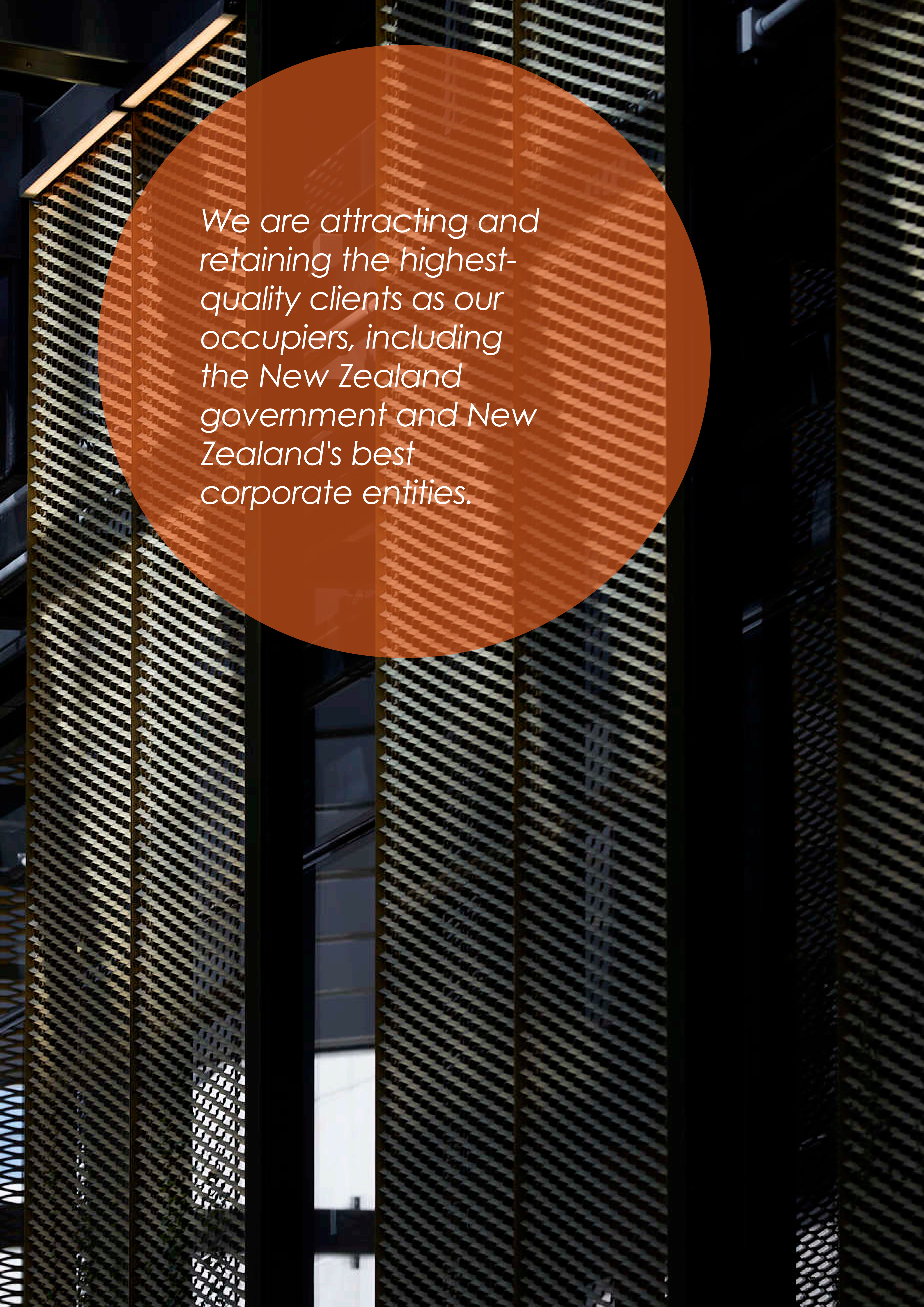
Precinct

Quality delivers resilience

ANNUAL REPORT 2021

Cover page image: Bernard Louw, Concierge at HSBC Tower.
More information can be found at www.precinct.co.nz

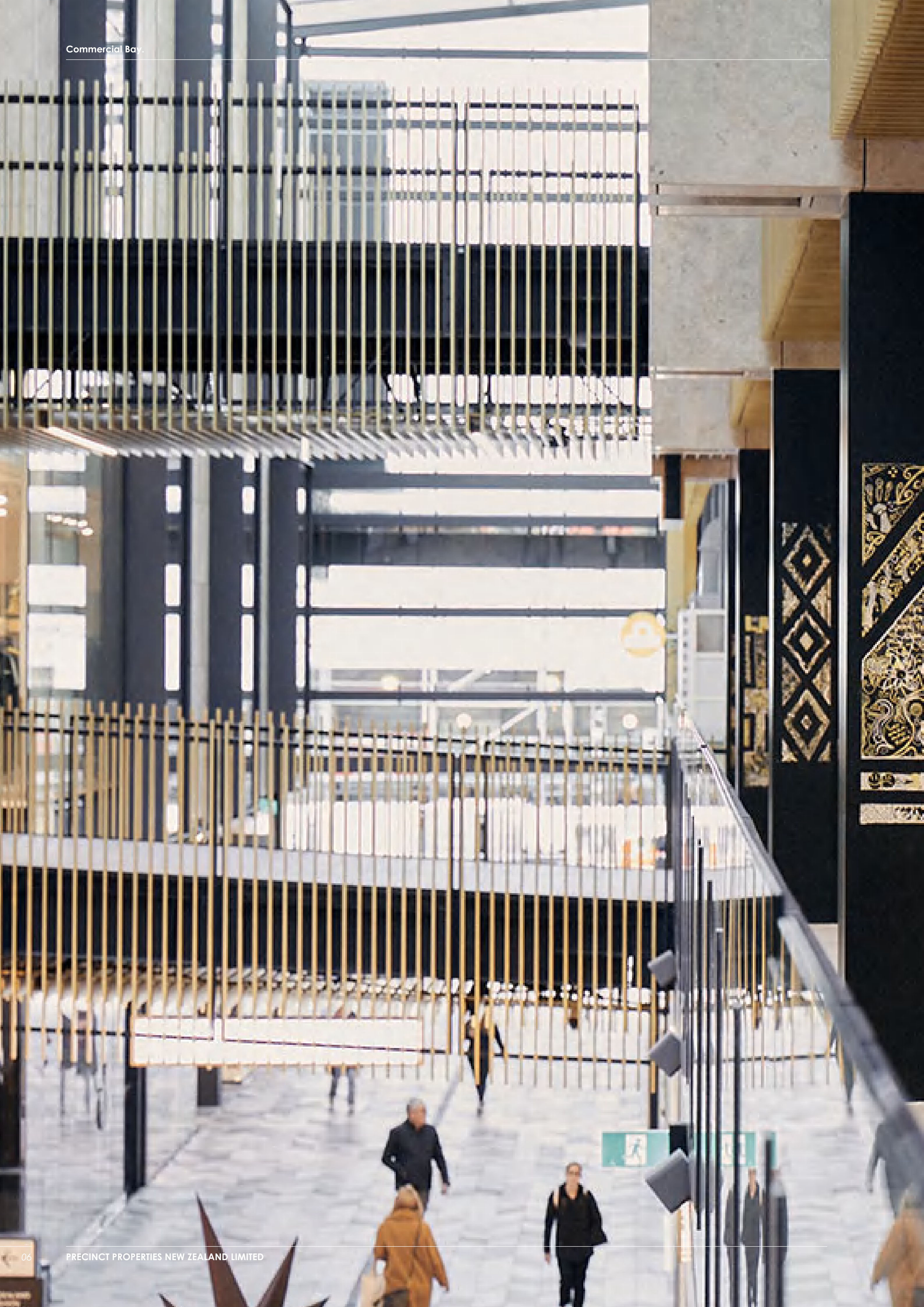


We are attracting and retaining the highest-quality clients as our occupiers, including the New Zealand government and New Zealand's best corporate entities.

Precinct has benefited from the execution of its long-term strategy and we have successfully transformed the quality of our business over the past 10 years.

Earlier this year, the management of Precinct was internalised, positioning our business for future growth that we expect to provide significant benefits to our business and our shareholders.

photo credit: Simon Devitt



Just over a year ago, Precinct opened both the retail centre and the PwC Tower at Commercial Bay. This was a significant milestone for our business and Auckland's city centre with COVID-19 hugely impacting the economy during 2020.

A year on, we are encouraged by the increased pedestrian levels which have returned to the city. The retail centre has delivered strong trading performance, particularly in the second half of the 2021 financial year.

Commercial Bay continues to be an important part of the ongoing revitalisation of Auckland's city centre. It also continues to actively support the road to recovery in a COVID-19 economy, locally. Commercial Bay provides a quality offering in Auckland's city centre.

99%

Commercial Bay occupancy

770,000

Pedestrian count during Matariki festival

2021 highlights.

+3.2%

Increase in dividend
Year on year to shareholders

$179.9M

Total comprehensive income after tax
For the 12 months ended 30 June 2021

83/100

GRESB score
Global Real Estate Sustainability Benchmark result

INTERNALISED MANAGEMENT

In March 2021, the Independent Directors of Precinct reached an agreement with the Manager, AMP Haumi Management Limited (AHML), to terminate the Management Services Agreement and internalise the management of Precinct. Expected benefits for Precinct and its shareholders include, cost savings, pro forma accretion to adjusted funds from operations (AFFO), increased alignment of interests and retention of key management personnel and staff.

$250M

Equity raised
Through Placement and Retail Offer

$150M

Green Bond Issued
6 year

2021 summary.

Operational excellence

- Achieved dividend of 6.50 cps
- 98% portfolio occupancy and WALT of 7.7 years
- Internalised the management of Precinct
- $250 million raised through successful equity issue
- $150 million 6 year Green Bond issued
- Completed sale of remaining 50% interest in ANZ Centre
- New $250 million bank facility established
- Global Real Estate Sustainability Benchmark (GRESB) score increased to 83 (last year: 77)
- Score of B- in the Carbon Disclosure Project (CDP)
- Toitū carbonzero certification validated for second year

Developing the future

- One Queen Street project construction started
- Fully leased at 44 Bowen Street
- Commitment to Bowen Campus Stage Two
- Acquisition and redevelopment announced for Bowen House and Freyberg Building
- Development progress at 30 Waring Taylor Street
- Off-setting of embodied carbons at 40 Bowen Street project with carbon credits for the project purchased
- Wynyard Stage Two completed

Our people and partners

- Retained key management personnel following Precinct internalisation agreement
- Continued investment in our people though staff training and development
- Launch of CLUB Commercial Bay
- Matariki – Whānau Mārama at Commercial Bay
- Continued focus on health and wellbeing
- Supporting our retailers
- Client survey underway
- Staff survey completed
- Actively supporting communities in which we operate in Auckland and Wellington

Creating sustainable value from city centre real estate.

Precinct's premium-grade real estate is delivering consistent and sustainable results.

As our business continues to evolve, our proactive management approach is delivering a premium offering to our stakeholders.

Our ownership of city centre precincts is enabling us to create vibrant communities and maximise returns.

Precinct's strategy focuses on three distinct areas:

- **Our people and partners**
- **Operational excellence**
- **Developing the future**

We are committed to the long-term growth in shareholder value while ensuring as a business we continue to respond to our material Environmental, Social and Governance issues, which are critical to the ongoing success of Precinct.

Our primary objective is to create sustainable value from city centre real estate.

This is achieved by:

- Investing in quality – portfolio, clients and staff
- Earnings security – stable and secure income
- Strong balance sheet
- Leveraging Precinct's strong development capability
- Creating vibrant environments
- Best practice corporate governance
- Supporting New Zealand's pathway to zero carbon

$3.3B

Portfolio Value

photo credit: Simon Devitt


JARDEN
pwc
Spark
City Link
Queen St
Metro

Chair's report.

On behalf of the Board and Management team, we are pleased to present Precinct's 2021 Annual Report.

Internalising the management of Precinct positions our business to deliver on the next phase of its strategy. We are committed to the long-term success of Precinct.

FY21 performance

Precinct has delivered strong results during the 2021 financial year. While businesses and people continue to be impacted by COVID-19, overall portfolio valuations have improved vastly since last year. Precinct's full year revaluation recorded a significant gain of $282.9 million or 9.3% for the period, reinforcing the strong investment demand for premium inner-city space.

Total comprehensive income after tax was $179.9 million. Pleasingly, and in line with guidance, adjusted funds from operations (AFFO) increased 3.0% to 6.48 cents per share (cps). Our full-year dividend to shareholders is 6.50 cps, representing a 3.2% increase.

In May 2021, Precinct successfully issued a 6-year secured, fixed-rate green bond offer of $150 million. This includes oversubscriptions of $50 million to institutional investors and New Zealand retail investors. The net proceeds of the offer are intended to be earmarked in accordance with Precinct's Sustainable Debt Framework dated 2020 to finance or refinance energy efficient buildings.

Precinct Internalisation Agreement

In March 2021, the Independent Directors of Precinct reached an agreement with the Manager, AMP Haumi Management Limited, to terminate the Management Services Agreement and internalise the management of Precinct. The internalisation is expected to provide significant benefits to Precinct and its shareholders. We expect cost savings from the transaction of $14.6 million per annum and 6.0% accretion to adjusted funds from operations per share on a pro forma basis. As the Independent Directors needed to act quickly and with certainty given competing interests, and to ensure Precinct was able to secure all the benefits of internalising management, an NZX waiver was obtained so that the transaction did not require a shareholder vote.

The Independent Directors believe that internalisation will best position Precinct for future growth and is an appropriate progression considering the scale and breadth of Precinct's business. Importantly, Precinct has retained key management personnel and the internalisation ensures the continuity of Precinct's successful strategy and ongoing stable shareholder returns.

Board changes

As part of Precinct's Board succession planning, we are delighted to have appointed two capable and experienced professional directors to our governance regime post balance date. Nicola Greer has been appointed as an Independent Director, effective 16 July 2021, and Mark Tume has been appointed as an Independent Director, effective 11 August 2021.

Nicola has extensive experience in New Zealand, Australia and the UK in the banking and finance sectors. She is currently a director of Airways Corporation, Fidelity Life Assurance Ltd, South Port NZ, New Zealand Railways Corporation, and is a Member of the New Zealand Markets Disciplinary Tribunal.

Mark's professional experience has been in New Zealand banking and funds management. His current directorships include being Chair of Infratil, Ngāi Tahu Holdings Corporation and Te Atiawa Iwi Holdings. He is also a director of RetireAustralia.

Both Nicola's and Mark's skills and knowledge in the commercial property sector are valuable attributes which further strengthen Precinct's Board effectiveness, ensuring best practice corporate governance is maintained while transitioning responsibilities.

On behalf of my fellow Directors and the Management team, we would also like to acknowledge the departures of both Launa Inman and Robert Campbell from the Precinct Board who retired on 31 July 2021 and 11 August 2021, respectively. We first thank Launa for her contribution to the Company since 2015, particularly in the retail and customer experince areas. We would also like to thank Rob for his efforts. He has been an integral part of the Board over the last 9 years and his involvement and valued service has contributed to the success of Precinct. We wish both Launa and Rob all the best for the future.

Sustainability – ESG responses

Precinct continues to progress our Environmental, Social and Governance (ESG) risks and opportunities. Our most recent Global Real Estate Sustainability Benchmark (GRESB) score demonstrates the good performance we are achieving across our business. Precinct received a 2020 GRESB score of 83 during FY21 (previously reported score was 77). We are again trending ahead of the GRESB global average of 70 and we are performing in line with our New Zealand and Australian peer group. We are immensely proud of improving our GRESB scrore over the last four consecutive years. Submissions for 2021 have been made and results will be disclosed in our 2022 Annual Report. During the year, Precinct also received a 2020 score of B- following its participation in the Carbon Disclosure Project (CDP). Pleasingly, this was higher than both the Oceania regional and Global average of C. Management are currently working on its 2021 submission and are targeting 'A leadership and strategic best practice'.

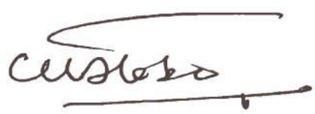
In September 2020, the New Zealand Government announced the requirement for climate-related financial risk reporting for listed corporates and major financial institutions. The new regime will be on a comply-or-explain basis, based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, which is widely acknowledged as international best practice. If passed by Parliament, disclosures will be required for financial years commencing in 2022, meaning that the first disclosures will be made in 2023. Precinct is fully supportive of a low-carbon future for Aotearoa New Zealand and while organisations like ours are not yet required to make disclosures, we have published (on a voluntary basis) our own Climate-related Financial Disclosures document. This can be found on the Precinct website in our sustainability section.

We are also pleased to announce the establishment of an ESG committee at a Board level, reinforcing the high priority Precinct places on our responses to our material ESG risks and opportunites. We invite you to read more about Sustainability at Precinct on pages 24 to 33.

Dividend guidance

The Board expects Precinct's dividend for the 2022 financial year of 6.70 cps to be paid. This represents 3.1% year-on-year growth in total cash dividends to shareholders.

On behalf of the Precinct Board, Management and Precinct team, we thank you, our shareholders, for your continued investment in Precinct. We are committed to growing sustainable value for Precinct's investors, as we successfully deliver on our strategy.



Craig Stobo, Independent Director and Chair

Management report.

It has been an active year for Precinct. Consistent with our strategy, our investment portfolio and development projects have further advanced over this period. ***The high quality and resilient nature of our portfolio is driving Precinct's operating and financial performance .***

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

Advancing Wellington opportunities

Successfully raising $250 million of equity through a Placement and Retail Offer in June 2021 has provided funding for the acquisition of two Wellington office assets, Bowen House and the Freyberg Building. The proceeds from the equity raise also reduced Precinct's gearing providing additional funding capacity to assist with future development opportunities. Strategically located in the heart of the government precinct, Bowen House and the Freyberg Building offer significant redevelopment opportunities which are now progressing. Our business is extremely excited to further advance our Wellington offering.

We received strong investment demand from our institutional and retail investors. The Placement was fully subscribed and the retail offer was oversubscibed receiving applications totalling approximately $58 million. The high level of support from both local and offshore investors for this equity raising reinforces investor confidence for our business and Precinct's long-term strategy. The offer structure was designed to provide an equitable treatment to all our existing shareholders and we strongly believe this was achieved.

Development projects update

Deloitte Centre (One Queen Street)

Following the start of construction of our One Queen Street redevelopment project in May of this year, the project is progressing well.

Post balance date, Deloitte have leased all the remaining high rise office space comprising levels 15 to 20 within the One Queen Street office building to now be named Deloitte Centre. This leaves just two low rise floor plates which are not committed, and Precinct anticipates offering these floors as smaller premium office suites ranging in size from 200 to 250 square metres. This is a significant lease to have concluded ahead of project completion and demonstrates both the quality of the asset and businesses valuing the benefits of being located in the Commercial Bay precinct.

The total project cost is expected to be around $308 million with an expected yield on cost of 6.2% once complete.

Bowen Campus Stage Two

The projects at 40 and 44 Bowen Street continue to advance well. Both buildings at the Bowen Campus Stage Two development are tracking to programme and are on budget. During the period, Precinct secured a 12 year term lease with Waka Kotahi NZ Transport Agency who will occupy 6 contiguous floors across the ground and levels 1 to 5, totalling 8,660 sqm of space at 44 Bowen Street. With Waka Kotahi NZ Transport Agency secured the building will be 100% leased prior to expected practical completion.

With only one and a half floors totalling 2,700 sqm remaining vacant at 40 Bowen Street, the aggregate pre-committed leasing across Stage Two now represents 87% of the combined office space with a weighted average lease term of over 11 years. Practical completion of 40 Bowen and 44 Bowen Street is expected in September 2022 and May 2023, respectively. The total project cost for the development remains around $195 million with a yield of 6.5% once fully leased.

30 Waring Taylor, Wellington

The 30 Waring Taylor Street project is expected to be complete in November 2021. This will be Generator's first Wellington-based offering. The project is on programme and in-line with budget.

We continue to progress our current development projects and we are confident of their successful delivery.

Proven track record

Our business continues to benefit from a well-established and clear strategy. Precinct has a strong track record of developing world-class real estate. Over the last 6 years, we have developed $1.5 billion in premium-grade real estate. These projects have led to a significant reduction in the age of our portfolio and delivered value uplifts for our investors.

Importantly, across all of our developments to date, at the point of commitment, our pre-leasing was 44%, however, by the time we completed the projects, our leasing was 99%.

> “
>
> We have successfully completed $1.5 billion of development projects over the past 6 years. It is this track record in capability that we are now looking to leverage with future transactions. Across our developments, we have created significant shareholder value.
>
> **SCOTT PRITCHARD, CEO**

Outlook

Our business has demonstrated remarkable resilience during the 2021 financial year. Despite the challenging backdrop of the COVID-19 pandemic, we have been able to capitalise on strong office leasing demand and secure around $0.8 billion of new developments with 90% pre-leasing achieved. This strong demand combined with our pipeline of opportunities and the quality of our portfolio position our business well to continue to deliver growth in shareholder value.

Scott Pritchard, CEO	George Crawford, Deputy CEO	Richard Hilder, CFO

Our markets.

Auckland city centre.

The Auckland city centre office market appears to be operating in a 'two-tiered' manner with a widening demand gap between prime and secondary assets. During the year, JLL research reported an uptick in prime vacancy rates to 7.3% as at June 2021 (June 2020: 4.8%), driven by 44,600 sqm of new supply and refurbishments being completed during the period, while secondary vacancy increased to 13.9% over the same period (June 2020: 11.2%). Vacancies are also unevenly spread across the city centre, with occupiers showing a clear location bias towards waterfront locations, with improved amenities and newer assets. Notwithstanding, some commentators reported a decrease in net effective rentals across the wider city centre office market in the September 2020 quarter, driven by increased competition from additional backfill arising from recently completed developments and sublease availability in response to COVID-19. Similar to vacancy rates, the prime grade market rentals have proven comparatively resilient, with JLL research reporting a 5.1% year-on-year decline as at June 2021 (June 2020: -0.1%) attributable wholly to a rise in market-wide leasing incentives, compared to a 8.9% decline recorded in the secondary market over the same period.

Looking ahead, while the occupier market is under some pressure from current vacancies and headwinds from increasing flexible working arrangements, a marked uplift in leasing enquiries in 2021 to date and a comparatively benign supply pipeline both point to vacancies stabilising and the return of rental growth over the coming months.

Turning to the city centre retail market, retailers have remained under pressure from structural headwinds and on-going impact from COVID-19 border closures and disruptions from major works including the CRL, with CBD retail vacancy increasing to 7.1% as at June 2021 (June 2020: 3.3%) according to JLL research. Pleasingly, service and hospitality retail performed well over the period, buoyed by strong pent-up domestic demand. The resilience of these types of retailers has proven instrumental to Commercial Bay's strong trading performance in its first year of operation. Statistics New Zealand reported a 13.5% increase year-on-year in annualised electronic card transaction spend for hospitality retail.

Wellington city centre.

The Wellington city centre office market continues to outperform, driven by favourable tailwinds, including continued growth in the public sector workforce and structural undersupply due to stock withdrawals as a result of seismic and environmentally sustainable design (ESD) obsolescence. In particular, prime vacancy rates, reported by JLL research at 0.9% as at June 2021 (June 2020: 0.6%), are continuing to hold well below the long-term average of circa 2%.

With occupiers competing for a limited pool of quality stock and new build pre-leasing opportunities, favourable market dynamics have resulted in a significant increase in rentals with prime effective rentals increasing 3.9% year on year (June 2020: 1.4%), albeit some of the rental growth may be eroded by continued increases in operating expenses.

Looking ahead, the recent themes of workforce expansion and flight to quality are anticipated to prevail and underpin low prime vacancy rates over the short to medium term.

-14,825sqm

CBD office stock year-on-year to June 2021 with stock withdrawals outpacing new construction and refurbishments
source: JLL research

Generator.

Generator is New Zealand's leading flexible workspace provider with over 1,300 members. ***It continues to play an important role in Precinct's strategy.***

> Generator continues to provide a differentiating component to Precinct's real estate offering. It supports portfolio leasing and Precinct's long-term strategic objectives.
>
> **GEORGE CRAWFORD, DEPUTY CEO**

Generator continues to provide a differentiating component to Precinct's real estate offering by providing a flexible occupancy option for businesses with growing needs. It also provides enhanced levels of amenity and service for Precinct clients, especially for those small to medium sized businesses looking for shared facilities that they would not usually have access to.

The business now has an improved quality customer base who recognise Generator as their core business accommodation, valuing the flexibility and amenities that Generator provides. Pleasingly, memberships continue to grow with good levels of enquiry and sales.

Currently located across 8 locations totalling 13,600 sqm in Auckland, Generator has a significant market share in Auckland's city centre. This includes flexible space at Madden Street (GridAKL), Britomart Place, Stanbeth & Excelsior (Stan Ex) and the Mason Bros. building.

During the year, Generator opened its brand new meeting and events suites located in the lobby of the HSBC Tower in Auckland. This space caters for a wide range of business meetings and events, including providing outstanding harbour views and a spacious balcony. These added to the existing meeting and event suites at the PwC Tower.

We are also excited to be opening the first Generator site in Wellington at the end of 2021. 30 Waring Taylor will provide private offices, coworking and event spaces to meet the needs of increased demand for flexible space in Wellington. The 5-level character building will be fully redeveloped and seismically strengthened to 100% of the National Building Standard.

For more information on Generator, visit: https://generatornz.com/


COMMERCIAL
BAY
Meeting & Event Suites
HSBC Tower
OPERATED BY
Generator

Results overview.

FY21 results

The business has delivered a strong result for the FY21 period illustrating the portfolio's resilience in another year navigating the challenges from COVID-19. Total comprehensive income after tax was $179.9 million compared with $35.1 million in the previous period with the movement attributable to a strong revaluation gain of $282.9 million for the full year, offset by the termination payment of Precinct's Management Services Agreement. Pleasingly, the business has continued to meet market guidance and deliver further growth for our shareholders despite the unusual year with Adjusted Funds from Operations (AFFO), which adjusts for several non-cash items, increasing by 3.1% to $85.3 million (June 2020: $82.7 million) or 6.48cps. This strong result reflects the demand for Precinct's premium grade portfolio, maintaining high occupancy levels during the year and generating income from high quality occupiers. Full year dividends paid to shareholders and attributed to the 2021 financial year totalled 6.50 cps, representing a year on year increase of 3.2% and an AFFO dividend payout ratio of 100%.

Net property income increased 27.9% to $124.4 million (June 2020: $97.2 million) with the increase primarily driven by the completion of several development projects, namely Commercial Bay, during the year. After adjusting for developments and transactions, like-for-like net property income growth was 1.2% higher than the previous comparable period. Precinct continues to support its clients impacted by COVID-19 through a range of measures including rental abatements which for the financial year totalled $1.1 million[1]. This compares to abatements of $1.7 million for the year ended 30 June 2020.

Total interest expense was higher due to development spend and higher debt levels. Following the completion of several development projects in the period and the resulting reduction in capitalised interest, net interest expense for the period was $27.2 million (June 2020: $5.1 million).

Generator was also impacted by COVID-19 with a reduction in events and lower occupancy leading to a net operating income loss of $0.9 million for the period. Occupancy and events bookings are now showing a solid recovery with Generator continuing to support Precinct's portfolio leasing and long term strategic objectives. The reduction in profitability has led to the independent valuation of Generator recording an impairment of $9.8 million.

During the period Precinct internalised its management function with a one-off termination cost of $217.1 million, which has been recognised in the financial statements. The expected benefits for Precinct and its shareholders include cost savings, pro forma accretion to AFFO, increased alignment of interests and retention of key management personnel and staff. Precinct has recorded a positive tax position for the financial year of $67.8 million (June 2020: $5.0 million expense). The positive position is due to the reintroduction of depreciation on building structures, prior period contaminant expenditure, and the payment relating to the termination of the management contract being deductible for income tax purposes. As Precinct continues to maintain a relatively substantial development pipeline, it is anticipated that Precinct's tax position will remain low over the near term. Interest rates remained low during the financial year due to the ongoing economic uncertainties resulting from COVID-19. However, recent inflation pressures have seen forward interest rates increase. This has resulted in an overall gain in financial instruments of $19.7 million as at 30 June 2021 (June 2020: $1.9 million loss).

Reconciliation of adjusted funds from operations

(Amounts in $ millions)	2021	2020
Operating income before indirect expenses	**127.7**	105.8
Indirect expenses	**(44.7)**	(18.3)
Operating income before income tax	**83.0**	**87.5**
Current tax expense	**67.8**	(5.0)
Operating profit after tax	**150.8**	**82.5**
Non operating income / (expenses)	**63.0**	(54.3)
Deferred tax and depreciation recovered on sale	**(26.1)**	2.0
Net profit / (loss) after taxation attributable to equity holders	**187.7**	**30.2**
Operating profit after tax adjusted for		
Generator rent expense	**(7.0)**	(7.0)
Tax impact from MSA termination payment and liquidated damages	**(60.8)**	7.5
Swap closeout	**3.0**	-
One off item - project initialisation costs	**0.7**	-
Amortisations	**13.8**	7.9
Straightline rents	**(4.0)**	(0.5)
FFO	**96.6**	**90.5**
Maintenance capex	**(4.0)**	(5.0)
Incentives and leasing costs	**(7.3)**	(2.8)
AFFO	**85.3**	**82.7**

Note: AFFO is an alternative performance measure which adjust net profit after tax for a number of cash and non-cash items as detailed in the reconciliation above. Precinct has transitioned to a dividend policy based on AFFO. AFFO is an alternative performance measure provided to assist investors in assessing Precinct's performance for the year.

1. *Note 8 of the 2021 financial statements provides more details on the impact of COVID-19 on Precinct's business.*

A full year revaluation gain of $282.9 million (2020: $66.3 million devaluation) or 9.3% was recognised during the period. This includes $148.5 million revaluation gain which was recognised at 31 December 2020. On a like-for-like basis, Auckland asset valuations increased by around 6.5% and the Wellington market proved to be particularly resilient with our Wellington asset valuations recording an uplift of 16.6%. We continue to experience strong market rental growth and benefit from having secured long term leases to Government/Crown entities, which have resulted in notable value increases across our Wellington properties, where continued occupier market strength has been observed. Precinct's weighted average capitalisation rate has firmed over the past 12 months from 5.3% to 4.8% at 30 June 2021. As at 30 June 2021 Precinct's portfolio totalled $3.3 billion (June 2020: $3.0 billion). Precinct's net asset value (NAV) per share at balance date was $1.52 (June 2020: $1.45).

Adjusted Funds from Operations (AFFO)

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 38.

FFO for the year increased to $96.6 million (June 2020: $90.5 million) or 7.34 cps. AFFO for the year was $85.3 million, or 6.48 cps, matching the dividend paid.

PRECINCT'S AFFO PAYOUT RATIO OVER THE PAST 5 YEARS HAS AVERAGED 101%.

Key financial information

(Amounts in $ millions unless otherwise stated)	2021	2020	Change (%)
Rental revenue	**199.8**	151.8	31.6
Funds from operations (FFO)	**96.6**	90.5	6.7
Adjusted funds from operations (AFFO)[1]	**85.3**	82.7	3.1
Total comprehensive income after tax attributable to equity holders	**179.9**	35.1	412.5
Funds from operations (FFO) (cents per share)	**7.34**	6.89	6.5
Adjusted funds from operations (AFFO) (cents per share)	**6.48**	6.29	3.0
Gross distribution (cents per share)[2]	**6.50**	6.92	(6.0)
Net distribution (cents per share)[2]	**6.50**	6.30	3.2
AFFO Payout ratio (%)	**100.3**	100.1	0.2
Total assets	**3,456.4**	3,185.2	8.5
Total liabilities	**1,235.8**	1,276.8	(3.2)
Total equity	**2,220.6**	1,908.4	16.4
Shares on issue (million shares)	**1,458.5**	1,313.8	11.0
NTA (cents per share)	**152**	144	5.6
NAV (cents per share)	**152**	145	4.8
Gearing ratio at balance date (%)[3]	**28.2**	28.8	(2.1)

The information set out above has been extracted from the financial statements set out on pages 70 to 96.

1 *AFFO 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.*
3 *For loan covenant purposes deferred tax losses, fair value of swaps and subordinated debt are not included in the calculation of gearing ratio.*

Results overview. *(Continued)*

Capital management

We have completed significant capital management initiatives during the 2021 financial year, ensuring we are in a strong financial position to achieve the best results across our operational business.

During the year, Precinct raised $250 million through an underwritten $220 million placement and non-underwritten $30 million retail offer. It has provided sufficient funding for the acquisition of 2 Wellington office assets, and also reduced Precinct's gearing, providing additional funding capacity to assist with future development opportunities.

Recognising Precinct's ongoing commitment to creating a more sustainable environment, Precinct launched a Sustainable Debt Programme in November 2020. The establishment of the Sustainable Debt Framework is a natural extension of Precinct's sustainability strategy and the focus on sustainable business outcomes. The Framework sets out the process by which Precinct intends to issue and manage Sustainable Debt on an ongoing basis to fund low carbon buildings within Precinct's property portfolio. The Programme was implemented with assistance from ANZ acting as Green Bond coordinator with independent assurance provided by EY.

In May 2021, Precinct successfully issued a 6-year secured, fixed rate green bond of $150 million. The net proceeds of the offer are intended to be earmarked in accordance with Precinct's Sustainable Debt Framework dated 2020 to finance or refinance energy-efficient buildings.

Our balance sheet has been strengthened during the 2021 financial year. At balance date Precinct's total borrowings (including convertible notes) increased to $1,052.7 million (30 June 2020: $951.7 million). Gearing as measured under borrower covenants, which excludes the subordinated convertible note, is 28.2% (30 June 2020: 28.8%). Similarly, total assets at 30 June 2021 are $3.5 billion (30 June 2020: $3.2 billion).

Precinct remains within its borrowing covenants with total debt facilities of around $1.6 billion at 30 June 2021. Precinct was 54% hedged through the use of interest rate swaps at 30 June 2021 (June 2020: 56%). Average hedging for the 2022 financial year will be around 55%. The weighted average interest rate including all fees was 3.4% at 30 June 2021 (30 June 2020: 3.9%).

Precinct has continued to progress our capital recycling opportunities. This includes the divestment of the remaining 50% of the ANZ Centre in Auckland for $177 million in the period. The proceeds from this sale were used to repay bank debt and reduce leverage.

Capital management metrics

	2021	2020
Debt drawn ($ millions)[1]	**1,052.7**	951.7
Gearing - banking covenant (%)	**28.2**	28.8
Weighted average term to expiry (years)	**3.5**	3.9
Weighted average debt cost (incl fees) (%)	**3.4**	3.9
Percentage of debt hedged (%)	**54.1**	56.0
Weighted average hedging (years)	**3.4**	3.9
Interest coverage ratio (previous 12 months) (covenant 1.75 times)	**2.4**	2.4
Total debt facilities ($ millions)	**1,596**	1,196

1 *Excludes the USPP note fair value adjustment of $31.1 million (June 2020: $69.3 million) and convertible note option valuation. Interest bearing liabilities are detailed in Note 20 of the Financial Statements.*

> We have strengthened Precinct's balance sheet during the 2021 financial year following the successful completion of our capital management initiatives. We are ensuring we are in the best financial position to take our business forward.
>
> **RICHARD HILDER, CFO**

Operational update

Precinct's portfolio continues to benefit from quality occupiers, a long WALT, high occupancy levels, and lease review structures that will generate earnings growth. At balance date, overall portfolio occupancy was 98% (June 2020: 98%) and Precinct's WALT was 7.7 years (June 2020: 8.0 years). In total, 30 leasing transactions were completed across 15,800 sqm of space. This includes welcoming several new clients to our portfolio as well as retaining a number of existing clients. Rentals achieved on new office leases were on average 2.7% higher than valuation rents at 30 June 2020. In Auckland, key leasing includes a 6-year lease to Generate KiwiSaver over level 9 of Jarden House, and a new 9-year lease to Aon over levels 20 and 21 at the Aon Centre (previously known as AMP Centre). In addition, a new 11-year lease to the Serious Fraud Office over Level 8 at the HSBC Tower has also been secured. In Wellington, a new 4-year lease was agreed with AWS at NTT Tower, as well as a 5-year extension with Kathmandu on the ground floor of the Aon Centre. Including structured rent reviews, Precinct completed a total of 117,207 sqm of reviews at a 2.4% premium to previous contract rental. There were 12,500 sqm of market rent reviews which were settled at a 4.4% premium to 30 June 2020 valuation rentals. At 30 June 2021 Precinct's portfolio is under-rented by 5.9% (June 2020: 2.9% under-rented).

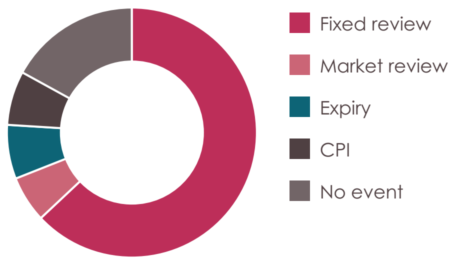
Operational metrics

Operational metrics

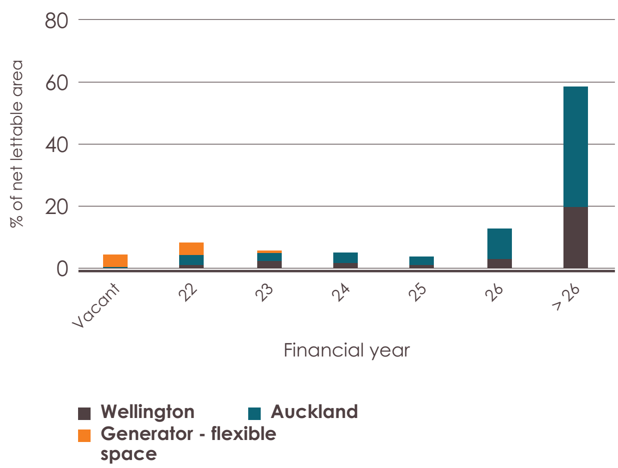
	2021	2020
Precinct		
Occupancy (%)	**98**	98
WALT (years)	**7.7**	8.0
NLA (sqm)	**266,248**	269,901
Under-renting (%)	**5.9**	2.9
Leasing	**15,800**	12,600
Generator		
Occupancy (%)	**71**	89
Members	**1,386**	1,400
Sites	**8**	7
Sqm	**13,600**	13,900
Revenue ($m pa)[1]	**15.5**	18.6

1 *Includes intersegment revenue*

FY22 key leasing events



Lease expiry profile by contracted revenue



Sustainability at Precinct.

Precinct has publicly reported annually on sustainability since 2015. Ensuring we are actively monitoring our performance and providing clear and accurate reporting underpins our managing of our ESG risks and opportunities.

This Annual Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (core option).

As the largest owner and developer of premium inner-city real estate in Auckland and Wellington, we continue to focus on understanding and responding to our material ESG issues. These include our material issues (noted on the next page) which provide a comprehensive response to all ESG factors material to the business.

We are very proud of the results we have achieved over the last year. They reflect the progress we are making through advancement of certain initiatives. We again improved our GRESB score from 77 to 83. We are trending well ahead of the global average of 70 and we rate a public disclosure level B against the global average C. Pleasingly, Precinct also received a score of B- following our participation in the CDP.

Our proactive approach in responding to our ESG risks and opportunities is strengthening how Precinct defines sustainability and we strive to further improve on our material ESG issues.

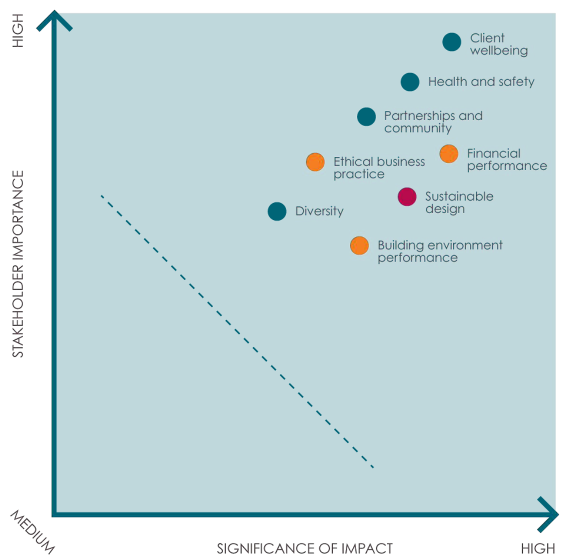
The growing awareness of buildings' environmental impacts, developing carbon legislation, and clients' increased expectations, make the environmental performance of our buildings a significant material issue. The risks and opportunities related to climate impacts resulting from the transition to a low-carbon economy can be divided into 2 major categories:

- Transition risks – risks related to the transition to a lower-carbon economy
- Physical risks – risks related to the physical impacts of climate change.

As part of Precinct's approach to climate-related risks and opportunities, we have identified both physical and transition climate-related risks. Risks have been identified through Precinct's climate-related risk register as part of its overall Risk Management Plan. We have evaluated risk based on the short term (< 2 years), medium term (2 –10 years) and long term (10+ years). All of Precinct's climate-related risks have been recorded in Precinct's Climate Risk Register. Risks are categorised by the risk type, risk driver, time horizon and potential financial impact. This register is reviewed at least annually. While the key transition and physical risks identified to Precinct are not currently impacting business growth, they must be monitored, evaluated, and mitigated. Precinct has identified 13 specific climate change risks. An overview of our highest rated physical and transition climate-related risks is presented in our Taskforce on Climate-related Financial Disclosures (TCFD) framework, which can be found on our website.

Our Sustainability framework

Precinct's materiality matrix [1]



1 *Precinct's materiality matrix presented above is based on the aggregation of Precinct's material topics (on the next page) and an assessment of their relative materiality and meets the requirements of the GRI Standards. It reflects Precinct's significant economic, environmental and social impacts where 'impact' refers to the effect Precinct has on the economy, the environment and/or society.*

Our material issues

Precinct's material sustainability topics have remained relatively unchanged in 2021, as validated by a desktop review, and are presented below. Our material sustainability topics considers a wide range 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).

The following topics were determined to be material to Precinct:

Material topic	Topic component
Client wellbeing	• Client wellbeing and productivity • Quality space • Client satisfaction
Health and safety	• Health and safety
Financial performance	• Occupancy rates/weighted average lease term • Earnings outlook • Commercial and investment returns • Flexible financing for Green Building • Investment due diligence
Partnerships and community	• Partnerships with Mana Whenua, local and central government, and council-controlled organisations • Sponsorships, financial and in-kind donations • Strengthening communities
Sustainable design	• Efficient design • Contributing to urban vibrancy/prosperity
Ethical business practice	• Code of ethical conduct • Whistle-blower Policy
Diversity	• Diversity
Building environmental performance	• Carbon emissions • Waste reduction • Water use • Greenstar/NABERSNZ ratings

TOITŪ CARBON ZERO ISO 14064-1 ORGANISATION

GRESB REAL ESTATE Member

CDP DISCLOSURE INSIGHT ACTION

MSCI ESG RATINGS BBB

Sustainability at Precinct. *(Continued)*

Client wellbeing.

Creating environments in which our clients can thrive.

Our approach

Client wellbeing continues to be Precinct's most highly material topic measured by high stakeholder importance and high significance of impacts. Client wellbeing is centred around quality space – a healthy environment where positive social outcomes and economic success is achieved. It is critical to the long-term success of our business and we are seeing first-hand the positive results in our leasing activity when attracting and retaining clients within our portfolio.

We seek and record client feedback from independently run client satisfaction surveys to help us understand and improve client wellbeing. Conducted every 2 years, the most recent survey is currently being undertaken. This year, we have improved our client survey and extended our questions on:

- Relationship management
- Communication
- Overall interaction
- Amenity, service and experience
- Overall service provided by Precinct

In addition, we have also extended the number of people we have sent the client survey to, we are including more staff of each of our clients and members of Commercial Bay Club. Preliminary results from our latest survey show that overall satisfaction of working in a Precinct-owned or managed building is 87%. Due to the survey still being finalised, we will share more detail on our results in our next Annual Report.

HSBC Tower lobby redevelopment complete

As shared with you last year, Precinct undertook a full lobby redevelopment at 188 Quay Street. The lobby re-opened in September 2020. It now provides:

- A new full cafe offering in addition to Little Quay - the grab-and-go offering on the eastern side of the lobby operated by Mojo
- Brand new Commercial Bay Meeting and Event Suites - operated by Generator, offering a premium event spaces suitable for large board meetings, seminars and events
- Relocated in-house concierge service and increase of greenery
- A seamless connection through to Commercial Bay's food and beverage space and retailers.

Performance

Measuring our progress against targets

Overall client satisfaction score

87%

Target ≥80% (FY20: 70%)

Portfolio composition

99%

Target ≥100% Investment portfolio of A Grade or better (FY20: 100%)

Portfolio value of Green Assets

$1,938m

Eligible assets which meet the criteria as per the Green Asset table on page 56 of this annual report

Mojo cafe, HSBC Tower lobby

Feedback on the improved amenities provided to our clients has been very positive to date.

Financial performance.

Positive 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 70 to 96.

Performance

Measuring our progress against targets

Occupancy and secure income stream

98%

Target ≥98% (FY20: 98%)

Annualised 5-year dividend growth

3.0%

Target long term sustainable returns to shareholders

Precinct received a rating of BBB (on a scale of AAA-CCC) in MSCI ESG Ratings assessment. MSCI Ratings aim to measure a company's resilience to long-term, financially relevant ESG risk.

Precinct has been a constituent of the FTSE EPRA Nareit Global Real Estate Index and FTSE EPRA Nareit Green Indexes since March 2020.

Sustainable design.

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

Our approach

By recognising the role we have in contributing to urban vibrancy and the prosperity of a city centre, we define sustainable design as the creation of built spaces which deliver net positive environmental, social and economic value. Precinct continues to focus its sustainability efforts on incorporating sustainable design across our assets and improving our operational performance. We are seeing the positive results from our investment in sustainable design.

Precinct targets both a 5 Green Star Design and As-built rating (Excellence) for new developments while targeting over 50% of the portfolio having at least a best practice (4 star) Green Star rating.

Performance

Measuring our progress against targets

5 Star design for new build projects

A description of our current ratings is included in the Investor Information section on page 56.

Precinct's overarching measure used as its core ESG indices performance benchmark is the Global Real Estate Sustainability Benchmark. GRESB assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real estate investments. It is considered the global standard for ESG benchmarking and reporting for real estate. Since Precinct's first submission in 2017, we have improved our score year on year. In addition, we rate a public disclosure level B against the global average C. We continue to target a score which is above both the GRESB global average and the NZ/AUS peer average. The Australia and New Zealand real estate sector continue to lead globally in ESG performance, with Australia maintaining its top ranking. Submissions for 2021 have now been made with results to be disclosed in our 2022 Annual Report.

Sustainability at Precinct. *(Continued)*

Building environmental performance.

Reducing carbon, energy use and waste.

Our approach

The environmental performance of our buildings includes the energy they consume, the waste they generate and their operational greenhouse gas (GHG) emissions. Precinct is committed to minimising our environmental footprint in the built environment with a conscious effort to help protect the natural environment we are part of. Improving the environmental performance across our buildings is therefore a key part of our sustainability strategy.

Our facilities management team are responsible for maintaining, assessing and upgrading our buildings' plant and building management systems on an ongoing basis. This ensure Precinct's buildings achieve their optimal environmental performance levels.

Precinct also have an ongoing partnership with the New Zealand Green Building Council (NZGBC) on current and future carbon legislation (zero carbon) to promote and lead industry-wide environmental practices. With New Zealand's built environment said to account for approximately 20% of the country's carbon emissions, the building and construction sector has an important role in achieving zero carbon. We know there is much work to be done and this relies heavily on businesses, industry bodies and Government working together.

Performance

Measuring our progress against targets

NABERSNZ

Currently 4 buildings in our portfolio have a 3.5 star or above NABERSNZ™ rating with several ratings currently underway

Target 100% of buildings ≥ 3 stars and above.

Carbon zero

Toitū carbonzero certification validated for second year

The Mason Bros. Building is the first project in the country to receive a 6 Green Star As-built rating, the highest possible rating for environmental impact, reflecting the building's world-leading sustainability credentials. It also has a 5.5 NABERSNZ Energy Base Building rating.

Climate performance

As New Zealand transitions to a low-carbon economy, we acknowledge that companies in the real estate sector along with the building and construction sectors have an integral role in adapting and seeking to mitigate the impacts of climate change in the built environment. We recognise that to maximise the benefits of our efforts in reducing our climate impacts, both measuring and managing emissions is key. Precinct have chosen to participate in the Carbon Disclosure Project (CDP) as the key measure of climate (carbon) performance. CDP runs the global environmental disclosure system and supports thousands of companies on an annual basis to measure and manage their risks and opportunities on climate change, water security and deforestation. It scores companies and cities based on their disclosure towards environmental leadership. Precinct received a 2020 score of B-.

As part of the CDP process and in line with our focus on reducing carbon, Precinct achieved Toitū carbonzero certification in 2020 and validated its Toitū carbonzero certification for a second year in 2021. Precinct meets the requirements of Toitū carbonzero® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006. Toitū carbonzero certification is accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ). This provides assurance that our certification meets international best practice. Precinct continues to offset its unavoidable emissions from our operations by allocating high-impact carbon credits from a Gold Standard-certified international project.

NABERSNZ™ building energy efficiency

NABERSNZ™ is a system for rating the energy efficiency of office buildings. For more information on NABERSNZ™ ratings see https://www.nabersnz.govt.nz/about-nabersnz/types-of-ratings/

Currently 4 buildings in Precinct's investment portfolio have a certified NABERSNZ™ building energy efficiency rating. All certified buildings have a rating of 3.5 stars or above. A 3-star rating indicates a good performance and a 4-star rating indicates an excellent performance.

	Emissions (tCO2e)			Variance (change %)	
Total carbon emissions	**FY20**	**FY19**	**FY17 (base)**	**to FY19**	**to base year**
Verified	**Yes**	Yes	Yes		
Scope 1	**1,974**	2,036	2,488	(3.0)	(20.7)
Scope 2	**1,361**	1,408	1,808	(3.3)	(24.7)
Scope 3	**578**	579	10	(0.2)	N/A
Total	**3,913**	**4,024**	**4,306**	**(2.8)**	**(9.1)**
Carbon emission intensity	Emissions (tCO2e)/sqm				
Scope 1	**8.9**	10.1	10.4	(11.1)	(14.3)
Scope 2	**6.4**	6.7	7.7	(3.5)	(15.9)
Scope 3	**1.8**	1.9	0.0	(1.8)	N/A
Total	**17.2**	**18.6**	**18.1**	**(7.5)**	**(5.0)**

Offsetting embodied carbon

Last year we shared that we would be offsetting the embodied carbon from construction at our development project 40 Bowen Street in Wellington. This is now underway and through Toitū Envirocare, carbon credits for the 40 Bowen Street project have been purchased. We are very proud of proactively progressing this initiative throughout the year. Including the cost to offset the embodied carbon within the project budget was a first for Precinct. Post balance date, we are also pleased to share that we have progressed this initiative further by also purchasing carbon credits for the 44 Bowen Street project in Wellington, to compensate for the tonnes of CO2 equivalent embodied in the materials used and associated with construction to seek carbon neutrality. Precinct consider the construction of a zero-carbon building to currently be unfeasible both financially and physically and consider carbon offsetting to be an appropriate tool. Going forward, we plan to include the cost to offset embodied carbons in all our development feasibilities for future development projects, where feasible.

Ethical business practice.

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

Our approach

Disclosure on our ethical business practices, including our Code of Ethics and Financial Products Dealing Policy is reported in the corporate governance section of this report on page 43. 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 in the corporate governance section, along with our Financial Product Dealing Policy and other key governance documents.

Our performance

Measuring our progress against targets

Maintain best practice policies and culture of ethical business practice

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 ethics-related topics. No ethics related issues were reported via any whistle-blowing channels during the last financial year.

Diversity.

Achieve a diverse and highly inclusive workforce.

Our approach

Precinct recognises that 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 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).

Performance

Measuring our progress against targets

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

Our diversity performance is reported in the corporate governance section of this report on page 44.

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

Ongoing

RAINBOW TICK CERTIFIED www.rainbowtick.co.nz

Precinct creating a sustainable future

Sustainability at Precinct. *(Continued)*

Partnerships and community.

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

Our approach

Precinct have a strong belief that our properties need to contribute to the life of a city. Our business is well-positioned to strengthen communities in which we operate through positive contributions, engagement and support. We want to create environments in which people and businesses can thrive. In order to achieve this, we are focused on building strong and long-lasting relationships within our communities. This includes our relationships with key partners such as iwi, local government, council-controlled entities, industry bodies and community-based organisations.

Performance

Measuring our progress against targets

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

During the last 12 months, we have continued our social investments to Auckland and Wellington City Mission, Keystone Trust 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.

Engage with key stakeholders in our investment approach

Precinct continues to engage regularly with all our key stakeholders, ensuring all our key stakeholders are well informed.

HomeGround update

Auckland City Mission's HomeGround is nearing completion. Due to open late in 2021, HomeGround will primarily be a place of transformation and healing for Aucklanders in desperate need. Built for, by and with Aucklanders, including the support of Precinct, HomeGround will be Auckland's new home.

It will be the hub of the City Mission, bringing together permanent housing, expanded health and social services, state of the art addiction withdrawal facilities and a comprehensive programme of activities in a warm and welcoming space. The building includes 80 permanent apartment homes for people experiencing homelessness with a shared rooftop garden and residents' lounge, a community dining room, community spaces, a multi-disciplinary health centre, a pharmacy and addiction withdrawal services.

All of Auckland will be welcome to HomeGround once it opens, with beautiful community spaces, a function room and retail spaces. As the finishing touches are completed, the Mission team is preparing for a safe and smooth transition into HomeGround for service users, volunteers, staff and all visitors.

Precinct is committed to the ongoing support of the Auckland City Mission and to working in partnership with the Mission to deliver their HomeGround project, strengthening communities where we operate and creating positive social value.

You can read more about HomeGround at:

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

Matariki

Matariki signals the Māori New Year and this year was celebrated between 19 June and 11 July. Precinct, and Commercial Bay, are proud to have been able to support this festival. Commercial Bay was able to connect with all people visiting the centre, creating a positive experience that everyone was able to engage with while acknowledging the land that we are now custodians of.

Partnerships

Curated by visual artist, Jade Townsend,(Ngāti Kahungunu, Te Ātihaunui-a-Pāpārangi) the exhibition, *Whānau Mārama*, saw an unprecedented gathering of Māori artists and creatives to showcase a multitude of works representing different perspectives on Matariki, the Māori New Year. With over 16 artists presenting works in partnership with a range of retailers, Commercial Bay was transformed into a site for aspirational experiences with Māori art, while showcasing the beauty and architecture of the precinct itself.

Mō te wā tirotiro o Matariki i tēnei tau kua whakaahuahia ngā whiringa toa hei wāhi mō ngā kaitoi me ā rātou taonga.

For the Matariki observation period this year a group of retail stores were reimagined as spaces for artists and their taonga.

Sustainability at Precinct. *(Continued)*

Health and safety.

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

Our approach

Health and safety is one of Precinct's core corporate values.

We are committed to complying with all relevant legislation, regulations and standards. Our business is actively embedding a positive health and safety culture at Precinct and amongst all workers under our control.

Performance

Measuring our progress against targets

Onsite audit score

99%

Target ≥90% One Queen Street

95%

Target ≥90% (FY20: Bowen Campus 95%)

Precinct's Total Recordable Injury Frequency Rate (TRIFR)

During the year Precinct have engaged with our contractors to help us better track and record accurately on our reported frequency rates for all our fitout and development projects. Precinct recorded 3.37 for its health and safety TRIFR performance, an improvement on the benchmark TRIFR of 4.66 from the Business Leaders' Health and Safety Forum benchmarking initiative. More details can be found at: https://forum.org.nz/resources/benchmarking-project/

We recorded 281 health and safety incidents in the year compared to 265 reported in FY20. Precinct's recorded incidents include observations, near misses, first aid injuries, medical treatment injuries and lost time injuries. We had one significant incident resulting in serious injury on one of Precinct's development sites. This site is under the direct control of Precinct's appointed main contractor and the incident was immediately reported to WorkSafe.

Approximately 18% of recorded incidents were classified as minor (for example, rolled ankles, minor cuts and grazes). 6% of our recorded incidents were reported as intoxicated incidents within the Commercial Bay centre. While the type and number of incidents are generally minor (and are to be expected given the number of food and beverage outlets within the centre), management have created a committee comprising food and beverage retailers and Hospitality NZ to ensure that a coordinated and best practice approach to managing alcohol is being adopted. A total of 216 recorded incidents occurred on our stabilised property portfolio. The remainder (65) of our recorded incidents occurred on our development sites which are under the direct control of a Precinct-appointed main contractor. This ratio reflects the completion of Commercial Bay and the fact that much of Precinct's property portfolio has now stabilised with the size of developments during the current reporting period significantly less than the previous financial year. Over 204 principal audit and monitoring inspections were undertaken during FY21. 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 health and safety meetings and specific health and safety workshops. This included 34 external audits by Construct Health Limited, with audit scores averaging 97% for 30 Waring Taylor, 98% for 1 Willis Street, 95% for Bowen Campus stage 2 and 99% for 1 Queen Street during the year. We continue to support Mates in Construction and Precinct is part of the Private Sector Advisory Group for Construction Health and Safety New Zealand (CHASNZ).

Focus on Wellbeing

As part of its wellbeing programme, Precinct has focussed on the importance of mental health awareness, with a particular focus on resilience. The Employee Assistance Programme is promoted within the businesses and is used on a regular basis.

The Commercial Bay Club has been running a successful wellness speakers' series and has had guest speakers come in to talk to both Precinct staff and clients about energising yourself using food and movement. Precinct continues to prioritise staff physical wellbeing by providing fresh fruit in the office, running bootcamps in Auckland and offering gym memberships to employees in the Wellington office.

A key focus in FY22 will be to ensure that Precinct's operating businesses, Generator and Commercial Bay Hospitality, are also enabled to support staff wellbeing and mental health.

Benchmarking our performance

Precinct have chosen to use the Business Leaders' Health and Safety Forum Benchmarking initiative to report its Total Recordable Injury Frequency Rate against. The Forum's annual Benchmarking project enables participating members to compare their performance with that of peers and others outside their industry. Construction is one of the sectors included. In 2020, 74 members took part in the benchmarking. The intiative uses OSHA definitions for injuries, and all frequency rates are based on 200,000 hours worked. The Total Recordable Injury Frequency Rate includes all recordable injuries/illnesses (Medical Treatment Injury, Restricted Work Injury or Illness and Lost Time Injury). In the absense of a readily available and publicly reported benchmark for non-residential construction in New Zealand, we believe the Business Leaders' Health and Safety Forum Benchmarking initiative is an appropriate measure to record Precinct's health and satety performance against and track our progress.

Health and Safety Policy

Our Health and Safety Policy guides our management approach and includes the following requirements:

- **Training** – All Precinct staff receive regular training including external accreditation where relevant to their role.
- **KPI's** – All Precinct 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	Health and Safety Committee	▶	Audit and Risk Committee	▶	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.

Pre-Qualification – All contractors are required to be prequalified with Prequal, an externally managed dedicated contractor pre-qualification system.

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

Internal review – Precinct's Health and Safety (H&S) Committee meets monthly and provides oversight on all health and safety 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 Construct Health Limited, Precinct also instigates annual third party reviews of its processes by Marsh and ICSafety Solutions. During 2021, Precinct commenced a comprehensive review of its Health and Safety Policy and processes with Beca.

Board of directors.

Craig Stobo

Chair, Director, Independent, BA (Hons) First Class Economics, CFInstD, Associate Member CFA Society NZ

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.

Anne Urlwin

Director, Independent, BCom, FCA, CFInstD, MAICD, ACIS, FNZIM

Anne is a professional director with experience in a range of sectors including construction, infrastructure, telecommunications, renewable energy, health and financial services.

She is a director of Summerset Group Holdings Ltd, Queenstown Airport Corporation Ltd, City Rail Link Ltd and Cigna Life Insurance New Zealand Ltd.

Anne is a chartered accountant and is a former Chair of national commercial construction group Naylor Love and of the New Zealand Blood Service, and a former director of Chorus Ltd and Tilt Renewables Ltd.

Graeme Wong

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

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 Tourism Holdings Limited, 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 Chair of Harbour Asset Management Limited, director of CMT Industries Limited, Areograph 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.

Nicola Greer

Director, Independent, MCom (Hons)

Nicola is a professional company director. She has extensive experience in New Zealand, Australia and the UK in the banking and finance sectors, previously holding a range of roles within financial markets and asset and liability management at ANZ, Citibank and Goldman Sachs. She has a significant background in the New Zealand commercial property market, developing and owning commercial property across a variety of sectors. Nicola is currently a director of Airways Corporation, Fidelity Life Assurance Ltd, South Port NZ, New Zealand Railways Corporation, and is a Member of the New Zealand Markets Disciplinary Tribunal.

Mark Tume

Director, Independent, BBS, Dip Bkg Stud

Mark has governance experience with both public and private companies across the infrastructure, energy, and investment sectors in Australia and New Zealand. He is the Chair of Infratil, Ngai Tahu Holdings Corporation, Te Atiawa Iwi Holdings, and a director of Retire Australia Pty.

Christopher Judd

Director, Independent

Chris Judd has over 32 years' experience in the property industry including a 17 year association with property and property funds in New Zealand in both public and private markets. Chris has had various senior executive leadership roles including Head of Real Estate Funds Management for AMP Capital Australia with executive and governance responsibilities in Australia and New Zealand for a A $20b+ platform. More recently Chris consulted to Blackstone Real Estate Australia. 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 was a member of the International and Capital Markets Division Committee.

Mohammed Al Nuaimi [2.]

Director, Shareholder Appointee, CFA

Mohammed Al Nuaimi has been appointed as a representative of Haumi Company Limited.

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.

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

As Mohammed has been appointed under a provision in the constitution which allows a shareholder holding more than 15% of the Company's shares to appoint one director, he is not required to retire in accordance with Rule 2.7.1.

Post balance date Precinct Director changes

Post balance date, Nicola Greer and Mark Tume were appointed as Independent Directors, effective 16 July 2021 and 11 August 2021, respectively. Independent Director Launa Inman and Non-Executive Director Robert Campbell retired from the Board on 31 July 2021 and 11 August 2021 respectively.

2. Aditya Bhargava is the alternate Director for Mohammed Al Nuaimi.

Executive team.

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 Master's 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

Deputy Chief Executive Officer

George joined Precinct in 2010. Initially appointed as Chief Financial Officer, George then held the role of Chief Operating Officer for 5 years before taking on his current role. George plays a leading role in setting Precinct's strategy as well as development and major projects and leads Precinct's investment into shared workspace provider Generator. He has oversight of commercial transactions across the business, as well as responsibility for business growth.

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

George has a Bachelor of Science (Honours) degree from The University of Edinburgh 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.

Nicola McArthur

General Manager – Marketing, Communications and Experience

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 Precinct's investment portfolio, including Commercial Bay Retail and Generator, and Precinct's 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.

Tim Woods

General Manager – Development

As General Manager – Development Tim has overall responsibility for Precinct’s development projects including One Queen Street and Wynyard Quarter in Auckland and Bowen Campus in Wellington. Tim also has a shared responsibility for progressing new development opportunities for Precinct. Tim has worked in the property industry for the past 24 years in both the UK and New Zealand. Tim has been with Precinct for 5 years, working on the Commercial Bay development and most recently as Project Director leading the redevelopment of One Queen Street. Previous roles include leading the development arm of a large New Zealand property consultancy firm. In the UK, Tim held senior roles with a number of leading UK property companies across consultancy and construction companies.

Tim holds a Bachelor of Engineering (Hons) (Structural & Civil) degree and a Masters in Business Administration (Hons) from Auckland University.

Anthony Randell

General Manager – Property

As the General Manager – Property, Anthony leads the Auckland, Wellington, and retail property teams and has responsibility for the performance of the Precinct portfolio. Anthony joined Precinct in 2011 as an Investment and Development Analyst. In 2015, Anthony transitioned to the development team being appointed as the Development Manager responsible for the delivery of Commercial Bay's PwC office tower. Prior to being appointed to his current role, Anthony was the Auckland Portfolio Manager responsible for the investment performance of the Auckland Portfolio.

Anthony has a Bachelor of Business Studies (Valuation and Property Management) from Massey University. He is a Registered Valuer and began his career as a commercial valuer, working at Colliers International for 4 years.

5 year summary.

(Amounts in $ millions unless otherwise stated)	2017	2018	2019	2020	2021
Financial performance					
Gross rental revenue	126.2	130.7	135.7	151.8	**199.8**
Less direct operating expenses	(35.8)	(35.4)	(40.4)	(46.0)	**(72.1)**
Operating profit before indirect expenses	**90.4**	**95.3**	**95.3**	**105.8**	**127.7**
Net interest expense	(3.4)	(2.2)	(1.7)	(5.0)	**(27.2)**
Other expenses	(9.8)	(10.2)	(15.8)	(13.3)	**(17.5)**
Operating income before income tax	**77.2**	**82.9**	**77.8**	**87.5**	**83.0**
Non operating income / (expense)					
Unrealised net gain in value of investment and development properties	77.5	208.7	161.7	(66.3)	**282.9**
Other non operating income	11.8	(11.1)	(37.7)	12.0	**(219.9)**
Net profit before taxation	**166.5**	**280.5**	**201.8**	**33.2**	**146.0**
Current tax expense	(2.5)	(6.3)	(0.1)	(5.0)	**67.8**
Depreciation recovered on sale expense	-	-	(10.7)	(1.4)	**(10.5)**
Deferred tax benefit / (expense)	(1.9)	(17.0)	0.3	3.4	**(15.6)**
Total taxation (expense) / benefit	**(4.4)**	**(23.3)**	**(10.5)**	**(3.0)**	**41.7**
Share of profit or (loss) of joint ventures	-	(2.3)	(1.1)	-	**-**
Net profit after taxation (NPAT)	**162.1**	**254.9**	**190.2**	**30.2**	**187.7**
Total other comprehensive income / (expense)			**0.2**	**4.9**	**(7.8)**
Total comprehensive income after tax attributable to equity holders	**162.1**	**254.9**	**190.4**	**35.1**	**179.9**
Dividends					
Net dividend (cents)	**5.60**	**5.80**	**6.00**	**6.30**	**6.50**
Reconciliation from NPAT to Adjusted funds from operations					
Net profit after taxation (NPAT)	**162.1**	**254.9**	**190.2**	**30.2**	**187.7**
Unrealised net (gain) / loss in value of investment and development properties	(77.5)	(208.7)	(161.7)	66.3	**(282.9)**
Unrealised net (gain) / loss on financial instruments	(11.8)	11.1	44.3	1.9	**(19.7)**
Net realised loss on sale of investment properties	-	-	1.7	2.5	**2.4**
Termination of management services agreement	-	-	-	-	**217.1**
Impairment of goodwill	-	-	-	-	**9.8**
Net realised (gain) on disposal of investment in joint venture	-	-	(6.6)	-	**-**
Depreciation - property, plant and equipment	-	-	0.3	1.1	**1.4**
Depreciation recovered on sale	-	-	10.7	1.4	**10.5**
Deferred tax (benefit) / expense	1.9	17.0	(0.3)	(3.4)	**15.7**
IFRS 16 lease adjustments	-	-	-	2.3	**1.9**
Generator (profit) / loss	-	2.3	1.1	-	**-**
Funds from operations (FFO)					
Less: Liquidated damages revenue (net of tax)	-	-	(1.4)	(19.2)	**-**
Tax from management services termination payment					**(60.8)**
Swap closeout relating to ANZ Centre Sale					**3.0**
One off item - project initialisation costs					**0.7**
Addback: Amortisations	6.4	7.2	7.1	7.9	**13.8**
Straightline rents	(0.2)	(0.4)	(0.3)	(0.5)	**(4.0)**
Funds from operations	**80.9**	**83.4**	**85.1**	**90.5**	**96.6**
Funds from operations (cents)	6.68	6.88	6.82	6.89	**7.34**
Dividend payout ratio based on FFO (%)	83.8	84.3	88.0	91.4	**88.6**
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	(5.8)	(4.9)	(7.2)	(5.0)	**(4.0)**

(Amounts in $ millions unless otherwise stated)	2017	2018	2019	2020	2021
Less: Incentives and leasing costs	(9.3)	(8.3)	(3.9)	(2.8)	**(7.3)**
Adjusted funds from operations	**65.8**	**70.2**	**74.0**	**82.7**	**85.3**
Adjusted funds from operations (cents)	5.43	5.80	5.94	6.29	**6.48**
Dividend payout ratio based on AFFO (%)	103.1	100.0	101.7	100.0	**100.3**

(Amounts in $ millions unless otherwise stated)	2017	2018	2019	2020	2021
Financial position					
Total investment assets	1,535.4	1,678.8	1,870.5	2,800.1	**3,076.4**
Total development assets	509.2	838.1	923.2	190.6	**232.4**
Other assets	34.6	44.8	97.7	194.5	**147.6**
Total assets	**2,079.2**	**2,561.7**	**2,891.4**	**3,185.2**	**3,456.4**
Interest bearing liabilities	456.9	761.7	758.4	1,028.9	**1,096.1**
Other liabilities	116.7	109.3	177.8	247.9	**139.7**
Total liabilities	**573.6**	**871.0**	**936.2**	**1,276.8**	**1,235.8**
Total equity	1,505.6	1,690.7	1,955.2	1,908.4	**2,220.6**
Number of shares (m)	1,211.1	1,211.1	1,313.8	1,313.8	**1,458.5**
Weighted average number of shares (m)	1,211.1	1,211.1	1,246.7	1,313.8	**1,316.5**
Net tangible assets per share (cps)	**1.24**	**1.40**	**1.47**	**1.44**	**1.51**
Net asset value per security (cps)	**1.24**	**1.40**	**1.49**	**1.45**	**1.52**
Share price at 30 June ($)	1.24	1.35	1.77	1.57	**1.60**
Covenants					
Loan to value ratio (%)	25.1	25.0	22.4	28.8	**28.2**
Interest coverage ratio	3.9	2.4	2.0	2.4	**2.4**
Key portfolio metrics					
Average portfolio cap rate (%)	6.2	5.8	5.7	5.3	**4.8**
Weighted average lease term (years)	8.7	8.7[1]	9.0	8.0	**7.7**
Occupancy (% by NLA)	100	99	99	98	**98**
Net lettable area (sqm)	224,430	221,513	232,210	269,901	**266,248**
Number of investment properties	12	12	14	14	**16**

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 2021 Annual Report in accordance with the Global Reporting Intiative (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 - 10 https://www.precinct.co.nz/about-us/
Location of headquarters	102 - 3	Page 100
Location of operations	102 - 4	Page 100
Ownership and legal form	102 - 5	Page 74, Limited Liability Company registered in New Zealand
Markets served	102 - 6	Page 16
Scale of the organisation	102 - 7	Page 10
Information on employees and other workers	102 - 8	Page 43
Supply chain	102 - 9	Pages 32, 28, 48
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 30
Membership of associations	102 - 13	Page 30
Statements from senior decision-maker	102 - 14	Page 12 - 13, 14 - 15
Values, principles, standards, and norms of behaviour	102 - 16	https://www.precinct.co.nz/corporate-governance
Governance and structure	102 - 18	Pages 43 - 45
List of stakeholder groups	102 - 40	Page 25
Collective bargaining agreements	102 - 41	None
Identifying and selecting stakeholders	102 - 42	Page 25
Approach to stakeholder engagement	102 - 43	Page 25
Key topics and concerns raised	102 - 44	Page 25
Entities included in the consolidated financial statements	102 - 45	Page 74
Defining content and topic Boundaries	102 - 46	Page 25
List of material topics	102 - 47	Page 25
Restatements of information	102 - 48	None
Changes in reporting	102 - 49	None
Reporting period	102 - 50	July 1, 2020 – June 30, 2021
Date of most recent report	102 - 51	2020 Annual Report (August 2020)
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 40 and 41
External assurance	102 - 56	Yes (GHG only)

Topic specific disclosures

Disclosure Title	GRI	Location or Reference
Energy		
Disclosure on management approach	103	Pages 28 and 29
Energy intensity	302-3	Page 28
Emissions		
Disclosure on management approach	103	Page 28 and 29
GHG emissions intensity	305-4	Page 28
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 29, 43 and 44
Diversity of governance bodies and employees	405-1	Page 44
Client wellbeing – non GRI		
Disclosure on management approach	103	Page 26
Partnerships and community – non GRI		
Disclosure on management approach	103	Page 30
Sustainable design – non GRI		
Disclosure on management approach	103	Page 27
Building environmental performance – non GRI		
Disclosure on management approach	103	Page 28


ENVIRONMENT HOUSE

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 representatives 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. 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 comply with the NZX Corporate Governance Code as at 30 June 2021. 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, 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. Precinct's Code of Ethics includes a whistle-blowing clause for reporting unethical or unlawful behaviour.

Financial Product Dealing Policy – The Financial Product Dealing Policy applies to all directors and officers of Precinct and 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 currently has seven directors, the majority of whom are independent (as defined by the NZX Listing Rules). Precinct undertakes a regular review of Board composition to ensure Board membership comprises a range of appropriate skills and experience so that it has a proper understanding of and competence to deal with the current and emerging issues of the business, can effectively review and challenge the performance of management and can exercise independent judgement. The Chair meets regularly with Directors of Precinct to discuss individual performance of Directors. The Board regularly reviews its performance as a whole. When considering the appointment of the two new directors in 2021, the Board reviewed the skills of each director and believes the individual expertise and experience of all current directors as set out in the Board of Directors section of this report meet the objectives of Precinct.

All Precinct directors are non-executive and the board composition and performance is compliant in all respects with the NZX Corporate Governance Code recommendations.

Precinct will notify the market of a reclassification of a non-independent director to independent director (or vice versa).

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, as at 30 June 2021, the Board determined that the following persons were independent directors of Precinct: Craig Stobo, Graeme Wong, Anne Urlwin and Launa Inman. Each of these directors is subject to appointment by Precinct shareholders and is required to retire by rotation. Post balance date, Nicola Greer and Mark Tume were appointed as Independent Directors, effective 16 July 2021 and 11 August 2021, respectively. Post balance date, the Board determined that Chris Judd is also independent. Independent Director Launa Inman retired from the Board on 31 July 2021.

Non-Independent Director – Mohammed Al Nuiami is non-independent. Mohammed was appointed in 2013 as a director by AMP Haumi Management Limited pursuant to a provision in the constitution which grants the manager the right to appoint up to two directors. Following the termination of the management agreement in March 2021, Mohammed retained his board position as a representative of Haumi Company Limited under a provision in the constitution which allows a shareholder holding more than 15% of the Company's shares to appoint one director. Aditya Bhargava acts as alternate director for Mohammed. Mohammed is not required by Precinct's constitution (or by rule 2.7.1 of the NZX Listing Rules) to retire by rotation. Non-Executive Director Robert Campbell retired from the Board on 11 August 2021.

Subsidiary Company Directors – The directors for each of Precinct's subsidiary companies are all executive appointments and as at 30 June 2021 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 People and Performance Committee (previously Remuneration and Nomination Committee) assists the board in planning its composition and is responsible for

Corporate governance. *(Continued)*

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.

Company Secretary – Precinct's Company Secretary, who also holds the role of General Counsel, has a direct line of communication with the Chair, has unfettered access to the Chair and Audit & Risk Commitee, and is considered to be objective.

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 2021		30 June 2020	
	Female	**Male**	**Female**	**Male**
Directors	**2 (29%)**	**5 (71%)**	2 (25%)	6 (75%)
Officers	**1 (17%)**	**5 (83%)**	2 (25%)	6 (75%)
Management employees	**31 (48%)**	**33 (52%)**	32 (50%)	32 (50%)

For the purposes of measuring and reporting gender diversity, the term 'officers' is defined as the CEO and those who report to the CEO.

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.

Measurable objectives	30 June 2021	30 June 2020	30 Jun 2019	30 June 2018
Gender % of female staff	**48% (31)**	**50% (32)**	44% (25)	43% (24)
Age range	**23 - 65**	**21 - 64**	22 - 63	21 - 62

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 2021 is set out below.

Board of directors and attendance

Director	Independent director	Status	Date of appointment	Board meetings	Audit and Risk Com. meetings	People and Perf Com. meetings
Number of meetings				**9**	**4**	**8**
Craig Stobo	Yes	Board Chair	4 May 2010	9	4	8
Mohammed Al Nuaimi		Director	30 October 2013	3	n/a	n/a
Anthony Bertoldi*		Alternate Director for Mohammed Al Nuaimi	12 August 2014	-	n/a	n/a
Aditya Bhargava**		Alternate Director for Mohammed Al Nuaimi	18 November 2020	-	n/a	n/a
Rob Campbell		Director	2 April 2012	9	4	6
Don Huse***	Yes	Audit and Risk Committee Chair^	1 November 2010	2	1	n/a
Launa Inman	Yes	Director	18 November 2015	8	4	n/a
Chris Judd	Yes	Director	29 April 2013	9	n/a	8
Anne Urlwin	Yes	Audit and Risk Committee Chair^	16 September 2019	9	4	8
Graeme Wong	Yes	People & Performance Committee Chair	1 November 2010	9	n/a	8

* Anthony Bertoldi ceased to be Mohammed Al Nuaimi's alternate with effect from 18 November 2020.

** Aditya Bhargava was appointed as Mohammed Al Nuaimi's alternate with effect from 18 November 2020.

*** Don Huse retired from the board of directors with effect from 18 November 2020.

^ Upon Don Huse's retirement from the board of directors, Anne Urlwin became the Chair of the Audit and Risk Committee.

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 2021 there were two standing committees of the Board, being the Audit and Risk Committee and the People and Performance Committee (previously Remuneration and Nominations Committee). In May 2021, the Board established the Environmental, Social and Governance Committee. Our board committees are compliant in all respects with the NZX Corporate Governance Code recommendations. 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 at balance date comprised Anne Urlwin as Chair, Craig Stobo, Rob Campbell and Launa Inman. Since balance date Rob Campbell and Launa Inman have retired from the board and therefore also from the Audit and Risk Committee. It now comprises Anne Urlwin as Chair, Craig Stobo, Nicola Greer and Mark Tume. The committee has a majority of independent directors and complies with recommendation 3.1. 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 Audit and Risk Committee supervises the financial information flows of Precinct to ensure accuracy and objectivity of financial summaries.

The Environment, Social and Governance Committee was established in May 2021 and at balance date comprised Rob Campbell as Chair, Craig Stobo, Graeme Wong and Chris Judd. The initial Chair, Rob Campbell, has retired from the board since balance date and therefore has also retired from the Environment, Social and Governance Committee. It now comprises Nicola Greer as Chair, Craig Stobo, Graeme Wong and Chris Judd. The committee has a majority of independent directors and complies with recommendation 3.5.

The People and Performance Committee (previously the Remuneration and Nomination Committee) at balance date comprised Graeme Wong as Chair, Craig Stobo, Chris Judd, Anne Urlwin and Rob Campbell. Since the balance date Rob Campbell has retired from the board and therefore also from the People and Performance Committee. It now comprises Graeme Wong as Chair, Craig Stobo, Chris Judd and Anne Urlwin. The committee has a majority of independent directors and complies with recommendation 3.3 and 3.4. The committee's purpose is to:

- provide guidance to the board when approving the remuneration of directors and key management personnel;
- assist the board in planning the board's composition, evaluating competencies required of prospective directors and to make relevant recommendations to the board; and
- oversee the company's people policies, practices and procedures.

Management only attend meetings of the committee by invitation.

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.

Three separate Due Dilgence Committees were established during the year: one to consider the internalisation of the management contract; the second to consider matters relating to the capital raising; and the third to consider the Senior Green Bond issue.

The Due Diligence Committee for the internalisation of the management agreement met 11 times and comprised exclusively of independent directors, namely Craig Stobo, Anne Urlwin, Launa Inman and Graeme Wong.

The Due Diligence Committee for the capital raising met three times during the year and comprised Anne Urlwin, Craig Stobo, Graeme Wong and Chris Judd. The Due Diligence Committee for the green bond issue met three times during the year and comprised Anne Urlwin, Craig Stobo, Graeme Wong 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 reports against the Global Reporting Initiative (GRI) Standards, shown in the Sustainability Section.

Precinct manage and oversee risks internally within our organisation based on the Task Force on Climate related Financial Disclosure (TCFD) recommendations. An overview of our highest rated physical and transition climate related risks are presented in our Taskforce on Climate-related Financial Disclosures (TCFD) framework which can be found on our website. Climate-related risks are included in Precinct's Risk Register which forms part of the Audit & Risk papers, ensuring that Precinct's climate risks are appropriately reviewed and

Corporate governance. *(Continued)*

assessed and receive regular oversight via the Audit and Risk Committee.

Principle 5 – Remuneration

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

This year, additional disclosures have been made in our Remuneration Report to ensure that remuneration of both Directors and Management Personnel is transparent, fair and reasonable by aligning it with interests of the company and its shareholders, following the internalisation of the management of Precinct in 2021.

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. Director remuneration has been reviewed this year by independent advisors, PwC. Shareholder approval will be sought for any adjustments to Director remuneration at the upcoming Annual General Meeting of shareholders.

Our remuneration practices are compliant with the NZX Corporate Governance Code recommendations.

More information on remuneration of directors and executives can be found within the 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 (including climate 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 Management's 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 continued appointment of Precinct's external auditors is to be confirmed annually by the Audit and Risk Committee. Rotation of Precinct's client service partner and the lead and concurring audit partners of Precinct and its subsidiaries will be required every five years with suitable succession planning to ensure consistency.

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, as well as attend Precinct's annual meeting to answer questions from shareholders in relation to the audit.

Precinct's audit firm EY also provided other assurance services which include agreed upon procedures in respect of review of performance fee calculation, operating expense statement review and green bond assurance.

The first year of appointment of audit firm EY is 1997 and the first year of appointment of the current engagement partner, Emma Winsloe (EY) is 2018. Potential conflicts are resolved on a case by case basis between auditing and other accounting services provided by EY. Former partners of EY will not be appointed as directors of Precinct so long as EY continues to audit Precinct.

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 which may change the nature of Precinct is sought. In 2020 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.

Precinct designed its $250m placement and retail offer to provide equitable treatment of shareholders by seeking to maintain pro rata shareholdings for existing shareholders, where possible.

The 2021 Annual General Meeting of shareholders is scheduled for 4 November 2021

Similar to last year, it will be a hybrid (physical and virtual) Shareholder Meeting. More details on the meeting will be provided in the coming months.

NZX Rulings and Waivers

During the year to 30 June 2021, Precinct relied on the following waivers from the NZX Listing Rules:

Waiver relating to management internalisation

On 24 March 2021, NZ RegCo granted Precinct a waiver from Listing Rule 5.2.1. The effect of the waiver was to waive the requirement for Precinct to obtain an ordinary resolution of shareholders to terminate its management agreement with its manager, AMP Haumi Management Limited. The waiver was provided on conditions specified in paragraph 2 of the waiver decision, including that the directors of Precinct who were not "Associated Persons" of the manager certified that the terms of the transaction had been entered into and negotiated on an arm's length basis, that entry into the transaction was in the best interests of Precinct, and was fair and reasonable to Precinct and its shareholders who were not related to, or "Associated Persons" of, the manager. The independent directors of Precinct provided this certification.

Waivers relating to director appointments

During the year to 30 June 2021, Precinct relied on two waivers relating to the appointment of directors of Precinct. These waivers were originally granted on 21 October 2010 and were re-documented by NZ RegCo on 18 May 2020.

- A waiver from Listing Rule 2.7.1, to the extent necessary to allow the manager to elect two directors to the board of Precinct who are not required to retire in accordance with Rule 2.7.1. The waiver was provided on conditions specified in paragraph 9 of the waiver decision. Following the internalisation of Precinct's management function on 31 March 2021, Precinct no longer relies on this waiver.
- A waiver from Listing Rule 2.4.1, to allow Precinct to give 15% + shareholders the right to appoint a director to the board of Precinct. The waiver was provided on conditions specified in paragraph 6 of the waiver decision.

Copies of these waivers are available at: www.nzx.com/companies/PCT/announcements.

Non-standard Designation

Precinct's constitution currently contains a limited number of provisions not ordinarily contained in the constitution of an NZX listed company, arising from its previous external management structure. For the year to 30 June 2021, Precinct had a non-standard designation by NZ RegCo due to the inclusion of these provisions in its constitution. Precinct has asked NZ RegCo to remove this designation.

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		• 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		• Delegated authority in assessing effectiveness of internal controls and risk management processes • Delegated authority to regularly oversee and review the Risk Register
	Executive		• 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**	• Implement and maintain risk management policies • Create an environment that embraces risk management • Audit and monitor all live sites
Contractors	**Employees**	**Other**	• 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. **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.	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. Undertake annual business planning process to review the portfolio and help mitigate these risks.	▲	The New Zealand economy has been disrupted over the past 12 months due to COVID-19 however the path to recovery is becoming clearer as the economy expects moderate growth in the near term. The property markets Precinct operates in remain robust. It is evident that a two-tiered market is operating in both Auckland and Wellington with occupiers continuing to favour premium grade, well located assets surrounded by amenity.
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 proactively engage with the insurance market on renewals and continues to secure coverage.

Risks and impacts	How we manage the risk	Movement in the period	
Climate risk Climate risk includes physical risks (acute and chronic) and transitional risks. Physical risks could include events such as flooding, severity and frequency of storms and sea level rise. These risks could reduce revenue, increase maintenance capex and reduce asset values. Transitional risks include risks of transitioning to a low carbon economy including regulatory change. These risks could reduce the demand for Precincts products or increase compliance costs.	Precinct's Sustainability Committee acts as the custodian for Precinct's sustainability strategy and comprises representatives from various parts of our business. The committee meets frequently during the year. It is responsible for assessing, actioning and driving ESG issues, reviewing performance and considering Precinct's long-term strategy on sustainable activities across the business and reporting on its progress. An update is included in the Board papers on an ongoing basis including Precinct's climate risk register.	▲	Precinct recognises sustainability and climate risk is an important part of the ongoing operation of our business activities. Sustainability initiatives continued in the period with the business remaining focused on ongoing disclosure, reporting and improvement within this area.

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 approval. Through due diligence, Precinct understands the project risks before commitment. Before commitment, ensure funding is in place and committed gearing stays 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.	▼	As Precinct has grown in size following the completion of several developments. the level of development risk has significantly decreased. An appropriate level of development activity is underway however the risk has been reduced through high levels of pre-commit leasing secured and fixed price contract agreements in place.
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 remained low for majority of the 2021 financial year. The expectation is for interest rates to steadily increase in the near term due to the current economic conditions.

Corporate governance. *(Continued)*

Risks and impacts	How we manage the risk	Change	Movement in the period
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.	▼	Precinct undertook several capital initiatives in the period with a combined value of +$800m significantly reducing any refinance risk. Precinct continues to maintain sufficient funding capacity to deliver our committed developments.
Gearing levels An increase in gearing levels outside suitable industry standards could increase the risk of breaching financing covenants and may increase borrowing costs.	Precincts Financial Risk Management Policy is reviewed annually. Ensure no capital commitment is entered into without funding in place. Maintain adequate headroom in relation to gearing covenants to withstand portfolio devaluations which may be anticipated through the property cycle.	▼	Gearing levels 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 local employment market is experiencing a significant skills shortage primarily driven by border closures. Staff remain a key focus for the business at it continues to execute on strategic objectives.
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 KPIs for all Precinct staff.	▲	Appropriate monitoring and reporting continue to be implemented and refined to mitigate any potential risk. **Further information on Health and Safety is included in the Sustainability section.**

Investor information.

As at 30 June 2021

Shareholder information

Twenty largest shareholders

Rank	Shareholder	Number of shares	% of shares
1.	HSBC NOMINEES (NEW ZEALAND) LIMITED	322,352,300	22.10
2.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	81,635,982	5.60
3.	ACCIDENT COMPENSATION CORPORATION	75,436,882	5.17
4.	FNZ CUSTODIANS LIMITED	69,618,858	4.77
5.	HSBC NOMINEES (NEW ZEALAND) LIMITED	60,053,777	4.12
6.	ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND	57,269,620	3.93
7.	FORSYTH BARR CUSTODIANS LIMITED	46,007,715	3.15
8.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS	41,126,298	2.82
9.	NATIONAL NOMINEES LIMITED	39,342,869	2.70
10.	BNP PARIBAS NOMINEES (NZ) LIMITED	34,866,404	2.39
11.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	33,917,405	2.33
12.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED	33,079,227	2.27
13.	HSBC NOMINEES A/C NZ SUPERANNUATION FUND NOMINEES LIMITED - NZCSD	27,062,519	1.86
14.	CUSTODIAL SERVICES LIMITED	24,713,834	1.69
15.	INVESTMENT CUSTODIAL SERVICES LIMITED	23,385,437	1.60
16.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT	22,394,753	1.54
17.	BNP PARIBAS NOMINEES (NZ) LIMITED	22,172,214	1.52
18.	CUSTODIAL SERVICES LIMITED	21,121,550	1.45
19.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	19,799,840	1.36
20.	HOBSON WEALTH CUSTODIAN LIMITED	19,418,946	1.33
	Total Top 20 holders of Ordinary Shares	**1,074,776,430**	**73.69**

Source: Computershare

Shareholder distribution

Range	Total holders	Shares	% of issued capital
1 - 499	102	23,769	0.00
500 - 999	146	95,288	0.01
1,000 - 1,999	249	340,965	0.02
2,000 - 4,999	835	2,772,675	0.19
5,000 - 9,999	1,432	10,031,303	0.69
10,000 - 49,999	3,734	83,197,246	5.70
50,000 - 99,999	636	42,566,419	2.92
100,000 - 499,999	326	59,022,910	4.05
500,000 - 999,999	26	16,018,815	1.10
1,000,000 and over	49	1,244,431,501	85.32
Total	**7,535**	**1,458,500,891**	**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
Haumi Company Limited	237,889,419	16.311	24.06.2021
Accident Compensation Corporation (ACC)	75,536,882	5.179	28.06.2021
Jarden Securities Limited and Harbour Asset Management Limited	75,290,005	5.162	25.06.2021
ANZ New Zealand Investments Limited	98,562,003	7.502	6.04.2020
ANZ Bank New Zealand Limited	30,803,532	2.345	6.04.2020
ANZ Custodial Services New Zealand Limited	31,161,685	2.372	6.04.2020

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 holding notices

Quoted financial product holder	$ amount of convertible notes held at date of notice	%	Date of notice
Forsyth Barr Investment Management Limited	9,796,334	6.53	22.03.21
Jarden Securities Limited and Harbour Asset Management Limited	7,525,172	5.02	21.05.21

Source: NZX Substantial holding notices

The total number of ordinary shares on issue as at 30 June 2021 was 1,458,500,891. The total principal amount of convertible notes on issue as at 30 June 2021 was $150,000,000.

Donations

The Group made donations of $110,000 during the year to 30 June 2021 to Auckland City Mission and Wellington City Mission.

No political donations have been made during the year to 30 June 2021.

Bondholder information

Twenty largest PCT010 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	9,013,000	12.02
2.	HOBSON WEALTH CUSTODIAN LIMITED	8,976,000	11.97
3.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	8,810,000	11.75
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD	6,000,000	8.00
5.	FNZ CUSTODIANS LIMITED	5,511,000	7.35
6.	FORSYTH BARR CUSTODIANS LIMITED	5,136,000	6.85
7.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	3,062,000	4.08
8.	MINT NOMINEES LIMITED - NZCSD	2,757,000	3.68
9.	CUSTODIAL SERVICES LIMITED	2,635,000	3.51
10.	CUSTODIAL SERVICES LIMITED	2,118,000	2.82
11.	INVESTMENT CUSTODIAL SERVICES LIMITED	1,659,000	2.21
12.	FNZ CUSTODIANS LIMITED	1,636,000	2.18
13.	CUSTODIAL SERVICES LIMITED	1,468,000	1.96
14.	JBWERE (NZ) NOMINEES LIMITED	1,130,000	1.51
15.	CUSTODIAL SERVICES LIMITED	1,110,000	1.48
16.	CUSTODIAL SERVICES LIMITED	1,025,000	1.37
17.	ADMINIS CUSTODIAL NOMINEES LIMITED	1,000,000	1.33
18.	MMC LIMITED - NZCSD	900,000	1.20
19.	JBWERE (NZ) NOMINEES LIMITED	600,000	0.80
20.	THEAN SENG CHOW & KIM KEAT LIM	450,000	0.60
	Total Top 20 holders of PCT010 bonds	**64,996,000**	**86.66**

Source: Computershare

Bondholder distribution - PCT010

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	34	187,000	0.25
10,000 - 49,999	167	3,084,000	4.11
50,000 - 99,999	32	1,797,000	2.40
100,000 - 499,999	28	5,386,000	7.18
500,000 - 999,999	2	1,500,000	2.00
1,000,000 and over	17	63,046,000	84.06
Total	**280**	**75,000,000**	**100.00**

Source: Computershare

Investor information. *(Continued)*

Twenty largest PCT020 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	FNZ CUSTODIANS LIMITED	20,002,000	20.00
2.	FORSYTH BARR CUSTODIANS LIMITED	15,254,000	15.25
3.	HOBSON WEALTH CUSTODIAN LIMITED	11,070,000	11.07
4.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	6,316,000	6.32
5.	CUSTODIAL SERVICES LIMITED	5,193,000	5.19
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	4,250,000	4.25
7.	NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD	3,000,000	3.00
8.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	2,965,000	2.97
9.	CUSTODIAL SERVICES LIMITED	2,694,000	2.69
10.	CUSTODIAL SERVICES LIMITED	2,359,000	2.36
11.	FORSYTH BARR CUSTODIANS LIMITED	2,317,000	2.32
12.	INVESTMENT CUSTODIAL SERVICES LIMITED	1,785,000	1.79
13.	CUSTODIAL SERVICES LIMITED	1,536,000	1.54
14.	CUSTODIAL SERVICES LIMITED	1,205,000	1.21
15.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	1,000,000	1.00
16.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	1,000,000	1.00
17.	JBWERE (NZ) NOMINEES LIMITED	870,000	0.87
18.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED - NZCSD	810,000	0.81
19.	FNZ CUSTODIANS LIMITED	768,000	0.77
20.	FALSTAFF INVESTMENTS LIMITED	500,000	0.50
20.	INVESTMENT CUSTODIAL SERVICES LIMITED	500,000	0.50
	Total Top 20 holders of PCT020 bonds	**85,394,000**	**85.39**

Source: Computershare

Bondholder distribution - PCT020

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	44	251,000	0.25
10,000 - 49,999	294	5,929,000	5.93
50,000 - 99,999	51	2,922,000	2.92
100,000 - 499,999	33	5,504,000	5.50
500,000 - 999,999	5	3,448,000	3.45
1,000,000 and over	16	81,946,000	81.95
Total	**443**	**100,000,000**	**100.00**

Source: Computershare

Bondholder distribution - PCT030

Rank	Bondholder	Number of bonds	% of total
1.	ANZ FIXED INTEREST FUND - NZCSD	21,200,000	14.13
2.	FORSYTH BARR CUSTODIANS LIMITED	19,663,000	13.11
3.	FNZ CUSTODIANS LIMITED	15,326,000	10.22
4.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	13,605,000	9.07
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	9,300,000	6.20
6.	CUSTODIAL SERVICES LIMITED	7,192,000	4.79
7.	HOBSON WEALTH CUSTODIAN LIMITED	6,940,000	4.63
8.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	5,740,000	3.83
9.	MINT NOMINEES LIMITED - NZCSD	4,000,000	2.67
10.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	3,700,000	2.47
11.	NATIONAL NOMINEES LIMITED - NZCSD	3,700,000	2.47
12.	CUSTODIAL SERVICES LIMITED	3,498,000	2.33
13.	FORSYTH BARR CUSTODIANS LIMITED	3,237,000	2.16
14.	CUSTODIAL SERVICES LIMITED	2,749,000	1.83
15.	PIN TWENTY LIMITED	2,400,000	1.60
16.	ANZ WHOLESALE NZ FIXED INTEREST FUND - NZCSD	2,000,000	1.33
17.	QUEEN STREET NOMINEES ACF PIE FUNDS - NZCSD	1,900,000	1.27
18.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	1,845,000	1.23
19.	NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD	1,600,000	1.07
20.	CUSTODIAL SERVICES LIMITED	1,337,000	0.89
	Total Top 20 holders of PCT030 bonds	**130,932,000**	**87.29**

Bondholder distribution - PCT030

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	83	620,000	0.41
10,000 - 49,999	277	5,925,000	3.95
50,000 - 99,999	30	1,882,000	1.25
100,000 - 499,999	26	5,455,000	3.64
500,000 - 999,999	6	3,858,000	2.57
1,000,000 Over	21	132,260,000	88.17
Total	**443**	**150,000,000**	**100.00**

Investor information. *(Continued)*

Green Assets

Address	City	Building Name	Use	Last Assurance	NABERSNZ Rating	Green Star Rating	Asset Value[2] (NZ $m)	Allocation of proceeds per eligible asset (NZ$m)
21 Queen Street	Auckland	Jarden House	Office	9 Nov 20	Targeting 4 Star Base Build Rating	5 Star Office Built (v1) Rating (+d)	$140.0	$23.5
139 Pakenham Street	Auckland	Mason Brothers	Office	9 Nov 20	5.5 Star Base Build Rating	6 star custom built rating	$56.4	$9.5
12 Madden Street	Auckland	12 Madden Street	Office	9 Nov 20	5 Star Base Build Rating	5 star custom built rating	$100.0	$16.8
10 Madden Street	Auckland	10 Madden Street	Office	9 Nov 20	Targeting 4 Star	Targeting 5 Star (design and as built) Rating	$86.0	$14.4
15 Customs Street	Auckland	Commercial Bay Tower	Office	9 Nov 20	Targeting 4 Star	Targeting 5 Star (design and as built) Rating	$665.0	$111.5
38 Bowen Street	Wellington	Charles Fergusson Building	Office	9 Nov 20	4.5 Star Base Build Rating	4 Green Star Office Built V3	$104.5	$17.5
34 Bowen Street	Wellington	Defence House	Office	9 Nov 20	Underway, Targeting 4 star	4 Green Star Office Built V3	$200.0	$33.5
44 The Terrace	Wellington	Mayfair House	Office	N/A	Targeting 4 Star	N/A	$86.7	$14.5
Total existing green assets							**$1,438.6**	**$241.2**

Committed Green Development Assets

Address	City	Building Name	Use	Last Assurance	NABERSNZ Rating	Green Star Rating	Total project cost (NZ $m)	Allocation of proceeds per eligible asset (NZ$m)
40 Bowen Street	Wellington	40 Bowen Street	Office	9 Nov 20	Targeting 4 Star	Targeting 5 Star (design and as built) Rating	$90.2	$15.1
44 Bowen Street	Wellington	44 Bowen Street	Office	N/A	Targeting 4 Star	Targeting 5 Star (design and as built) Rating	$104.8	$17.6
1 Queen Street	Auckland	1 Queen Street	Office	N/A	Targeting 4 Star	Targeting 5 Star (design and as built) Rating	$305.0	$51.1
Total committed green development assets							**$500.0**	**$83.8**

Total value of eligible assets[1] - Based on last assurance	**$1,585.6**	
Total value of eligible assets - As at 30 June 2021	**$1,938.6**	**$325.0**

1. Eligible assets must have a mimimum (or target) 5-star NZGBC Green Star Built rating or a minimum (or target) 4-Star NABERSNZ Energy Base Building Rating

2. Fair value as at 30 June 2021

Convertible Noteholder Information

Twenty largest noteholders

Rank	Noteholder	Number of notes	% of total
1.	ACCIDENT COMPENSATION CORPORATION - NZCSD	42,297,457	28.20
2.	FORSYTH BARR CUSTODIANS LIMITED	13,791,642	9.19
3.	NATIONAL NOMINEES LIMITED - NZCSD	10,155,000	6.77
4.	PUBLIC TRUST - NZCSD	7,089,928	4.73
5.	FNZ CUSTODIANS LIMITED	6,846,243	4.56
6.	JARDEN SECURITIES LIMITED	4,307,500	2.87
7.	CUSTODIAL SERVICES LIMITED	3,736,658	2.49
8.	CUSTODIAL SERVICES LIMITED	3,118,000	2.08
9.	CUSTODIAL SERVICES LIMITED	2,680,462	1.79
10.	ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND - NZCSD	2,662,901	1.78
11.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	2,608,000	1.74
12.	FORSYTH BARR CUSTODIANS LIMITED	2,514,400	1.68
13.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	2,086,829	1.39
14.	ARDEN CAPITAL LIMITED	1,702,000	1.13
15.	MINT NOMINEES LIMITED - NZCSD	1,500,000	1.00
16.	CUSTODIAL SERVICES LIMITED	1,449,708	0.97
17.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,325,000	0.88
18.	INVESTMENT CUSTODIAL SERVICES LIMITED	1,274,000	0.85
19.	JBWERE (NZ) NOMINEES LIMITED	1,180,000	0.79
20.	HOBSON WEALTH CUSTODIAN LIMITED	1,006,000	0.67
	Total Top 20 holders of Notes	**113,331,728**	**75.55**

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	21	64,613	0.04
5,000 - 9,999	130	742,600	0.50
10,000 - 49,999	598	12,394,298	8.26
50,000 - 99,999	128	7,412,000	4.94
100,000 - 499,999	59	8,973,822	5.98
500,000 - 999,999	11	7,074,939	4.72
1,000,000 and over	20	113,331,728	75.55
Total	**972**	**150,000,000**	**100.00**

Source: Computershare

Investor information. *(Continued)*

Director Interests

Details of Director interests in Precinct shares (as at 30 June 2021)

	2021[1]	2020
Director	**No. of shares**	**No. of shares**
Robert Campbell	**457,002**	457,002
Graeme Wong	**69,642**	69,642
Launa Inman	**39,100**	39,100
Anne Urlwin	**24,486**	24,486

1 At 30 June 2021. Details of Director participation in the retail offer of the equity raise post balance date is shown in the notes below.

The following director interests were recorded since the last report.

Rob Campbell*

Appointed as the Chancellor of Auckland University of Technology

Appointed as a Trustee of the He Toutou Mo Te Ahika Trust

Appointed as the Chair of Ara Ake Limited

Chris Judd

Ceased to be Chair and a director of AMP Haumi Management Limited

Craig Stobo – None

Anne Urlwin

Appointed as a director of Queenstown Airport Corporation Limited

Appointed as a director of Tilt Renewables Insurance Limited

Ceased to be a director of Steel & Tube Holdings Limited

Acquired 1,642 Precinct ordinary shares in Retail Offer

Ceased to be a director of Tilt Renewables Limited, and subsidiary companies Tilt Renewables Insurance Limited, Tararua Wind Power Limited, Waverley Wind Farm Limited, Waverley Wind Farm (NZ) Holding Limited

Nicola Greer*

Director of New Zealand Railways Corporation

Director of Fidelity Life Assurance Company Limited

Director of Awarua Holdings Limited

Director of South Port New Zealand Limited

Director of Airways International Limited

Director of Airways Corporation of New Zealand Limited

Director & Shareholder of Mike Greer Homes Pegasus Town Limited

Director & Shareholder of Pegasus Preschools Limited

Director & Shareholder of Progressive Commercial Limited

Director & Shareholder of Progressive Preschool Limited

Director & Shareholder of 26 Belfast Road Limited

Director & Shareholder of Longhurst Commercial Limited

Member of NZ Markets Disciplinary Tribunal

Shareholder in Birmingham Dr Developments Limited

Shareholder in Waikare Avenue Preschool Limited

Shareholder in Judsons Road Preschool Limited

Shareholder in Penny Lane Preschool Limited

Shareholder in Peter Street Preschool Limited

Aditya Bhargava

Director of AMP Haumi Management Limited

Director of HIP Company Limited

Director of Haumi Development Auckland Limited

Director of Haumi Company Limited

Launa Inman*

Acquired 6,422 Precinct ordinary shares in Retail Offer

Mohammed Al Nuaimi – None

Graeme Wong

Appointed as a director of Southern Hops Limited

Appointed as a director of Freestyle South Limited

Ceased to be a director of Glaisnock Limited

Ceased to be a director of Radius Lint Limited

Acquired 10,000 Precinct ordinary shares in Retail Offer

Mark Tume*

Chair of Infratil Limited

Director of various Infratil wholly owned companies

Director of Yeo Family Trustee Limited

Director of Long Board Limited

Director of Welltest Limited

Director of Koau Capital Partners Limited

Director of RetireAustralia Pty Limited

Director of Blink Pay Global Group Limited

Chair of Te Atiawa Iwi Holdings Limited Partnership

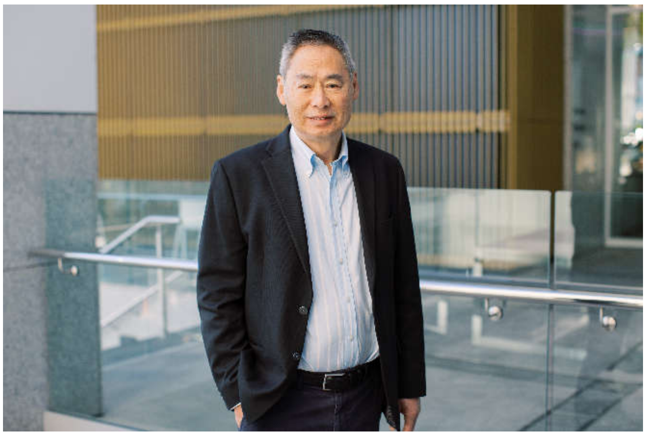
Chair of Ngai Tahu Holdings Corporation Limited

*Post balance date, Nicola Greer and Mark Tume were appointed as Independent Directors, effective 16 July 2021 and 11 August 2021, respectively. Independent Director Launa Inman and Non-Executive Director Robert Campbell retired from the Board on 31 July 2021 and 11 August 2021, respectively.

Remuneration report.

Message from the People and Performance Committee

Dear Shareholders,



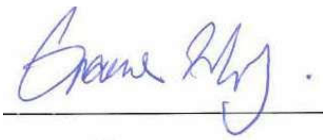
Graeme Wong, Independent Director and Chair of the People and Performance Committee

On behalf of the Board, I am pleased to present you with Precinct's Remuneration Report for the financial year ended 30 June 2021. This year, we are including additional disclosures in our Remuneration Report. Our goal is to ensure that remuneration of both Directors and Management Personnel is transparent, fair and reasonable by aligning it with interests of the company and its shareholders.

Director remuneration is currently being peer reviewed by independent advisors. Shareholder approval will be sought for any adjustments to Director remuneration at the upcoming Annual General Meeting of shareholders. All new Directors joining Precinct during the upcoming year will be paid in line with current rates. 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. Director remuneration was last approved by shareholders at the company's AGM in November 2018.

While we continue to make good progress across Precinct's diversity practices, we are committed to improving diversity and inclusion at all levels of our business. From FY22 onwards, we intend to undertake Remuneration Equality Studies annually to help us better understand the difference between women's and men's earnings and ensure fairness.

We hope this year's report is informative to stakeholders and that we have explained to you, our shareholders, how our people at Precinct are remunerated in the short and long term, and how this directly links back to our strategy and the performance of our business.



Graeme Wong

Independent Director and Chair of the People and Performance Committee

Our approach to remuneration governance

Precinct's remuneration governance framework is overseen by Precinct's People and Performance Committee (previously the Remuneration and Nomination Committee) which comprises a majority of independent directors at 30 June 2021. The People and Performance Committee's role is to assist the Board in establishing remuneration policies and practices.

The People and Performance Committee is guided by Precinct's Remuneration Policy. This Remuneration Policy aims to ensure that people are rewarded for performance that contributes to the achievement of Precinct's business goals. In addition, the People and Performance Committee follow a charter which is intended to guide Committee members in fulfilling their responsibilities to the Board.

On a regular basis, the People and Performance Committee will review performance objectives and remuneration packages of both Directors and key management personnel of Precinct. This includes monitoring performance that outlines the relative weightings of remuneration components and relevant performance criteria. They also consider remuneration benchmarking and succession planning.

External advisors

Remuneration benchmarking of Directors and key management personnel (such as CEO, Deputy CEO and CFO) is undertaken, annually by external advisors.

With regards to Precinct's performance hurdles, the Total Shareholder Return (TSR) achieved by Precinct, and the members of the TSR Peer Group will be calculated by a recognised independent party, being an investment bank, firm of chartered accountants or other person or body that the Board reasonably considers has the expertise, experience and access to the necessary data to carry out the calculation.

Remuneration framework

Our remuneration framework is designed to support the performance of Precinct's business and its strategy.

Our objective is to create sustainable value from city centre real estate, delivering exceptional spaces for our clients and communities, in which they can thrive, while maximising returns to our shareholders.

At the heart of Precinct is a business model that is designed to generate, and regenerate sustainable value. This results from the seamless interplay between three essential elements.

	Purpose and direct link to Precinct's strategy	Direct link to performance measures
Fixed remuneration This includes fixed based salary which is benchmarked annually and includes superannuation contribution	• Attract and retain Precinct's Key Management Personnel to deliver on its strategy	Benchmarked against NZX-listed property entities and NZX50 peers
Short term incentive (STI) Discretionary annual payment	• Compensates for achieving short term (annual targets) which are aligned to the delivery of Precinct's strategy	Various key operational objectives including • Earnings, AFFO • Occupancy & WALT • Leasing • Strategic goals • Capital management
Long term incentive (LTI) Long term share grant where a share is received in the future subject to meeting certain performance hurdles.	• Drive longer-term performance and ensures the alignment of incentives of key employees with the interests of the Company's shareholders • Promote long term decision making and the creation of sustainable value for the Company's shareholders • Promote the retention of key employees; and • Facilitate and encourage employee share ownership.	Performance hurdles: • Absolute TSR Target • Relative TSR Target • FFO Growth Target

Remuneration report. *(Continued)*

Short term incentive (STI)

Precinct operates a short term incentive (STI) bonus scheme for eligible employees. The objective of the scheme is to compensate employees for achieving short term business strategy, high levels of performance and financial success over the financial year. In addition employees have individual performance goals which are considered when determining variable short term incentives. In June of each year the board will set annual goals for the CEO, Deputy CEO and CFO.

Feature	Description
Purpose	To compensate individuals for achieving annual targets which are aligned to the delivery of Precinct's strategy.
Business objectives and performance measures	Individual STI awards are dependent on achieving various business objectives including overall staff management. Individuals will have Key Performance Indicators (KPIs) which are set annually and aligned to the delivery of Precinct's strategy and key priorities for the financial year. Performance measures include: • Precinct earnings target, AFFO • Precinct portfolio metrics i.e. Occupancy, WALT • Successful completion of treasury and capital management initiatives • Delivery of major leasing and development projects • Advancing key strategic objectives
Performance assessment	The Board takes a robust approach to determining executive remuneration outcomes. The performance STI scheme is intended to reflect the performance of the business, and reward for achieving targets. Assessment of performance for a STI takes place in the form of an assessment of achievement against the objectives and targets. CEO, Deputy CEO and CFO STI awards are endorsed by the People and Performance Committee and approved by the Board at its absolute discretion.
STI awarded	This discretionary annual payment is 100% awarded in cash and rewards the CEO, Deputy CEO, CFO and other individuals for achieving short term annual company and individual performance targets, encouraging accountability for results. Payment of a STI/performance bonus is not guaranteed and will remain subject to Board approval at its discretion.

Long term incentive (LTI)

Legacy LTI Scheme

Prior to Precinct's management internalisation, the Manager (AMP Haumi Management Limited) operated a long term incentive bonus scheme for eligible employees which included the CEO, Deputy CEO, CFO and other senior executives. Due to the termination of the managment services agreement, employees' employment contracts with the manager were terminated, resulting in previously granted shares vesting. Following management internalisation a new LTI scheme has been establised and is set out below.

Restricted Share Rights (RSR)

Precinct's Restricted Share Right scheme entitles a Participant to receive a Share in the future depending on whether Service Conditions are achieved. The participant is entitled to receive one share upon the valid exercise of each vested share right they hold.

Purpose	To secure the CEO, Deputy CEO, CFO and other key management personnel for a transitional period following the internalisation of Precinct's management.
Service commencement	1 April 2021
Vesting tranches	30 June 2022, 30 June 2023 and 30 June 2024
Conditions	Restricted Share Rights (RSRs) will vest provided the participant remains employed by Precinct for the duration of the relevant vesting period. The RSR plan is made up of 3 tranches with different vesting periods from service commencement . There are no performance hurdles and provided each vesting period is satisfied, the RSRs will vest.

Performance Share Rights (PSR)

Precinct's Performance Share Right scheme entitles a Participant to receive a Share in the future depending on the degree to which certain Vesting Conditions are achieved or exceeded during the Assessment Period. The participant is entilted to receive one share upon the valid exercise of each vested share right they hold.

Feature	Description			
Purpose	Alignment of interests between the CEO, Deputy CEO, CFO and other key management personnel, and the long term returns to Precinct shareholders, which drives long term performance to deliver Precincts strategy while also providing an incentive for Key Management Personnel to remain in employment with Precinct prior to vesting.			
Performance period	A grant vests at the end of the performance period which is over a three year period. Due to the completion of the internalisation of Precinct's management taking place on 31 March 2021, the initial performance period is between 1April 2021 and 30 June 2024. A share right vests on the vesting date subject to the participant's continuing employment with Precinct and performance hurdles being met. The vesting of the Performance share rights are endorsed by the People and Performance Committee and approved by the Board subject to the board determining that the performance hurdles set out have been met.			
Performance hurdles	**Performance measure**	**LTI Weighting**	**Description**	
	Total Shareholder Return (TSR)		TSR measures the total return received by shareholders from the increase in the market price of a share of Precinct and assumes reinvestment of cash dividends. The TSR will be calculated using the volume weighted average sale price of a Precinct share on the NZX over the 20 trading days prior to the vesting date.	
	Funds From Operation (FFO)		FFO is used to define the cash flow from operations and is a measure of operating performance over the performance period.	
	Absolute TSR Target	33%	The Absolute TSR Rights will vest in full if Precinct's TSR exceeds an annualised and compounding rate of 6.8%[1], over the performance period.	
	Relative TSR Target	33%	The Relative TSR Rights will vest in accordance with a progressive vesting scale, provided that Precinct's TSR over the performance period is greater than the median TSR of the TSR peer group.	
	Funds from operations (FFO) Growth Target	33%	The FFO Growth Rights will vest in accordance with a progressive vesting scale, provided that Precinct's FFO growth per share is greater than or equal to 75% of CPI growth over the performance period.	
Vesting conditions	**Precinct TSR over the performance period**	**% of Relative TSR Rights that would vest**	**Precinct FFO Growth Per Share over the performance period**	**% of FFO Growth Rights that would vest**
	< TSR Peer Group Median TSR	0%	< 75% of CPI Growth	0%
	Equal to the TSR Peer Group Median TSR	50%	Equal to 75% of CPI Growth	50%
	> TSR Peer Group Median TSR, but < TSR of the 75th percentile of the TSR Peer Group	51% - 99% pro-rata vesting on a straight-line progression	> 75% of CPI Growth, but < 125% of CPI Growth	51% - 99% pro-rata vesting on a straight-line progression
	Equal to or > TSR of the 75th percentile of the TSR Peer Group	100%	Equal to or greater than 125% of CPI Growth	100%

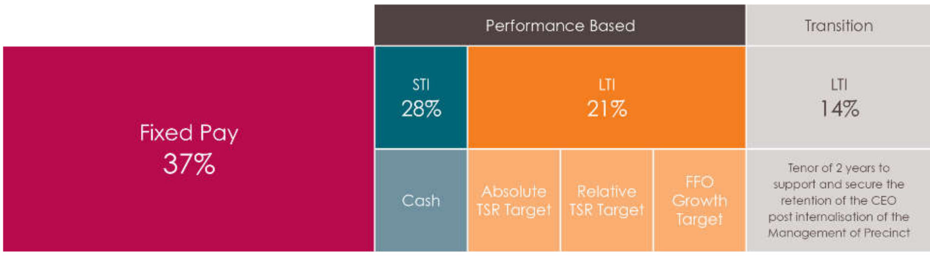
1 This is the current cost of equity for the 2021 performance rights as calculated by independent advisors, PwC, and will be recalculated on an annual basis.

Remuneration report. *(Continued)*

CEO Remuneration

Scott Pritchard was appointed Chief Executive Officer in September 2010. On 1 April 2021, he was retained as CEO, under a new employment agreement with Precinct post the internalisation of the management of Precinct.

The following illustrates the new remuneration mix of Precinct's CEO. We believe the remuneration mix now provides strong alignment between remuneration and company performance to deliver on Precinct's strategy.



Details of the nature and amount of each element of the remuneration of the CEO is set out below.

Scott Pritchard was appointed Chief Executive Officer in September 2010. His remuneration for the year ended 30 June 2021 comprises:

- A fixed base salary which is benchmarked annually;
- A discretionary short-term incentive payment; and
- A legacy long-term incentive payment resulting from the termination of the management contract.

All remuneration between 1 July 2020 and 31 March 2021, including the legacy long-term incentive was paid by AMP Haumi Management Limited (the Manager "AHML"), not Precinct. As a result of internalisation PwC was appointed by the Precinct Board as a recognised independent party in order to undertake remuneration benchmarking in respect to the CEO and other senior executive roles.

From 1 April 2021 the CEO's remuneration will be endorsed by the People and Performance Committee and approved by the Board. The CEO base salary from 1 April 2021 has been approved at $780,000.

	Short term remuneration for the year ended 30 June					Long term remuneration as at 30 June		
						Legacy scheme		Post internalisation
Year	Base salary	STI	Super	Total paid	*Maximum achievable*	Granted	Vested	Granted
2021	**619,840**	**720,180**	**190,558**	**1,530,579**	***N/A***	**-**	**1,922,070**	**1,092,000**
2020	540,000	540,000	118,800	1,198,800	*1,198,800*	650,000	630,000	

Performance and Restricted Share Rights that have been granted to Scott Pritchard as at 30 June 2021 are detailed in the table below.

				Granted during year		Vested and exercised			
Scheme	*Grant date*	*Measurement date*	*Balance as at 30 June 2020*	*Number*	*Value $*	*Number*	*Value $*	*Lapsed*	*Balance as at 30 June 2021*
Performance share right	1-4-2021	30-6-2024	**0**	730,272	468,000	0	0	0	**730,272**
Restricted share right	1-4-2021	30-6-2022	**0**	190,476	312,000	0	0	0	**190,476**
Restricted share right	1-4-2021	30-6-2023	**0**	190,476	312,000	0	0	0	**190,476**
Total			**0**	**1,111,224**	**1,092,000**	**0**	**0**	**0**	**1,111,224**

Employee remuneration

Employee remuneration comprises base salary, STI payments, LTI payments relating to internalisation and employer contributions to superannuation.

During the year ended 30 June 2021, the number of employees (including the CEO) who received remuneration from AHML for the period to 31 March 2021 and Precinct thereafter, with a combined total value exceeding $100,000 is set out on the following table. Employer superannuation contributions are at the same rate for all employees.

Remuneration range	# employees
$3,450,000 - $3,460,000	1
$2,450,000 - $2,460,000	1
$1,220,000 - $1,230,000	1
$690,000 - $700,000	1
$550,000 - $560,000	1
$450,000 - $460,000	1
$400,000 - $410,000	1
$350,000 - $360,000	2
$300,000 - $310,000	1
$290,000 - $300,000	1
$280,000 - $290,000	1
$250,000 - $260,000	1
$220,000 - $230,000	3
$210,000 - $220,000	1
$190,000 - $200,000	1
$170,000 - $180,000	1
$160,000 - $170,000	2
$140,000 - $150,000	2
$130,000 - $140,000	3
$110,000 - $120,000	3
$100,000 - $110,000	6
Total	**35**

Remuneration report. *(Continued)*

Long term incentive scheme

Performance and restricted share rights that have been granted to key management personnel (excluding CEO) as at 30 June 2021 are detailed in the following table.

				Granted during year		Vested and exercised			
Scheme	*Grant date*	*Measurement date*	*Balance as at 30 June 2020*	*Number*	*Value $*	*Number*	*Value $*	*Lapsed*	*Balance as at 30 June 2021*
Performance share right	1-4-2021	30-6-2024	**0**	1,224,921	785,000	0	0	0	**1,224,921**
Restricted share right	1-4-2021	30-6-2022	**0**	213,370	349,500	0	0	0	**213,370**
Restricted share right	1-4-2021	30-6-2023	**0**	213,370	349,500	0	0	0	**213,370**
Restricted share right	1-4-2021	30-6-2024	**0**	73,260	120,000	0	0	0	**73,260**
Total			**0**	**1,724,921**	**1,604,000**	**0**	**0**	**0**	**1,724,921**

Director remuneration

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**
People and Performance Committee Chair	**10,000**
Audit and Risk Committee Member	**7,500**
People and Performance 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 not increased director remuneration in the reporting period. A director remuneration review is currently underway.

	Role	30 June 2021			30 June 2020		
		Sub committee	**Board committee**	**Board**	**Sub committee**	**Board committee**	**Board**
Craig Stobo	Board Chair	**79,083**	**12,500**	**182,340**	0	12,500	182,340
Don Huse	Audit and Risk Committee Chair[1]	**0**	**5,375**	**34,949**	0	15,000	91,170
Anne Urlwin	Audit and Risk Committee Chair[2]	**32,065**	**17,500**	**91,170**	0	7,762	72,176
Graeme Wong	Independent Director	**42,263**	**10,000**	**91,170**	0	10,000	91,170
Launa Inman	Independent Director	**23,800**	**7,500**	**91,170**	0	7,500	91,170
Chris Judd	Non-Executive Director	**4,988**	**1,250**	**22,793**	0	0	0
Robert Campbell	Non-Executive Director	**2,625**	**3,125**	**22,793**	0	0	0
Total		**184,823**	**57,250**	**536,384**	**0**	**52,762**	**528,026**

1 Don Huse retired as Audit and Risk Committee Chair on 31 October 2020 and from the Precinct board on 18 November 2020.
2 Anne Urlwin commenced as Audit and Risk Committee Chair from 1 November 2020.

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 2021, $184,823 in committee fees were paid to the due diligence committee (30 June 2020: $nil). Due diligence committees were established in relation to the internalisation of management, issuance of retail bond PCT030 and the capital raising.

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

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.

Management expense ratio

Amounts in $ millions (unless otherwise stated)	*2021*	*2020*
Base Management Fee	10.2	9.5
Performance Fee	-	-
Management expenses	2.1	-
Audit and Directors	1.2	1.0
Other expenses	3.7	2.1
Total management expenses	**17.2**	**12.6**
Average total property value	**3,500.0**	**2,892.2**
Management expense ratio - excluding performance fee	49 bps	44 bps
Management expense ratio	49 bps	44 bps

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

This annual report of Precinct Properties New Zealand Limited is dated 11 August 2021 and is signed on behalf of the board by:

CRAIG STOBO

CHAIR AND INDEPENDENT DIRECTOR

ANNE URLWIN

CHAIR AUDIT AND RISK COMMITTEE AND INDEPENDENT DIRECTOR

The Numbers.

PRECINCT PROPERTIES NEW ZEALAND LIMITED FINANCIAL STATEMENTS 2021

Precinct Properties New Zealand Limited

Annual financial statements

For the year ended 30 June 2021

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 11 August 2021.

CRAIG STOBO
CHAIR

ANNE URLWIN
CHAIR AUDIT & RISK COMMITTEE

Contents

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

Amounts in $ millions	Notes	30 June 2021	30 June 2020
Revenue			
Gross operating revenue	12	199.8	151.8
Less direct operating expenses		(72.1)	(46.0)
Operating income before indirect expenses		127.7	105.8
Indirect expenses / (revenue)			
Interest expense		27.2	5.1
Interest income		-	(0.1)
Other expenses	14	17.5	13.3
Total indirect expenses / (revenue)		44.7	18.3
Operating income before income tax		83.0	87.5
Non operating income / (expenses)			
Unrealised net gain / (loss) in value of investment and development properties	9	282.9	(66.3)
Unrealised net gain / (loss) on financial instruments	22	19.7	(1.9)
Other revenue		-	26.7
Depreciation - property, plant and equipment		(1.4)	(1.1)
Lease depreciation		(5.0)	(5.0)
Lease interest expense		(3.9)	(4.2)
Net realised gain / (loss) on sale of investment properties		(2.4)	(2.5)
Impairment of goodwill	11	(9.8)	-
Termination of management services agreement	10	(217.1)	-
Total non operating income / (expenses)		63.0	(54.3)
Net profit / (loss) before taxation		146.0	33.2
Income tax expense / (benefit)			
Current tax expense	15	(67.8)	5.0
Depreciation recovered on sale	15	10.5	1.4
Deferred tax expense / (benefit) - financial instruments	15	6.6	(4.4)
Deferred tax expense / (benefit) - depreciation	15	9.1	1.0
Deferred tax expense / (benefit) - other	15	(0.1)	-
Total taxation expense / (benefit)		(41.7)	3.0
Net profit / (loss) after taxation attributable to equity holders	16,19	187.7	30.2
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		(10.8)	6.8
Deferred tax on items transferred directly to / (from) equity		3.0	(1.9)
Total other comprehensive income / (expense)		(7.8)	4.9
Total comprehensive income after tax attributable to equity holders		179.9	35.1
Earnings per share (cents per share)			
Basic and diluted earnings per share	17	14.26	2.30
Other amounts (cents per share)			
Funds from operations (FFO)	16	7.34	6.89
Adjusted funds from operations (AFFO)	16	6.48	6.29

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

Amounts in $ millions unless otherwise stated	*Notes*	*Cents per share*	*Shares (m)*	*Ordinary shares*	*Share-based payments reserve*	*Retained earnings*	*Total equity*
At 1 July 2019			**1,313.7**	**1,196.0**	**-**	**759.2**	**1,955.2**
Profit after income tax for the year						30.2	30.2
Other comprehensive income for the year						4.9	4.9
Issue of shares							
Issue costs incurred				**(0.1)**			**(0.1)**
Distributions							
Q4 final (paid 27 Sep 2019)		1.500				(19.7)	(19.7)
Q1 interim (paid 12 Dec 2019)		1.575				(20.7)	(20.7)
Q2 interim (paid 27 Mar 2020)		1.575				(20.7)	(20.7)
Q3 interim (paid 12 Jun 2020)		1.575				(20.7)	(20.7)
Total distributions paid		6.225				(81.8)	(81.8)
At 30 June 2020			**1,313.7**	**1,195.9**	**-**	**712.5**	**1,908.4**
Profit / (loss) after income tax for the year						**187.7**	**187.7**
Other comprehensive income for the year						**(7.8)**	**(7.8)**
Issue of shares							
Placement			**144.7**	**220.0**			**220.0**
Issue costs incurred				**(3.4)**			**(3.4)**
Distributions							
Q4 final (paid 25 Sep 2020)		**1.575**				**(20.7)**	**(20.7)**
Q1 interim (paid 10 Dec 2020)		**1.625**				**(21.3)**	**(21.3)**
Q2 interim (paid 26 Mar 2021)		**1.625**				**(21.3)**	**(21.3)**
Q3 interim (paid 11 Jun 2021)		**1.625**				**(21.3)**	**(21.3)**
Total distributions paid		**6.450**				**(84.6)**	**(84.6)**
Long-term incentive scheme	**26**				**0.3**		**0.3**
At 30 June 2021			**1,458.4**	**1,412.5**	**0.3**	**807.8**	**2,220.6**

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.

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Consolidated Statement of Financial Position

As at 30 June 2021

Amounts in $ millions	*Notes*	*30 June 2021*	*30 June 2020*
Current assets			
Cash		**8.3**	7.8
Fair value of derivative financial instruments	22	**2.2**	-
Debtors and other current assets		**25.1**	16.1
Total current assets		**35.6**	23.9
Non-current assets			
Fair value of derivative financial instruments	22	**32.3**	95.2
Other assets		**14.4**	8.8
Development properties	9	**232.4**	190.6
Investment properties	9	**3,076.4**	2,800.1
Property, plant and equipment		**15.7**	9.6
Right-of-use assets		**33.2**	38.1
Deferred tax asset	15	**7.4**	-
Intangible assets	11	**9.0**	18.9
Total non-current assets		**3,420.8**	3,161.3
Total assets		**3,456.4**	3,185.2
Current liabilities			
Fair value of derivative financial instruments	22	**-**	1.7
Provision for tax		**-**	1.6
Interest bearing liabilities	20	**225.0**	-
Lease liabilities	21	**3.2**	3.0
Accrued development capital expenditure		**17.5**	55.4
Other current liabilities	18	**31.0**	24.8
Total current liabilities		**276.7**	86.5
Non-current liabilities			
Interest bearing liabilities	20	**871.1**	1,028.9
Fair value of derivative financial instruments	22	**50.9**	84.5
Lease liabilities	21	**37.1**	40.4
Deferred tax liability	15	**-**	36.5
Total non-current liabilities		**959.1**	1,190.3
Total liabilities		**1,235.8**	1,276.8
Total equity		**2,220.6**	1,908.4
Total liabilities and equity		**3,456.4**	3,185.2

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

Amounts in $ millions	Notes	30 June 2021	30 June 2020
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		**199.8**	151.8
Less: Current year incentives		**(9.9)**	(1.8)
Add: Amortisation of incentives and intangibles		**7.7**	4.3
Add: Depreciation of property, plant and equipment		**1.4**	1.1
Add: Working capital movements		**(4.1)**	(2.4)
Cash flow from gross rental income		**194.9**	153.0
Interest income		**-**	0.1
Property expenses		**(64.1)**	(37.3)
Other expenses		**(14.6)**	(15.3)
Interest expense		**(30.9)**	(7.2)
Employment and administration expenses		**(3.4)**	-
Termination of management services agreement	10	**(217.1)**	-
Income tax		**(0.8)**	(10.6)
Net cash inflow / (outflow) from operating activities	19	**(136.0)**	82.7
Cash flows from investing activities			
Capital expenditure on investment properties		**(56.3)**	(47.5)
Capital expenditure on development properties		**(155.5)**	(206.9)
Capital expenditure on other assets		**(5.9)**	(6.1)
Acquisition of investment properties		**(20.3)**	-
Acquisition of development properties		**(9.2)**	(5.4)
Acquisition of a subsidiary		**-**	(1.1)
Expenditure on property, plant and equipment		**(7.4)**	(1.5)
Disposal of investment properties		**176.7**	72.7
Capitalised interest on investment properties		**(1.1)**	(1.7)
Capitalised interest on development properties		**(14.2)**	(41.0)
Net cash inflow / (outflow) from investing activities		**(93.2)**	(238.5)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		**233.0**	260.5
Loan facility drawings to fund acquisitions		**29.5**	5.4
Loan facility drawings to fund management services termination	10	**217.1**	-
Loan facility repayments from disposal of investment properties		**(176.7)**	(72.7)
Loan facility repayments from issue of senior secured bonds		**(150.0)**	-
Loan facility repayments from issue of new shares		**(216.6)**	-
Other loan facility drawings / (repayments)[1]		**14.5**	48.1
Repayment of leasing liabilities		**(3.0)**	(2.7)
Issue of senior secured bonds		**150.0**	-
Issue of new shares[2]		**216.6**	(0.1)
Distributions paid to share holders		**(84.7)**	(81.8)
Net cash inflow / (outflow) from financing activities		**229.7**	156.7
Net increase / (decrease) in cash held		**0.5**	0.9
Cash at the beginning of the year		**7.8**	6.9
Cash at the end of the year		**8.3**	7.8

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 74 to 96 form part of these Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2021

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. Prior to 31 March 2021 Precinct was managed by AMP Haumi Management Limited (the manager). See Note 10 for further information on the management internalisation.

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

There were no new accounting standards impacting the consolidated financial statements for the year ended 30 June 2021.

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. Impairment test of intangible assets and goodwill - refer note 11

iv. Business combination - internalisation of management - refer note 10

v. Share-based payment scheme - refer note 26

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. Bowen Campus Stage Two development

On 18 November 2020 Precinct committed to 44 Bowen Street, the second building of the Bowen Campus Stage Two development.

ii. COVID-19 global pandemic

In response to the on-gong COVID-19 global pandemic Auckland experienced Alert Level 3 lockdowns in August 2020, February 2021 and March 2021 during which the operation of some of Precinct's clients were restricted to varying degrees. Precinct provided additional support to clients that have been impacted through a range of assistance measures including rent abatements ($1.1 million; June 2020: $1.7 million), rent deferrals ($0.4 million; June 2020: $1.3 million) and lease restructures.

Independent valuers have carried out the 30 June 2021 property valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at 30 June 2021. The valuation methodologies and inputs are described in Note 9. Due to the on-going COVID-19 pandemic the property valuation for Commercial Bay Retail as at 30 June 2021 continues to include a 'material valuation uncertainty' clause. The valuers have therefore advised that less certainty should be attached to the property value than would normally be the case.

An independent valuer was appointed to assess the value the Generator business at 30 June 2021 in order to assess whether there had been any impairment to the value of goodwill that arose on the acquisition of Generator. The valuer has considered the impacts of Covid-19 on Generators operations in the assumptions used in the valuation. For further details refer to Note 11.

Precinct and its manager (AHML) did not claim any of the Government wage subsidy. Commercial Bay Hospitality claimed a further $0.6 million during the year to enable hospitality staff to be retained. Generator repaid $0.3 million of wage subsidy previously claimed.

iii. Sale of ANZ Centre (50%)

On 12 May 2021 Precinct's remaining 50% interest in the ANZ Centre was sold for $177.0 million resulting in a loss on sale of $2.2 million.

iv. Internalisation of management

On 31 March 2021 Precinct internalised its management. See Note 10 for further details.

v. One Queen Street

On 24 May 2021 Precinct announced that following completion of a comprehensive re-design, construction of the One Queen Street redevelopment was about to commence. The total project cost is expected to be around $305 million with completion due in late 2023.

vi. Capital raising

Following a placement in June 2021 Precinct issued 144,736,842 shares at $1.52 per share. Refer to the consolidated statement of changes in equity for details.

A retail offer opened on 22 June 2021 and closed on 6 July 2021. See Note 31 for details.

vii. Purchase of Bowen House

On 18 June 2021 Precinct entered an unconditional agreement to purchase Bowen House for $92.0 million and will undertake a comprehensive redevelopment of the building at an estimated cost of around $57.0 million. A deposit of $9.2 million was paid in June 2021 and is included in debtors and other current assets. The purchase was settled on 23 July 2021.

9. Investment and Development Properties

30 June 2021

Amounts in $ millions	Valuer	Net lettable area sqm	Initial yield %[1]	Capitalisation rate %[1]
Investment properties[4]				
Auckland				
AMP Centre	JLL	25,353	4.8%	5.0%
ANZ Centre (50%)[5]	N/A	N/A	N/A	N/A
HSBC Tower[6]	JLL	31,578	4.3%	4.5%
Jarden House	Savills	13,762	4.6%	4.9%
Mason Bros.[7]	JLL	4,684	4.7%	4.5%
12 Madden Street[7]	JLL	8,194	4.6%	4.8%
10 Madden Street[7]	Colliers	8,238	4.8%	5.1%
204 Quay Street[8]	JLL	5,469	6.8%	6.8%
Commercial Bay Retail	JLL	16,863	4.8%	5.3%
PwC Tower (Commercial Bay)	CBRE	39,550	4.0%	4.1%
Wellington				
NTT Tower	Bayleys	16,655	5.3%	5.5%
Mayfair House	Bayleys	12,548	4.7%	5.4%
No.1 and 3 The Terrace	Colliers	18,612	4.3%	5.1%
No.3 The Terrace[9]	Colliers	N/A	N/A	N/A
Aon Centre[10]	Colliers	24,770	5.8%	5.6%
Bowen Campus	CBRE	39,971	4.5%	5.0%
Market value (fair value) of investment properties			4.6%	4.8%
Development properties[4]				
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
10 Madden Street[7]	N/A	N/A	N/A	N/A
One Queen Street[11]	CBRE	N/A	N/A	N/A
30 Waring Taylor Street	Colliers	N/A	N/A	N/A
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).
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.
5 On 12 May 2021 Precinct sold their 50% share in ANZ Centre for $177.0 million resulting in a loss on sale of $2.2 million.
6 This property was previously known as 188 Quay Street.
7 Mason Bros., 12 Madden Street and 10 Madden Street are all subject to a pre-paid ground lease for 125 years.
8 On 17 February 2021 Precinct acquired 204 Quay Street for $20.0 million.
9 No. 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
10 Includes a gross up for the lease liability (June 2021: $2.9 million; June 2020: $2.9 million).
11 This property was previously known as HSBC House.

Occupancy %	WALT years[2]	Valuation 30 June 2020	Capitalised incentives	Additions / disposals[3]	Revaluation gain / (loss)	Carrying value
95%	4.7	205.0	1.3	0.6	**27.1**	**234.0**
N/A	N/A	177.8	-	(177.8)	**-**	**-**
98%	5.8	409.0	2.8	21.3	**42.9**	**476.0**
96%	4.2	124.0	0.8	5.9	**9.3**	**140.0**
100%	4.2	46.6	(0.3)	1.4	**8.7**	**56.4**
97%	8.0	86.0	(0.1)	1.1	**13.0**	**100.0**
92%	12.8	-	1.0	77.7	**7.3**	**86.0**
100%	5.9	-	-	20.2	**2.5**	**22.7**
99%	5.8	425.0	0.4	12.1	**(32.5)**	**405.0**
98%	10.5	580.0	(0.2)	19.4	**65.8**	**665.0**
100%	3.1	124.0	(0.4)	0.4	**27.0**	**151.0**
100%	14.9	60.2	(0.1)	18.3	**8.3**	**86.7**
100%	8.9	107.5	(0.1)	0.8	**33.8**	**142.0**
N/A	37.2	14.0	-	-	**0.2**	**14.2**
100%	4.0	172.9	(1.0)	5.3	**15.7**	**192.9**
100%	14.4	268.1	0.8	2.5	**33.1**	**304.5**
98%	7.7	2,800.1	4.9	9.2	**262.2**	**3,076.4**
N/A	N/A	28.6	(0.1)	44.7	**23.3**	**96.5**
N/A	N/A	53.1	-	(53.1)	**-**	**-**
N/A	N/A	102.0	(0.2)	19.1	**(4.4)**	**116.5**
N/A	N/A	6.9	-	10.7	**1.8**	**19.4**
		190.6	(0.3)	21.4	**20.7**	**232.4**

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.

30 June 2020

Amounts in $ millions	Valuer	Net lettable area sqm	Initial yield %[1]	Capitalisation rate %[1]
Investment properties[4]				
Auckland				
AMP Centre	Colliers	25,351	5.8%	5.5%
ANZ Centre (50%)	Colliers	33,574	4.9%	5.3%
HSBC House[5]	CBRE	N/A	N/A	N/A
188 Quay Street[6]	JLL	31,371	4.7%	4.9%
Jarden House[7]	JLL	13,772	4.8%	5.3%
Mason Bros.[8]	CBRE	4,669	5.5%	5.1%
12 Madden Street[8]	CBRE	7,985	5.4%	5.3%
Commercial Bay Retail[9]	JLL	16,560	5.0%	5.3%
PwC Tower (Commercial Bay)[10]	JLL	39,328	4.3%	4.6%
Wellington				
NTT Tower[11]	Colliers	16,663	6.0%	6.4%
Mayfair House	Bayleys	12,415	7.2%	6.1%
No.1 and 3 The Terrace	Bayleys	18,725	5.4%	5.9%
No.3 The Terrace[12]	Bayleys	N/A	N/A	N/A
Pastoral House[13]	N/A	N/A	N/A	N/A
AON Centre[14]	Colliers	26,305	6.7%	6.6%
Bowen Campus	CBRE	39,972	5.3%	5.6%
Market value (fair value) of investment properties			5.1%	5.3%
Development properties[4]				
Commercial Bay	N/A	N/A	N/A	N/A
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
10 Madden Street[8]	Colliers	N/A	N/A	5.6%
HSBC House[5]	CBRE	N/A	N/A	5.1%
30 Waring Taylor Street[15]	Colliers	N/A	N/A	N/A
Market value (fair value) of development properties				

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 The value of HSBC House has been transferred from investment properties to development properties on the basis that the property is now positioned for redevelopment. The redevelopment project is referred to as One Queen Street.
6 This property was previously known as PwC Tower.
7 This property was previously known as Zurich House.
8 Mason Bros., 12 Madden Street and 10 Madden Street are all subject to a pre-paid ground lease for 125 years.
9 Subsequent to Commercial Bay retail centre opening (11 June 2020) the value was transferred from development properties to investment properties.
10 Subsequent to handover of the PwC Tower from the main contractor to Precinct on 30 June 2020 the value was transferred from development properties to investment properties.
11 This property was previously known as Dimension Data House.
12 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
13 On 30 April 2020 Pastoral House was sold for $76.7 million resulting in a loss on sale of $2.5 million.
14 Includes a gross up for the lease liability (June 2020: $2.9 million).
15 On 30 August 2019 Precinct acquired 30 Waring Taylor Street for $5.2 million and will undertake a full redevelopment of the building.

Occupancy %	WALT years[2]	Valuation 30 June 2019	Capitalised incentives	Additions / disposals[3]	Revaluation gain / (loss)	Carrying value
99%	4.8	205.0	0.8	4.8	(5.6)	205.0
100%	6.3	187.5	(0.6)	0.4	(9.5)	177.8
N/A	N/A	106.0	-	(106.0)	-	-
98%	5.7	400.0	(0.2)	11.6	(2.4)	409.0
100%	4.1	114.3	(0.4)	0.4	9.7	124.0
100%	4.9	45.5	(0.2)	-	1.3	46.6
100%	8.8	82.3	-	0.3	3.4	86.0
100%	6.8	-	-	496.4	(71.4)	425.0
97%	11.5	-	-	589.2	(9.2)	580.0
91%	3.3	122.5	(0.3)	2.8	(1.0)	124.0
100%	15.4	47.3	(0.2)	8.5	4.6	60.2
98%	9.9	86.5	0.5	9.2	11.3	107.5
N/A	N/A	12.7	-	-	1.3	14.0
N/A	N/A	59.8	-	(59.8)	-	(0.0)
100%	4.3	161.5	(0.1)	4.0	7.5	172.9
99%	15.5	239.6	0.4	10.7	17.4	268.1
98%	7.6	1,870.5	(0.3)	972.5	(42.6)	2,800.1
N/A	N/A	890.0	-	(890.0)	-	-
N/A	N/A	15.5	0.1	10.1	2.9	28.6
N/A	N/A	17.7	-	32.6	2.8	53.1
N/A	N/A	-	-	130.4	(28.4)	102.0
N/A	N/A	-	-	7.8	(0.9)	6.9
		923.2	0.1	(709.1)	(23.6)	190.6

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.

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2021 by independent registered valuers Colliers International, Bayleys, JLL, CBRE and Savills.

Due to COVID-19, as at 30 June 2021, the valuers included a 'material valuation uncertainty' clause within the Commercial Bay Retail valuation. See note 8(ii) for more information.

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:

Class of property	*Valuation techniques used*	*Inputs used to measure fair value*
CBD office and retail	Income capitalisation approach, discounted cash flow analysis and residual approach	- 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 - Forecast development costs

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

	Range of significant unobservable inputs:		*Fair value measurement sensitivity:*	
Inputs used to measure fair value	*30 June 2021*	*30 June 2020*	*to increase in input*	*to decrease in input*
Office gross market rent per sqm	**\$427 - \$1,081**	\$423 - \$1,033	Increase	Decrease
Retail gross market rent per sqm	**\$411 - \$7,175**	\$280 - \$4,850	Increase	Decrease
Core capitalisation rate	**4.1% - 6.8%**	4.6% - 6.6%	Decrease	Increase
Discount rate	**5.5% - 7.4%**	6.5% - 8.5%	Decrease	Increase
Terminal capitalisation rate	**4.5% - 7.0%**	4.8% - 7.0%	Decrease	Increase
Rental growth rate per annum	**1.9% - 3.4%**	1.9% - 3.4%	Increase	Decrease
Profit and risk allowance	**10% - 13%**	13% - 15%	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, construction costs and finance costs.

10. Internalisation of Management

On 31 March 2021 Precinct terminated the Management Services Agreement with AMP Haumi Management Ltd ("AHML").

Precinct paid AHML $213.9 million for the termination of the Management Services Agreement. In addition, Precinct acquired certain assets of AHML (comprising $1.1 million, for which a payment of $1.1 million was paid by Precinct). Accordingly the net consideration paid for the termination of the Management Services Agreement and purchase of certain assets was $215.0 million. The previous employees of AHML are now directly employed by Precinct.

Judgement was involved in determining whether these transactions met the definition of a business combination in accordance with NZ IFRS 3 Business Combinations. It has been determined that this transaction was a business combination. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. In making this assessment, the key consideration was whether processes were being acquired. The inputs included the fixed assets and the employees of AHML. The conclusion is that the processes were being acquired in the form of the knowledge, skills and experience of the workforce in carrying out the property management processes.

The cancellation of the Management Services Agreement terminates the pre-existing relationships between Precinct and AHML. $213.9 million of the consideration transferred has been attributed to the extinguishment of the pre-existing relationships and has been included in the Consolidated Statement of Comprehensive Income. These arrangements did not contain any substantive settlement provisions that were reasonably available to Precinct. It was also determined that there were no favourable or unfavourable terms in the arrangements when compared with terms for current market transactions for similar arrangements. Accordingly, no settlement gain or loss arose from the settlement of the pre-existing relationships. Costs of $3.1 million relating to the internalisation are also recognised in the Consolidated Statement of Comprehensive Income for the period.

Identifiable assets acquired

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

Amounts in $ millions	*31 March 2021*
Property, plant & equipment	1.1
Total identifiable net assets acquired	1.1

No goodwill arose as a result of this transaction.

11. Intangible Assets

a) Reconciliation of carrying amount

Amounts in $ millions	*Customer relationships*	*Brands*	*Goodwill*	*Total*
Cost				
Balance at 1 July 2020	2.0	0.8	16.5	**19.3**
Acquisition through business combination	-	-	-	**-**
Balance at 30 June 2021	2.0	0.8	16.5	**19.3**
Accumulated amortisation				
Balance at 1 July 2020	0.4	-	-	**0.4**
Amortisation	0.3	-	-	**0.3**
Impairment loss	-	-	9.7	**9.7**
Balance at 30 June 2021	0.7	-	9.7	**10.4**
Carrying amounts at 30 June 2021	1.3	0.8	6.8	**8.9**

b) Amortisation

The amortisation of customer relationships is included in other expenses.

c) Impairment testing

For the purposes of impairment testing, goodwill has been fully allocated to the Flexible Space operating segment (Generator). Generator's operations involve the operation of co-working and shared space.

The recoverable amount of Generator was based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of Generator. Due to impacts of COVID-19 on the operations of Generator the carrying amount of Generator was determined to be higher than its recoverable amount of $22.2 million and an impairment loss of $9.7 million was recognised. The impairment loss was fully allocated to goodwill.

The key assumptions used in the estimation of value in use were as follows:

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Average annual discount rate (%)	**11.3**	14.6
Terminal value growth rate (%)	**2.0**	2.0
Membership revenue CAGR (%)[1]	**2.8**	6.0
Terminal annual events revenue ($ million)	**7.6**	8.2

1 *CAGR: compound annual growth rate*

The discounted cash flow model included 10 years of cash flows. The 30 June 2020 valuation used 6 years of cash flows.

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.

Impairment testing

External, independent valuers, having appropriate recognised professional qualifications and experience, value the Generator business at least every 12 months. This independent valuation is used to assess whether there has been any impairment to the value of goodwill recognised in Precinct's accounts.

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 2021*	*30 June 2020*
Gross property income from rentals	**148.4**	114.9
Gross property income from expense recoveries	**31.7**	23.7
Straight line rental adjustments	**4.0**	0.5
Amortisation of capitalised lease incentives	**(8.6)**	(5.1)
Generator operating revenue	**14.7**	17.8
Commercial Bay Hospitality operating revenue	**9.6**	0.0
Total gross operating revenue	**199.8**	151.8

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. This is associated with the provision of services relating to the operations of Precinct's buildings (eg, cleaning, repairs and maintenance, utilities). Precinct have assessed the performance obligations associated with these as being satisfied each month as the services are undertaken within each building. Revenue from our clients for the recovery of operating expenses is billed monthly and recognised in the financial statements in the same manner reflecting that recovery revenue from clients is received at the same time that the performance obligation is satisfied.

Recognition of revenue from operating segments

Operating revenue from Generator is recognised when it transfers services to a member. It is measured based on the consideration specified in a contract with the member.

Operating revenue from Commercial Bay Hospitality venues is recognised at the point of sale, measured at the fair value of the consideration received.

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
Hospitality	Operating of hospitality venues

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	*30 June 2021*				*30 June 2020*			
	Investment properties	***Flexible space***	***Hospitality***	***Total***	***Investment properties***	***Flexible space***	***Hospitality***	***Total***
Revenue								
Gross operating revenue	**175.5**	**14.7**	**9.6**	**199.8**	134.0	17.8	-	**151.8**
Intersegment revenue	**1.8**	**-**	**(1.8)**	**-**	(0.8)	0.8	-	**-**
Less direct operating expenses	**(52.9)**	**(8.6)**	**(10.6)**	**(72.1)**	(36.0)	(10.0)	-	**(46.0)**
Operating income before indirect expenses	**124.4**	**6.1**	**(2.8)**	**127.7**	97.2	8.6	-	**105.8**

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

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Segment operating income before indirect expenses	**127.7**	**105.8**
Interest expense	**(27.2)**	**(5.1)**
Interest income	**-**	**0.1**
Other expenses	**(17.5)**	**(13.3)**
Unrealised net gain / (loss) in value of investment and development properties	**282.9**	**(66.3)**
Unrealised net gain / (loss) on financial instruments	**19.7**	**(1.9)**
Other revenue	**-**	**26.7**
Depreciation - property, plant and equipment	**(1.4)**	**(1.1)**
Lease depreciation	**(5.0)**	**(5.0)**
Lease interest expense	**(3.9)**	**(4.2)**
Net realised gain / (loss) on sale of investment properties	**(2.4)**	**(2.5)**
Impairment of goodwill	**(9.8)**	**-**
Termination of management services agreement	**(217.1)**	**-**
Net profit before taxation	**146.0**	**33.2**

14. Management Expenses

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Management expenses		
Audit fees[1]	**0.3**	0.2
Directors' fees and expenses	**0.9**	0.8
Manager's base fees	**10.2**	9.9
Management expenses[2]	**3.8**	-
Less: those recognised in direct operating expenses	**(1.2)**	-
Less: capitalised to properties being developed	**(0.5)**	-
Amortisation of intangible assets	**0.3**	0.3
Other[3]	**3.7**	2.1
Total other expenses	**17.5**	13.3

1 *Fees paid or payable to the Group's auditor comprise $234,000 for audit and review of financial statements (2020: $202,000) and $51,000 for other assurance services (2020: $42,000). Other assurance services include agreed upon procedures in respect of review of performance fee calculation ($10,000), operating expense statement review ($22,000) and green bond assurance ($19,000).*

2 *Management expenses includes employee remuneration, share-based payments expense, travel, training and occupancy costs.*

3 *Other includes valuation fees, NZX listing fees, share registry costs, annual and interim report publication and property investigations and feasibility costs.*

15. Taxation

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Net profit before taxation	**146.0**	33.2
At the statutory income tax rate of 28.0%	**40.9**	9.3
Unrealised (gain) on value of investment and development properties	**(79.2)**	18.6
Unrealised (gain) / loss on financial instruments	**(5.5)**	1.9
Impairment of goodwill	**2.8**	0.0
Disposal of depreciable assets	**(0.2)**	(0.5)
Capitalised interest	**(4.5)**	(12.0)
Prior period adjustments	**(3.8)**	(2.9)
Other adjustments	**(2.4)**	(2.6)
Depreciation	**(15.9)**	(6.1)
Deductible capital expenditure	**-**	(0.7)
Current tax expense / (benefit)	**(67.8)**	5.0
Depreciation recovered on sale of depreciable assets	**10.5**	1.4
Fair value of financial instruments	**6.6**	(4.4)
Depreciation - current year	**9.1**	1.0
Deferred tax - other	**(0.1)**	0.0
Total deferred tax expense / (benefit)	**15.6**	(3.4)
Total taxation expense	**(41.7)**	3.0
Effective tax rate	**-29%**	9%

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

The group has tax losses of $212.2 million available to carry forward as at 30 June 2021 (2020: $10.2 million)

In April 2021 Precinct applied to IRD for a binding ruling to confirm that that payment for the termination of the management services agreement is deductible for tax purposes. On 30 June 2021 Precinct received a draft response from IRD confirming the deductibility and are still waiting for the final response to be received. For the purposes of the 30 June 2021 tax calculation Precinct has assumed the draft ruling position. See Note 31 for further information.

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Deferred tax asset - tax losses	**(59.4)**	(2.8)
Deferred tax asset - fair value of financial instruments	**(13.3)**	(16.8)
Deferred tax liability - intangible assets on acquisition	**0.6**	0.7
Deferred tax liability - depreciation	**64.8**	55.4
Net deferred tax (asset) / liability	**(7.4)**	36.5

Deferred tax assets

Precinct has recognised deferred tax assets relating to the fair value of financial instruments, share-based payments and accumulated tax losses of the group.

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 on independent valuers' assessments of the market value of the land and improvements. For 30 June 2021, Precinct has 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.

Imputation credit account

Imputation credits available for use as at 30 June 2021 are $nil (2020: $1,633,369).

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 Adjusted Funds From Operations (AFFO)

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

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Net profit after taxation	**187.7**	30.2
Unrealised net (gain) / loss in value of investment and development properties	**(282.9)**	66.3
Unrealised net (gain) / loss on financial instruments	**(19.7)**	1.9
Net realised loss / (gain) on sale of investment properties	**2.4**	2.5
Termination of management services agreement	**217.1**	-
Impairment of goodwill	**9.8**	-
Depreciation - property, plant and equipment	**1.4**	1.1
Depreciation recovered on sale	**10.5**	1.4
Deferred tax (benefit) / expense	**15.7**	(3.4)
IFRS 16 lease adjustments	**1.9**	2.3
Liquidated damages (net of tax impact)	**-**	(19.2)
Tax from management services termination payment	**(60.8)**	-
Swap closeout	**3.0**	-
One off item - project initialisation costs	**0.7**	-
Amortisations	**13.8**	7.9
Straightline rents	**(4.0)**	(0.5)
Funds from operations (FFO)	**96.6**	90.5
Maintenance capex	**(4.0)**	(5.0)
Incentives and leasing costs	**(7.3)**	(2.8)
Adjusted funds from operations (AFFO)	**85.3**	82.7
Weighted average number of shares for net operating income per share (millions)	**1,316.5**	1,313.8
Adjusted funds from operations per share (cents)	**6.48**	6.29

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 2021*	*30 June 2020*
Net profit after tax for basic and diluted earnings per share ($millions)	**187.7**	30.2
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,316.5**	1,313.8
Basic and diluted earnings per share (cents)	**14.26**	2.30

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 2021*	*30 June 2020*
Trade creditors	**6.1**	6.9
Accrued expenses	**24.9**	17.9
Total other current liabilities	**31.0**	24.8

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

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Net profit after taxation	**187.7**	30.2
Add / (less) non-cash items and non operating items		
Unrealised net (gain) / loss in value of investment and development properties	**(282.9)**	66.3
Unrealised net (gain) / loss on financial instruments	**(19.7)**	1.9
Net realised (gain) / loss on sale of investment properties	**2.4**	2.5
Deferred tax (benefit) / expense	**15.7**	(3.4)
Amortisation of leasing costs and incentives	**12.4**	6.7
Deferred tax expense	**(56.2)**	-
Impairment of goodwill	**9.9**	-
Movement in working capital		
Increase / (decrease) in creditors	**(1.6)**	(11.4)
Income tax payable	**(0.8)**	(10.6)
(Increase) / decrease in debtors	**(2.9)**	0.5
Net cash inflow / (outflow) from operating activities	**(136.0)**	82.7

20. Interest Bearing Liabilities

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Interest bearing liabilities		
Bank loans	**317.0**	366.0
US private placement	**260.7**	260.7
NZ senior secured bond	**325.0**	175.0
Convertible note	**150.0**	150.0
Total drawn debt	**1,052.7**	951.7
US private placement - fair value adjustments	**31.1**	69.3
Convertible note - embedded financial derivative and amortisation adjustment	**17.8**	12.7
Capitalised borrowing costs	**(5.5)**	(4.8)
Net interest bearing liabilities	**1,096.1**	1,028.9

Breakdown of borrowings:

Amounts in $ millions	*Held at*	*Maturity*[1]	*Facility*	*Coupon*[1]	*30 June 2021*	*30 June 2020*
Bank loans	Amortised cost	Feb-25	150.0	Floating[2]	**-**	-
Bank loans	Amortised cost	Jul-22	260.0	Floating[2]	**210.0**	260.0
Bank loans	Amortised cost	Jul-23	200.0	Floating[2]	**-**	106.0
Bank loans	Amortised cost	Mar-26	250.0	Floating	**107.0**	-
NZ senior secured bond (PCT010)	Amortised cost	Dec-21	75.0	5.54%	**75.0**	75.0
NZ senior secured bond (PCT020)	Amortised cost	Nov-24	100.0	4.42%	**100.0**	100.0
NZ senior secured bond (PCT030)	Amortised cost	May-27	150.0	2.85%	**150.0**	-
Convertible note (PCTHA)	Amortised cost	Sep-21	150.0	4.80%	**150.0**	150.0
US private placement	Fair value	Jan-25	65.3	4.13%	**65.3**	65.3
US private placement	Fair value	Jan-27	32.6	4.23%	**32.6**	32.6
US private placement	Fair value	Jul-29	118.4	4.28%	**118.4**	118.4
US private placement	Fair value	Jul-31	44.4	4.38%	**44.4**	44.4
Total			1,595.7		**1,052.7**	951.7
Weighted average term to maturity					**3.5 years**	3.9 years
Weighted average interest rate before swaps (including funding costs)					**2.43%**	2.50%

1 As at 30 June 2021.

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 $1,595.7 million (2020: $1,195.7 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 it 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. Lease Liabilities

Precinct has entered into ground leases (as lessee) and property leases (Generator as lessee). Ground leases have remaining non-cancellable lease terms of between one and 51 years. Generator property leases have remaining non-cancellable lease terms of between one and 12 years.

Amounts in $ millions	30 June 2021			30 June 2020		
	Investment properties	*Flexible space*	*Total*	*Investment properties*	*Flexible space*	*Total*
Current	-	3.2	3.2	-	3.0	3.0
Non-current	3.0	34.1	37.1	3.0	37.4	40.4
Total lease liabilities	**3.0**	**37.3**	**40.3**	**3.0**	**40.4**	**43.4**

Accounting policy

Leases

At contract inception Precinct assesses whether a contract is, or contains, a lease. Where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is considered a lease.

Precinct as a lessee

Precinct applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets where IFRS 16 recognition exemptions are applied. Precinct recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Precinct recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term certain life of the lease.

Lease liabilities

At the commencement date of the lease Precinct recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Precinct and payments of penalties for terminating the lease if the lease term reflects Precinct exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments Precinct uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amounts of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

22. Derivative Financial Instruments

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Fair value of derivative financial instruments		
Current assets	**2.2**	-
Non-current assets[1]	**32.3**	95.2
Current liabilities	**-**	(1.7)
Non-current liabilities	**(50.9)**	(84.5)
Total	**(16.4)**	9.0
Notional contract cover (fixed payer)	**905.0**	945.0
Notional contract cover (fixed receiver)	**475.0**	325.0
Notional contract cover (cross currency swaps - fixed receiver)	**260.7**	260.7
Percentage of net drawn borrowings fixed	**54.1%**	55.7%
Weighted average term to maturity (fixed payer)	**4.0 years**	3.9 years
Weighted average interest rate after swaps (including funding costs)	**3.38%**	3.88%

1 *This includes the cross currency interest rate swap valuation of $25.1 million (June 2020: $76.0 million) and a net debit value adjustment of $1.0 million (June 2020: $0.8 million credit).*

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Unrealised net gain / (loss) on financial instruments		
Interest rate swaps	**23.8**	(17.1)
US private placement[1]	**(0.1)**	1.2
Convertible note option	**(4.0)**	14.0
Subtotal unrealised net gain / (loss) on financial instruments	**19.7**	(1.9)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	**(10.8)**	6.8
Total unrealised net gain / (loss) on financial instruments	**8.9**	4.9

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.

23. Capital Commitments

Precinct has $260.1 million of capital commitments as at 30 June 2021 (2020: $103.7 million) relating to construction contracts.

24. Operating Lease Commitments

Precinct has entered into investment property leases (as lessor) which have remaining non-cancellable lease terms of between one and 38 years.

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

	Commitments as lessor (receivable)	
Amounts in $ millions	*30 June 2021*	*30 June 2020*
Within one year	**185.0**	180.5
After one year but not more than five years	**657.0**	609.2
More than five years	**763.4**	681.1
Total	**1,605.4**	1,470.8

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.

25. Contingencies

a. Contingent liabilities

There are no contingent liabilities as at 30 June 2021 (June 2020: $nil).

b. Contingent assets

There are no contingent assets as at 30 June 2021 (June 2020: $nil).

26. Share-Based Payments

a) Description of share-based payment arrangements

On 1 April 2021, Precinct introduced a long-term incentive scheme ('scheme') for key management personnel and senior executives. Under this scheme, share rights were issued which entitles participants to receive ordinary shares in Precinct within the period of 15-39 months. Vesting of share rights are subject to achieving service and/or performance conditions and is classified as equity-settled. These are at-risk payments designed to align the reward for senior management personnel and senior executives with the enhancement of shareholder value over a multi-year period.

The key terms and conditions related to the grants under this scheme are as follows:

Restricted share rights (granted to senior management personnel and senior executives)	Vest over service periods of 15, 27 and 39 months provided the participant remains employed by Precinct.
Performance share rights (granted to senior executives)	Vest over 39 months (assessment period) if the related performance hurdle is met and participant remains employed by Precinct. These will vest as follows: **Absolute TSR rights** (one-third of performance share rights) If Precinct's TSR exceeds a specified annualised compounding rate. **Relative TSR rights** (one-third of performance share rights) Over the assessment period on a progressive vesting scale based on Precinct's TSR relative to the TSR of property group comprising other listed property issuers. **FFO growth rights** (one-third of performance share rights) Over the assessment period on a progressive vesting scale based on Precinct's FFO growth per share relative to CPI growth rate.

TSR - Total shareholder's return; FFO - Funds from operations

On vesting date, subject to meeting the service and performance conditions as above, each share right converts to one ordinary share. Key management personnel and senior executives are liable for tax on the shares received at this point.

b) Reconciliation of outstanding share rights

	Number of share rights
	30 June 2021
Outstanding at 1 July 2020	**-**
Exercised during the year	**-**
Granted during the year	**2,836,145**
Outstanding at 30 June 2021	**2,836,145**

c) Fair value measurement of share rights

The fair value of the employee share rights awarded has been measured using a binomial model and Monte Carlo simulation. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of fair values at grant date of the award share rights were as follows:

	2021 scheme					
	Restricted share rights 1	*Restricted share rights 2*	*Restricted share rights 3*	*Absolute TSR rights*	*Relative TSR rights*	*FFO growth*
Fair value ($)	1.638	1.638	1.638	0.510	0.630	1.410
Share price ($)	1.630	1.630	1.630	1.630	1.630	1.630
Expected volatility (%)	N/A	N/A	N/A	19.70	19.70	19.70
Expected life	1 yr 3 mths	2 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths
Risk free rate (%)	N/A	N/A	N/A	0.57	0.57	0.57

Expected volatility has been based on an evaluation of the historical volatility of the Precinct's share price, particularly over the historical period commensurate with the expected term. The expected term of the share rights has been based on historical experience and general option holder behaviour. The risk-free rate reflects the interpolated rate for the period of 3 years and 3 months based on data sourced from the Reserve Bank of New Zealand.

The management expense relating to the LTI scheme for the year ended 30 June 2021 is $0.3 million with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining share rights at 30 June 2021 is $2.4 million.

Accounting Policy

Recognition and measurement

The grant-date fair value of share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting periods of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Key estimates and assumptions

It has been assumed that the key management personnel and senior executives will remain employed with Precinct on each of the vesting dates and that the non-market performance conditions will be met.

27. Related Party Transactions

As outlined in Note 10, Precinct internalised its management on 31 March 2021. From this date no further fees were payable to the manager. Instead the costs of managing Precinct have been incurred directly. The information below relates to fees paid to the former manager prior to internalisation.

Amounts in $ millions	*30 June 2021*		*30 June 2020*	
	Fees charged	***Owing at 30 June***	*Fees charged*	*Owing at 30 June*
Base management services fee	**9.9**	**-**	9.5	0.9
Leasing fees	**1.3**	**-**	1.0	-
Development manager fees	**5.8**	**-**	11.3	6.8
Acquisition and disposal fees	**0.2**	**-**	0.4	-
Generator management fee	**0.3**	**-**	0.4	-
Recoverable services fee	**4.4**	**-**	4.2	0.0
Total	**21.9**	**-**	26.8	7.7

a) Base management services fee

The base management services fee structure was 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 were expensed through indirect other expenses in the year in which they arise.

b) Performance fee

The performance fee was 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 was 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 was payable in quarters where equity total returns were negative.

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

c) Leasing fees

Precinct paid the Manager leasing fees where the manager had negotiated leases instead of or alongside a real estate agent.

Leasing fees were 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 paid development manager fees where the manager acted as development manager on Precinct developments.

These fees were capitalised to the respective investment or development property in the Statement of Financial Position.

e) Acquisition and disposal fees

Precinct paid fees to the manager for managing the sale or purchase of properties instead of or alongside a real estate agent.

Acquisition fees were capitalised to the respective investment or development property in the Statement of Financial Position.

Disposal fees were expensed through net realised gain or loss on sale of investment properties in the year in which they arise.

f) Recoverable services fee

Precinct paid 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 were 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 was charged for the provision of management services to Precinct relating to its investment in Generator.

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

h) Other transactions with the manager

Prior to internalisation, other than in respect of the Generator and Commercial Bay Hospitality businesses, Precinct did not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager was appointed to manage and administer Precinct. The manager was responsible for the remuneration of personnel providing management services to Precinct until 31 March 2021.

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 HSBC Tower, AMP Centre and NTT Tower. Total rent received by Precinct from these parties during the year was $3,615,866 (2020: $3,529,457). As at 30 June 2021 an amount of $2,267 was owing to Precinct from AMP Capital Investors (New Zealand) Limited(2020: $4,208 owing from Precinct).

i) Related party debts

No related party debts have been written off or forgiven during the year (2020: $nil).

28. Key Management Personnel

Amounts in $ millions	*30 June 2021*	*30 June 2020*
Directors' fees	**0.8**	0.6
Executive team remuneration[1]	**0.7**	-
Total	**1.5**	0.6

1 Remuneration of the executive team post internalisation of management.

29. 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.

30. 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 2021*			*30 June 2020*		
	At amortised cost	***Fair value through profit or loss***	***Total***	*At amortised cost*	*Fair value through profit or loss*	*Total*
Financial assets						
Cash	**8.3**	**-**	**8.3**	7.8	-	7.8
Debtors	**6.4**	**-**	**6.4**	7.2	-	7.2
Derivative financial instruments	**-**	**36.7**	**36.7**	-	95.2	95.2
Total	**14.7**	**36.7**	**51.4**	15.0	95.2	110.2
Financial liabilities						
Other current liabilities	**31.0**	**-**	**31.0**	24.8	-	24.8
Interest bearing liabilities	**792.0**	**291.8**	**1,083.8**	691.0	330.0	1,021.0
Derivative financial instruments	**-**	**50.9**	**50.9**	-	86.2	86.2
Total	**823.0**	**342.7**	**1,165.7**	715.8	416.2	1,132.0

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 2021*	*30 June 2020*
	Effect on profit or equity	*Effect on profit or equity*
25 basis point increase	**(1.2)**	(1.1)
25 basis point decrease	**1.2**	1.1

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 2021						
Interest bearing liabilities	**1,083.8**	**255.0**	**234.8**	**328.9**	**374.2**	**1,192.9**
Net derivative financial instruments	**16.4**	**5.8**	**7.2**	**18.4**	**10.5**	**41.9**
Other current liabilities	**31.0**	**31.0**	**-**	**-**	**-**	**31.0**
Total	**1,131.2**	**291.8**	**242.0**	**347.3**	**384.7**	**1,265.8**
30 June 2020						
Interest bearing liabilities	1,021.0	27.0	249.8	579.5	228.5	1,084.8
Net derivative financial instruments	(9.0)	11.7	10.0	21.4	14.1	57.2
Other current liabilities	24.8	24.8	-	-	-	24.8
Total	**1,036.8**	**63.5**	**259.8**	**600.9**	**242.6**	**1,166.8**

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.

31. Events After Balance Date

Following a retail offer, on 8 July 2021 Precinct issued 19,736,842 shares at $1.52 per share.

On 14 July 2021 Precinct cancelled $50.0 million of the bank loan facility due to mature in July 2022.

On 15 July 2021 Precinct purchased Freyberg House for $49.0 million.

On 28 July 2021 Precinct received a final binding ruling from IRD confirming deductibility of the management services termination payment.

On 11 August 2021 the Board approved the financial statements for issue and approved the payment of a dividend of $24,021,363 (1.625 cents per share) to be paid on 24 September 2021.

Building a better working world

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 70 to 96, which comprise the consolidated statement of financial position of the group as at 30 June 2021, 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 70 to 96 present fairly, in all material respects, the financial position of the group as at 30 June 2021 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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 related and agreed-upon procedures services to the Group. Ernst & Young and the Group have entered an agreement in respect of our future occupancy of a Group property. 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 judgement, 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.

Building a better working world

Investment and Development Property Valuations

Why significant	How our audit addressed the key audit matter
The Group's investment and development properties have an assessed fair value of $3,076.4 million and $232.4 million respectively, and account for 96% of the Group's total assets. The Group engaged third party registered valuers to determine the fair value of each property at 30 June 2021. The property valuations require the use of judgments specific to the properties, as well as consideration of the prevailing market conditions. Significant assumptions used in the valuations are inherently subjective and a small difference in any one of the key assumptions, when aggregated, could result in a significant change to the valuation of a property. Given the market conditions at balance date, some of the third party valuers have commented there remains some uncertainty in relation to the adopted market assumptions given the impacts of Covid-19 on the property market, indicating there may be a greater range around their opinion of "market values" than would normally be the case and/or that values and incomes may change more rapidly and significantly than during standard market conditions. The third party valuer of Commercial Bay Retail reported on the basis of 'material valuation uncertainty', noting that less certainty and higher degree of caution should be attached to the valuation than would normally be the case. The disclosures in the financial statements provide important information about the assumptions made in the property valuations at 30 June 2021. As a result, we consider the property valuations and the related disclosures in the financial statements to be significant to our audit. For investment properties key assumptions are made in respect of: • market rent; and • estimated capitalisation or discount rates. For development properties additional key assumptions are made in respect of: • forecast development costs; and • profit and risk allowance. Disclosures relating to investment and development properties and the associated significant judgments are included in Note 9 'Investment and Development Properties' to the consolidated financial statements. Disclosures in relation to the impact of Covid-19 on the property valuations are included in Note 8ii to the consolidated financial statements.	Our audit procedures included the following: • Held discussions with management to understand: – changes in the condition of each property; and – the impact market conditions, including Covid-19, had on the Group's investment and development properties. • Evaluated the Group's internal review of the third party valuation reports. • Held discussions with the third party valuers to gain an understanding of the assumptions and estimates used and the valuation methodologies applied. This included consideration of the impact, if any, of market conditions on key assumptions such as market rent, capitalisation rates, discount rates, forecast development costs and profit and risk allowances. • Involved our real estate valuation specialists to assist with our assessment of whether significant valuation assumptions fell within reasonable ranges and the valuation methodologies adopted were appropriate. • Assessed key inputs supplied to the third party valuers by the Group, including comparing the tenancy schedule and specific provisions in the lease agreements to the underlying records held by the Group. • Assessed the significant assumptions applied by the third party valuers for reasonableness compared to previous period assumptions, the changing state of the properties and other market changes. • Assessed the competence, qualifications and objectivity of the third party valuers. • Considered the adequacy of the disclosures in Notes 8ii and 9, including disclosure of the uncertainties arising from the Covid-19 pandemic.

Building a better working world

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 at 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.

Ernst + Young

Chartered Accountants

Auckland

11 August 2021

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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.