelor of Commerce (Hons) (Finance and Economics) degree from University of Auckland.

Kym Bunting

General Manager - Transactions

Kym has over 30 years' experience with institutional investment grade property in both the listed and private sectors. Prior to joining Precinct in 2014, Kym worked for Brookfield Office Properties, a global owner, developer and manager of premier real estate, having responsibility for managing the company's \$1bn New Zealand operating platform. Kym has also worked for Multiplex Capital and prior to that Amtrust, a NZ office portfolio privately owned from New York. Kym is highly experienced in portfolio strategy, and all aspects of asset/property management, facilities management, and development. In particular, over the past 10 years Kym has developed a strong transactional background through leading a large number of asset sales and acquisitions together with large scale office leasing projects.

Edward Timmins

General Counsel and Company Secretary

Ed joined Precinct in early 2019 and is responsible for managing the company's legal and regulatory compliance functions.

Prior to joining Precinct Ed held a similar position at Fisher & Paykel Healthcare and has also worked for the NZ corporate law firm Russell McVeagh either side of roles in London and Hong Kong with the multinational law firm, Allen & Overy. Ed holds a Bachelor of Laws and Bachelor of Commerce (Economics) degrees from the University of Auckland.

Andrew Buckingham

General Manager - Development

Andrew has worked in the commercial property industry for the past 34 years both in Australia and New Zealand. He joined Precinct in 2014 and is responsible for leading Precinct's development projects including Commercial Bay and Wynyard Quarter in Auckland together with Bowen Campus in Wellington. Andrew has held previous senior roles at Kiwi Income Property Trust, Westfield, St Lukes Group, CB Richard Ellis and Legal & General. He was responsible for the development and delivery of a number of major projects including Sylvia Park shopping centre and ASB North Wharf on the Auckland waterfront. Andrew is an Associate of the Australian Property Institute and a member of the Royal Institution of Chartered Surveyors.

Nicola McArthur

General Manager - Marketing and Communications

Nicola joined Precinct in 2012 returning to New Zealand after 10 years working in a variety of marketing roles in the United Kingdom and Australia. Her role at Precinct is to lead the business's marketing and communications strategies across both Precinct's investment and development portfolio. Nicola also leads Precinct's brand and communication strategies ensuring there is a positive presence and understanding in the market. Maintaining optimum levels of communication with our clients, key stakeholders and consumers is another key area for Nicola and her team. Nicola has a Master of Marketing from Melbourne Business School, a Graduate Certificate of Corporate Management from Deakin University and a Bachelor of Arts from Auckland University.

Lauren Joyce

HR Manager

Lauren joined the business in 2011 and is responsible for devising and executing an HR strategy that attracts and retains highly skilled professionals within Precinct and Generator. Lauren drives operational people-related projects within the business, including; organisational transformation, change and cultural integration projects and diversity and inclusion. Lauren is a member of the Property Council of New Zealand Diversity Committee and is currently undertaking study toward an MBA.

5 year summary.

(Amounts in \$ millions unless otherwise stated)	2015	2016	2017	2018	2019
Financial performance					
Gross rental revenue	170.5	146.0	126.2	130.7	135.8
Less direct operating expenses	(48.9)	(41.5)	(35.8)	(35.4)	(40.8)
Operating profit before indirect expenses	121.6	104.5	90.4	95.3	95.0
Net interest expense	(31.4)	(11.0)	(3.4)	(2.2)	(1.8)
Other expenses	(10.4)	(10.1)	(9.8)	(10.2)	(15.8)
Operating income before income tax	79.8	83.4	77.2	82.9	77.4
Non operating income / (expense)					
Unrealised net gain in value of investment and development properties	64.8	81.2	77.5	208.7	161.7
Other revenue					2.0
Other non operating income	(13.5)	(19.1)	11.8	(11.1)	(39.7)
Net profit before taxation	131.1	145.5	166.5	280.5	201.4
Current tax expense	(11.5)	(10.6)	(2.5)	(6.3)	0.0
Depreciation recovered on sale expense	(3.8)	(10.0)	0.0	0.0	(10.7)
Deferred tax benefit / (expense)	6.6	13.3	(1.9)	(17.0)	0.3
Total taxation (expense) / benefit	(8.7)	(7.3)	(4.4)	(23.3)	(10.4)
Share of profit or (loss) of joint ventures	0.0	0.0	0.0	-2.3	(1.1)
Net profit after taxation	122.4	138.2	162.1	254.9	189.9
Dividends					
Net dividend (cents)	5.40	5.40	5.60	5.80	6.00
Net operating income					
Operating income before income tax	79.8	83.4	77.2	82.9	79.4
Less: Current tax expense	(11.5)	(10.6)	(2.5)	(6.3)	0.0
Net operating income after tax	68.3	72.8	74.7	76.6	79.4
Net operating income after tax per share (cents)	6.19	6.01	6.17	6.32	6.37
Dividend payout ratio to net operating income after tax (%)	87.2	89.9	90.8	91.8	94.2
Funds from operations (FFO)					
Net operating income after tax	68.3	72.8	74.7	76.6	79.4
Adjusted for:					
Amortisations	7.3	6.4	6.4	7.2	7.1
Straightline rents	(1.1)	(0.5)	(0.2)	(0.4)	(0.3)
Funds from operations	74.5	78.7	80.9	83.4	86.2
Funds from operations (cents)	6.75	6.50	6.68	6.89	6.92
Dividend payout ratio based on FFO (%)	80.0	83.1	83.8	84.2	86.7
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	(6.6)	(11.1)	(5.8)	(4.9)	(7.2)
Less: Incentives and leasing costs	(7.1)	(3.0)	(9.3)	(8.3)	(3.9)
Swap close outs	1.6	-	-	-	-
Adjusted funds from operations	62.4	64.6	65.8	70.2	75.1
Adjusted funds from operations (cents)	5.66	5.33	5.43	5.80	6.02

(Amounts in \$ millions unless otherwise stated)

	2015	2016	2017	2018	2019
Financial position					
Total investment assets	1,687.8	1,513.7	1,535.4	1,678.8	1,870.5
Total development assets	-	190.4	509.2	838.1	923.2
Other assets	65.4	34.5	34.6	44.8	99.7
Total assets	1,753.2	1,738.6	2,079.2	2,561.7	2,893.4
Interest bearing liabilities	340.0	234.1	456.9	761.7	758.4
Other liabilities	74.9	93.6	116.7	109.3	180.1
Total liabilities	414.9	327.7	573.6	871.0	938.5
Total equity	1,338.3	1,410.9	1,505.6	1,690.7	1,954.9
Number of shares (m)	1211.1	1211.1	1211.1	1211.1	1,313.8
Weighted average number of shares (m)	1103.1	1211.1	1211.1	1211.1	1,246.7
Net tangible assets per share (cps)	1.11	1.17	1.24	1.40	1.47
Net asset value per security (cps)	1.11	1.17	1.24	1.40	1.49
Share price at 30 June (\$)	1.14	1.25	1.24	1.35	1.77
Covenants					
Loan to value ratio (%)	20.1	14.4	25.1	25.0	22.4
Interest coverage ratio	3.5 x	6.9 x	3.9 x	2.4 x	2.0 x
Key portfolio metrics					
Average portfolio cap rate (%)	7.0	6.5	6.2	5.8	5.7
Weighted average lease term (years)	5.0	6.3	8.7 ¹	8.7	9.0 ¹
Occupancy (% by NLA)	98	98	100	99	99

¹ Includes developments.**Definition - Funds from operations (FFO) and Adjusted funds from operations (AFFO)**

FFO and AFFO are a non-IFRS earnings measure developed for real estate entities.

Funds from operations (FFO)

FFO is the organisation's underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items. FFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

Adjusted funds from operations (AFFO)

AFFO is determined by adjusting FFO for other non-cash and other items which have not been adjusted in determining FFO. A dividend payout ratio of 100% indicates a company is neither over or under paying dividend.

AFFO is considered a measure of operating cash flow generated from the business, after providing for all operating capital requirements including maintenance capital expenditure, tenant improvement works, incentives and leasing costs.

While AFFO overcomes the limitations of FFO by considering the impact of capital requirements for operations, it can vary dramatically year over year, depending on the lease expiry profile and level of activity in any one period.

Precinct's updated dividend policy

To pay out approximately 100% of Adjusted Funds From Operations ("AFFO") as dividends, with the retained earnings being used to fund the capital expenditure required to maintain the quality of Precinct's property portfolio. The payment of dividends is not guaranteed by Precinct and Precinct's dividend policy may change from time to time.

GRI index.

Precinct has chosen to prepare its 2019 Annual Report in accordance with the Global Reporting Initiative (GRI) Standards (core option). The GRI Standards are the world's most widely used sustainability reporting standard.

The GRI index below shows where in this report information can be found about the indicators that are relevant to our business operations.

General disclosures

Disclosure Title	GRI	Location or Reference
Name of the organisation	102 - 1	Precinct Properties New Zealand Limited
Activities, brands, products and services	102 - 2	Page 04 - 11 https://www.precinct.co.nz/about-us/
Location of headquarters	102 - 3	Page 103
Location of operations	102 - 4	Page 103
Ownership and legal form	102 - 5	Page 78, Limited Liability Company registered in New Zealand
Markets served	102 - 6	Page 18
Scale of the organisation	102 - 7	Page 5
Information on employees and other workers	102 - 8	Page 48
Supply chain	102 - 9	Pages 17, 20, 32, 36, 52
Significant changes to the organisation and its supply chain	102 - 10	None
Precautionary principle approach	102 - 11	Precinct employs the precautionary principle through its compliance with consents obtained under the Resource Management Act (RMA), in which the principle is embedded
External initiatives	102 - 12	Page 38
Membership of associations	102 - 13	Page 38
Statements from senior decision-maker	102 - 14	Page 14 - 17, 22 and 32
Values, principles, standards, and norms of behaviour	102 - 16	https://www.precinct.co.nz/corporate-governance
Governance and structure	102 - 18	Pages 48 - 50
List of stakeholder groups	102 - 40	Page 29
Collective bargaining agreements	102 - 41	None
Identifying and selecting stakeholders	102 - 42	Page 29
Approach to stakeholder engagement	102 - 43	Page 29
Key topics and concerns raised	102 - 44	Page 29
Entities included in the consolidated financial statements	102 - 45	Page 78
Defining content and topic Boundaries	102 - 46	Page 29
List of material topics	102 - 47	Page 29
Restatements of information	102 - 48	None
Changes in reporting	102 - 49	None
Reporting period	102 - 50	July 1, 2018 – June 30, 2019
Date of most recent report	102 - 51	2018 Annual Report (August 2018)
Reporting cycle	102 - 52	Annual
Contact point for questions regarding the report	102 - 53	hello@precinct.co.nz
Claims of reporting in accordance with the GRI standards	102 - 54	GRI Standards (Core option)
GRI content index	102 - 55	Pages 46 and 47
External assurance	102 - 56	None

Topic specific disclosures

Disclosure Title	GRI	Location or Reference
Energy		
Disclosure on management approach	103	Pages 34, 36 and 37
Energy intensity	302-3	Page 37
Emissions		
Disclosure on management approach	103	Page 34, 36 and 37
GHG emissions intensity	305-4	Page 37
Occupational health & safety		
Disclosure on management approach	103	Page 32 and 33
Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	403-2	Page 32
Diversity and equal opportunity		
Disclosure on management approach	103	Page 39, 48 and 49
Diversity of governance bodies and employees	405-1	Page 49
Client wellbeing – non GRI		
Disclosure on management approach	103	Page 30
Partnerships and community – non GRI		
Disclosure on management approach	103	Page 38
Sustainable design – non GRI		
Disclosure on management approach	103	Page 34
Building environmental performance – non GRI		
Disclosure on management approach	103	Page 36

Corporate governance.

Introduction

The board of directors is responsible for the governance of Precinct and is committed to ensuring Precinct maintains best practice corporate governance structures with the highest ethical standards and integrity.

Precinct's Corporate Governance Manual guides both the directors and the manager of Precinct. It includes a Code of Ethics, Board and Committee Charters and Policies on Securities Trading, Audit Independence, Diversity and Inclusion, Continuous Disclosure, Takeover and Shareholder Communications.

This section of the Annual Report reflects the company's compliance with the requirements of NZX Corporate Governance Code 2019. Precinct's Corporate Governance Manual is available on Precinct's website (www.precinct.co.nz) in the News and Investor Information section together with a statement of how Precinct's corporate governance policies, practices and processes align from the NZX Corporate Governance Code 2019 as at 15 August 2019. If any investor would like a copy sent to them, please contact Precinct investor relations.

Principle 1 – Ethical Standards

Directors set high standards of ethical behaviour, model this behaviour, and hold management accountable for these standards being followed throughout the organisation.

Ensuring that Precinct is governed transparently and to the highest of ethical standards and integrity is one of the key priorities for the board. Precinct's Code of Ethics and Financial Products Dealing Policy are set out in the Corporate Governance Manual and are compliant in all respects with the NZX Corporate Governance Code recommendations.

Code of Ethics – The purpose and intent of Precinct's Code of Ethics is to guide directors, the manager, representatives and subsidiaries of Precinct so that their business conduct is consistent with high business standards. The Code is not intended to be an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with Precinct's business standards, objectives and legal and policy obligations.

Financial Product Dealing Policy – The Financial Product Dealing Policy applies to all directors and officers of Precinct and management employees. No director, officer or employee may use their position of knowledge of Precinct or its business to engage in dealing with any Precinct listed financial products for personal benefit or to provide benefit to any third party.

Principle 2 – Board Composition and Performance

There is a balance of independence, skills, knowledge, experience and perspectives among directors to ensure an effective board.

Precinct has seven directors, the majority of whom are independent (as defined by the NZX Listing Rules). Details of each director's experience are set out in the Board of Directors Section of this report. All Precinct directors are non-executive and the board composition and performance is compliant in all respects with the NZX Corporate Governance Code recommendations.

Independent Directors – We are committed to ensuring that a majority of directors are independent of Precinct, and do not have any interests, positions, associations or relationships which might interfere, or might be seen to interfere, with their ability to bring independent judgement to the issues before the Board. Having regard to the factors set out in the NZX Corporate Governance Code, the Board has determined that the following persons are independent directors of Precinct: Craig Stobo, Don Huse, Graeme Wong and Launa Inman. Each of these directors was appointed by Precinct shareholders and are required to retire by rotation.

Non-Independent Directors – Rob Campbell, Mohammed Al Nuiami and Chris Judd are non-independent. Rob was appointed by Haumi Company Limited in 2012 pursuant to a provision in the constitution which grants any security holder, holding more than 15% of our shares, the right to appoint one director. Mohammed and Chris were both appointed in 2013 as directors by AMP Haumi Management Limited pursuant to a provision in the constitution which grants the manager the right to appoint up to two directors. Anthony Bertoldi acts as alternate director for Mohammed. The non-independent directors are not required by Precinct's constitution (or by rule 2.7.1 of the NZX Listing Rules) to retire by rotation.

Subsidiary Company Directors – The directors for each of Precinct's subsidiary companies are all executive appointments and as at 30 June 2019 are Scott Pritchard, George Crawford, Richard Hilder and Edward Timmins.

Board Charter – Precinct's Corporate Governance Manual includes the Board's Charter which sets out the roles and responsibilities of the board and management.

Board Appointment – The Remuneration and Nomination Committee assists the board in planning its composition and is responsible for managing the Board's succession requirements and for nominating new director appointments. All directors enter into a written agreement setting out the terms of their appointment.

Diversity and Inclusion Policy – Precinct's Diversity and Inclusion Policy is included in Precinct's Corporate Governance Manual and includes measurable objectives which are assessed annually. The board has developed this policy with management to encourage a diverse and inclusive working environment at all levels of the organisation to recruit and retain the best talent from the widest pool of candidates and build a culture where diversity of gender, age, ethnicity, orientation, background, experience, skills, thought, ideas, styles and perspective are leveraged and valued.

The gender composition of directors, officers and management employees is as follows:

	30 June 2019		30 June 2018	
	Female	Male	Female	Male
Directors	1 (16.7%)	6 (83.3%)	1 (16.7%)	6 (83.3%)
Independent directors	1 (25%)	3 (75%)	1 (25%)	3 (75%)
Senior management	3 (33%)	6 (67%)	4 (40%)	6 (60%)
Officers	0 (0%)	4 (100%)	1 (25%)	3 (75%)
Management employees	25 (44%)	32 (56%)	24 (43%)	32 (57%)

For the purposes of measuring and reporting gender diversity, the term 'officers' is defined by those that report directly to the Precinct Board. The term 'senior management' relates to those in the business that sit on the executive management team, and/or have a strong influence over the organisation and are involved in key business decisions. To be considered as a senior management role the person must have a direct reporting line to the CEO, COO or CFO.

Supporting the efforts to increase diversity across the management team are secondary policies and practices including the Equal Opportunities, Recruitment and Selection, Study Assistance and Remuneration Policies together with a Culture Charter and biennial anonymous staff surveys. To ensure workplace diversity continues to evolve and be built upon a matrix of key objectives and monitoring is undertaken on an on-going basis.

At 30 June 2019, the average employee has been at Precinct for 4.9 years and the team includes 11 different ethnicities and has speakers of 6 languages.

Measurable objectives	30 June 2019	30 Jun 2018	30 June 2017	30 June 2015
Gender				
% of female staff	44% (25)	43% (24)	38% (21)	41% (15)
Age range	22 - 63	21 - 62	22 - 61	24 - 59

Board Performance – The Board regularly reviews its performance including its collective skills, knowledge, experience and perspectives to identify any shortcomings and ensure that it effectively governs the company and monitors performance in the interests of shareholders. This includes reviewing director tenure to ensure the independence majority is maintained. Directors undertake appropriate training to remain current on how to best perform their duties.

Meetings – A schedule of directors and their board meeting attendance record for the year to 30 June 2019 is set out below.

Board of directors and attendance

Director	Independent director	Status	Date of appointment	Board meetings	Audit and Risk Com. meetings	Rem and Nom Com. meeting
Number of meetings				5	4	2
Craig Stobo	Yes	Board Chairman	4 May 2010	5	4	2
Mohammed Al Nuaimi		Director	30 October 2013	3	n/a	n/a
Anthony Bertoldi		Alternate Director for Mohammed Al Nuaimi	12 August 2014	4	n/a	n/a
Rob Campbell		Director	2 April 2012	5	4	2
Don Huse	Yes	Audit and Risk Committee Chairman	1 November 2010	5	4	n/a
Launa Inman	Yes	Director	18 November 2015	5	4	n/a
Chris Judd		Director	29 April 2013	5	n/a	2
Graeme Wong	Yes	Rem & Nom Committee Chairman	1 November 2010	5	n/a	2

Corporate governance. *(Continued)*

Principle 3 – Board Committees

The board uses committees where this enhances effectiveness in key areas while still retaining board responsibility.

For the year to 30 June 2019 there were two standing committees of the board, being the Audit and Risk Committee and the Remuneration and Nominations Committee. Our board committees are compliant in all respects with the NZX Corporate Governance Code recommendations, excluding recommendation 3.4. The charters that exist for each committee can be found in the Precinct Governance Manual together with Precinct's Takeover Policy.

The Audit and Risk Committee comprises Don Huse as Chairman, Launa Inman, Craig Stobo and Rob Campbell. The committee was established to assist the board in discharging its duties with respect to financial reporting, compliance and risk management. Employees may attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee.

The Remuneration and Nominations Committee comprises Graeme Wong as Chairman, Craig Stobo and Rob Campbell. Chris Judd was appointed during the year. The committee's purpose is to:

- provide guidance to the board when approving directors' remuneration; and
- assist the board in planning the board's composition, evaluating competencies required of prospective directors and to make relevant recommendations to the board.

The Remuneration and Nominations Committee does not currently have a majority of independent directors. Precinct has opted not to comply with recommendation 3.4 of the NZX Corporate Governance Code as the Committee, which currently comprises two independent and two non-independent directors, is sufficiently balanced.

The Due Diligence Committee is an ad hoc committee that is established by the board from time to time to provide guidance and recommendations to the Board on the due diligence for any transaction of a significant size and/or complexity. A Due Diligence Process Memorandum is agreed each time the Committee is established setting out its duties, responsibilities and scope. The Due Diligence Committee met three times during the year and comprised Don Huse, Craig Stobo, Rob Campbell, Launa Inman and Graeme Wong.

The Board will establish other committees from time to time as the need arises. Directors are paid the same rates as for attendance at Due Diligence Committee meetings. Two such committee meetings occurred this year and comprised Craig Stobo, Don Huse, Chris Judd and Rob Campbell.

Principle 4 – Reporting and Disclosures

The Board demands integrity in financial and non financial reporting and in the timeliness and balance of corporate disclosures.

The Board is committed to ensuring the highest standards are maintained in financial and non financial reporting and disclosure of all relevant information and is compliant in all respects with the NZX Corporate Governance Code recommendations. A copy of Precinct's Continuous Disclosure Policy can be found in the Precinct Governance Manual.

The Audit and Risk Committee oversees the quality and timeliness of all financial reports, including all disclosure documents issued by the company or any of its subsidiaries.

Precinct has moved toward integrated reporting and the annual report includes information on Precinct's;

- Business model
- Strategy and key performance indicators
- Risk management, and
- Sustainability framework.

Precinct now reports against the Global Reporting Initiative (GRI) Standards, shown in the Sustainability Section.

Principle 5 – Remuneration

The remuneration of directors and executives is transparent, fair and reasonable.

The company's director remuneration structure was updated during FY19 to provide further transparency to shareholders by setting aside the existing director pool fee cap and instead putting any proposed increase in director remuneration to shareholders for approval. Such approval would apply to both directors base fees and additional committee fees and allow the board to recruit new directors during the year if appropriate for succession planning. Director remuneration was last approved by shareholders at the company's AGM in November 2018.

Our remuneration practices are compliant with the NZX Corporate Governance Code recommendations with the exception of having a written policy outlining the relative weightings of remuneration components and relevant performance criteria (recommendation 5.2) and disclosing the same in relation to the CEO (recommendation 5.3). This is because CEO remuneration, together with all management remuneration, is an external management expense.

While management remuneration is not an expense of Precinct, the board of Precinct believes that it is important for shareholders to understand the structure of management remuneration as it is an important determinant of management retention, motivation and alignment between management and shareholders.

Under the Management Services Agreement, the board of Precinct must be consulted on management remuneration.

More information on remuneration of directors, executives and the management company can be found within the Management Fee Structure and Remuneration report.

Principle 6 – Risk Management

The board has a sound understanding of the material risks faced by the business and how to manage them. The board regularly verifies that the company has appropriate processes that identify and manage potential and material risks.

The Board has a risk management and reporting framework in place that identifies and manages risk that may impact the business and complies with the NZX Governance Code recommendations in all respects.

Risk Register – A Risk Register is maintained which identifies key risks to the business, records the likelihood and impact of each risk and steps to mitigate the same. The Audit and Risk Committee oversees the risk register and reviews it regularly with management to track existing risks and the emergence of new risks. The results of each review are reported to and reviewed by the Board. The Risk Register is further reviewed when required in the event the Due Diligence Committee is formed.

Financial Risk Management Policy – Our Financial Risk Management Policy details our approach to managing financial risks and the policies and controls that are required to mitigate the likelihood of financial risks resulting in an adverse outcome. This policy is reviewed by the Board annually.

Insurance – Insurance cover is in place for insurable liability and general business risk. The primary objective of our annual insurance programme is to protect shareholders from material loss in the value of assets as a result of events such as fire, natural disaster or accidental damage. This approach protects creditors and bondholders as well.

Audit – Ernst & Young are engaged during the year to audit and review our financial statements.

Health and Safety – Health and safety policies are embedded throughout the business and overseen by the Health and Safety Committee. Reporting and escalation processes are in place to the Audit and Risk Committee and the Board.

More detail on how Precinct manages its key business risks can be found under Risk Management in this section.

Principle 7 – Auditors

The board ensures the quality and independence of the external audit process.

Oversight of Precinct's external audit arrangements is the responsibility of the Audit and Risk Committee. We do not have a dedicated internal audit resource but we do maintain an annual audit programme, which is overseen by the CFO and draws on the expertise of consultants and employees. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. The Policy on Audit Independence, detailed in the Corporate Governance Manual, has been adopted by the committee. This policy is compliant with the NZX Corporate Governance Code and covers the following areas:

- Provision of related assurance services by Precinct's external auditors;
- Auditor rotation; and
- Relationships between the auditor and Precinct.

The Audit and Risk Committee shall only approve a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement.

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand (CAANZ) to evidence their competence.

Principle 8 – Shareholder rights and relations

The board respects the rights of shareholders and fosters constructive relationships with shareholders that encourage them to engage with the company.

The Board is committed to achieving best practice investor relations. Financial and operational information and key corporate governance information (including Precinct's Shareholder Communications Policy) can be accessed at www.precinct.co.nz.

An annual investor relations plan has been established and is reviewed annually. This plan details the investor relations approach to e-communications, roadshows, investor briefings, site visits, blackout periods, financial reporting and other items. Enquiries from shareholders can be voiced at the Annual General Meeting, or emailed through using the contact details on our website. A key objective of the plan is to ensure accurate continuous disclosure to the NZX.

Precinct shareholder approval of major decisions is sought in accordance with the Listing Rules. Precinct designed its capital raising structure for the \$151.8 million underwritten placement and underwritten retail offer to provide an equitable treatment of equity shareholders by seeking to maintain pro-rata shareholdings for existing investors. In 2018 Precinct posted a copy of its notice of annual meeting on its website at least 20 working days prior to its annual meeting of shareholders.

Corporate governance. (Continued)

Risk Management

Our Approach

Precinct has carried out a robust risk assessment process and is committed to providing a clear risk management and reporting framework for the business to operate under to achieve its objectives, whilst ensuring all risks are understood and managed.

Reporting Framework

Responsible group			Description of responsibility
Precinct Board			<ul style="list-style-type: none"> Determine the nature and extent of the risks it is willing to take to achieve the business strategy Establish the parameters for each risk
Audit and Risk Committee			<ul style="list-style-type: none"> Delegated authority in assessing effectiveness of internal controls and risk management processes Delegated authority to regularly oversee and review the Risk Register
Executive			<ul style="list-style-type: none"> Input into Board's process for setting risk parameters Lead management's approach to risk Oversee reporting and identification of emerging risks
Development control group	Operational management	Health and safety committee	<ul style="list-style-type: none"> Implement and maintain risk management policies Create an environment that embraces risk management Audit and monitor all live sites
Contractors	Employees	Other	<ul style="list-style-type: none"> Day-to-day responsibility of managing risk Report and maintain internal risk and hazard registers

Key Business Risks

External

Risks and impacts	How we manage the risk	Movement in the period
Economy and property market Market risk arises from adverse changes in the New Zealand economic environment, regulatory environment and the broader investment market. Changes may result in an impact in property values and amount of income generated by them.	Maintain a proactive and strategic approach to manage property risks it can influence. Providing quality premises matched by high service levels and building strong relationships.	The New Zealand economy continues to expand albeit at a subdued pace to prior periods. Conditions remain favourable for Precinct and are expected to continue for the near term.
Occupier market and client default A weakening occupier market through lack of business activity and investment, as well as unanticipated client default, can directly impact the income and value of each individual asset.	Undertake annual business planning process to review the portfolio and help mitigate these risks.	
Insurance risk The risk of being unable to continue to obtain insurance cover, or following an event, not having sufficient cover in place to repay creditors. This could result in significant business interruption.	Engage directly with a wide range of local and international insurers. Ensure the insurance market has a good understanding of the portfolio and its risks.	Precinct continues to secure insurance coverage with policy renewals recently agreed.

Internal

Risks and impacts	How we manage the risk	Change	Movement in the period
Development			
Development risk Development projects are inherently subject to uncertainties. They are entered into on the basis of assumed future costs, values and income levels. An increased level of development risk has the potential to make meeting covenant obligations and overall solvency challenging.	Ensure expected returns from developments adequately compensate Precinct for the level of risk undertaken before each project is approved. Through due diligence, we understand the project risks before commitment. Before commitment, ensure sufficient funding is in place and committed gearing is maintained within acceptable levels. Establishing a procurement plan and engaging contractors early to mitigate cost escalation or contractor default. Undertake substantial pre-leasing prior to commencement of development.	▼	Precincts development risk continues to decrease with several projects completing in the period. Of the projects currently underway, the overall risk is reduced through high levels of leasing achieved to-date. The construction market remains under pressure. Precinct's exposure is limited to these pressures through fixed price contract agreements.
Financial			
Interest rate management Interest rate risk arises through changes in interest rate market conditions leading to earnings volatility or breach of interest cover covenant levels.	Manage by aligning the interest rate re-pricing profile with the re-pricing profile of Precinct's gross rental income. Establish interest rate swaps to manage exposure within a band reviewed by the Board annually and monitored by the Audit and Risk Committee and board quarterly.	▼	Interest rates reduced during the period, reaching historical lows. These levels are expected to remain in the near term.
Refinancing risk (liquidity) Having insufficient funds to refinance debt when it falls due and sustain the ongoing operations of the business.	Implemented a Financial Risk Management Policy in 2011 which is reviewed annually providing a clear framework in which to operate under whilst ensuring risks are managed and understood. Diversified funding away from sole reliance on bank funding through alternative sources. Staggering the maturity profile of facilities providing adequate time to pursue alternatives to refinancing.	▼	Refinance risk has reduced with new bank debt secured in July 2018 as well as the capital initiatives undertaken through the period. Precinct currently has sufficient funding in place to deliver on all committed projects.

Corporate governance. (Continued)

Risks and impacts	How we manage the risk	Change	Movement in the period
Gearing levels An increase in gearing levels outside suitable industry standards could increase the risk of breaching financing covenants and may increase borrowing costs.	Implemented a Financial Risk Management Policy in 2011 which is reviewed annually. Ensure no capital commitment is entered into without sufficient funding in place. Maintain adequate headroom in relation to gearing covenants to withstand portfolio devaluations which may be anticipated through the property cycle.	▼	As developments progress, gearing levels increase but remain within internal policy parameters due to Precinct's proactive funding strategy.
People			
Staff Staff are critical to ongoing success and execution of strategy. Failure to maintain a high level of experience and skill could impact business performance.	Ensure a strong focus on team engagement and enhancement. Maintain ongoing succession planning and retention structures within the company. Regularly review performance appraisals of employees and directors and benchmark remuneration packages with the wider market.	▲	The business continues to experience growth as the strategy is delivered with human resources remaining a key priority for the business.
Health and safety Unsafe work environments may lead to accidents (employees, clients, contractors and visitors) resulting in harm to people, financial loss and/or business continuity.	Provide ongoing individual, group and industry training. Maintain a hazard register that identifies hazards where contractors are required to take precaution. Registers are subject to annual review. Monitor any live sites to ensure oversight of Health and Safety matters. Ensure contractor pre-qualification. Provide training and KPI's for all Precinct staff.	▲	Appropriate monitoring and reporting continue to be implemented and refined to mitigate any potential risk. As developments have been completed during the period, the health and safety exposure has reduced, albeit remains a strong focus for the business. Further information on Health and Safety is included in the Sustainability section.

Management fee structure

Management services agreement

The management services agreement with AMP Haumi Management Limited was entered into on corporatisation in 2010 (*the Management Agreement*). The Management Agreement details the material services that are to be performed, and fees charged, by AMP Haumi Management Limited in its capacity as manager of Precinct. The Management Agreement was amended in 2011 and 2016.

A copy of the Management Services Agreement as amended is available on the Precinct website.

On establishment of the Joint Venture with Invesco in relation to the ANZ Centre, Precinct and Invesco entered into an additional management services agreement with AMP Haumi Management Limited to reflect Invesco's 50% share, substantially on the same terms as the Management Agreement.

Management services fee

The manager is entitled to three fees under the Management Agreement:

- a base management services fee;
- a performance fee; and
- additional services fees.

Base management services fee

The base management services fee is payable in three tiers and calculated by reference to the Value of Investment Property. Value of Investment Property ("VIP") means, the total value of all real property assets owned or leased by Precinct as determined in accordance with GAAP. Adjustments for revaluations, capital expenditure, acquisitions and disposals are made on a pro rata basis each month.

Development properties, including land, are excluded from the VIP. A property is classified as a development property if it is under construction or is vacant and undergoing (or likely to undergo) refurbishment work during the year. This classification is for the purposes of calculating AMP Haumi Management's limited base management services fee only and does not in any way classify the tenantability or otherwise of a property. Refurbishment work includes all design and other pre-contract investigation and consultant work.

The base management services fee is payable in respect of these properties upon receipt of a certificate of practical completion for each property.

The three tiers of payment are as follows:

- 0.55% per annum of the VIP to the extent that the VIP is less than or equal to \$1 billion; plus
- 0.45% per annum of the VIP to the extent that the VIP is between \$1,000,000,001 and \$1.5 billion; plus
- 0.35% per annum of the VIP to the extent that the VIP exceeds \$1.5 billion;

plus GST (if any).

The base management services fee is paid to the manager monthly in arrears in cash.

Performance fee

The performance fee is based on Precinct's relative outperformance over other NZX listed property entities. Key features of the performance fee are:

- The performance fee is payable quarterly in arrears and in cash.
- Precinct's quarterly performance (expressed as a percentage return) is determined, based on the 5 day volume weighted average Precinct share price movement on NZX at the open and close of that quarter plus gross distributions paid in the quarter ("Shareholder Return").
- Precinct's quarterly performance is then benchmarked against an NZX Property Index (excluding Precinct) return (calculated including the value of imputation credits of constituent members of that index), also expressed as a percentage return ("Benchmark Return").
- "Outperformance" (or "underperformance") is determined, being the difference between the Shareholder Return and the Benchmark Return.

An "Initial Amount" (or "Deficit") is then determined, being 10% of that Outperformance (or underperformance) multiplied by an amount reflecting Precinct's market capitalisation for that quarter. The Initial Amount (or Deficit) is then credited to the "Carrying Account".

- The performance fee for any quarter is then equal to the credit balance (if any) in the Carrying Account at that time, subject to two limitations:
 - the performance fee in any quarter is limited to the "Performance Cap", which is, effectively, 0.125% of an amount reflecting Precinct's market capitalisation for that quarter. The extent to which the performance fee would otherwise have exceeded the Performance Cap will remain in the Carrying Account and be carried forward to the following quarter; and
 - no performance fee is payable in respect of a quarter if Precinct's absolute Shareholder Return in that quarter is negative, even if it is above the Benchmark Return. Rather, the Initial Amount (calculated by reference to the Outperformance in that quarter) will be credited to the Carrying Account and carried forward to the following quarter. Any Initial Amount credited to the Carrying Account which is not used up in paying performance fees or in off-setting subsequent Deficits will effectively expire two years after it is credited to the Carrying Account. Similarly, any Deficit debited against the Carrying Account which is not used up in off-setting subsequent Initial Amounts will also effectively expire two years after it is debited against the Carrying Account.

Corporate governance. *(Continued)*

Management Services

Base management services

The base management services to be provided by the manager include:

- Corporate and fund management services, being, in general, those services which are necessary as part of the day-to-day management of a major corporate enterprise including the provision of support to the board, company secretarial matters, reporting, engaging and dealing with advisers, managing payments and accounts, financial management and reporting, record keeping, Listing Rules and regulatory compliance, capital management and research and monitoring.
- Portfolio and asset management services, being, in general, those services which are necessary as part of managing a major property portfolio including identifying opportunities, submitting proposals to the board, managing the implementation of board approved proposals, performance monitoring, budgeting, reporting, relationship management, development and implementation of annual asset management plans and documentation management.

The manager is permitted to sub-contract some or all of the base management services, but only with the board's consent (not to be unreasonably withheld). The manager will continue to be responsible for delivery of any sub-contracted services.

Additional services

In addition to the base management services, the manager is also responsible for providing additional services to Precinct, relating to property and facilities management, leasing, development management, project management and delivery and property acquisition and divestment services (additional services).

The additional services may be provided by the manager or any person approved by the manager, provided such party has sufficient expertise and resources available to it to perform the service. No person may be engaged to perform additional services without board approval or authorisation under delegated authorities approved by the board.

The additional services are not included within the base management services fee payable under the Management Agreement and are subject to a market review every two years. The next market review is due in September 2020. The fees for these services are payable by Precinct and are detailed within the Remuneration Report.

Reimbursement of costs

The manager is also entitled to be reimbursed for specified items of expenditure incurred on Precinct's behalf (these costs are not included within the fees payable under the Management Agreement).

Resourcing

Other than in respect of the Generator business, Precinct does not employ any staff, including senior executives. All personnel, including Precinct's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, are provided by the manager – which is responsible for providing access to, or otherwise employing, all staff necessary to perform its obligations.

Although Precinct does not employ its own staff, the manager must consult with the board regarding the appointment, removal and remuneration of the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Furthermore, the manager must:

- Ensure that certain key personnel are dedicated to, and work exclusively in providing services to, Precinct, unless agreed otherwise by the board.
- Ensure that the employment or secondment arrangements relating to certain key personnel require them to act in the best interests of, and for the benefit of, Precinct and its subsidiaries.

Term and termination

The Management Agreement has no fixed term and may be terminated in the following ways:

By either party if the other party commits or is or becomes subject to a default event. The default events are insolvency type situations and circumstances which lead to a party's unremedied material breach of the Management Agreement. In the case of the manager, a material breach:

- is a breach or series of related breaches which in aggregate have a material and adverse effect on Precinct's financial performance, business or assets and which is unremedied or not compensated for within 30 business days following delivery of a detailed notice to the manager by Precinct;
- is deemed to include fraud by the manager which has a material adverse effect on Precinct which is incapable of compensation; and
- is deemed to include a change of control which results in a party (other than AMP Capital Investors (New Zealand) Limited or Haumi Development Limited Partnership, or any of their related parties) acquiring the power to exercise or control the exercise of 75% or more of the voting securities of the manager, without Precinct's written consent. Provided that in each case Precinct may only exercise this right of termination if the termination has been approved by a special resolution of Precinct's shareholders (not including the manager or its "Associated Persons").
- by the manager on six months' written notice to Precinct.

Precinct does not have a unilateral right to terminate the Management Agreement at its discretion.

If requested by Precinct, the manager will provide disengagement services to Precinct following termination in certain circumstances to assist in the transition to a new manager or self-management.

If the Management Agreement is terminated then the manager will not be paid any fees upon termination (other than any accrued and unpaid fees and costs up to the termination date).

Call option

(Transfer of manager's interests in the Management Agreement)

Any person who acquires (or acquires the right or power to exercise or control the votes attached to) 50% or more of the voting securities of Precinct, has a six-week period to exercise an option to purchase the manager's interests in the Management Agreement (subject to certain terms and conditions as set out in the Management Agreement). If the consideration for the assignment of the Management Agreement cannot be agreed, it will be set by expert determination.

Board appointment rights

The manager is entitled to appoint up to two directors to the board and to substitute or remove such directors by notice in writing.

This director appointment right has been exercised and is subject to the Listing Rules (and the requirements of any ruling granted by the NZX from time to time). Further information on the manager appointed directors is set out in the Corporate Governance Section of this report (see Principle 2 – Board Composition and Performance).

Takeover code exemptions

Introduction

This section contains information required by the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010 which was obtained when Precinct corporatised from a unit trust in 2010. Unless otherwise stated, the information provided in this section of the report is as at 30 June 2019.

Any term capitalised in this section but undefined has the meaning given to it in the above 2010 Exemption Notice.

Pre-emptive acquisitions

AMP Capital Investors International Holdings Limited (AMPCI) and Haumi Company Limited (as general partner of the Haumi (NZ) Limited Partnership (HNZLP)) are the current parties to a deed dated 27 September 2010, which records certain pre-emptive rights arrangements in respect of Precinct voting securities held by HNZLP and AMPCI (in its own right – not in its capacity as manager of a fund) (the *Pre-emptive Arrangements*). The Pre-emptive Arrangements are as follows:

- If HNZLP wishes to sell, transfer or dispose of all or any of its Precinct voting securities (or any interest (whether legal or beneficial) in them) to any third person, or AMPCI wishes to sell, transfer or dispose of all or any of its Precinct voting securities held by it in its own right, and not in its capacity as a manager of a fund, (or any interest (whether legal or beneficial) in them) to any third person, then HNZLP or AMPCI must first offer to sell those Precinct voting securities to the other party at a price specified by the offeror. The offeree has 15 working days to decide whether to accept the offer.
- If the other party does not accept the offer or give notice within the 15 working day period, then the party wishing to sell, transfer or otherwise dispose of its Precinct voting securities can sell the relevant Precinct voting securities to a third party within 90 working days, provided that such sale must be for a price and on terms no more favourable than those offered to AMPCI or HNZLP (as the case may be).
- In addition, in the event of a "change of control", or if a "relevant event" occurs in respect of either HNZLP or AMPCI, then that party is deemed to have offered to sell its Precinct shares to the other at either an agreed price, or, if no such agreement can be reached, such amount, per Precinct voting security, as is equal to the volume weighted average price of Precinct voting securities traded on the NZX during the period of five trading days immediately preceding the date on which the relevant sale notice is given. In the case of AMPCI, it will only be deemed to have offered to sell its Precinct shares held by it in its own right, and not in its capacity as manager of a fund.
- These Pre-emptive Arrangements cease to apply if AMP Haumi Management Limited ceases to be manager of Precinct.

Corporate governance. (Continued)

Information on the number of voting securities that have been acquired by the Combined AMPCI Parties under the Pre-emptive Acquisitions, the percentage of all voting securities on issue that are held or controlled by the AMPCI Parties, and the maximum number and percentages of voting securities after the Pre-emptive Acquisitions is set out below. Further information on the maximum number and percentages of voting securities that may be held by the AMPCI Parties (and their Associates) after the acquisition of voting securities under the Combined Transactions is set out on the following page.

Funds management acquisitions

A reference in this section of the report to a Funds Management Acquisition is any acquisition of Precinct voting securities by a Managed Fund. A Managed Fund is any investment fund, entity or scheme managed by AMPCI or any subsidiary of AMPCI in the ordinary course of the funds management business of AMPCI (or a subsidiary), and includes any manager, trustee, or custodian of any such fund.

The persons whose increase in voting control results or may result from any Fund Management Acquisition are:

- the AMPCI Parties;
- any trustee or custodian of a Managed Fund; and
- in certain circumstances, where a Managed Fund is operated for the benefit of a single client, that client (as a result of having the ability, under the investment management arrangements with the relevant AMPCI Party, to direct the exercise of voting rights controlled by the relevant AMPCI Party in respect of that Managed Fund).

The percentage of Precinct voting securities at any time held or controlled by the AMPCI Parties as a result of the Funds Management Acquisitions has not exceeded 4.9% of the total Precinct voting securities on issue.

Information on the maximum numbers and percentage of all voting securities on issue that may be held or controlled by the AMPCI Parties (and their Associates) after any Fund Management Acquisition or after the acquisition of voting securities under the Combined Transactions is set out on the following page.

Employee share scheme acquisitions

The manager has established the AMP Haumi LTI Bonus Scheme (LTI Scheme) as a long term incentive scheme for selected employees of the manager (Eligible Employees) who are engaged in operating Precinct's business. The key terms of the LTI Scheme are:

- Eligible Employees are invited to borrow an interest free amount (Loan) from the manager. The Loan amount is determined based on the agreed performance criteria for the LTI Scheme (which is based on the performance of Precinct and the manager).
- The Loan is advanced to AMP Haumi LTI Trustee Limited (the Employee Share Scheme Administrator), who uses the Loan to purchase Precinct shares on-market (the Employee Share Scheme Acquisitions), and then holds those Precinct shares on trust for the Eligible Employees in accordance with the rules of the LTI Scheme.
- Participants who remain employed by the manager for the duration of the Loan period receive a bonus equal to the amount of the Loan, which may be used to repay the Loan. The rules of the LTI Scheme contain a mechanism which protects participants from changes in market value of the Precinct shares.
- Participants are entitled to Precinct shares held for them by the Employee Share Scheme Administrator only once they have satisfied the vesting requirements of the LTI Scheme.
- Participants who cease to be employed by the manager before satisfying the vesting requirements of the LTI Scheme are not entitled to the Precinct shares held for them by the Employee Share Scheme Administrator. Those participants are required to repay their Loan when their employment terminates, but the Employee Share Scheme Administrator will sell the Precinct shares held for that participant and use the sale proceeds towards repayment of the Loan.

Employee Share Scheme Acquisitions will or may result in the Employee Share Scheme Administrator, the manager or the Eligible Employees increasing their voting control of Precinct.

The percentage of voting securities at any time held or controlled by the Employee Share Scheme Administrator and the manager as a result of the Employee Share Scheme has not exceeded 1% of the total voting securities on issue.

Information on the maximum percentages of voting securities that may be held or controlled by the Employee Share Scheme Administrator or the manager (and their Associates) after any Employee Share Scheme Acquisition is set out on the following page. Further information on the maximum percentage of voting securities that may be held by the Employee Share Scheme Administrator or the manager (and their Associates) after the Combined Transactions is set out on the following page.

Disclosure of numbers and percentages of voting securities

Pre-emptive arrangements

The number of voting securities that have been acquired by the AMPCI Parties under the Pre-emptive Arrangements as at 28 June 2019, the percentage of voting securities on issue that are held or controlled by the AMPCI Parties as at 28 June 2019, and the potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties after the Pre-emptive Acquisitions are as follows:

Exempted person	Number of voting securities that have been acquired under the Pre-emptive Acquisitions	% of voting securities on issue that are held or controlled	% of all voting securities on issue that are held or controlled with Associates	Maximum % of all voting securities on issue that could be held or controlled after the Pre-emptive Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates after the Pre-emptive Acquisitions
AMPCI Parties	Zero ¹	2.08 ²	17.51 ²	21.35	21.411

These figures are calculated on the basis that only the Corporatisation Transfer and the Pre-emptive Acquisitions occur, and that there is no change in the number of voting securities on issue after 28 June 2019.

¹ The figure is calculated on the basis that no voting securities in Precinct have been acquired under the Pre-emptive arrangements.

² These figures are calculated on the basis of the total holdings of voting securities in Precinct by the AMPCI Parties (and their Associates, as applicable) as at 28 June 2019 and that there is no change in the number of voting securities on issue after 28 June 2019.

Fund management acquisitions

The potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties after the Funds Management Acquisitions are as follows:

Exempted person	Maximum % of all voting securities on issue that could be held or controlled as a result of Funds Management Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates as a result of Funds Management Acquisitions
AMPCI Parties	4.9000	24.961

The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Fund Management Acquisitions occur, and that there is no change in the number of voting securities on issue after 28 June 2019.

Employee share scheme acquisitions

The potential maximum numbers and percentages of voting securities that could be held or controlled by the manager and the Employee Share Scheme Administrator as a result of the Employee Share Scheme Acquisitions are as follows:

Exempted person	Maximum % of all voting securities on issue that could be held or controlled as a result of the Employee Share Scheme Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates as a result of the Employee Share Scheme Acquisitions
Employee Share Scheme Administrator	1.0000	22.35*
The manager	1.0000	22.35*
Total	1.0000	22.35

*The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Employee Share Scheme Acquisitions occur, and that there is no change in the number of voting securities on issue after 16 August 2019. The figures marked * are made on the basis that the Employee Share Scheme Administrator and the manager are not Associates of each other.*

Combined transactions

The potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties, the Employee Share Scheme Administrator, the manager and the Employee Share Scheme and the manager combined are as follows:

Exempted person	Maximum % of all voting securities on issue that could be held or controlled as a result of all transactions	Maximum % of all voting securities on issue that could be held or controlled with Associates as a result of all transactions
AMPCI Parties	24.9000	25.9000
Employee Share Scheme Administrator	1.0000	25.9000*
The manager	1.0000	25.9000*
Employee Share Scheme Administrator and the manager (combined)	1.0000	25.9000

*The figures marked * are made on the basis that the Employee Share Scheme Administrator and the manager are not Associates of each other.*

The maximum % shown in the above tables are calculated on the basis of the Takeovers Code exemption including that there is no change to the total number of voting securities on issue after 16 August 2019. Details of which can be found in Precinct's Corporation Proposal Information Pack dated 5 October 2010.

Corporate governance. *(Continued)*

NZX Rulings and Waivers

This section contains information required by NZX Markets Supervision Waiver Decisions.

2010 Corporatisation

This section contains information required by NZX Markets Supervision Waiver Decisions.

NZX granted, subject to a number of conditions, waivers from, and made rulings in respect of, the following (previously applicable) Listing Rules in respect of Precinct:

A waiver from Listing Rule 9.2, for any requirement for any acquisition of the manager's interest in the Management Agreement pursuant to the right of any person (under the Management Agreement) who acquires more than 50% of Precinct shares, to be approved by an ordinary resolution of shareholders under Listing Rule 9.2.1. This waiver is conditional on:

- the terms and conditions of the Management Services Agreement not being materially altered as part of the transaction, (unless such alterations are approved by an ordinary resolution of shareholders under Listing Rule 9.2 or otherwise made in accordance with any waiver granted by NZX) and;
- the effects and conditions of the waiver, being set out in each annual report, offer document or prospectus of Precinct. It was also conditional on those details being set out in the offer document for the proposal to corporatise ANZO, and on the new management agreement being approved by unit holders of ANZO.

A waiver from Listing Rule 3.3, to the extent required, to permit:

- the manager to appoint up to two directors, and those directors to be excluded from the obligation to retire pursuant to Listing Rule 3.3.11;
- to permit any shareholder holding more than 15% of Precinct shares (15%+ Shareholder) to appoint one director, even if that shareholder is an associate of the manager, and any such director to be excluded from the obligation to retire pursuant to Listing Rule 3.3.11;
- any director appointed by the manager to be excluded from the number of directors upon which is based the calculation of the number of directors required to retire under Listing Rule 3.3.11.

This waiver is conditional on the following:

- the ability of the manager to appoint two directors being approved by unit holders of ANZO (at the meeting to approve the trust converting to a corporate structure);
- Precinct's constitution containing certain provisions, and these remaining in effect and materially unaltered. These included provisions to the effect that:
 - a. a majority of the directors must be independent of the manager and persons who control the manager;
 - b. if a 15%+ Shareholder appoints a director, the board must have a minimum of seven directors;
 - c. no 15%+ Shareholder who has exercised a right to appoint a director shall have the right to vote on the election of other directors (which was itself a separate condition);
 - d. any director appointed by a 15%+ Shareholder must be included in the number of directors upon which is based the calculation of the number of directors required to retire under Listing Rule 3.3.11.
- the waiver, its effects and conditions are set out in each annual report and offer document of Precinct;
- each director appointed by the manager is identified in Precinct's annual report as having been so appointed, and as not being subject to retirement by rotation;
- if the manager elects not to appoint two directors (and removes, or procures the resignation of, any directors appointed by it), the conditions as to election of directors independent of the manager shall not apply.

Precinct has applied to NZX to apply these waivers to the equivalent provisions of the NZX Listing Rules dated 1 January 2019, to which the company transitioned on 13 February 2019, until which time Precinct will rely on the class ruling issued by the NZX that carries over existing waivers until 30 June 2020.

Non-standard Designation

Pursuant to these waivers, Precinct's constitution contains certain provisions which are not ordinarily contained in the constitution of a company listed on the NZX, including provisions allowing for the appointment of directors by the manager and by any shareholder holding more than 15% of Precinct shares. Precinct has been given a non-standard designation by NZX due to the inclusion of these provisions in its constitution.

Investor information.

As at 30 June 2019

Shareholder information

Twenty largest shareholders

Rank	Shareholder	Number of shares	% of shares
1.	HSBC NOMINEES (NEW ZEALAND) LIMITED	307,344,662	23.39
2.	ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND	71,571,752	5.45
3.	ACCIDENT COMPENSATION CORPORATION	68,153,299	5.19
4.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	67,982,194	5.17
5.	FORSYTH BARR CUSTODIANS LIMITED	62,916,920	4.79
6.	FNZ CUSTODIANS LIMITED	57,239,543	4.36
7.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET	42,009,785	3.20
8.	INVESTMENT CUSTODIAL SERVICES LIMITED	38,032,246	2.89
9.	BNP PARIBAS NOMINEES (NZ) LIMITED	36,375,094	2.77
10.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED	35,073,528	2.67
11.	NATIONAL NOMINEES NEW ZEALAND LIMITED	34,897,519	2.66
12.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT	29,444,624	2.24
13.	CUSTODIAL SERVICES LIMITED	24,094,111	1.83
14.	ANZ WHOLESALE PROPERTY SECURITIES	21,563,751	1.64
15.	BNP PARIBAS NOMINEES (NZ) LIMITED	19,112,916	1.45
16.	CUSTODIAL SERVICES LIMITED	17,549,773	1.34
17.	MFL MUTUAL FUND LIMITED	14,056,815	1.07
18.	CUSTODIAL SERVICES LIMITED	13,189,899	1.00
19.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	12,067,118	0.92
20.	JBWERE (NZ) NOMINEES LIMITED	11,950,787	0.91
Total Top 20 holders of Ordinary Shares		984,626,336	74.95

Source: Computershare

Shareholder distribution

Range	Total holders	Shares	% of issued capital
1 - 99	2	82	0.00
100 - 199	2	235	0.00
200 - 499	46	13,101	0.00
500 - 999	99	65,684	0.00
1,000 - 1,999	188	252,384	0.02
2,000 - 4,999	679	2,309,120	0.18
5,000 - 9,999	1,340	9,602,008	0.73
10,000 - 49,999	3,973	89,371,442	6.80
50,000 - 99,999	727	48,696,798	3.71
100,000 - 499,999	371	66,028,209	5.03
500,000 - 999,999	26	17,926,018	1.36
1,000,000 and over	46	1,079,498,968	82.17
Total	7,499	1,313,764,049	100.00

Source: Computershare

Investor information. (Continued)

Substantial Financial Product Holders

Quoted financial product holder	Number of ordinary shares held at date of notice	%	Date of notice
AMP Capital Investors International Holdings Limited (ACIHL) ¹	257,079,955	19.79	27.02.2019
ANZ New Zealand Investments Limited	121,573,546	9.254	12.03.2019
ANZ Bank New Zealand Limited	35,213,293	2.68	12.03.2019
ANZ Custodial Services New Zealand Limited	35,593,167	2.709	12.03.2019
Accident Compensation Corporation	60,647,201	5.008	16.04.2018

Note the number of shares above are according to notices filed only if the total number of a shareholder changes by 1% or more since the last notice filed.

Source: NZX Substantial shareholder notices

¹ AMP Capital Investors International Holdings Limited substantial security holder notice includes the Precinct shares of Haumi Company Limited (consisting 230,394,666 ordinary shares or 17.737%).

Quoted financial product holder	\$ amount of convertible notes held at date of notice	%	Date of notice
Forsyth Barr Investment Management Limited	23,044,813	15.363	21.03.19

Source: NZX Substantial shareholder notices

The total number of ordinary shares on issue as at 30 June 2019 was 1,313,764,049. The total principal amount of convertible notes on issue as at 30 June 2019 was \$150,000,000.

Donations

The Group made donations of \$110,000 during the year to 30 June 2019 to Auckland City Mission and Wellington City Mission.

Bondholder information

Twenty largest PCT010 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	ACCIDENT COMPENSATION CORPORATION	9,000,000	12.00
2.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT	8,012,000	10.68
3.	INVESTMENT CUSTODIAL SERVICES LIMITED	6,652,000	8.87
4.	FNZ CUSTODIANS LIMITED	4,373,000	5.83
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	4,250,000	5.67
6.	FORSYTH BARR CUSTODIANS LIMITED	4,235,000	5.65
7.	CUSTODIAL SERVICES LIMITED	2,988,000	3.98
8.	ANZ BANK NEW ZEALAND LIMITED	2,193,000	2.92
9.	MINT NOMINEES LIMITED	2,112,000	2.82
10.	CUSTODIAL SERVICES LIMITED	1,732,000	2.31
11.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	1,560,000	2.08
12.	FNZ CUSTODIANS LIMITED	1,530,000	2.04
13.	CUSTODIAL SERVICES LIMITED	1,421,000	1.89
14.	CUSTODIAL SERVICES LIMITED	1,095,000	1.46
15.	CUSTODIAL SERVICES LIMITED	1,030,000	1.37
16.	NEW ZEALAND METHODIST TRUST ASSOCIATION	1,000,000	1.33
17.	INVESTMENT CUSTODIAL SERVICES LIMITED	500,000	0.67
18.	WESTPAC BANKING CORPORATE NZ FINANCIAL MARKETS GROUP	485,000	0.65
19.	INVESTMENT CUSTODIAL SERVICES LIMITED	480,000	0.64
20.	THEAN SENG CHOW & KIM KEAT LIM	450,000	0.60
Total Top 20 holders of PCT010 bonds		55,098,000	73.46

Source: Computershare

Bondholder distribution - PCT010

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	35	190,000	0.25
10,000 - 49,999	244	4,990,000	6.65
50,000 - 99,999	61	3,630,000	4.84
100,000 - 499,999	67	12,507,000	16.68
500,000 - 999,999	1	500,000	0.67
1,000,000 and over	16	53,183,000	70.91
Total	424	75,000,000	100.00

Source: Computershare

Twenty largest PCT020 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	FORSYTH BARR CUSTODIANS LIMITED	16,336,000	16.34
2.	FNZ CUSTODIANS LIMITED	14,130,000	14.13
3.	NATIONAL NOMINEES NEW ZEALAND LIMITED	10,984,000	10.98
4.	INVESTMENT CUSTODIAL SERVICES LIMITED	7,830,000	7.83
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	6,500,000	6.50
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED	4,250,000	4.25
7.	CUSTODIAL SERVICES LIMITED	3,372,000	3.37
8.	FORSYTH BARR CUSTODIANS LIMITED	3,011,000	3.01
9.	CUSTODIAL SERVICES LIMITED	2,458,000	2.46
10.	CUSTODIAL SERVICES LIMITED	1,723,000	1.72
11.	CUSTODIAL SERVICES LIMITED	1,070,000	1.07
12.	BNP PARIBAS NOMINEES (NZ) LIMITED	1,000,000	1.00
13.	TEA CUSTODIANS LIMITED	1,000,000	1.00
14.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED	810,000	0.81
15.	INVESTMENT CUSTODIAL SERVICES LIMITED	800,000	0.80
16.	CUSTODIAL SERVICES LIMITED	764,000	0.76
17.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	650,000	0.65
18.	INVESTMENT CUSTODIAL SERVICES LIMITED	510,000	0.51
19.	INVESTMENT CUSTODIAL SERVICES LIMITED	500,000	0.50
20.	JPMORGAN CHASE BANK	500,000	0.50
Total Top 20 holders of PCT020 bonds		78,198,000	78.20

Source: Computershare

Bondholder distribution - PCT020

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	45	266,000	0.27
10,000 - 49,999	418	8,926,000	8.93
50,000 - 99,999	85	4,974,000	4.97
100,000 - 499,999	48	7,636,000	7.64
500,000 - 999,999	7	4,534,000	4.53
1,000,000 and over	13	73,664,000	73.66
Total	616	100,000,000	100.00

Source: Computershare

Investor information. *(Continued)*

Convertible Noteholder Information

Twenty largest noteholders

Rank	Noteholder	Number of notes	% of total
1.	FORSYTH BARR CUSTODIANS LIMITED	31,818,499	21.21
2.	ACCIDENT COMPENSATION CORPORATION	15,948,509	10.63
3.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	13,980,033	9.32
4.	NATIONAL NOMINEES NEW ZEALAND LIMITED	10,000,000	6.67
5.	FNZ CUSTODIANS LIMITED	7,745,000	5.16
6.	NEW ZEALAND PERMANENT TRUSTEES LIMITED	3,800,000	2.53
7.	CUSTODIAL SERVICES LIMITED	3,592,000	2.39
8.	CUSTODIAL SERVICES LIMITED	3,408,758	2.27
9.	CUSTODIAL SERVICES LIMITED	3,083,112	2.06
10.	FORSYTH BARR CUSTODIANS LIMITED	2,731,200	1.82
11.	BNP PARIBAS NOMINEES (NZ) LIMITED	2,568,000	1.71
12.	INVESTMENT CUSTODIAL SERVICES LIMITED	1,973,000	1.32
13.	HUGH MCCrackEN ENSOR	1,750,000	1.17
14.	ARDEN CAPITAL LIMITED	1,702,000	1.13
15.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT	1,600,000	1.07
16.	MINT NOMINEES LIMITED - NZCSD	1,500,000	1.00
17.	CUSTODIAL SERVICES LIMITED	1,341,000	0.89
18.	JML CAPITAL LIMITED	1,200,000	0.80
19.	LEVERAGED EQUITIES FINANCE LIMITED	885,000	0.59
20.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT	800,000	0.53
Total Top 20 holders of Notes		111,426,111	74.28

Source: Computershare

Noteholder distribution - PCTHA

Range	Total holders	Number of notes	% of total
1,000 - 1,999	5	6,000	0.00
2,000 - 4,999	19	57,300	0.04
5,000 - 9,999	133	757,100	0.50
10,000 - 49,999	664	14,031,500	9.35
50,000 - 99,999	146	8,294,000	5.53
100,000 - 499,999	67	10,296,322	6.86
500,000 - 999,999	10	6,816,667	4.54
1,000,000 and over	18	109,741,111	73.16
Total	1,062	150,000,000	100.00

Source: Computershare

Director Interests

Details of Director interests in Precinct shares (as at 30 June 2019)

	2019	2018
Director	No. of shares	No. of shares
Robert Campbell	457,002	957,002
Don Huse	600,000	571,428
Graeme Wong	67,427	67,427
Launa Inman	39,100	39,100

The following director interests were recorded in the interests register for the year to 30 June 2019.

Rob Campbell

Appointed a member of the Capital Markets Taskforce 2029

Sold 500,000 ordinary Precinct shares

Graeme Wong

Appointed as a director of SCP Health Limited and Healthcare Group NZ Limited

Retired as a director of Henry Wong Limited, Kaihiku Rural Properties Limited, Clyde Court Limited, Paretai Dairy Farm Limited, Totara Island Farms Limited, and Wong & Company Limited

Ceased to be a shareholder in Henry Wong Limited

Chris Judd

None

Launa Inman

Appointed and then subsequently retired as a director of Jaxsta Limited

Don Huse

Purchased 28,572 ordinary Precinct shares

Craig Stobo

Retired as a director of Bureau Limited

Anthony Bertoldi

None

Remuneration report.

Remuneration of Precinct directors

At the Precinct AGM in November 2018, shareholders approved a change in the structure of director remuneration from an aggregate fee cap to an accumulative per director rate. Under this revised structure, any proposal to increase the fees paid to directors will require shareholder approval. The current director fee rate is as follows:

Position	\$ per annum (plus GST, if any)
Chair	182,340
Independent Director	91,170
Audit and Risk Committee Chair	15,000
Remuneration and Nomination Committee Chair	10,000
Audit and Risk Committee Member	7,500
Remuneration and Nomination Committee Member	5,000
Due Diligence Committee Chair (ad hoc hourly rate)	380/hr
Due Diligence Committee Member (ad hoc hourly rate)	350/hr

The Board has determined not to increase the director remuneration this year.

Only independent directors have received board remuneration from the company for their services as directors. Rob Campbell was paid \$ 7,975 for his services on sub committees during the year.

Role		30 June 2019		30 June 2018	
		Sub committee	Board	Sub committee	Board
Craig Stobo	Board Chair	8,515	183,920	3,698	162,080
Don Huse	Audit and Risk Committee Chair	8,535	104,547	4,208	101,300
Graeme Wong	Independent Director	4,060	97,837	3,698	91,170
Launa Inman	Independent Director	4,060	96,170	-	91,170
Robert Campbell	Director	7,975	-	3,698	-
Total		33,145	482,473	15,300	445,720

From time to time the board may establish further subcommittees to consider specific issues or transactions. Membership of these committees may result in additional fees being payable at the rates in the table above. During the year ended 30 June 2019, \$ 33,145 in committee fees were paid to the due diligence committee (30 June 2018: \$15,300).

No other remuneration or benefit was provided by the group during the period to any director or former director of any group member.

Remuneration of the manager

The roles, responsibilities and remuneration of the manager are determined by the Management Services Agreement between Precinct and the manager as outlined in the Additional Services section of this report. All additional services fees are approved by independent directors on a fair and reasonable basis. The table below sets out these various services provided by the manager and details the fees paid for those services in the period. A copy of the Management Services Agreement is available on the Precinct website (www.precinct.co.nz).

Fee	Fee basis	Service provided	June 2019 (\$m)	June 2018 (\$m)
Base management services fee	<p>In accordance with clause 9.2 of the MSA:</p> <p>0.55% on the Value of Investment Property to \$1 billion.</p> <p>0.45% on the Value of Investment Property between \$1 billion and \$1.5 billion.</p> <p>0.35% on the Value of Investment Property above \$1.5 billion.</p> <p>Development properties, including land, are excluded from the Value of Investment Property.</p>	Overall management of Precinct to deliver on the Board approved business plans, budgets and strategies.	8.56	7.97
Performance fee	<p>In accordance with clause 9.4c of the MSA:</p> <p>10% of quarterly outperformance of Precinct against the NZX/S&P Property Index (excluding Precinct). Limited to a cap of 0.125% of Precinct's opening market capitalisation.</p>	<p>Investment outperformance.</p> <p>The performance fee provides strong alignment between the interests of Precinct shareholders and the manager by rewarding superior performance and linking the returns of the manager and Precinct shareholders.</p>	4.42	Nil
Generator management fee	A fee of \$0.4 million per year.	Provision of management services to Precinct relating to its investment in Generator.	0.11	0.00
Surrender fees	<p>In accordance with Clause 4 of Schedule 3 of the MSA:</p> <p>A fee of up to 10% of the surrender payments.</p>	Surrender fee payments made during the period totalling \$0.04 million (2018: \$0.01m).	0.04	0.01
Development management fees	<p>In accordance with Clause 6 of Schedule 3 of the MSA.</p> <p>A fee of 3% of the total development cost excluding land cost, incentives, marketing, and finance costs.</p> <p>A maximum fee (balance fee) of 1% of the total development cost excluding land cost, incentives, marketing and finance costs for successful delivery of a project.</p>	<p>Development management fees paid in the period relate to the development of Commercial Bay, Bowen Campus (Stages One and Two), No 1 The Terrace, Pastoral House, Wynyard Quarter Stage Two and No 1 Queen Street.</p> <p>As detailed in Part C of Schedule 3 of the MSA, overall management of the development includes making recommendations covering the development and redevelopment of property, consultant management, co-ordination of design, procurement of consents, development financing, co-ordination and cost management, construction contract tendering, management of risks and ongoing monitoring and reporting of the project.</p>	7.57	3.36

Remuneration report. *(Continued)*

Fee	Fee basis	Service provided	June 2019 (\$m)	June 2018 (\$m)
Acquisition and sale of properties	<p>In accordance with Clause 5 of Schedule 3 of the MSA.</p> <p>Where no external agent has been engaged, a fee of up to 1% of the purchase price or other consideration to be provided by the purchaser.</p> <p>Where an external agent has been engaged, the amount of the fee will be reflective of the manager's contribution and the external agent's scale of fees provided that the total fee payable will not exceed 1% of the purchase price or other consideration.</p>	Managing the sale or purchase including negotiation of the commercial terms with the vendor or purchaser, instruction of agents, valuers and lawyers, financing and coordination and conduct of due diligence.	0.00	0.54
Recoverable services	In accordance with Property and Facilities Management Services Agreement.	The manager provided property and facilities management, legal and marketing services on a cost recovery basis.	4.07	3.04
Leasing fees – new leases	<p>In accordance with Clause 1 of Schedule 3 of the MSA:</p> <p>a) A minimum fee of \$2,500 per lease.</p> <p>b) For leases with a term of less than 3 years, 11% of the annual rental.</p> <p>c) For leases with a 3 year term, 12% of the rental.</p> <p>d) For leases with a term exceeding three years, 12% of the annual rental plus 1% for each year or part thereof, up to a maximum of 20% of annual rental.</p>	<p>Leasing of vacant space comprising annual rental of \$14.9 million (2018: \$24.9 million) for a weighted average term of 10.5 years (2018: 12.3 years).</p> <p>Precinct engages the manager and external agents to lease vacant space.</p> <p>The scale of leasing fees paid to the manager is below the scale of leasing fees paid to external agents. Fees paid by Precinct to external agents during the year totalled \$1.5 million (2018: \$1.9 million).</p> <p>Where both the manager and an external agent are involved, the manager's contribution is paid according to the manager's agreed scale of fees and the total fee paid by Precinct is no greater than the external agent's scale of fees.</p> <p>If the fee payable to an external agent is equal to or exceeds the manager scale of fees, no fee is payable to the Manager.</p>	4.33	2.04

Fee	Fee basis	Service provided	June 2019 (\$m)	June 2018 (\$m)
Leasing fees – renewals	In accordance with Clause 2 of Schedule 3 of the MSA. A fee of 25% to 75% of the leasing fee for new leases on the following basis: a) 25%: where the lessee exercises a renewal with no material engagement from the manager. b) 50%: where a lessee exercises a right of renewal and the rental outcome is negotiated between the parties. c) 75%: where a lessee seeks market responses and the manager secures the lessee to renew.	Lease renewals were secured over space comprising annual rental of \$2.2 million (2018: \$8.7 million) for a weighted average term of 2.9 years (2018: 1.9 years).	0.25	0.44
Rent review fees	In accordance with Clause 3 of Schedule 3 of the MSA. a) For structured (non-market) reviews and for any market review which does not result in a rental increase an administration fee of \$1,000 will be payable. b) Open market reviews: 10% of the rental increase achieved in Year 1 of the review, subject to a minimum fee of \$1,000.	The manager managed the rent review process for reviews totalling annual rental of \$1.4 million (2018: \$4.8 million). The balance of rent reviews were managed by external agents.	0.07	0.13
Total fees paid to manager			29.42	17.53

Insurance and indemnity

As permitted by the constitution and the Companies Act 1993, Precinct has indemnified its directors and officers, and the directors of its subsidiaries against potential liabilities and costs they may incur for acts or omissions in their capacity as directors. During the financial year, Precinct paid insurance premiums in respect of directors' and officers' liability insurance which covers risks normally covered by such policies arising out of acts or omissions of directors and officers in their capacity as such. Insurance is not provided for criminal liability or liability or costs in respect of which an indemnity is prohibited by law.

Remuneration report. (Continued)

Management expense ratio

Amounts in \$ millions (unless otherwise stated)	2019	2018
Base management fee	8.6	8.0
Performance fee	4.4	-
Audit and Directors	0.9	0.7
Other expenses	1.8	1.5
Total management expenses	15.7	10.2
Average total property value	2,655.3	2,280.8
Management expense ratio - excluding performance fee	43 bps	45 bps
Management expense ratio	59 bps	45 bps

Management expenses comprise the costs of managing Precinct as a corporate entity and exclude direct property expenses and capital expenditure.

Management remuneration

Management remuneration is not an expense of Precinct as management are engaged by the manager and paid out of the fees paid by Precinct described above. However, the board of Precinct believes that it is important for shareholders to understand the structure of management remuneration as it is an important determinant of management retention, motivation and alignment between management and shareholders. The disclosures set out below have therefore been made by the manager on a voluntary basis in the interests of providing maximum transparency for Precinct shareholders.

Under the MSA, the board of Precinct must be consulted on management remuneration.

Remuneration of the CEO, COO and CFO comprises base salary, short term incentive payments ("STI") and long term incentive payments ("LTI").

CEO Remuneration

Scott Pritchard was appointed Chief Executive Officer in September 2010. His remuneration for the year ended 30 June 2019 comprises:

- A fixed base salary which is benchmarked annually;
- A discretionary short-term incentive payment which was made in accordance with the description below under the heading short term remuneration; and
- A long-term incentive payment (where vested) which is outlined in further detail on the following page.

The CEO's remuneration is approved by the Management Company Board and is paid in line with The Employee Remuneration Policy.

PwC was appointed by the Management Company Board in 2016 as a recognised independent party in order to undertake remuneration benchmarking in respect to the CEO and other senior executive roles.

All remuneration is paid by AMP Haumi Management Limited (the Manager "AHML"), not Precinct. The CEO and AHML have agreed to disclose the CEO's remuneration to shareholders in the interest of best practice. Details of the nature and amount of each element of the remuneration of the CEO is set out below. All amounts are in New Zealand dollars.

Remuneration		Short term remuneration 30 June				Long term remuneration 30 June	
		Base salary	STI	Super	Total paid	Maximum achievable	
Scott Pritchard, CEO	2019	540,000	482,000	112,420	1,134,420	1,198,800	650,000
	2018	510,000	375,000	97,350	982,350	1,132,200	680,000

Short term remuneration

Short term remuneration comprises base salary, STI and contributions to superannuation.

STI payments are payable at the discretion of the board of the manager and are based on management achieving certain operational objectives including, but not limited to: Precinct shareholder returns, Precinct earnings targets; portfolio objectives of occupancy and WALT; treasury and capital management; major leasing initiatives; client satisfaction; manager earnings targets, major development management and staff management objectives.

During the year ended 30 June 2019, the number of employees of the manager (including the CEO, COO, CFO and the Generator business) who received short term remuneration with a combined total value exceeding \$100,000 is set out on the following table. The amounts in this table do not include the value of shares granted under the LTI scheme.

The ratio of CEO's remuneration compared with the average pay for employees of the manager for the year ending 30 June 2019 is 4.6:1.

Remuneration range	# employees
\$1,100,001 - \$1,150,000	1
\$800,001 - \$850,000	1
\$500,001 - \$550,000	1
\$400,001 - \$450,000	2
\$350,001 - \$400,000	1
\$300,001 - \$350,000	2
\$250,001 - \$300,000	5
\$200,001 - \$250,000	3
\$150,001 - \$200,000	8
\$100,001 - \$150,000	19
Total	43

Remuneration report. *(Continued)*

LTI scheme

The manager operates an LTI scheme under which the CEO, COO, CFO and other senior executives are granted shares in Precinct, which are held in trust and vest on the third anniversary of the grant subject to their continuing employment. The value of the grants made under the LTI scheme are determined at the discretion of the board of the manager and are generally based on the performance fee earned by the manager.

The board of Precinct considers that the LTI scheme strongly aligns management with the interests of shareholders through the performance fee mechanism and through the LTI scheme grants being of shares in Precinct.

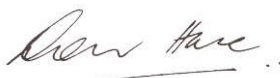
			Allocation \$	Allocation shares
Scott Pritchard	CEO	30 June 2019	650,000	TBD ¹
		30 June 2018	680,000	480,566
		30 June 2017	630,000	486,823
George Crawford	COO	30 June 2019	440,000	TBD ¹
		30 June 2018	430,000	303,887
		30 June 2017	420,000	324,549
Richard Hilder	CFO	30 June 2019	200,000	TBD ¹
		30 June 2018	180,000	127,208
		30 June 2017	150,000	115,910

¹ For 30 June 2019 the value of the LTI allocation has been determined by the AHML board however the shares have not yet been acquired due to restrictions under Precinct's Securities Trading Policy.

This annual report of Precinct Properties New Zealand Limited is dated 15 August 2019 and is signed on behalf of the board by:



CRAIG STOBO
CHAIRMAN AND INDEPENDENT
DIRECTOR



DON HUSE
CHAIRMAN AUDIT AND RISK
COMMITTEE AND INDEPENDENT
DIRECTOR

The Numbers.

PRECINCT PROPERTIES
NEW ZEALAND LIMITED
FINANCIAL STATEMENTS 2019



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

Amounts in \$ millions	Notes	30 June 2019	30 June 2018
Revenue			
Gross operating revenue	12	135.8	130.7
Less direct operating expenses		(40.8)	(35.4)
Operating income before indirect expenses		95.0	95.3
Indirect expenses / (revenue)			
Interest expense		2.5	2.5
Interest income		(0.7)	(0.3)
Other expenses	14	15.8	10.2
Total indirect expenses / (revenue)		17.6	12.4
Operating income before income tax		77.4	82.9
Non operating income / (expenses)			
Unrealised net gain / (loss) in value of investment and development properties	9	161.7	208.7
Unrealised net gain / (loss) on financial instruments	21	(44.3)	(11.1)
Other revenue		2.0	-
Depreciation - property, plant and equipment		(0.3)	-
Net realised gain / (loss) on sale of investment properties		(1.7)	-
Net realised gain / (loss) on disposal of investment in joint venture		6.6	-
Total non operating income / (expenses)		124.0	197.6
Net profit before taxation		201.4	280.5
Income tax expense / (benefit)			
Current tax expense	15	-	6.3
Depreciation recovered on sale	15	10.7	-
Deferred tax expense / (benefit) - financial instruments	15	(5.9)	(3.0)
Deferred tax expense / (benefit) - depreciation	15	5.6	20.0
Total taxation expense / (benefit)		10.4	23.3
Share of profit or (loss) of joint ventures		(1.1)	(2.3)
Net profit after taxation attributable to equity holders	16, 19	189.9	254.9
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Credit risk adjustments on financial liabilities designated at fair value through profit or loss		0.3	-
Deferred tax on items transferred directly to / (from) equity		(0.1)	-
Total other comprehensive income / (expense)		0.2	-
Total comprehensive income after tax attributable to equity holders		190.1	254.9
Earnings per share (cents per share)			
Basic and diluted earnings per share	EPS	15.23	21.05
Other amounts (cents per share)			
Operating income before income tax per share		6.21	6.84
Net operating income per share	16	6.37	6.32

The accompanying notes on pages 78 to 99 form part of these Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

Amounts in \$ millions unless otherwise stated	Cents per share	Shares (m)	Ordinary shares	Retained earnings	Total equity
At 1 July 2017		1,211.1	1,046.7	458.9	1,505.6
Profit after income tax for the year				254.9	254.9
Other comprehensive income for the year				-	-
Distributions					
Q4 final (paid 28 Sep 2017)	1.40			(17.0)	(17.0)
Q1 interim (paid 1 Dec 2017)	1.45			(17.6)	(17.6)
Q2 interim (paid 23 Mar 2018)	1.45			(17.6)	(17.6)
Q3 interim (paid 8 Jun 2018)	1.45			(17.6)	(17.6)
Total distributions paid	5.75			(69.8)	(69.8)
At 30 June 2018		1,211.1	1,046.7	644.0	1,690.7
Profit after income tax for the year				189.9	189.9
Other comprehensive income for the year				0.2	0.2
Issue of shares					
Placement - 22 Feb 2019		87.8	130.0		130.0
Retail offer - 11 Mar 2019		14.8	21.9		21.9
Issue costs incurred			(2.6)		(2.6)
Distributions					
Q4 final (paid 28 Sep 2018)	1.45			(17.6)	(17.6)
Q1 interim (paid 3 Dec 2018)	1.50			(18.2)	(18.2)
Q2 interim (paid 27 Mar 2019)	1.50			(19.7)	(19.7)
Q3 interim (paid 21 Jun 2019)	1.50			(19.7)	(19.7)
Total distributions paid	5.95			(75.2)	(75.2)
At 30 June 2019		1,313.7	1,196.0	758.9	1,954.9

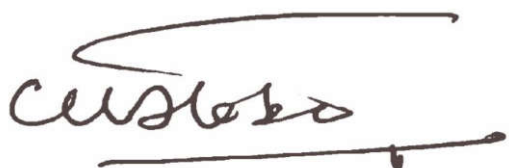
All shares have been fully paid, carry full voting rights, have no redemption rights, have no par value and are subject to the terms of the constitution.

Consolidated Statement of Financial Position

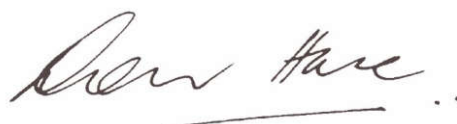
As at 30 June 2019

Amounts in \$ millions	Notes	30 June 2019	30 June 2018
Current assets			
Cash		6.9	2.9
Debtors and other current assets		17.5	7.4
Total current assets		24.4	10.3
Investment properties held for sale	9	-	191.2
Non-current assets			
Fair value of derivative financial instruments	21	42.1	18.2
Other assets		2.1	5.1
Investment in joint ventures		-	11.2
Development properties	9	923.2	838.1
Investment properties	9	1,870.5	1,487.6
Property, plant and equipment		10.0	-
Intangible assets	11	21.1	-
Total non-current assets		2,869.0	2,360.2
Total assets		2,893.4	2,561.7
Current liabilities			
Fair value of derivative financial instruments	21	1.2	0.9
Provision for tax		5.7	1.1
Accrued development capital expenditure		18.1	20.7
Other current liabilities	18	50.7	13.4
Total current liabilities		75.7	36.1
Non-current liabilities			
Interest bearing liabilities	20	758.4	761.7
Fair value of derivative financial instruments	21	64.1	32.9
Other non-current liabilities		2.0	-
Deferred tax liability	15	38.3	40.3
Total non-current liabilities		862.8	834.9
Total liabilities		938.5	871.0
Total equity		1,954.9	1,690.7
Total liabilities and equity		2,893.4	2,561.7

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 15 August 2019.



CRAIG STOBO
CHAIRMAN



DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The accompanying notes on pages 78 to 99 form part of these Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

Amounts in \$ millions	Notes	30 June 2019	30 June 2018
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		135.8	130.7
Less: Current year incentives		(1.0)	(3.8)
Add: Amortisation of incentives and intangibles		4.0	4.3
Add: Depreciation of property, plant and equipment		0.3	-
Add: Working capital movements		(6.0)	(1.2)
Cash flow from gross rental income		133.1	130.0
Interest income		0.3	0.3
Property expenses		(48.4)	(37.4)
Other expenses		(13.3)	(10.1)
Interest expense		(1.2)	(4.4)
Income tax		(6.4)	(3.5)
Net cash inflow / (outflow) from operating activities	19	64.1	74.9
Cash flows from investing activities			
Capital expenditure on investment properties		(29.9)	(17.5)
Capital expenditure on development properties		(202.7)	(245.7)
Capital expenditure on other assets		(1.1)	(3.0)
Investment in and advances to joint ventures		(1.0)	(8.5)
Acquisition of a subsidiary		(7.4)	-
Generator expenditure on property, plant and equipment		(0.3)	-
Disposal of investment properties		188.2	-
Capitalised interest on investment properties		(3.2)	-
Capitalised interest on development properties		(36.1)	(31.2)
Net cash inflow / (outflow) from investing activities		(93.5)	(305.9)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		233.7	266.2
Other loan facility drawings / (repayments) ¹		(124.5)	(117.0)
Loan facility cancellations		(150.0)	(100.0)
Issue of convertible notes		-	150.0
Issue of senior secured bonds		-	100.0
Issue of new shares ²		149.3	-
Distributions paid to share holders		(75.1)	(69.6)
Net cash inflow / (outflow) from financing activities		33.4	229.6
Net increase / (decrease) in cash held		4.0	(1.4)
Cash at the beginning of the year		2.9	4.3
Cash at the end of the year		6.9	2.9

¹ Loan facility drawings are net of repayments made throughout year.

² Issue of new shares are net of issue costs.

The accompanying notes on pages 78 to 99 form part of these Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2019

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

The financial statements have been prepared in accordance with NZ GAAP. For the purposes of complying with NZ GAAP the Group is a for-profit entity. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). The financial statements also comply with International Financial Reporting Standards ('IFRS').

The financial statements have been prepared:

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

All financial information has been presented in millions, unless otherwise stated.

3. Basis of Consolidation

The consolidated financial statements comprise Precinct and its subsidiary companies.

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

4. New Standards, Amendments and Interpretations

From 1 July 2018 Precinct has adopted NZ IFRS 9 - Financial Instruments and NZ IFRS 15 - Revenue from Contracts with Customers which are effective for annual reporting periods beginning on or after 1 January 2018.

NZ IFRS 9 requires Precinct to present in other comprehensive income the fair value gains and losses attributable to changes in Precinct's own credit risk for financial liabilities designated and measured at fair value through profit or loss. Comparatives have not been restated in accordance with the transition requirements. The credit risk adjustment presented in other comprehensive income for the year ended 30 June 2019 was \$0.3 million (after tax).

NZ IFRS 9 requires the use of a forward-looking expected credit loss model to determine impairment provisioning on trade receivables. Precinct has concluded that the impact of the expected credit loss model is not material.

NZ IFRS 15 is based on the principal that revenue is recognised when control of a good or service transfers to a customer. This standard is not applicable to rental income which makes up the majority of Precinct's revenue, however it does apply to operating expense recovery income. Precinct has separately identified the significant performance obligations and revenue streams within gross property income from rentals and gross property income from expense recoveries. Precinct has determined that the impact of this standard is not material, hence, no cumulative opening balance adjustment is required for the interim financial statements.

Precinct has chosen not to early adopt the following standards that have been issued but are not yet effective:

- NZ IFRS 16 - Leases (effective for annual periods beginning on or after 1 January 2019).

Lessor reporting

Precinct has assessed the impact of this standard on the group and no significant changes for reporting as a lessor (i.e. the owner of buildings) compared with existing accounting policies will occur.

Lessee reporting

Whilst the majority of Precinct's buildings are freehold, Precinct is a lessee under an occupational ground lease in relation to the basement walkway at AON Centre. NZ IFRS 16 requires lessee's to recognise a 'right-of-use' asset representing the fair value of the occupational ground lease and a lease liability reflecting the present value of future lease payments for the occupational ground lease. Precinct has assessed the financial impact of this change and it is not expected to be material. There will be no change to the cash flows recognised as a result of the adoption of the new standard. Precinct has elected to apply a modified retrospective method in adopting NZ IFRS 16.

5. Changes to Accounting Policies and Disclosure of Significant Accounting Policies

No changes to accounting policy have been made during the year and policies have been consistently applied to all years presented.

Significant accounting policies have been included throughout the notes to the financial statements.

6. Fair Value Estimation

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

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

7. Significant Accounting Judgements, Estimates and Assumptions

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

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

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

- i. Investment and development properties - refer note 9**
- ii. Deferred tax assets and deferred tax liabilities - refer note 15**
- iii. Acquisition of a subsidiary - refer note 10**
- iv. Impairment test of intangible assets and goodwill - refer note 11**

8. Significant Events and Transactions During the Year

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

i. Sale of 10 Brandon Street

On 20 August 2018 10 Brandon Street was sold for \$10.2 million resulting in a loss on sale of \$0.2 million.

ii. Sale of 50% interest in ANZ Centre

On 31 October 2018 a 50% interest in the ANZ Centre was sold for \$181.0 million resulting in a loss on sale of \$1.5 million.

iii. Wynyard Quarter Stage Two development

On 1 November 2018 Precinct committed to the Wynyard Quarter Stage Two (10 Madden Street) development.

iv. Purchase of remaining 50% interest in Generator New Zealand Limited

On 19 February 2019 the remaining 50% interest in Generator New Zealand Limited was purchased bringing Precinct's ownership to 100%. Refer to Note 10 for details.

v. Capital raising

Following a placement in February 2019 and a retail offer in March 2019 Precinct issued 102.6 million shares at \$1.48 per share. Refer to the consolidated statement of changes in equity for details.

vi. United States private placement

On 10 April 2019 Precinct committed to the issue of US\$110 million of notes in the United States private placement market. To substantially remove the currency risk, Precinct entered a cross currency swap to fully swap back proceeds to New Zealand dollars. Refer to Notes 20 and 21 for details.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

9. Investment and Development Properties

30 June 2019

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
Auckland				
AMP Centre	Colliers	25,230	5.8%	5.5%
ANZ Centre (50%)	Colliers	33,574	5.2%	5.1%
HSBC House	JLL	18,199	4.6%	5.8%
PwC Tower	JLL	31,376	4.8%	5.0%
Zurich House	JLL	13,692	5.1%	5.4%
Mason Bros. ⁵	CBRE	4,910	5.6%	5.3%
12 Madden Street ⁵	CBRE	7,985	5.4%	5.4%
Wellington				
Dimension Data House	Colliers	16,670	6.4%	6.6%
Mayfair House	Bayleys	12,332	7.0%	6.5%
No.1 and 3 The Terrace	Bayleys	18,525	2.5%	6.3%
No.3 The Terrace ⁶	Bayleys	N/A	N/A	N/A
Pastoral House	Colliers	15,873	0.8%	6.4%
Aon Centre	Colliers	27,238	6.9%	6.9%
Bowen Campus ⁷	CBRE	37,217	6.0%	5.9%
Market value (fair value) of investment properties			5.2%	5.7%
Investment properties held for sale⁴				
ANZ Centre (50%) ⁸	N/A	N/A	N/A	N/A
10 Brandon Street ⁹	N/A	N/A	N/A	N/A
Market value (fair value) of investment properties held for sale				
Development properties⁴				
Commercial Bay ¹⁰	JLL	N/A	N/A	4.9%
Bowen Campus Stage One ⁷	CBRE	N/A	N/A	N/A
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
10 Madden Street ⁵	N/A	N/A	N/A	5.6%
Market value (fair value) of development properties				

1 Total weighted average by market value. Initial yields adjusted for rental voids/downtime to new lease commencement (if applicable). Capitalisation rate reflects new long term lease commitments to those assets subject to the Government RFP.

2 Total weighted average lease term is weighted by income.

3 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales, unconditional contracts for sale at year-end and transfers to other categories of property.

4 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay, Bowen Campus Stage Two and 10 Madden Street which are development properties.

5 Mason Bros., 12 Madden Street and 10 Madden Street are all subject to a pre-paid ground lease for 125 years.

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

7 Subsequent to practical completion of the Charles Fergusson Building (19 December 2018) and Bowen State Building (1 April 2019) the value was transferred from development properties to investment properties.

8 On 31 October 2018 a 50% interest in the ANZ Centre was sold for \$181.0 million resulting in a loss on sale of \$1.5 million.

9 On 20 August 2018 10 Brandon Street was sold for \$10.2 million resulting in a loss on sale of \$0.4 million.

10 Includes completed H&M store which has an assessed value of \$54.5 million.

Occupancy %	WALT years ²	Valuation 30 June 2018	Capitalised incentives	Additions / disposals ³	Revaluation gain / (loss)	Carrying value
100%	5.4	179.0	0.6	4.4	21.0	205.0
100%	6.9	181.0	(1.9)	2.1	6.3	187.5
80%	1.2	91.0	(0.4)	14.3	1.1	106.0
97%	5.8	376.0	(1.1)	0.8	24.3	400.0
100%	3.8	106.0	(0.3)	0.5	8.1	114.3
100%	5.9	42.1	(0.2)	-	3.6	45.5
100%	9.7	76.7	0.1	0.1	5.4	82.3
100%	3.6	118.3	-	2.0	2.2	122.5
100%	16.1	44.4	0.1	0.8	2.0	47.3
100%	13.1	67.0	0.7	17.1	1.7	86.5
N/A	39.2	11.6	-	-	1.1	12.7
100%	14.3	45.0	-	10.4	4.4	59.8
98%	4.3	149.5	0.8	7.6	3.6	161.5
98%	16.6	-	-	215.0	24.6	239.6
98%	7.6	1,487.6	(1.6)	275.1	109.4	1,870.5
N/A	N/A	181.0	-	(181.0)	-	-
N/A	N/A	10.2	-	(10.2)	-	-
		191.2	-	(191.2)	-	-
N/A	N/A	648.0	0.3	188.5	53.2	890.0
N/A	N/A	178.6	-	(178.6)	-	-
N/A	N/A	11.5	-	6.0	(2.0)	15.5
N/A	N/A	-	-	16.6	1.1	17.7
		838.1	0.3	32.5	52.3	923.2

Accounting policies

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.

Development properties

Investment properties that are being constructed or developed for future use are classified as development properties. All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure is capitalised. Subsequent to initial recognition development properties are stated at fair value. Gains or losses arising from changes in the fair value of development properties are included in profit or loss in the year in which they arise.

Valuation of investment and development properties

External, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

30 June 2018

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
Auckland				
AMP Centre	Colliers	25,265	5.9%	5.9%
ANZ Centre (50%) ⁵	JLL	33,574	5.3%	5.3%
HSBC House	JLL	18,199	6.8%	6.1%
PwC Tower	CBRE	31,296	5.3%	5.1%
Zurich House	JLL	13,692	5.3%	5.6%
Mason Bros.	CBRE	4,911	5.9%	5.5%
12 Madden Street	CBRE	8,004	5.7%	5.5%
Wellington				
Dimension Data House	Colliers	16,756	7.2%	6.8%
Mayfair House	Colliers	12,332	7.6%	6.5%
No.1 and 3 The Terrace	Bayleys	18,462	3.3%	6.8%
No.3 The Terrace ⁶	Bayleys	N/A	N/A	N/A
Pastoral House	Colliers	15,522	10.0%	6.5%
AON Centre ⁷	Bayleys	26,641	5.8%	6.9%
Market value (fair value) of investment properties			5.8%	5.8%
Investment properties held for sale⁴				
ANZ Centre (50%) ⁵	JLL	33,574	5.3%	5.3%
10 Brandon Street ⁸	N/A	12,972	N/A	N/A
Market value (fair value) of investment properties held for sale				
Development properties⁴				
Commercial Bay	JLL	N/A	N/A	4.9%
Bowen Campus Stage One	CBRE	N/A	N/A	6.0%
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
10 Brandon Street ⁸	N/A	12,972	N/A	N/A
Market value (fair value) of development properties			0.0%	0.0%

¹ Total weighted average by market value. Capitalisation rate reflects new long term lease commitments to those assets subject to the Government RFP.

² Total weighted average lease term is weighted by income.

³ Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales, unconditional contracts for sale at year-end and transfers to other categories of property.

⁴ All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay and Bowen Campus which are under development.

⁵ On 29 June 2018, Precinct entered into a binding agreement for the sale of a 50% interest in ANZ Centre, Auckland for \$181 million. The sale transaction remains subject to Overseas Investment Office approval.

⁶ No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

⁷ This property was previously known as State Insurance Tower.

⁸ Leasehold property on a perpetually renewable lease. This property was previously known as Deloitte House. On 23 April 2018, Precinct entered into a conditional agreement for the sale of 10 Brandon Street, Wellington for \$10.2 million. The sale is subject to ground lessor approvals and is due to settle in August 2018.

Occupancy %	WALT years ²	Valuation 30 June 2017	Capitalised incentives	Additions / disposals ³	Revaluation gain / (loss)	Carrying value
100%	5.0	163.4	0.3	3.7	11.6	179.0
100%	7.8	324.0	(0.4)	(178.4)	35.8	181.0
100%	1.7	93.8	(0.3)	4.3	(6.8)	91.0
100%	6.2	329.0	(0.1)	1.1	46.0	376.0
100%	3.9	95.5	(0.1)	0.8	9.8	106.0
100%	6.9	37.2	-	(0.6)	5.5	42.1
100%	10.7	67.8	0.5	2.0	6.4	76.7
100%	4.4	114.3	0.5	1.4	2.1	118.3
100%	16.6	40.8	0.1	0.2	3.3	44.4
100%	9.9	70.5	(0.2)	1.8	(5.1)	67.0
N/A	40.2	11.7	-	-	(0.1)	11.6
100%	15.0	42.9	-	3.2	(1.1)	45.0
93%	4.9	144.5	0.9	3.1	1.0	149.5
99%	6.9	1,535.4	1.2	(157.4)	108.4	1,487.6
100%	7.8	-	-	181.0	-	181.0
N/A	N/A	-	-	10.2	-	10.2
		-	-	191.2	-	191.2
N/A	N/A	370.0	0.1	163.9	114.0	648.0
N/A	N/A	108.5	-	67.9	2.2	178.6
N/A	N/A	10.5	-	4.0	(3.0)	11.5
N/A	N/A	20.2	-	(7.3)	(12.9)	-
-	0.0%	509.2	0.1	228.5	100.3	838.1

Accounting policies (continued)

Investment property held for sale

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. The property is held at the realisable value.

Derecognition of investment properties

Investment properties are derecognised when they have been either sold 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2019 by independent registered valuers Colliers International, Bayleys, JLL and CBRE.

During the year there were no transfers of investment or development properties between levels of the fair value hierarchy. The valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used are as follows:

<i>Class of property</i>	<i>Valuation techniques used</i>	<i>Inputs used to measure fair value</i>
CBD office and retail	Income capitalisation approach, discounted cash flow analysis and residual approach	<ul style="list-style-type: none"> - Office gross market rent per sqm - Retail gross market rent per sqm - Core capitalisation rate - Discount rate - Terminal capitalisation rate - Rental growth rate per annum - Profit and risk allowance

Significant inputs used together with the impact on fair value of a change in inputs:

<i>Inputs used to measure fair value</i>	<i>Range of significant unobservable inputs:</i>		<i>Fair value measurement sensitivity:</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>to increase in input</i>	<i>to decrease in input</i>
Office gross market rent per sqm	\$370 - \$753	\$250 - \$738	Increase	Decrease
Retail gross market rent per sqm	\$280 - \$1,853	\$160 - \$1,850	Increase	Decrease
Core capitalisation rate	4.8% - 6.9%	4.9% - 6.9%	Decrease	Increase
Discount rate	6.8% - 8.5%	7.0% - 9.5%	Decrease	Increase
Terminal capitalisation rate	5.1% - 7.4%	5.5% - 7.3%	Decrease	Increase
Rental growth rate per annum	2.1% - 3.0%	2.1% - 2.8%	Increase	Decrease
Profit and risk allowance	5% - 10%	5% - 10%	Decrease	Increase

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 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 metrics 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 to determine 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 rental amount 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 of the capital value. 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.

Additional unobservable inputs within the residual approach

Profit and risk allowance	The market level of return for a typical developer to receive on their outlay in order to undertake the respective development having regard to the relative risks (e.g. leasing progress, fixed price contract, programme/staging) of the project at that point in time.
Forecast development costs	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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

10. Acquisition of a Subsidiary

On 19 February 2019, the Group acquired the remaining 50% of the shares and voting interests in Generator New Zealand Limited ("GNZ"). As a result, the Group's equity interest in GNZ increased from 50% to 100%, obtaining control of GNZ. Acquiring control of GNZ will enable the Group to increase its presence in the growing flexible space market and co-working business catering for small and medium enterprises in New Zealand.

Between acquisition date and 30 June 2019, GNZ contributed revenue of \$5.7 million and a loss of \$0.7 million to the Group's results. If the acquisition had occurred on 1 July 2018, management estimates that consolidated revenue would have been \$148.5 million and consolidated profit for the year would have been \$190.7 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2018.

a) Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

Amounts in \$ millions	19 February 2019
Cash	6.4
Deferred consideration	1.0
Loan to Generator from previous JV partner assumed	1.0
Fair value of existing 50% equity account interest in GNZ	7.4
Total consideration transferred	15.8

b) Acquisition-related costs

The Group incurred acquisition-related costs of \$0.1 million on legal fees and due diligence costs. These costs have been included in other expenses.

c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

Amounts in \$ millions	19 February 2019
Current assets	
Trade receivables	0.8
Non-current assets	
Property, plant and equipment	8.7
Intangible assets	2.8
Deferred tax assets	2.3
Current liabilities	
Trade and other payables	0.8
Unearned income	2.7
Westpac overdraft	0.5
Non-current liabilities	
Lease incentive liability	2.2
Deferred tax liability	0.8
Long-term debt	11.2
Total identifiable net assets acquired	(3.6)

Measurement of fair values

The valuation techniques for measuring the fair value of material assets acquired were as follows:

Class of property	Valuation techniques used
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimate royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
50% interest in GNZ prior to acquisition	Discounted cash flow valuations using market observed inputs to determine the appropriate discount rate and internal projections of business cashflows over a ten year time horizon.

Fair values measured on a provisional basis

The fair value of GNZ's intangible assets (customer relationships and brands) has been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the account for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition of GNZ has been recognised as follows:

Amounts in \$ millions	19 February 2019
Consideration transferred	7.4
Fair value of existing interest in GNZ	7.4
Fair value of identifiable assets	(3.6)
Goodwill	18.4

The re-measurement to fair value of the Group's existing 50% interest in GNZ resulted in a gain of \$6.6 million (\$7.4 million less \$0.8 million amount of carrying amount of the previously equity accounted investment in GNZ at the date of acquisition). The amount has been included in net realised gain / (loss) on disposal of investment in joint venture.

The goodwill is attributable to the Generator CGU due to the synergies expected to be achieved in integrating GNZ to the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

Accounting policies

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see accounting policy for impairment of non-financial assets, if applicable). Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Where the Group previously held an interest in an investee prior to obtaining control, that interest is remeasured to fair value with any gain or loss being recognised in profit or loss. The fair value of the interest at the acquisition date is then included in the consideration paid in the business combination.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to control those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprises of an interest in a joint venture.

The joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

11. Intangible Assets

Amounts in \$ millions	Customer relationships	Brands	Goodwill	Total
Cost				
Balance at 1 July 2018	-	-	-	-
Acquisition through business combination	2.0	0.8	18.4	21.2
Balance at 30 June 2019	2.0	0.8	18.4	21.2
Accumulated amortisation				
Balance at 1 July 2018	-	-	-	-
Amortisation	0.1	-	-	0.1
Impairment loss	-	-	-	-
Balance at 30 June 2019	0.1	-	-	0.1
Carrying amounts at 30 June 2019	1.9	0.8	18.4	21.1

The amortisation of customer relationships is included in other expenses.

Accounting policies

Recognition and measurement

Customer relationships and brands acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair value. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as it is incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Intangible assets	Useful life
Customer relationships	7 years
Brands	Indefinite
Goodwill	Indefinite

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

12. Gross Operating Revenue

Amounts in \$ millions	30 June 2019	30 June 2018
Gross property income from rentals	108.0	107.1
Gross property income from expense recoveries	26.1	27.5
Straight line rental adjustments	0.3	0.4
Amortisation of capitalised lease incentives	(4.3)	(4.3)
Generator operating revenue	5.7	0.0
Total gross operating revenue	135.8	130.7

Accounting policies

Recognition of revenue from investment properties

Rental income from investment property leased to clients under operating leases is recognised in the statement of consolidated income on a straight-line basis over the term of the lease to the extent that future rental increases are known with certainty. Fixed rental adjustments are accounted for to achieve straight line revenue recognition.

Precinct capitalises lease incentives provided to clients to the respective investment or development property in the statement of financial position and amortises them on a straight-line basis over the term certain life of the lease.

The share of property operating expenses which are recoverable from clients is recognised as gross property income from expense recoveries.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

13. Segment Information

a) Basis for segmentation

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

The Group has the following reportable segments that are managed separately because of different operating strategies. The following describes the operation of each of the reportable segments.

Reportable segment	Operations
Investment properties	Investment in predominately prime CBD properties
Flexible space	Operation of co-working and shared space

b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

There are varying levels of integration between the investment properties and co-working segments. This integration includes occupied space, future leasing and events. Inter segment pricing is determined on an arm's length basis.

Amounts in \$ millions	Investment properties	Flexible space	Total
Revenue			
Gross operating revenue	130.1	5.7	135.8
Less direct operating expenses	(34.5)	(6.3)	(40.8)
Operating income before indirect expenses	95.6	(0.6)	95.0

c) Reconciliations of information on reportable segments to NZ IFRS measurements

Amounts in \$ millions	30 June 2019
Segment operating income before indirect expenses	95.0
Interest expense	(2.5)
Interest income	0.7
Depreciation - property, plant and equipment	(0.3)
Other expenses	(15.8)
Unrealised net gain / (loss) in value of investment and development properties	161.7
Unrealised net gain / (loss) on financial instruments	(44.3)
Other revenue	2.0
Net realised gain / (loss) on sale of investment properties	(1.7)
Net realised gain / (loss) on disposal of investment in joint venture	6.6
Net profit before taxation	201.4

14. Other Expenses

Amounts in \$ millions	30 June 2019	30 June 2018
Other expenses		
Audit fees ¹	0.2	0.2
Directors' fees and expenses	0.7	0.5
Manager's base fees	8.6	8.0
Manager's performance fees	4.4	-
Amortisation of intangible assets	0.1	-
Other ²	1.8	1.5
Total other expenses	15.8	10.2

1 Fees paid or payable to the Group's auditor comprise \$175,000 for audit and review of financial statements (2018: \$143,500) and \$44,400 for other assurance services (2018: \$43,400). Other assurance services include trustee reporting (\$4,000) and agreed upon procedures in respect of review of performance fee calculation (\$18,000) and operating expense statement review (\$22,400).

2 Other includes valuation fees, share registry costs, annual report design and publication and Generator acquisition-related costs.

15. Taxation

Amounts in \$ millions	30 June 2019	30 June 2018
Net profit before taxation	201.4	280.5
At the statutory income tax rate of 28.0%	56.4	78.5
Unrealised (gain) on value of investment and development properties	(45.3)	(58.4)
Realised (gain) on disposal of investment in joint venture	(1.9)	0.0
Unrealised (gain) / loss on financial instruments	12.4	3.1
Disposal of depreciable assets	(1.5)	(0.8)
Capitalised interest	(11.0)	(9.2)
Other adjustments	(3.3)	(1.3)
Depreciation	(4.7)	(5.6)
Deductible capital expenditure	(1.1)	0.0
Current tax expense / (benefit)	(0.0)	6.3
Depreciation recovered on sale of depreciable assets	10.7	0.0
Fair value of financial instruments	(5.9)	(3.0)
Depreciation - current year	5.6	20.0
Total deferred tax expense / (benefit)	(0.3)	17.0
Total taxation expense	10.4	23.3
Effective tax rate	5%	8%

Precinct holds its properties on capital account for income tax purposes.

Precinct has tax losses of \$ 9.2 million available to carry forward as at 30 June 2019 (2018: \$nil)

Amounts in \$ millions	30 June 2019	30 June 2018
Deferred tax asset - Generator	(2.6)	0.0
Deferred tax asset - fair value of financial instruments	(14.3)	(8.5)
Deferred tax liability - intangible assets on acquisition	0.8	0.0
Deferred tax liability - depreciation	54.4	48.8
Net deferred tax liability	38.3	40.3

Deferred tax assets

Precinct has recognised deferred tax assets relating to the fair value of financial instruments and accumulated losses of Generator.

Deferred tax liabilities

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 upon independent valuers' assessments of the market value of the land and Improvements. For 30 June 2019, Precinct have then relied on insurance replacement cost reports to split the value of Improvements (being the building structure and the fixtures and fittings), identified in the independent valuer's assessments. This is a refined approach to 30 June 2018 where an internal assessment of the market value of fixtures and fittings was performed, after also relying on independent valuers' assessments for the market value of Improvements.

Imputation credit account

Imputation credits available for use as at 30 June 2019 are \$ 285,570 (2018: \$2,995,126).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

Accounting policy

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.

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.

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.

16. Reconciliation of Net Profit after Tax to Net Operating Income

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

Amounts in \$ millions	30 June 2019	30 June 2018
Net profit after taxation	189.9	254.9
Unrealised net (gain) / loss in value of investment and development properties	(161.7)	(208.7)
Unrealised net (gain) / loss on financial instruments	44.3	11.1
Net realised loss / (gain) on sale of investment properties	1.7	0.0
Net realised loss / (gain) on disposal of investment in joint venture	(6.6)	0.0
Depreciation - property, plant and equipment	0.3	0.0
Depreciation recovered on sale	10.7	0.0
Deferred tax (benefit) / expense	(0.3)	17.0
Generator (profit) / loss	1.1	2.3
Net operating income	79.4	76.6
Weighted average number of shares for net operating income per share (millions)	1,246.7	1,211.1
Net operating income per share (cents)	6.37	6.32
Net operating income per share (cents) (pre performance fees)	6.62	6.32

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

17. Earnings per Share

Amounts in \$ millions	30 June 2019	30 June 2018
Net profit after tax for basic and diluted earnings per share (\$millions)	189.9	254.9
Weighted average number of shares for basic and diluted earnings per share (millions)	1,246.7	1,211.1
Basic and diluted earnings per share (cents)	15.23	21.05

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

18. Other Current Liabilities

Amounts in \$ millions	30 June 2019	30 June 2018
Trade creditors	6.5	3.7
Liquidated damages	34.4	0.0
Generator deferred consideration obligation	1.0	0.0
Accrued expenses	8.8	9.7
Total other current liabilities	50.7	13.4

19. Reconciliation of Net Profit after Taxation with Cash Inflow from Operating Activities

Amounts in \$ millions	30 June 2019	30 June 2018
Net profit after taxation	189.9	254.9
Add / (less) non-cash items and non operating items		
Unrealised net (gain) / loss in value of investment and development properties	(161.7)	(208.7)
Unrealised net (gain) / loss on financial instruments	44.3	11.1
Net realised (gain) / loss on sale of investment properties	1.7	-
Deferred tax (benefit) / expense	(0.3)	17.0
Amortisation of leasing costs and incentives	6.6	7.1
Share of (profit) or loss of joint ventures	1.1	2.3
Movement in working capital		
Increase / (decrease) in creditors	(8.2)	(11.5)
Income tax payable	(6.4)	2.8
(Increase) / decrease in debtors	(2.9)	(0.1)
Net cash inflow / (outflow) from operating activities	64.1	74.9

20. Interest Bearing Liabilities

Amounts in \$ millions	30 June 2019	30 June 2018
Interest bearing liabilities		
Bank loans	287.5	328.5
US private placement	97.9	97.9
NZ senior secured bond	175.0	175.0
Convertible note	150.0	150.0
Total drawn debt	710.4	751.4
US private placement - fair value adjustments ¹	28.0	15.0
Convertible note - embedded financial derivative and amortisation adjustment	25.6	1.6
Capitalised borrowing costs	(5.6)	(6.3)
Net interest bearing liabilities	758.4	761.7

¹ Fair value movement includes movement on notes committed at 30 June 2019 but not issued until 16 July 2019.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

Breakdown of borrowings:

Amounts in \$ millions	Held at	Maturity ¹	Facility	Coupon ¹	30 June 2019	30 June 2018
Bank loans	Amortised cost	Nov-20	150.0	Floating ²	145.0	328.5
Bank loans	Amortised cost	Jul-22	260.0	Floating ²	142.5	-
Bank loans	Amortised cost	Jul-23	200.0	Floating ²	-	-
NZ senior secured bond (PCT010)	Amortised cost	Dec-21	75.0	5.54%	75.0	75.0
NZ senior secured bond (PCT020)	Amortised cost	Jan-22	100.0	4.13%	100.0	100.0
Convertible note (PCTHA)	Amortised cost	Feb-22	150.0	4.42%	150.0	150.0
US private placement	Fair value	Jan-25	65.2	4.23%	65.3	65.3
US private placement	Fair value	Jan-27	32.6	4.80%	32.6	32.6
US private placement	Fair value	Jul-29	118.4	4.28%	-	-
US private placement	Fair value	Jul-31	44.4	4.38%	-	-
Total			1,195.6		710.4	751.4
Weighted average term to maturity					4.4 years	3.3 years
Weighted average interest rate before swaps (including funding costs)					3.86%	4.04%

¹ As at 30 June 2019.

² Interest rates on bank loans are at the 90-day benchmark borrowing rate (BKBM) plus a margin. Precinct also pays facility fees.

Precinct has committed funding of \$1,195.6 million (2018: \$1,182.9 million) including the NZ retail bonds, convertible note and US private placements.

All lenders (excluding convertible noteholders) 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.

The convertible note is subordinated to all secured debt and will convert into ordinary shares of Precinct subject to a Cash Election. The cash election allows Precinct to elect to instead pay a cash amount to Noteholders at the end of the term. The number of shares into which each holding of notes converts will be determined by dividing the Principal Amount (\$1.00 per note) by the Conversion Price, which is the lesser of:

1. the Conversion Price Cap of \$1.40; and
2. a 2% discount to the Market Price.

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

Accounting policy

Interest bearing liabilities

Bank loans and the NZ retail bond are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost using the effective interest method.

The US private placements are recognised at fair value including translation to NZD with any gains or losses recognised in the profit or loss as they arise. This fair value is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. The movement in fair value attributable to changes in Precinct's own credit risk is calculated by determining the changes in credit spreads above observable market interest rates and is recognised in other comprehensive income. This measurement falls into level 2 of the fair value hierarchy.

The convertible note embedded financial derivative is recognised at fair value with any gains or losses recognised in the profit or loss as they arise. This fair value is determined using the black-scholes model with observable inputs such as Precinct's share price and its historic standard deviation, the convertible note strike price and the risk free rate. This measurement falls into level 2 of the fair value hierarchy.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

21. Derivative Financial Instruments

Amounts in \$ millions	30 June 2019	30 June 2018
Fair value of derivative financial instruments		
Current assets	-	-
Non-current assets ¹	42.1	18.2
Current liabilities	(1.2)	(0.9)
Non-current liabilities	(64.1)	(32.9)
Total	(23.2)	(15.6)
Notional contract cover (fixed payer)	930.0	1,085.0
Notional contract cover (fixed receiver)	325.0	325.0
Notional contract cover (cross currency swaps - fixed receiver)	260.7	97.9
Percentage of net drawn borrowings fixed	101.4%	84.5%
Weighted average term to maturity (fixed payer)	4.2 years	3.8 years
Weighted average interest rate after swaps (including funding costs)	5.67%	5.27%

¹ This includes the cross currency interest rate swap valuation of \$25.7 million (June 2018: \$11.8 million) and a net debit value adjustment of \$0.2 million (June 2018: \$0.6 million credit).

Amounts in \$ millions	30 June 2019	30 June 2018
Unrealised net gain / (loss) on financial instruments		
Interest rate swaps	(22.8)	(7.6)
US private placement ¹	1.4	(2.8)
Convertible note option	(22.9)	(0.7)
Subtotal unrealised net gain / (loss) on financial instruments	(44.3)	(11.1)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	0.3	-
Total unrealised net gain / (loss) on financial instruments	(44.0)	(11.1)

¹ This is the net impact, excluding the credit risk adjustment, of the movement in value of the cross currency interest rate swap and the US private placement notes.

Accounting policy

Derivative financial instruments

Precinct uses derivative financial instruments (interest rate and cross currency swaps) to manage its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and subsequently re-measured and carried at fair value. They are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on re-measurement to fair value is recognised directly in profit or loss.

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

22. Capital Commitments

Precinct has \$268.7 million of capital commitments as at 30 June 2019 (2018: \$233.6 million) relating to construction contracts.

23. Operating Lease Commitments

Precinct has entered into investment property leases (as lessor), ground leases (as lessee) and property leases (Generator as lessee). Investment property leases have remaining non-cancellable lease terms of between one and 39 years. Ground leases have remaining non-cancellable lease terms of between one and 53 years. Generator property leases have remaining non-cancellable lease terms of between one and 14 years.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

Future minimum rentals receivable and payable under non-cancellable operating leases are as follows:

Amounts in \$ millions	Commitments as lessor (receivable)		Commitments as lessee (payable)	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Within one year	128.9	126.1	8.5	0.7
After one year but not more than five years	422.4	365.6	32.0	2.6
More than five years	569.1	411.6	49.0	13.5
Total	1,120.4	903.3	89.5	16.7

The commitments above are calculated based on contract rates using the term certain expiry dates of lease contracts. Actual rental amounts in future may differ due to rent review provisions within the lease agreements.

24. Contingencies

a. Contingent liabilities

There are no contingent liabilities as at 30 June 2019 (2018: \$nil).

b. Contingent assets

Included within the Fletcher Construction Company Limited (FCC) construction contract for Commercial Bay is the right of Precinct to liquidated damages if certain milestones are not met. To date Precinct has recognised \$34.4 million of liquidated damages as part of current liabilities (refer note 18) as ultimate recovery is not able to be considered virtually certain due to the fact that Precinct's right to retain these liquidated damages could be disputed by FCC.

25. Related Party Transactions

Fees paid and owing to the manager:

Amounts in \$ millions	30 June 2019		30 June 2018	
	Fees charged	Owing at 30 June	Fees charged	Owing at 30 June
Base management services fee	8.6	0.7	8.0	0.7
Performance fee	4.4	2.4	-	-
Leasing fees	4.7	0.6	2.6	0.9
Development manager fees	7.6	-	3.4	0.9
Acquisition and disposal fees	-	-	0.5	0.5
Generator management fee	0.1	-	-	-
Recoverable services fee	4.1	-	3.0	0.0
Total	29.5	3.7	17.5	3.0

a) Base management services fee

The base management services fee structure is as follows:

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

These fees are expensed through indirect other expenses in the year in which they arise.

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance in excess of a benchmark index, 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 2019 there is a notional performance fee deficit of \$ 0 to be carried forward to the calculation of performance fees in future quarters (2018: \$918,083 deficit).

These fees are expensed through indirect other expenses in the year in which they arise.

c) Leasing fees

Precinct pays the Manager leasing fees where the manager has negotiated leases instead of or alongside a real estate agent. Leasing fees are capitalised to the respective investment or development property in the Statement of Financial Position and amortised over the term certain life of the lease.

d) Development manager fees

Precinct pays development manager fees where the manager acts as development manager on Precinct developments. These fees are capitalised to the respective investment or development property in the Statement of Financial Position.

e) Acquisition and disposal fees

Precinct pays fees to the manager for managing the sale or purchase of properties instead of or alongside a real estate agent. Acquisition fees are capitalised to the respective investment or development property in the Statement of Financial Position. Disposal fees are expensed through net realised gain or loss on sale of investment properties in the year in which they arise.

f) Recoverable services fee

Precinct pays a property and facilities management fee as well as the cost of legal and marketing services on a cost recovery basis to the manager.

These fees are expensed through direct operating expenses in the year in which they arise.

g) Generator management fee

As agreed between the boards of Precinct and AHML, a management fee of \$400,000 per year will be charged for the provision of management services to Precinct relating to its investment in Generator, with this amount subject to annual review.

These fees are expensed through indirect other expenses in the year in which they arise.

h) Other transactions with the manager

Other than in respect of the Generator business, Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager is appointed to manage and administer Precinct. The manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's Directors are considered to be the key management personnel and received Directors' fees of \$ 482,473 in 2019 (2018: \$445,720).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited and AMP Services (NZ) Limited, being the Manager or companies related to the Manager for premises leased in PwC Tower, AMP Centre and Dimension Data House. Total rent received by Precinct from these parties during the year was \$ 3,522,597 (2018: \$3,388,399). As at 30 June 2019 an amount of \$ 1,452 (2018: \$1,837) was owing to Precinct from AMP Services (NZ) Limited and AMP Haumi Management Limited.

i) Related party debts

No related party debts have been written off or forgiven during the year (2018: \$nil).

26. Capital Management

The Group's capital includes ordinary shares, retained earnings and interest bearing liabilities. 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 is available to Precinct.

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

Precinct's banking covenants require total liabilities (excluding deferred tax, derivative financial instruments 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2019

27. Financial Risk Management

In the normal course of business through the use of financial instruments, Precinct is exposed to interest rate risk, credit risk and liquidity risk. The Board agrees and reviews policies for managing each of these risks.

Financial instruments held:

Amounts in \$ millions	30 June 2019			30 June 2018		
	At amortised cost	Fair value through profit or loss	Total	At amortised cost	Fair value through profit or loss	Total
Financial assets						
Cash	6.9	-	6.9	2.9	-	2.9
Debtors	10.9	-	10.9	2.2	-	2.2
Derivative financial instruments	-	42.1	42.1	-	18.2	18.2
Total	17.8	42.1	59.9	5.1	18.2	23.3
Financial liabilities						
Other current liabilities	50.7	-	50.7	13.4	-	13.4
Interest bearing liabilities	612.5	125.9	738.4	653.5	112.9	766.4
Derivative financial instruments	-	65.3	65.3	-	33.8	33.8
Total	663.2	191.2	854.4	666.9	146.7	813.6

a) Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance, future cash flows or the fair value of its financial instruments.

Precinct's policy is to manage its interest rates using a mix of fixed and variable rate debt. Precinct's policy is to keep at least 60% (based on a one year horizon) of its interest bearing liabilities at fixed rates of interest. To manage this mix Precinct enters into interest rate swaps, in which Precinct agrees to exchange, at specified intervals, the difference between fixed and variable rates for interest calculated by reference to an agreed-upon notional principal amount. These swaps are designed to economically hedge underlying debt obligations.

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

Amounts in \$ millions	30 June 2019	30 June 2018
	Effect on profit or equity	Effect on profit or equity
25 basis point increase	0.0	(0.3)
25 basis point decrease	(0.0)	0.3

b) 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, debtors and derivative financial instruments in an asset position. Precinct's exposure to credit risk is equal to the carrying value of the financial instruments.

Precinct conducts credit assessments to determine credit worthiness prior to entering into lease agreements. In addition, debtor balances are monitored on an ongoing basis with the result that Precinct's exposure to bad debts is not significant.

There is no significant concentration of credit risk as financial assets are spread amongst a number of counterparties.

c) 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 liabilities.

Precinct monitors and evaluates liquidity requirements on an ongoing basis and generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls. The Group's approach to managing liquidity risk is to ensure it will always have sufficient liquidity to meet its obligations when they fall due under both normal and stress conditions. The Group manages liquidity by maintaining adequate committed credit facilities and spreading maturities in accordance with internal policy.

The tables below analyse Precinct's financial liabilities (principal and interest) and net cash flows of derivative financial instruments into relevant contracted maturity periods.

Amounts in \$ millions	Carrying amount	0 - 1 yr	1-2 yrs	2-5 yrs	>5 yrs	Total contractual cash flows
30 June 2019						
Interest bearing liabilities	738.4	19.4	163.3	402.7	205.5	790.9
Net derivative financial instruments	23.2	16.5	15.9	25.0	7.1	64.5
Other current liabilities	50.7	50.7	-	-	-	50.7
Total	812.3	86.6	179.2	427.7	212.6	906.1

30 June 2018						
Interest bearing liabilities	766.4	19.4	19.4	588.7	214.0	841.5
Net derivative financial instruments	15.6	15.6	18.2	35.0	7.2	76.0
Other current liabilities	13.4	13.4	-	-	-	13.4
Total	795.4	48.4	37.6	623.7	221.2	930.9

Accounting policy

Derecognition of financial instruments

Financial assets are derecognised when the right to receive cash flows from the financial asset 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.

28. Events After Balance Date

On 16 July 2019 Precinct issued US\$110 million (NZD\$162.8 million) of notes in the United States private placement market.

On 15 August 2019 the Board approved the financial statements for issue and approved the payment of a dividend of \$ 19,992,031 (1.50 cents per share) to be paid on 27 September 2019.

Independent auditor's report to the Shareholders of Precinct Properties New Zealand Limited

Opinion

We have audited the financial statements of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group") on pages 74 to 99, which comprise the consolidated statement of financial position of the group as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the group, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 74 to 99 present fairly, in all material respects, the financial position of the group as at 30 June 2019 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides other assurance and agreed upon procedures services to the group. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interest in, the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of investment and development properties

Why significant

Information regarding the properties and their valuations is included in Note 9 to the consolidated financial statements. As at 30 June 2019, investment properties are carried at \$1,870.5 million and development properties are carried at \$923.2 million. The investment property portfolio is important to our audit as it represents a significant percentage of the total assets of the group.

The valuation of the group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for each property. The valuations are highly dependent on forecasts and estimates. A small change in individual property valuation assumptions when aggregated could result in significantly different total property values. We therefore identified the valuation of the property portfolio as a significant audit risk.

Valuations are based on assumptions such as market rent and estimated capitalisation or discount rates. These are used to determine a valuation range and from this a point estimate is derived. In the case of properties which the group is developing or intends to develop significantly, and so classifies as development properties, forecast development cost and profit and risk allowance are further important assumptions. There is also a greater level of estimation required in respect of future rental amounts for these properties because there is a greater percentage of tenancy area not yet subject to rental agreements.

The valuations were undertaken by independent third party valuers. The valuers were engaged by the group and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuers used by the group are well-known firms with experience in the markets in which the group operates, and are rotated across the portfolio on a three-yearly cycle. The group has adopted the assessed values determined by the valuers.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence we:

- evaluated the objectivity, independence and expertise of the valuers.
- on a sample basis agreed property specific information supplied to the valuers by the group to the underlying records held by the group.
- assessed the valuation conclusions. In doing so we considered the valuation assumptions used, including market rent, capitalisation rates, discount rates, forecast development costs and profit and risk allowances.
- involved our in-house property valuation experts to assist us in critiquing a risk-based sample of the property valuations. This included assessing whether key assumptions such as market rent, capitalisation rates, forecast development costs, profit and risk allowances and discount rates fell within a reasonable range.
- assessed the adequacy of the disclosures made in respect of the property portfolio valuation.

Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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.

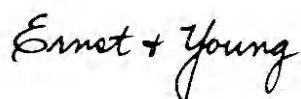
In preparing the consolidated financial statements, the directors are responsible for assessing, on behalf of the entity, the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located as External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Emma Winsloe.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Chartered Accountants

Auckland

15 August 2019

Directory.

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George Crawford, Chief Operating Officer
Richard Hilder, Chief Financial Officer
Edward Timmins, General Counsel and Company Secretary

Bankers

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

Bond Trustee

The New Zealand Guardian
Trust Company Limited
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Directors of Precinct

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Don Huse – Independent Director
Launa Inman – Independent Director
Graeme Wong – Independent Director
Chris Judd – Director
Mohammed Al Nuaimi – Director
Robert Campbell – Director

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Please contact our registrar;

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