EXECUTING ON **STRATEGY**

ANNUAL REPORT **2015**

Precinct™
PROPERTIES NEW ZEALAND

More information can be found at
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PRECINCT IS COMMITTED TO ITS LONG TERM STRATEGY. WE BELIEVE OUR STRATEGY WILL ENSURE ***GROWTH AND STRONG SUSTAINABLE DIVIDENDS.***

CHAIRMAN'S REPORT

VERY GOOD PROGRESS ACHIEVED

Precinct had another very good year. We achieved pleasing results, advanced our strategy for portfolio enhancement and strengthened our balance sheet to put the company in a strong position to progress our opportunities.

Net profit after tax of $122.4 million was up 4.4% on $117.2 million the previous year. Net operating income was up 7.1% to $68.3 million versus $63.8 million the year before.

$122.4 M

NET PROFIT AFTER TAX

Net operating income per share increased 1.5% to 6.19 cps (2014: 6.10 cps). This is a significant achievement given the reduction in leverage and demonstrates the company's operational strength.

We benefited from a 4.0% portfolio revaluation gain of $64.8 million primarily as a result of a strong Auckland investment and occupier market. This resulted in Precinct's net tangible assets per share (NTA) increasing from $1.04 to $1.11.

POSITIONING FOR THE FUTURE

The company maintained a focus on balancing risk and return and completed several successful capital management initiatives. Those initiatives have put Precinct in a strong financial position to fund its developments.

We secured $173 million of long term borrowings through the United States Private Placement (USPP) completed in November and the New Zealand retail bond issue completed in December.

In particular we were very pleased with the outcome of the USPP transaction, which was fully swapped back to New Zealand dollars to remove currency risk. This was a first for the New Zealand property sector and the support we received from US investors was particularly pleasing. The USPP and the retail bond transactions added valuable funding diversity and term to Precinct's borrowings. Non-bank borrowings now represent 54% of total borrowings (2014: 0%).

As a consequence of progressing our key developments, the company decided to raise $174.1 million of equity from shareholders through a pro-rata entitlement offer in March. The issue, undertaken at a 9.5% premium to NTA, was well supported by institutional and retail investors.

$174.1 M

ENTITLEMENT OFFER

"IT WAS A VERY GOOD YEAR, AND A BUSY ONE. WE LOOK FORWARD TO MORE OF THE SAME IN 2016."

>> **Craig Stobo**, Chairman.

Another key achievement for the year was executing the asset sales programme. Precinct sold SAP Tower in Auckland, 171 Featherston Street and 80 The Terrace in Wellington for a total of $209 million. Post balance date, Precinct announced the sale of 125 The Terrace for $65 million. Combined with the equity issue, these sales have enabled us to reduce gearing to 11.3%[1] from 33.8% the previous year.

BOARD CHANGES

Graeme Horsley has advised his intention to retire as an independent director of Precinct. Graeme has been involved as a director since 2005. He has made a significant contribution to the company. We thank him and wish him well for the future.

In the period the board reviewed its collective skill set, its level of diversity and director tenure. Following this review the board is pleased to welcome Launa Inman on to the board as a director designate pending Graeme's retirement. Launa is an experienced director and CEO, bringing extensive retail expertise and governance experience. Graeme's retirement and Laura's appointment as director will be effective during the 2016 financial year.

OUTLOOK AND GUIDANCE

The board expects full year earnings for the 2016 financial year of approximately 6.0 cps, before performance fees and expects to maintain a dividend of 5.4 cps.

Over the coming years as the company executes its development programme and the associated risks are reduced, it is anticipated that dividends will grow. This growth is a reflection of the solid earnings growth and value created from the completed developments.

It was a very good year, and a busy one. We look forward to more of the same in 2016. The board remains focussed on governance of the company's growth and risk management as the company continues to execute on its strategy.

CRAIG STOBO, CHAIRMAN

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

MANAGEMENT REPORT
YEAR IN REVIEW

HIGHLIGHTS

It has been an active year where success across all activities was reflected in portfolio performance and milestones achieved. Strong operational results have allowed the company to maintain dividend levels despite significantly reducing leverage. This performance continues to position the business well to realise its development opportunities.

For the first time in Precinct's history we ended the year with 100% occupancy in Auckland where we continue to see very strong market demand and occupier interest. The developments we have planned should position Precinct well to meet this demand.

Vacancies have remained low in Wellington where our premium space continues to be sought after. We are happy with the outlook for Precinct in the Capital. The asset sales we have undertaken help right size our exposure to the Wellington corporate market.

Portfolio metrics continue to be strong with portfolio occupancy at 98% (2014: 98%) and a weighted average lease term (WALT) of 5.0 years (excluding Downtown) (2014: 5.4 years).

FOCUSING ON STRATEGIC OPPORTUNITIES

Our strategy includes deliberately reweighting the balance of our portfolio from Wellington to Auckland. This reflects the growth opportunity we see in Auckland, although we ended the year in a strong position in both cities.

In reshaping our portfolio around high value, strategically placed precincts we sold 171 Featherston Street and 80 The Terrace in Wellington and Auckland's SAP Tower. Reinvestment of this capital into Downtown, Wynyard Quarter and Bowen Campus will see us further our strategy of concentrated ownership in strategic locations.

During the year the proposed developments achieved a number of key milestones. At Wynyard we preleased some 70% of Stage 1 to Auckland Tourism Events and Economic Development and architecture firm Warren and Mahoney. At Bowen Campus we welcomed Cabinet approval for the Crown to enter the final negotiations phase of the Government's Wellington Accommodation Project.

"FOR THE FIRST TIME IN PRECINCT'S HISTORY WE ENDED THE YEAR WITH 100% OCCUPANCY IN AUCKLAND."

>> **Scott Pritchard**, CEO.

We continue to make good progress at Downtown with 2015 seeing a number of key project milestones. We entered a development agreement with Auckland Council to coordinate works with the city rail link. The conditional acquisition of Queen Elizabeth Square was approved by the Auckland Council development committee. The Square will be incorporated into the overall master plan adding new life to this central city hub.

In June we recorded another milestone through obtaining resource consent approval. We also moved from preliminary design to developed design and commenced the construction contract tendering process with leading construction companies.

RECONCILIATION TO NET OPERATING INCOME[2]

(Amounts in $millions)	2015	2014	Change
Rental revenue	**$170.5**	$165.4	3.1%
Operating income – before indirect expenses	**$121.6**	$118.3	2.8%
Operating income before tax	**$79.8**	$72.5	10.1%
Net operating income[3]	**$68.3**	$63.8	7.1%
Net profit after taxation	**$122.4**	$117.2	4.4%
Earnings per share based on operating income before tax	**7.23 cents**	6.93 cents	4.3%
Earnings per share based on operating income after tax	**6.19 cents**	6.10 cents	1.5%
Gross distribution (cents per share)	**6.834 cents**	6.232 cents	9.7%
Net distribution (cents per share)[4]	**5.400 cents**	5.400 cents	
Payout ratio	**87.2%**	88.5%	(1.5%)
Total assets	**$1,753.2**	$1,747.5	0.3%
Total liabilities	**$414.9**	$640.7	(35.2%)
Total equity	**$1,338.3**	$1,106.8	20.9%
Shares on issue (million shares)	**1,211.1**	1,059.7	14.3%
NTA per share	**111 cents**	104 cents	6.7%
Gearing ratio at balance date[5]	**20.1%**	33.8%	(40.5%)

2. The information set out above has been extracted from the financial statements set out on pages 28 to 31.
3. Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.
4. Dividend paid and proposed relating to financial year.
5. For loan covenant purposes deferred tax losses and fair value of swaps are not included in the calculation of gearing ratio, excluding the fair value of derivatives entered into for the hedging of foreign exchange risk on borrowings.

YEAR IN REVIEW *(CONTINUED)*

RESULTS OVERVIEW

Improved occupancy and a strong revaluation gain contributed to net profit after tax increasing to $122.4 million (2014: $117.2 million).

Despite selling SAP Tower in February 2015, net operating income (distributable earnings), which adjusts for a number of non-cash items, increased for the year to $68.3 million (2014: $63.8 million).

Dividend paid and attributed to the 2015 financial year totalled 5.40 cps (2014: 5.40 cps). This represented a payout ratio of 87.2% consistent with Precinct's dividend policy of paying around 90% of net operating income.

RECONCILIATION OF NET OPERATING INCOME

Amounts in $millions	2015	2014
Net profit after taxation	**122.4**	117.2
Unrealised net (gain) in value of investment properties	**(64.8)**	(47.5)
Net realised loss on sale of investment properties	**1.6**	
Unrealised net loss/(gain) on financial instruments	**11.9**	(10.9)
Depreciation recovered on sale	**3.8**	
Deferred tax expense/(benefit)	**(6.6)**	5.0
Net operating income	**68.3**	63.8

Note: Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items as detailed in the reconciliation above. Precinct's Dividend Policy is based upon net operating income. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

Gross rental revenue was $170.5 million, 3.1% higher than the previous year (2014: $165.4 million). This increase was primarily due to improved occupancy levels, in particular within the Wellington portfolio where average occupancy increased by 5% following leasing success at State Insurance Tower and 171 Featherston Street.

Property expenses were $48.9 million, 3.8% higher than the previous period. This increase was due to a lower level of capitalised operating expenses following the completion of works at 157 Lambton Quay (formerly Vodafone on the Quay) and 80 The Terrace in addition to higher amortised leasing costs.

Precinct renewed its insurance in May 2015 with premiums reducing by 21% from the year earlier. Since May 2012 Precinct's insurance premiums have halved providing a direct benefit to Precinct and its clients.

Net property income increased to $121.6 million (2014: $118.3 million). Adjusting for the sale of SAP Tower and straight-line rent, like for like net property income rose by 3.7%.

Net interest expense fell $1.8 million to $31.4 million, which reflected lower debt levels following the sale of SAP Tower and the $174.1 million entitlement offer. This reduction was offset by the close out of $69 million of interest rate swaps at a cost of $1.6 million.

Precinct recorded a 14% shareholder total return for the year to 30 June 2015. This underperformed the benchmark New Zealand listed property sector return (excluding Precinct) of 22%. In line with the agreed process for recognising outperformance of the market no management performance fees were paid. After providing for performance fees, overall indirect expenses were consistent with the previous year.

Current tax expense increased $2.8 million to $11.5 million reflecting higher pre-tax profit and a lower level of deductions. The increase was also a reflection of the 2014 tax deduction of $1.2 million associated with the sale of Chews Lane in 2011. These items were partly offset by tax deductions associated with development feasibility costs and a washup relating to prior periods.

The fair value loss in financial instruments of $11.9 million compared with a $10.9 million gain the previous year. The reversal mainly reflects the significant fall in market interest rates since 30 June 2014.

$64.8M

REVALUATION GAIN

The valuation gain of $64.8 million (2014: $47.5 million), when compared with year end book values, reflected valuations increasing by 8.3% in Auckland and decreasing by 2.2% in Wellington. The Auckland increases were equally attributable to compression in capitalisation rates and market rental growth. The decline in Wellington values were a result of a slight reduction in market rents while capitalisation rates have remained stable.

As at 30 June 2015 Precinct's portfolio totalled $1.69 billion consistent with the prior period (2014: $1.73 billion) due to the strong revaluation gain being offset by the sale of SAP Tower and 80 The Terrace.

Precinct's NTA per share at balance date increased 6.7% to $1.11 (2014: $1.04). The increase in NTA is due to the revaluation gain, the equity issue and Precinct's retained earnings policy.

RECONCILIATION OF NTA MOVEMENT

Cents per share	
NTA 30 June 2014	**104**
Equity issue	1
Revaluation	5
Interest rate swap movements	(1)
Other (including rounding)	2
NTA 30 June 2015	**111**

+6.7%

INCREASE IN NET TANGIBLE ASSETS

11.3%

PRO-FORMA GEARING

$173M

LONG TERM BORROWINGS SECURED

Precinct Auckland Property Manager

CAPITAL MANAGEMENT

Precinct undertook three capital management initiatives in the financial year. The USPP and the New Zealand listed bond issue secured total borrowings of $173 million for a term of 9.1 years. These initiatives added valuable funding diversity and term to Precinct's borrowings.

In addition to these two initiatives Precinct also undertook a 1 for 7 entitlement offer for $174.1 million of new equity at an issue price of $1.15. Initially the net proceeds have been used to repay bank debt and reduce leverage. Gearing as at 30 June 2015 was 20.1%, compared with 33.8% a year earlier.

In the period Precinct also sold three assets for a combined consideration of $209 million. SAP Tower in Auckland settled in February 2015 while 171 Featherston Street and 80 The Terrace in Wellington settled post balance date. Allowing for these two transactions and the post balance date sale of 125 The Terrace for $65 million, pro-forma gearing reduces to 11.3%.

Over the past few months we have made significant steps in advancing our long term strategy. The $209 million of asset sales combined with the proceeds of the $174 million entitlement offer puts the company in a strong position to fund its development opportunities.

"OVER THE PAST FEW MONTHS WE HAVE MADE SIGNIFICANT STEPS IN ADVANCING OUR LONG TERM STRATEGY. THE $209 MILLION OF ASSET SALES COMBINED WITH THE PROCEEDS OF THE $174 MILLION ENTITLEMENT OFFER PUTS THE COMPANY IN A STRONG POSITION TO FUND ITS DEVELOPMENT OPPORTUNITIES"

>> **George Crawford**, COO.

The weighted average term to expiry of Precinct's debt facilities is 4.6 years (2014: 3.1 years).

Of Precinct's drawn bank debt, 62% (2014: 67%) was hedged through the use of interest rate swaps. This now results in a weighted average interest rate, including all fees, of 5.4% (2014: 6.0%).

CAPITAL MANAGEMENT METRICS

	2015	2014
Debt drawn	**$323m**[6]	$572m
Gearing – banking covenant	**20.1%**	33.8%
Pro-forma gearing (post sales)	**11.3%**	
Weighted average term to expiry	**4.6 years**	3.1 years
Weighted average debt cost (incl fees)	**5.4%**	6.0%
Hedged	**62%**	67%
Weighted average hedging	**2.9 years**	2.3 years
ICR (previous 12 months)	**3.5 x**	3.2 x
Facility size	**$423m**	$610m

6. Excludes the $16.6 million USPP note fair value adjustment

YEAR IN REVIEW *(CONTINUED)*

OPERATIONAL UPDATE

Portfolio metrics continue to be strong with portfolio occupancy at 98% (2014: 98%) and a weighted average lease term (WALT) of 5.0 years (excluding Downtown) (2014: 5.4 years).

5.0 YEARS

WEIGHTED AVERAGE LEASE TERM (EXCLUDING DOWNTOWN SHOPPING CENTRE)

In total 66 leasing transactions covering 25,600sqm were secured in the period with a WALT of 4.9 years. Overall leasing transactions were secured at a 3.4% premium to 2014 rental valuations.

Office leasing transactions in the period totalled 18,800sqm on a WALT of 5.2 years. Office leasing transactions were secured at a 4.3% premium to 2014 rental valuations. In Auckland a strong market saw leasing transactions secured at an 8.1% premium, while in Wellington leasing transactions were secured at a 1.2% premium.

Leasing highlights for the period included Russell McVeagh entering an extended lease at Wellington's 157 Lambton Quay and new leasing totalling almost 3,000sqm at HSBC House in Auckland.

Other key leasing during the period includes Regus committing to 1,000sqm at ANZ Centre – Auckland and leasing the remaining 300sqm of Auckland vacancy at PwC Tower.

In the period, Precinct settled 24,000sqm of market rent reviews at a 0.7% premium to contract. In total Precinct settled 91,500sqm of rent reviews at a 1.1% premium to passing rents.

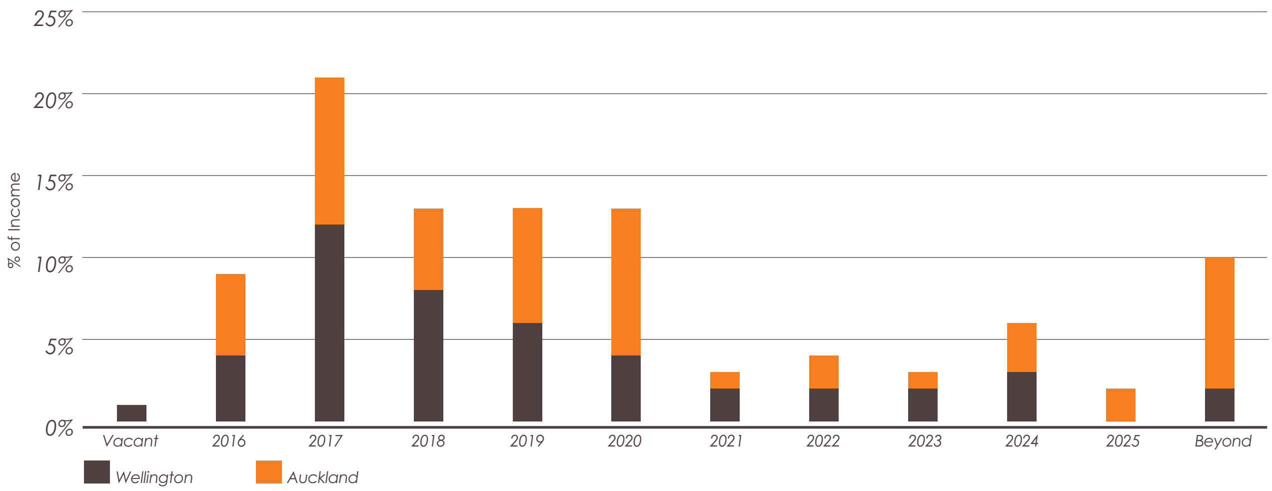
100%

AUCKLAND PORTFOLIO OCCUPANCY

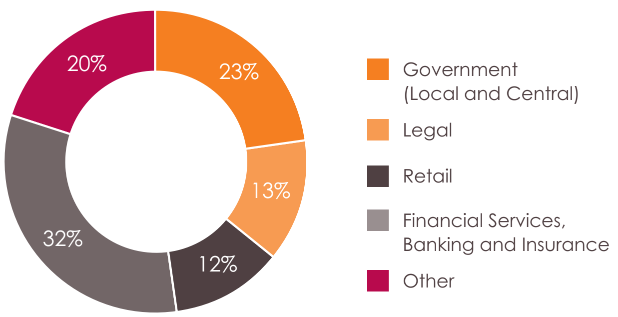
The portfolio is under-rented by 1.8% (2014: (0.6%)) and continues to be positioned to capture market rental growth.

Downtown Shopping Centre continues to deliver strong sales growth. Annual centre sales are up 5.2% compared to a year earlier, while the annual customer count is up 5.9%.

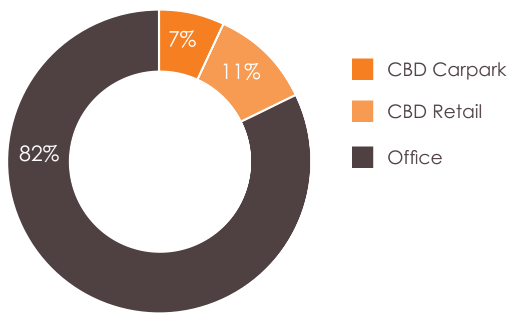
LEASE EXPIRY PROFILE



COMPOSITION OF REVENUE BY INDUSTRY



REVENUE BY ASSET CLASS



OUR MARKETS

AUCKLAND

The current Auckland CBD office stock totals 1.35 million sqm of which Colliers International (Colliers) regards approximately 446,000sqm as Prime grade (includes both ‘Premium’ and ‘A-grade’).

The Auckland CBD office market continues to strengthen as vacancy rates fall to historical lows. Colliers latest vacancy survey effective 30 June 2015 shows that the overall Auckland Prime CBD office vacancy rate has decreased to 0.7% (0.9% as at December 2014 and 1.4% as at June 2014).

Given this low vacancy, strong demand for quality and the steady growth in the current economic environment, most research houses forecast continued good levels of market rental growth.

WELLINGTON

Currently the office stock in Wellington’s CBD totals 1.47 million sqm of which Colliers regards 264,000sqm as ‘A-grade’. Around half of this is situated within the core Wellington CBD area.

‘A-grade’ vacancy in Wellington has decreased to 2.0% (June 2014: 2.5%) whilst the CBD core ‘A-grade’ vacancy saw an increase from 0.5% at June 2014 to 3.2% as at June 2015.

With no significant change in employment growth and underlying demand, the Wellington occupier market continues along a similar trajectory to that of previous years with minimal growth forecast.

OUTLOOK

2015 was a pivotal year for Precinct. It was one where the company made significant steps in advancing its long term strategy. The capital management initiatives and asset sales programme have put the company in a strong position to advance its developments.

The company achieved a number of key milestones across Bowen Campus, Downtown and Wynyard Quarter. All the developments remain on track and continue to have strong occupier interest and positive feedback.

During 2016 it is expected that the business will become increasingly active as it commences its development opportunities.

Management and the board remain focussed on maintaining appropriate levels of risk management and governance as the company grows. A key target prior to committing to the Downtown project will be ensuring a sufficient level of pre-leasing is achieved.

Our portfolio continues to perform strongly. This is enabling us to maintain earnings and dividend despite the very significant reduction in leverage. We remain focussed on longer term, sustainable growth in earnings and dividends. We have made significant progress towards this goal in the last year and anticipate further progress in the year to come.

SCOTT PRITCHARD, CEO

GEORGE CRAWFORD, COO

BOARD OF DIRECTORS

Graeme Henry Wong

DIRECTOR, INDEPENDENT BCA (HONS) BUS ADMIN, INFINZ (Fellow)

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

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

Graeme is currently chairman of Harbour Asset Management Limited, director of Areograph Limited, Tourism Holdings Limited and shareholder and director of Southern Capital Partners (NZ) Limited, member of the Trust Board of Samuel Marsden Collegiate School and member of the Management Board of The Bible Society Development (New Zealand) Incorporated.

Donald William Huse

DIRECTOR, INDEPENDENT BCA, CA

Don Huse is a professional director. His previous roles include Chief Executive Officer of Auckland International Airport, chief financial officer of Sydney Airport Corporation, chief executive officer of Wellington International Airport and a director of Trans Alta New Zealand and Sydney Airport Corporation.

He is chair of OTPP New Zealand Forest Investments Limited, Crown Irrigation Investments Limited and deputy chair of Transpower New Zealand Limited.

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

Graeme John Horsley

DIRECTOR, INDEPENDENT MNZM, LFNZIV/LFPINZ, FRICS, CF INSTD

Graeme Horsley is an independent property consultant and professional director with 40 years property valuation and consultancy experience, including 14 years with Ernst & Young New Zealand where he was a partner and national director of the Real Estate Group.

Graeme is a Member of the New Zealand Order of Merit, a Life Fellow of the New Zealand Institute of Valuers (NZIV) now the Property Institute of New Zealand, an Eminent Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Institute of Directors.

In 2006 he was appointed a panel member of the Local Government Rates Inquiry; a ministerial inquiry setup to investigate the cost drivers and funding of local authority rating and in 2007 he was appointed an additional member of the High Court. He is chairman of Vital Healthcare Properties Trust and an independent director of Willis Bond Capital Partners Limited and Accessible Properties Limited.

Christopher James Judd

DIRECTOR, MANAGER APPOINTEE

Chris Judd has over 25 years' experience in the property industry.

Chris is the Head of Property Funds Management for AMP Capital Investors Australia. He is a registered valuer being an Associate of the Australian Property Institute. Chris is chairman of the Property Council of Australia's Unlisted Property Roundtable and is a member of the Property Council of Australia's International and Capital Markets Division Management Committee.

Craig Hamilton Stobo

CHAIRMAN, DIRECTOR, INDEPENDENT BA (HONS) FIRST CLASS ECONOMICS

Educated at the University of Otago and Wharton Business School, Craig Stobo has worked as a diplomat, economist, investment banker, and as chief executive officer.

He has authored reports for the Government on "The Taxation of Investment Income" and for the Taupo group on "Creating Wealth for New Zealanders", and chaired the Government's International Financial Services Development group in 2010. Craig is a professional director and entrepreneur. In addition to chairing Precinct, he is chairman of the New Zealand Local Government Funding Agency (LGFA), AIG Insurance NZ, Fliway Group, Saturn Portfolio Management, Elevation Capital Management and Appello Services.

Robert James Campbell

DIRECTOR

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

Rob is currently chairman of Summerset Group Holdings Limited and Tourism Holdings Limited and a director of Turners & Growers Limited. He is a director of substantial private companies based in Australia and New Zealand.

In addition he is a director of, or advisor to, a number of hedge and private equity funds in a number of countries. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Mohammed Al Nuaimi[7]

DIRECTOR, MANAGER APPOINTEE, CFA

Mohammed is an 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 now in the AsiaPacific investment team covering Australia, New Zealand and specific investments in China.

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

7. Anthony Bertoldi is the alternate Director for Mohammed Al Nuaimi. Anthony is the Senior Portfolio Manager – Asia Pacific at ADIA.

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 more than 15 years experience in property funds management, development and asset management.

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

Scott holds a Masters degree in Management from Massey University. He is a member of the Property Council's national council.

George Crawford

CHIEF OPERATING OFFICER

George was appointed in late 2010 as Chief Financial Officer. In 2015 he was appointed Chief Operating Officer retaining responsibility for financial and capital management and assuming responsibility for risk and compliance, human resources, as well as taking a leading role in strategy, development and major projects.

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

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

Davida Dunphy

GENERAL COUNSEL AND COMPANY SECRETARY

Davida was appointed in August 2014 bringing over 10 years experience in all aspects of commercial property (particularly large scale commercial development, acquisitions/disposals and portfolio management) both in New Zealand and the United Kingdom.

After working for four years with a large international firm, Davida moved to New Zealand in 2004 and worked for Bell Gully, where she was most recently a Senior Associate.

Davida is a New Zealand and England & Wales qualified solicitor holding a Bachelor of Laws (Hons) from the University of Sheffield and a Legal Practice (Post Dip) from DeMontfort University.

Andrew Buckingham

GENERAL MANAGER OF DEVELOPMENT

Andrew has worked in the commercial property industry for the past 30 years in both Australia and New Zealand. For the past 10 years Andrew was employed by Kiwi Income Property Trust as the Project Director. Andrew has also held roles with Westfield, St Lukes Group, CB Richard Ellis and Legal & General.

He was responsible for the development and delivery of the highly successful $400 million Sylvia Park shopping centre project and more recently Andrew led the development of the award winning $134 million ASB North Wharf project on the Auckland waterfront. Andrew is an Associate of the Australian Property Institute and a member of the Royal Institution of Chartered Surveyors.

Kym Bunting

GENERAL MANAGER OF PROPERTY

Prior to joining Precinct this year, Kym worked for Brookfield Office Properties, a global owner, developer and manager of premier real estate. Kym was responsible for management of all aspects of the company's New Zealand operating platform.

With 25 years of institutional property knowledge Kym is highly experienced in portfolio strategy, and all aspects of asset/property management, facilities management, and development.

Richard Hilder

GENERAL MANAGER OF FINANCE

Richard joined Precinct in 2010 after returning from the United Kingdom where he worked within Goodman Group's European Funds Management business. He gained experience in capital structuring, fund management and developments in both continental Europe and the United Kingdom.

Richard is responsible for investor relations, financial planning and analysis, the execution of capital management initiatives and treasury management.

Prior to moving to the United Kingdom Richard 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.

SUSTAINABILITY

OUR POLICY

Precinct has developed a sustainability policy in order to enhance the performance of the portfolio, and incorporate the international trend towards a more environmentally sustainable management model. This policy is in recognition of the drive to a more environmentally sustainable portfolio that will deliver improvements in environmental performance and operational costs. Our sustainability policy has been developed utilising applicable elements from international best practice models and incorporating them into a customised measurement tool in order to enhance the performance of the Precinct property portfolio.

Our policy is based on the practice of continuous improvement and comprehensive reporting of the following key metrics from within our portfolio:

- Utilities consumption
- End of trip & wellness facilities
- Indoor air quality
- Supply chain management
- Client amenity
- Client collaboration

Precinct acknowledges, and has committed to, a proactive change in our thinking and direction over time. This policy will be implemented and managed to provide benefits within the next financial year and beyond.

BEST PRACTICE

FY16 marks the implementation of Precincts' Sustainability tool, the product of joint collaboration with the New Zealand Green Building Council, customised to reflect a number of key metrics that are core fundamentals of the NABERSNZ, Greenstar & GRESB programs.

This is new territory for Precinct, a direct response to the growing desire for key corporate occupiers to be housed within sustainable, responsible, comfortable, and productive environments.

We will publish results demonstrating improvements that our operational team make to our buildings as we implement new initiatives, target capital investment, and take a proactive approach to improving our built environment.

WHAT ARE THE BENCHMARKS?

Greenstar: The Green Star Office Design and Built rating tool evaluates the environmental initiatives and/or the potential environmental impact of new, existing and refurbished office buildings.

NABERSNZ: NabersNZ is a voluntary rating system that measures the energy performance of New Zealand's office buildings. It was developed in New South Wales and was adapted for New Zealand to meet design and climate characteristics.

GRESB: GRESB is an industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.

PROGRESS SO FAR

Over the past two years Precinct has been undertaking a Smart Metering program enabling accurate reporting of base building utility consumption in its core assets. This has enabled Precinct to undertake base build NABERSNZ ratings across the majority of the portfolio achieving ratings between 2.5 and 4.5 stars.

Our aspiration through management practices and targeted capital spend in our core assets is to commit to improving our building to ensure all our assets are above average by 2020.

ACHIEVEMENTS TO DATE

Broadly we have achieved:

- PwC Tower reduced energy consumption by 30% (2010-2015)
- Zurich House reduced energy consumption by 40% (2013-2015)
- Following the 2013 redevelopment of the ANZ Centre in Auckland total building energy consumption has fallen by 17%
- 1 and 3 The Terrace 4 star NABERSNZ base build rating
- EECA Collaboration agreement for LED lighting and chiller upgrade programs for our Wellington portfolio
- Our highest disclosure score in the 2014 Carbon Disclosure Project (CDP) at 72.

17%

REDUCTION IN ENERGY

Reduction in total building energy consumption at the ANZ Centre following the 2013 refurbishment.

30%

REDUCTION IN ENERGY

Reduction in total building energy consumption at PwC Tower.

DEVELOPMENTS

Precinct is embarking upon a comprehensive development program. As part of this process we are committed to achieving both Greenstar and NABERSNZ excellence through design.

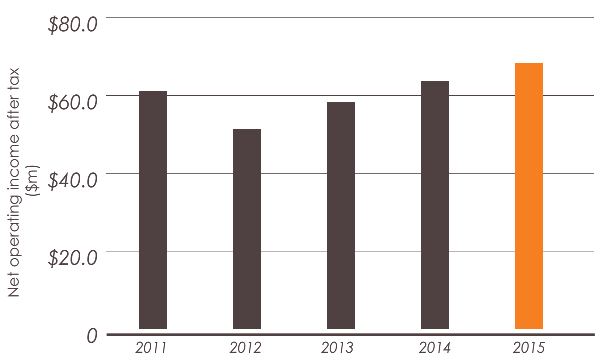
The Wynyard Quarter development reflects a partnership with Waterfront Auckland and minimum 5 Greenstar Design/Build Ratings and 5 star NABERSNZ base build ratings.

The Downtown development commits to achieving 5 Greenstar Design rating and 4 star NABERSNZ Basebuild ratings.

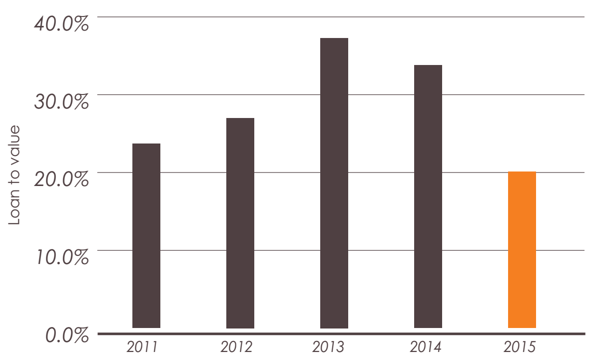
5 YEAR SUMMARY

($millions unless otherwise stated)	2011	2012	2013	2014	2015
Financial performance					
Gross rental revenue	$137.0	$127.3	$147.7	$165.4	**$170.5**
Operating profit before indirect expenses	$101.1	$90.9	$104.0	$118.3	**$121.6**
Net interest expense	($22.3)	($20.8)	($28.0)	($33.2)	**($31.4)**
Other expenses	($9.2)	($11.6)	($12.8)	($12.6)	**($10.4)**
Operating income before income tax	$69.6	$58.5	$63.2	$72.5	**$79.8**
Non operating income / expense					
Unrealised net gain in value of investment properties / (loss)	($36.3)	$5.5	$46.3	$47.5	**$64.8**
Other non operating income / (expense)	($10.0)	($5.4)	$13.2	$10.9	**($13.5)**
Net profit before taxation	$23.3	$58.6	$122.7	$130.9	**$131.1**
Current tax expense	($8.5)	($7.2)	($4.9)	($8.7)	**($11.5)**
Depreciation recovered on sale expense	–	–	–	–	**($3.8)**
Deferred tax benefit / (expense)	($4.4)	($6.3)	$39.7	($5.0)	**$6.6**
Net profit after taxation	$10.4	$45.1	$157.5	$117.2	**$122.4**
Net operating income after tax	$61.1	$51.3	$58.3	$63.8	**$68.3**
Net operating income after tax per share (cents)	6.13	5.14	5.85	6.10	**6.19**
Net dividend (cents)	5.468	5.040	5.120	5.400	**5.400**
Payout ratio	89.2%	98.1%	87.5%	88.5%	**87.2%**
Financial position					
Total assets	$1,283.9	$1,350.4	$1,658.5	$1,747.5	**$1,753.2**
Interest bearing liabilities	$282.5	$346.5	$603.0	$572.0	**$340.0**
Total liabilities	$401.5	$473.2	$674.7	$640.7	**$414.9**
Total equity	$882.4	$877.2	$983.8	$1,106.8	**$1,338.3**
Bank covenant loan to value	23.7%	27.0%	37.3%	33.8%	**20.1%**
Interest coverage ratio	4.1 x	3.5 x	3.0 x	3.2 x	**3.5 x**
Number of shares (m)	997.1m	997.1m	997.1m	1,059.7m	**1,211.1m**
Weighted average number of shares (m)	997.1m	997.1m	997.1m	1,046.6m	**1,103.1m**
Net tangible assets per share	$0.88	$0.88	$0.99	$1.04	**$1.11**
Share price at 30 June	$0.84	$0.93	$1.02	$1.07	**$1.14**
Key portfolio metrics					
Average portfolio cap rate	8.0%	7.9%	7.5%	7.3%	**7.0%**
Weighted average lease term (years)	5.8	5.9	5.7	5.4	**5.0**
Occupancy (by NLA)	94%	94%	97%	98%	**98%**
Net lettable area	265,757m²	289,934m²	322,115m²	322,115m²	**304,485m²**
Number of properties	15	16	17	17	**15**

NET OPERATING INCOME AFTER TAX



LOAN TO VALUE RATIO



CORPORATE GOVERNANCE

INTRODUCTION

The board of directors is responsible for the governance of Precinct. The board is committed to ensuring that Precinct is governed in accordance with best practice and the highest ethical standards and integrity.

The board's commitment to corporate governance best practice can be seen in the Corporate Governance Manual that the board developed and adopted. The manual includes a Code of Ethics and a Board Charter and incorporates (to the extent relevant to Precinct) the NZX listing rules relating to corporate governance, the NZX Corporate Governance Best Practice Code Recommendations and the Securities Commission Governance Principles and Guidelines.

The Corporate Governance Manual is available on Precinct's website (www.precinct.co.nz) in the investor relations section together with a statement of how Precinct's corporate governance policies, practices and processes differ from the NZX Corporate Governance Best Practice Code. If any investor would like a copy sent to them, please contact Precinct investor relations.

THE BOARD

As at 30 June 2015 there were seven directors of Precinct and one alternate director. All directors are non-executive and further details of each director are set out below.

Independent Directors – A majority (four) of the directors are independent (as defined by the NZX Listing Rules) being Messrs, Stobo, Horsley, Huse and Wong, with the other directors not being independent. Precinct's four independent directors are appointed by Precinct's shareholders and are required to retire by rotation.

At this year's annual general meeting in November 2015, investors will have the opportunity to elect/re-elect two independent directors, as well as vote on various other matters.

Non-Independent Directors – Robert Campbell was appointed as a director by Haumi Company Limited pursuant to a provision in Precinct's constitution which grants any security holder holding more than 15% of Precinct shares the right to appoint one director. Mr Campbell is not required by Precinct's constitution to retire by rotation.

Mohammed Al Nuaimi and Chris Judd were appointed as directors by AMP Haumi Management Limited pursuant to a provision in Precinct's constitution which grants the manager the right to appoint up to two directors. Anthony Bertoldi was appointed as alternate director for Mohammed Al Nuaimi on 12 August 2014 following the resignation of Robert Walker. Messrs Al Nuaimi, Judd and Bertoldi are not required by Precinct's constitution or by rule 3.3.11 of the NZX Listing Rules to retire by rotation.

Subsidiary Company Directors – As at 30 June 2015 Precinct had three subsidiary companies which hold all of the individual Precinct properties. The directors for the Precinct subsidiary companies as at 30 June 2015 were Scott Pritchard, George Crawford and Davida Dunphy.

As at 30 June 2015 the board comprised eight males and no females (being the same as at 30 June 2014) and the officers of the company comprised two males and one female (compared to two males as at 30 June 2014). The number of employees totalled 38 comprising 15 females and 23 males.

A schedule of directors and their board meeting attendance record for the year to 30 June 2015 is set out below.

Director	Independent Director	Status	Date of appointment	Board attendances for the year: twelve board meetings	Gender
Craig Stobo	Yes	Board Chairman Nominations Committee Chairman	4 May 2010	12	M
Mohammed Al Nuaimi		Director	30 October 2013	6	M
Anthony Bertoldi		Alternate Director for Mohammed Al Nuaimi*	12 August 2014	10	M
Robert Campbell		Director	2 April 2012	12	M
Graeme Horsley	Yes	Due Diligence Committee Chairman	4 May 2010	10	M
Donald Huse	Yes	Audit and Risk Committee Chairman	1 November 2010	12	M
Christopher Judd		Director	29 April 2013	11	M
Graeme Wong	Yes	Remuneration Committee Chairman	1 November 2010	12	M

* *Robert Walker attended the meeting on 8 August 2014 as alternate for Mohammed Al Nuaimi prior to his resignation and the appointment of Anthony Bertoldi on 12 August 2014.*

THE COMMITTEES OF THE BOARD

For the year to 30 June 2015 there were three committees of the board. These comprise an Audit and Risk Committee, a Nominations Committee and a Remuneration Committee. The charters that exist for each committee can be found in the Corporate Governance Manual which is available on Precinct's website (www.precinct.co.nz). Two Due Diligence Committees were set up during the year in accordance with Precinct's Board Charter.

The Audit and Risk Committee comprised Don Huse as Chairman, Graeme Horsley, Craig Stobo and Rob Campbell.

This committee met four times during the year and all members attended every meeting. The committee was established to assist the board in discharging its duties with respect to financial reporting, compliance and risk management.

The Remuneration Committee comprised Graeme Wong as Chairman, Craig Stobo and Robert Campbell. This committee met once during the year and all members attended this meeting. The committee is to provide guidance to the board when approving directors' remuneration.

The Nominations Committee comprised Craig Stobo as Chairman, Robert Campbell and Graeme Horsley. This committee met once during the year. The committee was established to assist the board in planning the board's composition, evaluating competencies required of prospective directors and to make relevant recommendations to the board.

The Due Diligence Committee is an ad hoc committee that can be established by the board to provide guidance and recommendations on the due diligence process for any transaction of a significant size and/or complexity. The Due Diligence Committee was established three times (for the retail bond, USPP and entitlement offer) for the year to 30 June 2015 and met thirteen times. The Due Diligence Committee includes at least one Independent Director, relevant external consultants and members of management considered appropriate for the transaction in question.

MANAGEMENT FEE STRUCTURE

MANAGEMENT SERVICES AGREEMENT SUMMARY

Precinct and the manager are party to a management services agreement (the Management Agreement), pursuant to which the manager provides management services to Precinct.

The Management Agreement, which came into effect on 1 November 2010, was subsequently amended to include a third tier in the base management services fee (see below). Under the NZSX Listing Rules, this amendment would have required shareholder approval, but for a waiver granted by the NZX.

MANAGEMENT SERVICES FEE

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

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

BASE MANAGEMENT SERVICES FEE

The base management services fee is calculated as follows:

- 0.55% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property is less than or equal to $1,000,000,000; plus
- 0.45% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property is between $1,000,000,001 and $1,500,000,000; plus
- 0.35% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property exceeds $1,500,000,001.

"Value of Investment Property" means, the total value of all real property assets owned or leased by Precinct as determined in accordance with GAAP. Adjustments for revaluations, acquisitions and disposals are made on a pro rata basis each month.

Development properties are excluded from the Value of Investment Property. A property is classified as a development property if it is under construction or is fully vacant and undergoing refurbishment work. The base management services fee is payable in respect of these properties upon receipt of a certificate of practical completion for each property.

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

PERFORMANCE FEE

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

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

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

- The performance fee for any quarter is then equal to the credit balance (if any) in the Carrying Account at that time, subject to two limitations:

CORPORATE GOVERNANCE *(CONTINUED)*

- *the performance fee in any quarter is limited to the "Performance Cap", which is, effectively, 0.125% of an amount reflecting Precinct's market capitalisation for that quarter. The extent to which the performance fee would otherwise have exceeded the Performance Cap will remain in the Carrying Account and be carried forward to the following quarter; and*
- *no performance fee is payable in respect of a quarter if Precinct's absolute Shareholder Return in that quarter is negative, even if it is above the Benchmark Return. Rather, the Initial Amount (calculated by reference to the Outperformance in that quarter) will be credited to the Carrying Account and carried forward to the following quarter.*

- Any Initial Amount credited to the Carrying Account which is not used up in paying performance fees or in off-setting subsequent Deficits will effectively expire two years after it is credited to the Carrying Account. Similarly, any Deficit debited against the Carrying Account which is not used up in off-setting subsequent Initial Amounts will also effectively expire two years after it is debited against the Carrying Account.

SERVICES

BASE MANAGEMENT SERVICES

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

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

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

ADDITIONAL SERVICES

The manager is also responsible for procuring the provision of Additional Services to Precinct, relating primarily to the day-to-day management of individual properties and assets within the Precinct portfolio.

The Additional Services may be provided by any person approved by the manager as having sufficient expertise and resources available to it to perform the service. The manager may perform Additional Services so long as, other than in respect of certain services which Precinct has already agreed the manager has the skills to perform, the manager can demonstrate to the reasonable satisfaction of the board that the manager has sufficient expertise and resources available to it to perform the Additional Services. Furthermore, no person is to be engaged to perform Additional Services without board approval or authorisation under delegated authorities approved by the board.

The Additional Services are not included within the base management services fee payable under the Management Agreement. The fees for these services will be payable by Precinct and are detailed within the Remuneration Report.

REIMBURSEMENT OF COSTS

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

SERVICES SIMILAR TO SERVICES PROVIDED TO PRECINCT

The manager represented and warranted to Precinct that, as at the date of the Management Agreement:

- The base management services set out in the Management Agreement were all the material services that were performed by the manager (in its capacity as manager of AMP NZ Office Trust "ANZO" as Precinct was known pre-corporatisation) in consideration for the management fee payable by ANZO under the relevant provisions of the trust deed dated 13 November 1997.
- The Additional Services set out in the Management Agreement are services which were not provided by the manager (in its capacity as manager of ANZO) in consideration for the management fee referred to immediately above.

The manager and Precinct have agreed that if this warranty proves not to be correct, the remedy will be to correct the relevant Management Agreement schedules and, in certain cases where Precinct has paid fees for Additional Services, the manager will reimburse Precinct.

RESOURCING

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

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

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

OTHER

TERM AND TERMINATION

The Management Agreement has no fixed term and the manager is to provide the management services to Precinct until such time as the Management Agreement is terminated in accordance with its terms.

The Management Agreement may be terminated in the following ways:

- By either party if the other party commits or is or becomes subject to a default event. The default events are insolvency type situations and circumstances which lead to a party's unremedied material breach of the Management Agreement. In the case of the manager, a material breach:
  - *is a breach or series of related breaches which in aggregate have a material and adverse effect on Precinct's financial performance, business or assets and which is unremedied or not compensated for within 30 business days following delivery of a detailed notice to the manager by Precinct;*
  - *is deemed to include fraud by the manager which has a material adverse effect on Precinct which is incapable of compensation; and*
  - *is deemed to include a change of control which results in a party (other than AMP Capital Investors (New Zealand) Limited or Haumi Development Limited Partnership or any of their related parties[8]) acquiring the power to exercise or control the exercise of 75% or more of the voting securities of the manager without Precinct's written consent, provided that in each case Precinct may only exercise this right of termination if the termination has been approved by special resolution of Shareholders other than the manager or its "Associated Persons".*
- By the manager on six months' written notice to Precinct.

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

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

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

8. It is noted that AMP Capital Investors (New Zealand) Limited transferred its interest in the manager to its related company AMP Capital Investors International Holdings Limited during the financial year to 30 June 2015.

CALL OPTION

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

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

BOARD APPOINTMENT RIGHTS

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

This director appointment right is subject to the Listing Rules and the requirements of any ruling granted by NZX from time to time and has been exercised as per the further detail in the earlier "The Board" section of this report.

TAKEOVERS CODE EXEMPTIONS

INTRODUCTION

This section contains information required by the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010. Unless otherwise stated, the information provided in this section of the report is as at 30 June 2015.

Any term capitalised in this section but undefined has the meaning given to it in the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010.

PRE-EMPTIVE ACQUISITIONS

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

- If HNZLP wishes to sell, transfer or dispose of all or any of its Precinct voting securities (or any interest (whether legal or beneficial) in them) held by it to any third person, or AMPCI wishes to sell, transfer or dispose of all or any of its Precinct voting securities held by it in its own right, and not in its capacity as a manager of a fund, (or any interest (whether legal or beneficial) in them) to any third person, then HNZLP or AMPCI (as the case may be) must first offer to sell those Precinct voting securities to the other party at a price specified by the offeror. The offeree has 15 working days to decide whether to accept the offer.
- If the other party does not accept the offer or give notice within the 15 working day period, then the party wishing to

CORPORATE GOVERNANCE (CONTINUED)

sell, transfer or otherwise dispose of its Precinct voting securities can sell the relevant Precinct voting securities to a third party within 90 working days, provided that such sale must be for a price and on terms no more favourable than those offered to AMPCI or HNZLP (as the case may be).

- In addition, in the event of a "change of control", or if a "relevant event" occurs in respect of either HNZLP or AMPCI, then that party is deemed to have offered to sell its Precinct shares to the other at either an agreed price, or, if no such agreement can be reached, such amount, per Precinct voting security, as is equal to the volume weighted average price of Precinct voting securities traded on the NZSX during the period of five trading days immediately preceding the date on which the relevant sale notice is given. In the case of AMPCI, it will only be deemed to have offered to sell its Precinct shares held by it in its own right, and not in its capacity as manager of a fund.
- These Pre-emptive Arrangements cease to apply if AMP Haumi Management Limited ceases to be manager of Precinct.

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

FUNDS MANAGEMENT ACQUISITIONS

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

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

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

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

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

EMPLOYEE SHARE SCHEME ACQUISITIONS

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

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

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

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

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

DISCLOSURE OF NUMBERS AND PERCENTAGES OF VOTING SECURITIES

Pre-emptive arrangements

The number of voting securities that have been acquired by the AMPCI Parties under the Pre-emptive Arrangements as at 30 June 2015, the percentage of voting securities on issue that are held or controlled by the AMPCI Parties as at 30 June 2015, and the potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties after the Pre-emptive Acquisitions are as follows:

Exempted person	Number of voting securities that have been acquired under the Pre-emptive Acquisitions	% of voting securities on issue that are held or controlled	% of all voting securities on issue that are held or controlled with Associates	Maximum % of all voting securities on issue that could be held or controlled after the Pre-emptive Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates after the Pre-emptive Acquisitions
AMPCI Parties	Zero*	0.000**	18.77	21.35	21.411

Note: The figure marked * is calculated on the basis that no voting securities in Precinct have been acquired under the Pre-emptive arrangements. The figures marketed with a ** are calculated on the basis of the total holdings of voting securities in Precinct by the Combined AMPCI Parties as at 30 June 2015.

Fund management acquisitions

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

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

Employee share scheme acquisitions

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

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

Combined transactions

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

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

The maximum % shown in the above tables are calculated on the basis of the Takeovers Code exemption.
Details of which can be fund in Precinct's Corporation Proposal Information Pack dated 5 October 2010.

CORPORATE GOVERNANCE *(CONTINUED)*

NZX RULINGS AND WAIVERS

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

2010 CORPORATISATION

In 2010, AMP NZ Office Trust converted its unit trust structure to a company structure, by redeeming its units in exchange for shares.

NZX granted, subject to a number of conditions, waivers from, and made rulings in respect of, the following Listing Rules in relation to the corporatisation:

- A waiver from Listing Rule 9.2, for any requirement for any acquisition of the manager's interest in the Management Agreement by any person who acquires more than 50% of Precinct shares, to be approved by an ordinary resolution of shareholders under Listing Rule 9.2.1. This waiver is conditional on:
  - *the terms and conditions of the Management Services Agreement not being materially altered as part of the transaction, (unless such alterations are approved by an ordinary resolution of shareholders under Listing Rule 9.2 or otherwise made in accordance with any waiver granted by NZX) and;*
  - *the effects and conditions of the waiver, being set out in each annual report, offer document or prospectus of Precinct. It was also conditional on those details being set out in the offer document for the proposal to corporatise ANZO, and on the new management agreement being approved by unit holders of ANZO.*
- A waiver from Listing Rule 3.3, to the extent required, to permit:
  - *the manager to appoint up to two directors, and those directors to be excluded from the obligation to retire pursuant to Listing Rule 3.3.11;*
  - *to permit any shareholder holding more than 15% of Precinct shares (15%+ Shareholder) to appoint one director, even if that shareholder is an associate of the manager, and any such director to be excluded from the obligation to retire pursuant to Listing Rule 3.3.11;*
  - *any director appointed by the manager to be excluded from the number of directors upon which is based the calculation of the number of directors required to retire under Listing Rule 3.3.11.*

This waiver was conditional on the following:

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

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

PCT BONDS

Precinct was granted a NZX waiver from Listing Rule 5.2.3 in respect of the Precinct Bonds (PCT010) for a period of 12 months from the Quotation date (17 December 2014) for the Bonds, to allow Precinct to have fewer than 500 Bond holders who are members of the public holding at least 25% of the Bonds.

2015 ENTITLEMENT OFFER

Precinct was further granted a waver from Listing Rule 9.2.1 in respect of its 2015 Entitlement Offer so that Precinct was not required to seek shareholder approval for the Offer and the associated Underwriting Agreement to the extent that:

a. First NZ Capital Securities Limited ("FNZ") is a party to the Underwriting Agreement;

b. Any AMP Entities and Funds participated in the Institutional Bookbuild or Retail Bookbuild, and/or acted as a sub-underwriter of the Offer; and/or

c. Any Related Party (as defined in Listing Rule 9.2.3) of Precinct, including Haumi, any AMP Entity and Funds, the Trustee, or any director of Precinct, executive officer, or Associated Person (as defined in Listing Rule 1.8) of a director of Precinct or executive officer (each a "Related Party Participant") participate in the Institutional Entitlement Offer or the Retail Entitlement Offer.

The waiver was conditional on:

a. *the independent directors of Precinct, other than Mr Wong[1], certifying to NZX that:*
   i. *the terms of the Underwriting Agreement were negotiated on an arm's length and commercial basis, and FNZ will underwrite the Offer on the same terms as Credit Suisse (Australia) Limited ("Credit Suisse");*
   ii. *the terms of the Offer and Underwriting Agreement are fair and in the best interests of Precinct shareholders that are not associated with the Underwriters, any AMP Entity and Funds or the Related Party Participants;*
   iii. *Precinct will pay and receive fair value under the Offer and Underwriting Agreement;*
   iv. *Precinct was not influenced in its decision to enter into the Offer and Underwriting Agreement by the interests of FNZ, any AMP Entity and Funds or any other Related Party Participant; and*
   v. *Mr Judd did not vote on any resolution to enter into the Offer and Underwriting Agreement;*

b. *Russell McVeagh providing a solicitor's opinion confirming that, in its opinion, the terms of the Underwriting Agreement (other than the fees) are consistent with the terms of an arm's length underwriting transaction;*

c. *The terms and conditions on which AMP Entities and Funds participated in the Institutional Bookbuild and the Retail Bookbuild (if applicable) being identical to those offered to all other investors participating in the relevant bookbuild;*

d. *The Underwriters certifying to NZXR that the terms of any sub-underwriting agreement with AMP Entities and Funds will be negotiated on an arm's length and commercial basis with the Underwriters, and that there will be no material differences between the terms of any such sub-underwriting agreement and the terms of sub-underwriting agreements with any other sub-underwriters not related to an AMP Entity and Funds;*

e. *The Offer is conducted in accordance with the condition to the waiver from Listing Rule 7.3.1 set out above; and*

f. *The waiver, its conditions and effects are disclosed in the Offer Document and Precinct's annual report for the year in which the Offer takes place.*

1. As Chairman of Harbour Asset Management Limited.

SHAREHOLDER AND BONDHOLDER INFORMATION

SHAREHOLDER INFORMATION

Twenty largest shareholders as at 30 June 2015

Rank	Shareholder	No. of shares	% of shares
1.	National Nominees New Zealand Limited	259,317,133	21.41
2.	Accident Compensation Corporation	73,933,124	6.10
3.	FNZ Custodians Limited	59,564,892	4.92
4.	ANZ Wholesale Trans-Tasman Property Securities Fund	45,460,173	3.75
5.	Investment Custodial Services Limited	44,904,309	3.71
6.	BNP Paribas Nominees (NZ) Limited	41,468,532	3.42
7.	HSBC Nominees (New Zealand) Limited	41,327,429	3.41
8.	Guardian Nominees no 2 a/c	39,061,590	3.23
9.	Private Nominees Limited	32,912,274	2.72
10.	Forsyth Barr Custodians Limited	32,244,522	2.66
11.	Citibank Nominees (new zealand) Limited	30,233,366	2.50
12.	HSBC Nominees (new zealand) Limited	29,616,337	2.45
13.	Custodial Services Limited	27,734,476	2.29
14.	ANZ Wholesale Property Securities	24,328,956	2.01
15.	MFL Mutual Fund Limited	23,810,625	1.97
16.	Forsyth Barr Custodians Limited	17,991,477	1.49
17.	JP Morgan Chase Bank	12,846,355	1.06
18.	Custodial Services Limited	10,704,288	0.88
19.	Forsyth Barr Custodians Limited	10,020,512	0.83
20.	National Nominees New Zealand Limited	7,159,215	0.59
	Totals: Top 20 holders of Ordinary Shares	**864,639,585**	**71.39**
	Total Remaining Holders Balance	**346,481,080**	**28.61**

Source: Computershare

Shareholder distribution as at 30 June 2015

Range	Total holders	Shares	% of issued Capital
1 – 99	1	2	0.00
100 – 199	3	423	0.00
200 – 499	21	6,644	0.00
500 – 999	83	57,095	0.00
1,000 – 1,999	166	225,439	0.02
2,000 – 4,999	615	2,134,699	0.18
5,000 – 9,999	1,189	8,422,435	0.70
10,000 – 49,999	4,269	98,560,007	8.14
50,000 – 99,999	820	54,755,187	4.52
100,000 – 499,999	415	71,369,291	5.89
500,000 – 999,999	31	20,521,927	1.69
1,000,000 – and over	31	955,067,516	78.86
Total	**7,644**	**1,211,120,665**	**100.00**

Source: Computershare

Substantial security holders as at 30 June 2015

Security holder	No. of shares held at date of notice	%	Date of notice
AMP Capital Investors International Holdings Limited (ACIIHL)[1]	198,943,261	18.773	01.12.2014
Haumi Company Limited	201,759,768	19.039	11.10.2013
ANZ New Zealand Investments Limited	78,854,137	7.126	17.03.2015
Accident Compensation Corporation	59,223,252	5.589	04.08.2014

Source: NZX substantial shareholder notices

1. AMP Capital Investors International Holdings Limited (ACIIHL) substantial security holder notice includes the Precinct shares of Haumi Company Limited. ACIIHL held 0 Shares as at the date of disclosure.

The total number of ordinary shares on issue as at 30 June 2015 was 1,211,120,665. Precinct has only ordinary shares on issue. Precinct's website (www.precinct.co.nz) contains a summary of all NZX waivers granted and published by NZX within or relied on by Precinct within the 12 month period preceding 30 June 2015.

Neither Precinct nor its subsidiaries made any donations during the year to 30 June 2015.

BONDHOLDER INFORMATION

Bondholder distribution

Range	Total holders	Units	% of issued Capital
5,000 - 9,999	45	249,000	0.33
10,000 - 49,999	268	5,317,000	7.09
50,000 - 99,999	58	3,420,000	4.56
100,000 - 499,999	55	11,052,000	14.74
500,000 - 999,999	3	2,343,000	3.12
1,000,000 and over	11	52,619,000	70.16
Total	440	75,000,000	100.00

DIRECTOR INTERESTS

Details of director interests in Precinct shares at 30 June 2015

	2015	2014
Director	No. of shares	No. of shares
Rob Campbell	141,602	123,902
Graeme Horsley	451,602	395,152
Don Huse	571,428	377,652
Graeme Wong	67,427	59,000

The following interests register entries were recorded for Precinct and its subsidiaries for the year to 30 June 2015.

Rob Campbell
Ceased to be a director of Guinness Peat Group plc
Acquired 17,700 Precinct shares

Graeme Horsley
Director of Accessible Properties New Zealand Limited
Acquired 56,450 Precinct shares

Don Huse
Acquired 193,776 Precinct shares

Anthony Bertoldi
Director of AMP Haumi Management Limited
Alternate Director of HIP Company Limited

Craig Stobo
Director of Fliway Group Limited

Graeme Wong
Acquired 8,427 Precinct shares

Chris Judd
Director of AMP Capital (New Zealand) Limited

Mohammed Al Nuaimi
Director of HIP Company Limited

REMUNERATION REPORT

Insurance and indemnity

As permitted by the constitution and the Companies Act 1993, Precinct has indemnified its directors, and the directors of its subsidiaries against potential liabilities and costs they may incur for acts or omissions in their capacity as directors. In addition, Precinct has indemnified officers against potential liabilities and costs they may incur for acts or omissions in their capacity as officers of Precinct, or directors of Precinct's subsidiaries. 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.

Report on the remuneration of the Precinct Directors, the manager and management

Remuneration of Precinct directors

The remuneration of Precinct directors was established by the Remuneration Committee having reference to remuneration paid to directors of comparable New Zealand listed entities. As part of the corporatisation of Precinct, a cap of $450,000 per annum on director remuneration was established, effective 1 November 2010. The actual fees paid for the year ending 31 October 2014 were $412,852 which is below this cap and vary according to the responsibilities and committee participation of each independent director.

The board policy is for directors' remuneration to increase annually in line with inflation and to be reviewed every two years to ensure that it remains at market levels to attract and retain high quality independent directors.

Only independent directors have received remuneration from the company for their services as directors.

	Role	30 June 2015[1]		30 June 2014	
		Sub committee	Board	Sub committee	Board
Craig Stobo	Board Chair	$8,688	$154,092	–	$141,516
Don Huse	Audit and Risk Committee Chair	$10,545	$97,154	–	$90,975
Graeme Horsley	Independent Director	–	$87,100	–	$80,867
Graeme Wong	Independent Director	$9,250	$87,100	–	$80,867
Rob Campbell	Director	$4,125	–		
Total		**$32,608**	**$425,446**	–	**$394,225**

1. The annual fee cap applies to the 12 month period to the anniversary of corporatisation, rather than the financial year.

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 a rate ranging from $250 – $285 per hour. During the year ended 30 June 2015 $32,608 in committee fees were paid to the due diligence committee (30 June 2014: $Nil).

Remuneration of the manager

The roles, responsibilities and remuneration of the manager are determined by the Management Services Agreement between Precinct and the manager. All additional fees are approved by independent directors on a fair and reasonable basis. The table below sets out the various services provided by the manager and details the fees paid for those services in the period.

Fee	Fee basis	Service provided	30 June 2015	30 June 2014
Base management services fee	In accordance with clause 9.2 of the MSA: 0.55% on the Value of Investment Property to $1 billion. 0.45% on the Value of Investment Property between $1 billion and $1.5 billion. 0.35% on the Value of Investment Property above $1.5 billion.	Overall management of Precinct to deliver on the Board approved business plans, budgets and strategies.	$8.5 million	$8.3 million
Performance fee	In accordance with clause 9.4c of the MSA: 10% of quarterly outperformance of Precinct against the NZX/S&P Property Index (excluding Precinct). Limited to a cap of 0.125% of Precinct's opening market capitalisation.	Investment outperformance. The performance fee provides strong alignment between the interests of Precinct shareholders and the manager by rewarding superior performance and linking the returns of the Manager and Precinct shareholders.	Nil	$2.2 million

Fee	Fee basis	Service provided	30 June 2015	30 June 2014
Leasing fees – new leases	In accordance with Clause 1 of Schedule 3 of the MSA:	Leasing of vacant space comprising annual rental of $3.1 million (2014: $7.5 million) for a weighted average term of 5.4 years (2014: 5.75 years).	$1.53 million	$1.08 million
	a) A minimum fee of $2,500 per lease.	Precinct engages the Manager and external agents to lease vacant space.		
	b) For leases with an annual rental of less than $100,000, a fee equivalent to two months rental.	Where both the Manager and an external agent are involved, any fee payable to an external agent reduces the fee payable to the Manager so that the total fee payable by Precinct is no greater than the agreed scale of fees.		
	c) For leases with a term of less than 3 years, 12% of the annual rental.	If the fee payable to an external agent is equal to or exceeds the Manager scale of fees, no fee is payable to the Manager.		
	d) For leases with a 3 year term, 13% of the rental.	During the year, Precinct and the Manager agreed that fees payable for relocations of existing customers would be based on the additional term certain secured.		
	e) For leases with a term exceeding three years, 13% of the annual rental plus 1% for each year or part thereof, up to a maximum of 20% of annual rental.	The scale of leasing fees paid to the Manager is consistent with the scale of leasing fees paid to external agents. Fees paid by Precinct to external agents during the year totalled $0.8 million. (2014:$1.8 million)		
	f) Incentive fees ranging from 150% to 300% of the standard scale; only payable where competing market opportunities include incentive fees.	During the year no incentive fees were payable.		
Leasing fees – renewals	In accordance with Clause 2 of Schedule 3 of the MSA:	Lease renewals over space comprising annual rental of $5.8 million (2014: $4.5m) for a weighted average term of 4.1 years (2014: 4.1 years).	$0.90 million	$1.42 million
	A fee of 50% to 100% of the leasing fee for new leases.			
	The Board of Precinct has applied judgement to determine the fair and reasonable fee payable for lease renewals. Broadly, the Board has determined that the following guidelines should apply:			
	a) 50%: where a client exercises its renewal option in accordance with the lease agreement.			
	b) 75%: where a client renegotiates the terms of the lease resulting in new documentation, but for a term materially consistent with the existing renewal term.			
	c) 100%: where a client renegotiates the terms of the lease and where that negotiation results in a new term materially greater than the existing renewal term.			

REMUNERATION REPORT *(CONTINUED)*

Fee	Fee basis	Service provided	30 June 2015	30 June 2014
Surrender Fees	In accordance with Clause 2 of Schedule 3 of the MSA: A fee of 10% of the surrender payment.	Surrender payments made during the period totalling $0.2 million (2014: $1.1m).	$0.02 million	$0.11 million
Development management fees	In accordance with Clause 6 of Schedule 3 of the MSA:	Development management fees paid in the period relate to the development of Wynyard Stage 1.	$1.80 million paid in the year	$0.37 million paid in the year.
	A fee of 2.5% of the total development cost excluding land cost, incentives, marketing, and finance costs.	Overall management of the development includes co-ordination of design, construction contract tendering, management of risks,appointment of consultants.		
Acquisition and disposal of properties	In accordance with Clause 5 of Schedule 3 of the MSA:	During the year 80 The Terrace was sold for $36.1 million , SAP Tower was sold for $97 million and 171 Featherston Street was sold for $76 million. During the year QE Square was conditionally acquired for $27.2 million.	$0.83 million paid in the year	Nil
	A fee of 1% of the purchase price or other consideration to be provided by the purchaser.	Managing the sale or purchase including instruction of agents, valuers and lawyers and coordination of due diligence.		
	A reasonable cost recovery fee on unsuccessful acquisitions based on "time in attendance" using a reasonable hourly rate and capped at $40,000 per acquisition.		No fees were charged in relation to unsuccessful acquisitions	No fees were charged in relation to unsuccessful acquisitions
Property management fees	In accordance with Property and Facilities Management Services Agreement.	The manager provided property and facilities management services on a cost recovery basis.	$2.93 million	$2.63 million
Rent review fees	In accordance with Clause 3 of Schedule 3 of the MSA:	The Manager managed the rent review process for reviews totalling annual rental of $13.1 million (2014:$2.8 million). The balance of rent reviews were managed by external agents.	$0.57 million	$0.08 million.
	a) Where the rent does not increase because of a ratchet clause, an administration fee of $1,000 will only be payable at Board discretion. b) Open market reviews: 3% of the annual gross rental or 10% of the rental increase achieved.			

Management expense ratio

	2015 $m	2014 $m
Base management fee	$8.5 m	$8.3 m
Performance fee	–	$2.2 m
Audit & Directors	$0.7 m	$0.7 m
Other expenses	$1.2 m	$1.4 m
Total management expenses	**$10.4 m**	**$12.6 m**
Average total property value	**$1,688 m**	**$1,684 m**
Management expense ratio – excluding performance fee	62 bps	62 bps
Management expense ratio	62 bps	75 bps

Management remuneration

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

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

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

Short term remuneration

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

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

LTI scheme

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

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

			Allocation $	Allocation shares
Scott Pritchard	CEO	30 June 15	$306,000	TBD[9]
		30 June 14	$389,365	352,717
		30 June 13	$605,412	605,412
George Crawford	COO	30 June 15	$204,000	TBD[9]
		30 June 14	$259,577	235,145
		30 June 13	$403,608	403,608

During the year ended 30 June 2015, the number of employees of the manager (including the CEO and COO) who received short term remuneration with a combined total value exceeding $100,000 is set out on the following page. The amounts in this table do not include the value of shares granted under the LTI.

9. For 30 June 2015 the value of the LTI allocation has been determined by the AHML Board however the shares have not yet been acquired due to restrictions under Precinct's Securities Trading Policy.

REMUNERATION REPORT (CONTINUED)

Remuneration Range	# Employees
$850,001 – $900,000	1
$650,001 – $700,000	1
$250,001 – $300,000	5
$200,001 – $250,000	2
$150,001 – $200,000	4
$100,001 – $150,000	7
	20

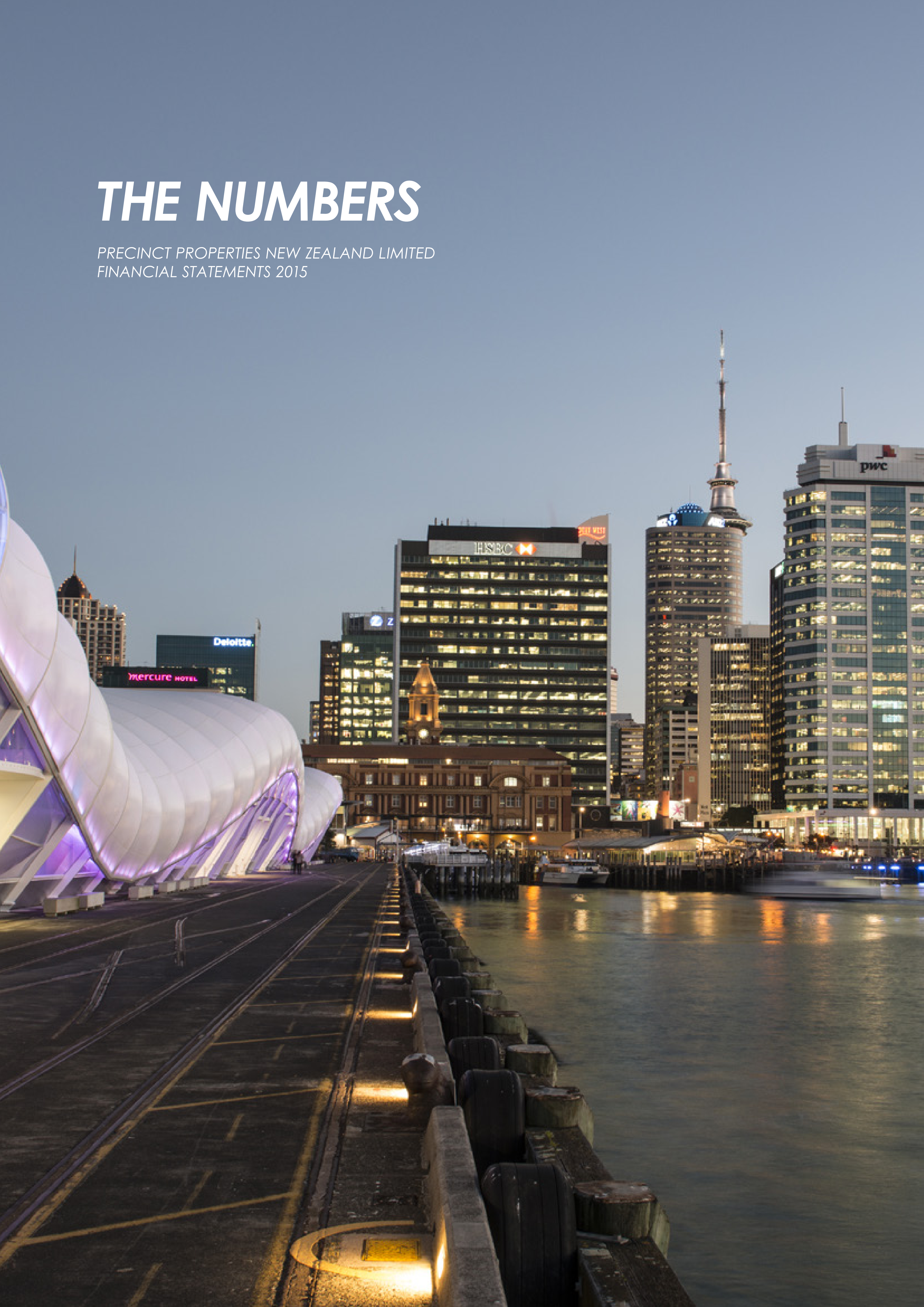
This annual report of Precinct Properties New Zealand Limited is dated 18 August 2015 and is signed on behalf of the board by:

CRAIG STOBO
CHAIRMAN AND INDEPENDENT DIRECTOR

DON HUSE
CHAIRMAN AUDIT AND RISK COMMITTEE
AND INDEPENDENT DIRECTOR

THE NUMBERS

PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS 2015



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

Amounts in $millions	Notes	30 June 2015	30 June 2014
Revenue			
Gross rental income		**170.5**	165.4
Less direct operating expenses		**(48.9)**	(47.1)
Operating income before indirect expenses		**121.6**	118.3
Indirect expenses / (revenue)			
Interest expense		**31.6**	33.4
Interest income		**(0.2)**	(0.2)
Other expenses	10	**10.4**	12.6
Total indirect expenses / (revenue)		**41.8**	45.8
Operating income before income tax		**79.8**	72.5
Non operating income / (expenses)			
Unrealised net gain in value of investment properties	9	**64.8**	47.5
Unrealised net gain / (loss) on financial instruments		**(11.9)**	10.9
Net realised (loss) on sale of investment properties	9	**(1.6)**	–
Total non operating income / (expenses)		**51.3**	58.4
Net profit before taxation		**131.1**	130.9
Income tax expense / (benefit)			
Current tax expense	11	**11.5**	8.7
Depreciation recovered on sale	11	**3.8**	–
Deferred tax expense / (benefit) – financial instruments	11	**(3.3)**	3.1
Deferred tax expense / (benefit) – depreciation	11	**(3.3)**	1.9
Total taxation expense		**8.7**	13.7
Net profit and total comprehensive income after taxation attributable to equity holders	12 & 14	**122.4**	117.2
Earnings per share (cents per share)			
Basic and diluted earnings per share	13	**11.10**	11.20
Other amounts (cents per share)			
Operating income before income tax per share		**7.23**	6.93
Net operating income per share	12	**6.19**	6.10

The accompanying notes on pages 32 to 49 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

Amounts in $millions	*Cents per share*	*Shares*	*Ordinary shares*	*Retained earnings*	*Total equity*
At 1 July 2013		**997.1**	**814.7**	**169.1**	**983.8**
Total comprehensive income for the year				117.2	117.2
Issue of shares					
Placement – 9 September 2013	100.00	50.0	50.0		50.0
Share purchase plan – 10 October 2013	99.00	12.6	12.5		12.5
Issue costs			(1.0)		(1.0)
Distributions					
Q4 final distribution	1.28			(12.8)	(12.8)
Q1 interim distribution	1.35			(14.3)	(14.3)
Q2 interim distribution	1.35			(14.3)	(14.3)
Q3 interim distribution	1.35			(14.3)	(14.3)
At 30 June 2014		**1,059.7**	**876.2**	**230.6**	**1,106.8**
Total comprehensive income for the year				**122.4**	**122.4**
Issue of shares					
Institutional rights issue – 4 March 2015	**115.00**	**46.8**	**53.9**		**53.9**
Retail rights issue – 25 March 2015	**115.00**	**104.6**	**120.2**		**120.2**
Issue costs			**(3.6)**		**(3.6)**
Distributions					
Q4 final distribution	**1.35**			**(14.3)**	**(14.3)**
Q1 interim distribution	**1.35**			**(14.3)**	**(14.3)**
Q2 interim distribution	**1.35**			**(16.4)**	**(16.4)**
Q3 interim distribution	**1.35**			**(16.4)**	**(16.4)**
At 30 June 2015		**1,211.1**	**1,046.7**	**291.6**	**1,338.3**

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 32 to 49 form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

Amounts in $millions	Notes	30 June 2015	30 June 2014
Current assets			
Cash		**2.7**	1.7
Fair value of derivative financial instruments	16	**–**	0.1
Debtors and other current assets		**5.2**	10.7
Property sale proceeds to be settled	9	**32.5**	–
Total current assets		**40.4**	12.5
Investment properties held for sale	9	**76.0**	95.6
Non-current assets			
Fair value of derivative financial instruments	16	**15.4**	6.0
Deferred tax asset – fair value of financial instruments	11	**4.3**	0.9
Other assets – Wynyard Quarter Stage 1		**5.3**	–
Investment properties	9	**1,611.8**	1,632.5
Total non-current assets		**1,636.8**	1,639.4
Total assets		**1,753.2**	1,747.5
Current liabilities			
Fair value of derivative financial instruments	16	**–**	0.7
Provision for tax		**5.9**	2.9
Other current liabilities		**16.1**	14.2
Total current liabilities		**22.0**	17.8
Non-current liabilities			
Interest bearing liabilities	15	**340.0**	572.0
Fair value of derivative financial instruments	16	**13.9**	8.7
Deferred tax liability – depreciation	11	**39.0**	42.2
Total non-current liabilities		**392.9**	622.9
Total liabilities		**414.9**	640.7
Total equity		**1,338.3**	1,106.8
Total liabilities and equity		**1,753.2**	1,747.5

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 18 August 2015.

CRAIG STOBO
CHAIRMAN

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The accompanying notes on pages 32 to 49 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

Amounts in $millions	Notes	30 June 2015	30 June 2014
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		**170.5**	165.4
Less: Current year incentives		**(3.9)**	(5.9)
Add: Amortisation of incentives		**4.0**	3.5
Add: Working capital movements		**(0.9)**	0.1
Cash flow from gross rental income		**169.7**	163.1
Interest income		**0.2**	0.2
Property expenses		**(47.5)**	(52.8)
Other expenses		**(10.4)**	(10.0)
Interest expense		**(32.0)**	(33.2)
Income tax		**(12.4)**	(7.7)
Net cash inflow from operating activities	14	**67.6**	59.6
Cash flows from investing activities			
Capital expenditure on investment properties		**(27.3)**	(35.6)
Capital expenditure – Wynyard Quarter Stage 1		**(2.5)**	–
Disposal of investment properties		**100.1**	–
Capitalised interest on investment properties		**–**	(0.1)
Net cash inflow / (outflow) from investing activities		**70.3**	(35.7)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		**29.8**	35.6
Other loan facility drawings[1]		**(89.8)**	(16.6)
Loan facility cancellations		**(359.0)**	(50.0)
Issue of retail bonds		**75.0**	–
Issue of United States private placement		**97.9**	–
Issue of new shares[2]		**170.5**	61.5
Distributions paid to share holders		**(61.3)**	(55.7)
Net cash (outflow) from financing activities		**(136.9)**	(25.2)
Net increase / (decrease) in cash held		**1.0**	(1.3)
Cash at the beginning of the year		**1.7**	3.0
Cash at the end of the year		**2.7**	1.7

[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 32 to 49 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. REPORTING ENTITY

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

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

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

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

2. BASIS OF PREPARATION

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

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 and losses resulting from intra-group transactions have been eliminated in full.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

- NZ IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). The adoption of this standard is not expected to have a material impact on the financial statements.
- NZ IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017). This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Precinct is yet to assess the full impact of this standard on the Group.

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 properties – refer note 9

ii) Deferred tax assets and deferred tax liabilities – refer note 11

8. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

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

i) Retail bond

On 17 December 2014, Precinct raised $75 million through a New Zealand public bond issue. Refer note 15.

ii) United States private placement

On 27 January 2015, Precinct issued US$75 million of notes in the United States private placement market. To substantially remove the currency risk, Precinct entered a cross currency swap to fully swap back proceeds to New Zealand dollars. Refer notes 15 and 16.

iii) Capital raising

In March 2015, following an entitlement offer and book build process Precinct issued 151 million shares at $1.15 per share. Refer consolidated statement of changes in equity.

iv) Sale of SAP Tower and 80 The Terrace

On 26 February 2015, SAP Tower was sold for $97.0 million resulting in a gain on sale of $0.2 million.

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

9. INVESTMENT PROPERTIES[1]

30 June 2015

Amounts in $millions	*Valuer*	*Net lettable area sqm*	*Initial yield[2] %*	*Capitalisation rate[2] %*
Auckland				
AMP Centre	JLL	25,265	6.8%	7.0%
ANZ Centre – Auckland	CBRE	33,351	6.3%	6.4%
Downtown Shopping Centre[5]	JLL	13,950	5.2%	6.1%
HSBC House	CBRE	19,224	7.3%	6.9%
PricewaterhouseCoopers Tower	JLL	31,296	6.2%	6.4%
SAP Tower[6]	N/A	N/A	N/A	N/A
Zurich House	Colliers	14,445	6.8%	6.6%
Wellington				
125 The Terrace	CBRE	12,069	8.6%	7.9%
157 Lambton Quay[7]	Bayleys	16,756	5.8%	7.5%
80 The Terrace[8]	N/A	N/A	N/A	N/A
Bowen Campus	Colliers	30,167	12.5%	9.6%
Deloitte House[9]	CBRE	12,972	6.9%	8.3%
Mayfair House	CBRE	12,332	8.6%	8.8%
No.1 and 3 The Terrace	Colliers	18,462	8.8%	7.6%
No.3 The Terrace[10]	Colliers	N/A	N/A	N/A
Pastoral House	Bayleys	15,522	9.6%	8.8%
State Insurance Tower	Colliers	26,641	7.3%	7.6%
Market value (fair value) of properties			7.0%	7.0%
ANZ Centre – Wellington[11]	Colliers	11,352	7.0%	7.4%
Market value (fair value) of investment properties held for sale			7.0%	7.4%

1 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Downtown Shopping Centre which is a retail property.
2 Total weighted average by market value.
3 Total weighted average lease term is weighted by income.
4 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.
5 Additions include capitalised development costs relating to the proposed downtown tower and retail complex.
6 SAP Tower was sold on 26 February 2015 for $97.0 million resulting in a gain on sale of $0.2 million.
7 This property was previously known as Vodafone on the Quay.
8 80 The Terrace was unconditionally sold on 29 May 2015 for $36.1 million resulting in a loss on sale of $1.8 million. Sale proceeds due are shown as property sale proceeds to be settled on the statement of financial position.
9 Leasehold property on a perpetually renewable lease.
10 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
11 ANZ Centre – Wellington was under contract for sale as at 30 June 2015. The sale completed on 30 July 2015, refer note 24. The property was previously known as 171 Featherston Street.

Occupancy %	WALT[3] years	Valuation 30 June 2014	Capitalised incentives	Additions/ disposals[4]	**Revaluation gain / (loss)**	**Carrying value**
100%	4.7	122.4	–	1.1	**12.5**	**136.0**
100%	9.5	256.0	2.3	1.0	**11.8**	**271.1**
100%	1.9	101.0	0.1	11.2	**7.7**	**120.0**
100%	3.9	108.0	0.3	1.9	**9.8**	**120.0**
100%	5.2	263.0	1.0	0.6	**28.4**	**293.0**
N/A	N/A	95.6	–	(95.6)	**–**	**–**
100%	3.8	91.5	(0.2)	–	**9.2**	**100.5**
98%	4.4	63.8	(0.2)	0.1	**1.2**	**64.9**
88%	4.4	108.0	0.3	0.8	**(3.1)**	**106.0**
N/A	N/A	36.6	–	(36.6)	**–**	**–**
100%	1.3	49.0	(0.1)	0.1	**–**	**49.0**
84%	2.6	50.6	–	0.7	**(2.0)**	**49.3**
100%	3.9	37.5	(0.3)	1.7	**(0.8)**	**38.1**
100%	3.8	72.5	–	–	**(2.5)**	**70.0**
N/A	43.2	10.6	–	–	**–**	**10.6**
100%	1.8	49.5	–	0.4	**(2.9)**	**47.0**
98%	3.7	136.7	0.1	0.9	**(1.4)**	**136.3**
98%	4.9	1,652.3	3.3	(111.7)	**67.9**	**1,611.8**
92%	7.0	75.8	0.1	3.2	**(3.1)**	**76.0**
92%	7.0	75.8	0.1	3.2	**(3.1)**	**76.0**

INVESTMENT PROPERTIES ACCOUNTING POLICIES

Accounting Policy – Valuation of investment properties

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

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

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

Accounting Policy – Development properties

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

9. INVESTMENT PROPERTIES[1] CONTINUED

30 June 2014

Amounts in $millions	Valuer	Net lettable area sqm	Initial yield[2] %	Capitalisation rate[2] %
Auckland				
AMP Centre	JLL	25,265	7.4%	7.4%
ANZ Centre – Auckland	CBRE	33,351	6.4%	6.6%
Downtown Shopping Centre	CBRE	13,950	6.5%	6.9%
HSBC House	CBRE	19,224	7.8%	7.3%
PricewaterhouseCoopers Tower	JLL	31,296	6.6%	6.8%
Zurich House	Colliers	14,445	7.2%	6.9%
Wellington				
125 The Terrace	CBRE	12,069	8.7%	7.9%
157 Lambton Quay[5]	Bayleys	16,756	7.1%	7.5%
80 The Terrace	Colliers	10,682	7.2%	8.4%
ANZ Centre – Wellington[6]	Bayleys	11,352	7.4%	7.4%
Bowen Campus	Colliers	30,167	12.7%	9.6%
Deloitte House[7]	Colliers	12,972	7.9%	8.1%
Mayfair House	CBRE	12,332	8.6%	8.5%
No.1 and 3 The Terrace	Colliers	18,462	8.5%	7.6%
No.3 The Terrace[8]	Colliers	N/A	N/A	N/A
Pastoral House	CBRE	15,522	9.2%	8.6%
State Insurance Tower	Colliers	26,641	7.9%	7.6%
Market value (fair value) of properties			7.5%	7.3%
SAP Tower[9]	CBRE	17,630	8.0%	7.5%
Market value (fair value) of investment properties held for sale			8.0%	7.5%

[1] All properties are categorised as level 3 in the fair value hierarchy. All properties are office properties with the exception of Downtown Shopping Centre which is a retail property.
[2] Total weighted average by market value.
[3] Total weighted average lease term is weighted by income.
[4] Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.
[5] This property was previously known as Vodafone on the Quay.
[6] This property was previously known as 171 Featherston Street.
[7] Leasehold property on a perpetually renewable lease.
[8] No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
[9] At 30 June 2014, SAP Tower was classified as investment property held for sale. The property was sold on 26 February 2015 for $97.0 million resulting in a gain on sale of $0.2 million.

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

INVESTMENT PROPERTIES ACCOUNTING POLICIES *CONTINUED*

Accounting Policy – 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.

Accounting Policy – Derecognition of investment properties

Investment properties are derecognised when they have either been 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.

Accounting Policy – Recognition of revenue from investment properties

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

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

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

9. INVESTMENT PROPERTIES CONTINUED

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2015 by independent registered valuers Colliers International, Bayleys, JLL and CBRE.

During the year there were no transfers of investment 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 & Retail	Income capitalisation approach, discounted cash flow analysis, sales comparison approach, 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

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 2015*	*30 June 2014*	*to increase in input*	*to decrease in input*
Office gross market rent per sqm	$213 – $695	$150 – $650	Increase	Decrease
Retail gross market rent per sqm	$180 – $8,000	$210 – $8,246	Increase	Decrease
Core capitalisation rate	6.1% – 9.6%	6.6% – 9.8%	Decrease	Increase
Discount rate	8.4% – 10.0%	8.8% – 10.0%	Decrease	Increase
Terminal capitalisation rate	6.5% – 10.1%	6.9% – 10.1%	Decrease	Increase
Rental growth rate per annum	0.5% – 5.0%	(1.2%) – 5.2%	Increase	Decrease

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

Unobservable inputs within the discounted cash flow analysis

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

10. OTHER EXPENSES

Amounts in $millions	***30 June 2015***	*30 June 2014*
Other expenses		
Audit fees[1]	**0.2**	0.2
Directors' fees and expenses	**0.5**	0.5
Manager's base fees	**8.5**	8.3
Manager's performance fees	**–**	2.2
Other[2]	**1.2**	1.4
Total other expenses	**10.4**	12.6

[1] Fees paid to the auditor include $136,500 for audit and review of financial statements (2014: $133,000) and $51,500 for other assurance services (2014: $42,000).

[2] Other includes valuation fees, share registry costs and annual report design and publication.

11. TAXATION

Amounts in $millions	***30 June 2015***	*30 June 2014*
Net profit before taxation	**131.1**	130.9
At the statutory income tax rate of 28.0%	**36.7**	36.7
Unrealised (gain) on value of investment properties	**(18.2)**	(13.3)
Disposal of depreciable assets	**3.8**	(1.4)
Other adjustments	**–**	(4.9)
Depreciation	**(7.0)**	(8.4)
Current tax expense	**15.3**	8.7
Fair value of financial instruments	**(3.3)**	3.1
Depreciation – current year	**(3.3)**	1.9
Total deferred tax expense	**(6.6)**	5.0
Total taxation expense	**8.7**	13.7
Effective tax rate	**7%**	10%

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

Precinct has no tax losses available to carry forward as at 30 June 2015 (2014: $nil).

Deferred tax assets

Precinct has recognised deferred tax assets relating to the fair value of financial instruments.

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 buildings components and an internal assessment of the market value of fixtures and fittings having regard to the useful lives of each category of fixtures and fittings. Generally, Precinct has assessed that the market value of fixtures and fittings will be equal to their tax book value.

Imputation credit account

Imputation credits available for use as at 30 June 2015 are $5,184,212 (2014: 1,745,448).

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.

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

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

Amounts in $millions	***30 June 2015***	*30 June 2014*
Net profit after taxation	**122.4**	117.2
Unrealised net (gain) in value of investment properties	**(64.8)**	(47.5)
Unrealised net (gain) / loss in financial instruments	**11.9**	(10.9)
Net realised loss on sale of investment properties	**1.6**	–
Depreciation recovered on sale	**3.8**	–
Deferred tax (benefit) / expense	**(6.6)**	5.0
Net operating income	**68.3**	63.8
Weighted average number of shares for net operating income per share (M)	**1,103.1**	1,046.6
Net operating income per share (cents)	**6.19**	6.10

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

13. EARNINGS PER SHARE

	30 June 2015	30 June 2014
Net profit after tax for basic and diluted earnings per share ($millions)	**122.4**	117.2
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,103.1**	1,046.6
Basic and diluted earnings per share (cents)	**11.10**	11.20

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

14. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

Amounts in $millions	***30 June 2015***	*30 June 2014*
Net profit after taxation	**122.4**	117.2
Add / (less) non-cash items and non operating items		
Unrealised net (gain) in value of investment properties	**(64.8)**	(47.5)
Unrealised net (gain) / loss on financial instruments	**11.9**	(10.9)
Net realised loss on sale of investment properties	**1.6**	–
Deferred tax (benefit) / expense	**(6.6)**	5.0
Amortisation of leasing costs and incentives	**7.3**	6.1
Movement in working capital		
(Decrease) in creditors	**(5.6)**	(4.5)
(Increase) / decrease in debtors	**1.4**	(5.8)
Net cash inflow / (outflow) from operating activities	**67.6**	59.6

15. INTEREST BEARING LIABILITIES

Amounts in $millions	***30 June 2015***	*30 June 2014*
Interest bearing liabilities		
Bank loans	**153.0**	572.0
US private placement[1]	**114.5**	–
NZ retail bond	**75.0**	–
Total	**342.5**	572.0
Capitalised borrowing costs	**(2.5)**	–
Net Interest bearing liabilities	**340.0**	572.0

[1] The fair value of the of US private placement note includes the initially translated interest bearing borrowings of $97.9 million and fair value adjustment of $16.6 million.

Amounts in $millions	*Held at*	*Maturity*[1]	*Coupon*[1]	***30 June 2015***	*30 June 2014*
Bank loans	Amortised cost	Jul-16	Floating[2]	**103.0**	202.9
Bank loans	Amortised cost	Jul-17	Floating[2]	**50.0**	203.3
Bank loans	Amortised cost	Jul-18	Floating[2]	**–**	165.8
NZ retail bond	Amortised cost	Dec-21	5.54%	**75.0**	–
US private placement	Fair value	Jan-25	4.13%	**76.3**	–
US private placement	Fair value	Jan-27	4.23%	**38.2**	–
Total				**342.5**	572.0

Weighted average term to maturity	**4.6 years**	3.1 years
Weighted average interest rate before swaps (including funding costs)	**5.08%**	5.02%

[1] As at 30 June 2015.
[2] Interest rates on bank loans are at the 90-day benchmark borrowing rate (BKBM) plus a margin. Precinct also pays facility fees.

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

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

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 placement is 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. 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.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Amounts in $millions	***30 June 2015***	*30 June 2014*
Fair value of derivative financial instruments		
Current assets	**–**	0.1
Non-current assets	**15.4**	6.0
Current liabilities	**–**	(0.7)
Non-current liabilities	**(13.9)**	(8.7)
Total	**1.5**	(3.3)
Notional contract cover (fixed payer)	**452.5**	381.5
Notional contract cover (fixed receiver)	**75.0**	–
Notional contract cover (cross currency swaps – fixed receiver)	**97.9**	–
Percentage of net drawn borrowings fixed	**62.1%**	66.7%
Weighted average term to maturity (fixed payer)	**4.54 years**	3.35 years
Weighted average interest rate after swaps (including funding costs)	**5.37%**	5.99%

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.

17. CAPITAL COMMITMENTS

Precinct has $2.1m of capital commitments as at 30 June 2015 (2014: $6.6m) relating to construction contracts.

18. OPERATING LEASE COMMITMENTS

Precinct has entered into investment property leases (as lessor) and ground leases (as lessee). Investment property leases have remaining non-cancellable lease terms of between one and 43 years. Ground leases have remaining non-cancellable lease terms of between one and 56 years.

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

	Commitments as lessor (receivable)		*Commitments as lessee (payable)*	
Amounts in $millions	***30 June 2015***	*30 June 2014*	***30 June 2015***	*30 June 2014*
Within one year	**156.4**	155.0	**0.8**	0.5
After one year but not more than five years	**374.6**	426.6	**3.0**	2.1
More than five years	**245.6**	235.6	**19.4**	11.0

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.

19. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2015 (2014: $nil).

20. RELATED PARTY TRANSACTIONS

Fees paid and owing to the Manager:

Amounts in $millions	***30 June 2015***		*30 June 2014*	
	Fees paid	***Owing at 30 June***	*Fees paid*	*Owing at 30 June*
Base management services fee	**8.5**	**0.7**	8.3	0.7
Performance fee	**–**	**–**	2.2	–
Leasing fees	**3.0**	**1.5**	2.7	–
Development manager fees	**1.8**	**1.8**	0.4	–
Acquisition and disposal fees	**0.8**	**0.3**	–	–
Property and facilities management fee	**2.9**	**0.3**	2.6	–

a) Base management services fee

The base management services fee structure is as follows:

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

20. RELATED PARTY TRANSACTIONS *CONTINUED*

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters. No performance fee is payable in quarters where equity total returns are negative. As at 30 June 2015 there is a notional performance fee deficit of $10,227,608 to be carried forward to the calculation of performance fees in future quarters (2014: $1,346,972 deficit).

c) Leasing fees

Precinct pays the manager leasing fees where the manager has negotiated leases instead of or alongside a real estate agent.

d) Development manager fees

Precinct pays development manager fees where the manager acts as development manager on Precinct developments.

e) Acquisition and disposal fees

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

f) Property and facilities management fee

Precinct pays a property and facilities management fee on a cost recovery basis to the manager.

g) Other transactions with the Manager

Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager is appointed to manage and administer Precinct. The manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's directors are considered to be the key management personnel and received directors' fees of $425,446 in 2015 (2014: $394,225).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia Ltd and AMP Services (NZ) Limited, being the Manager or companies related to the manager for premises leased in PWC Tower, AMP Centre, 80 The Terrace, ANZ Centre – Wellington, State Insurance Tower and 157 Lambton Quay. Total rent received by Precinct from these parties during the year was $4,188,931 (2014: $3,267,710). As at 30 June 2015 an amount of $2,466 (2014: $31,419) was owing to Precinct from AMP Capital Investors (New Zealand) Limited and AMP Services (NZ) Limited.

h) Related party debts

No related party debts have been written off or forgiven during year (2014: $nil).

21. 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, dividend policy, share buy backs and issuance of new shares.

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

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

22. FINANCIAL RISK MANAGEMENT

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 2015***			*30 June 2014*		
	At amortised cost	***Fair value through profit or loss***	***Total***	*At amortised cost*	*Fair value through profit or loss*	*Total*
Financial assets						
Cash	**2.7**	**–**	**2.7**	1.7	–	1.7
Debtors	**0.8**	**–**	**0.8**	0.5	–	0.5
Property sale proceeds to be settled	**32.5**	**–**	**32.5**	–	–	–
Derivative financial instruments	**–**	**15.4**	**15.4**	–	6.1	6.1
Total	**36.0**	**15.4**	**51.4**	2.2	6.1	8.3
Financial liabilities						
Other current liabilities	**16.1**	**–**	**16.1**	14.2	–	14.2
Interest bearing liabilities	**228.0**	**114.5**	**342.5**	572.0	–	572.0
Derivative financial instruments	**–**	**13.9**	**13.9**	–	9.4	9.4
Total	**244.1**	**128.4**	**372.5**	586.2	9.4	595.6

a) Interest rate risk

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

Precinct's policy is to manage its interest rates using a mix of fixed and variable rate debt. Precinct's policy is to keep at least 60% of its interest bearing liabilities at fixed rates of interest. To manage this mix in a cost-efficient manner, Precinct enters into interest rate swaps, in which Precinct agrees to exchange, at specified intervals, the difference between fixed and variable 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 2015 Effect on profit or equity***	*30 June 2014 Effect on profit or equity*
25 basis point increase	**(0.3)**	(0.5)
25 basis point decrease	**0.3**	0.5

22. FINANCIAL RISK MANAGEMENT *CONTINUED*

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 2015						
Interest bearing liabilities	**342.5**	**11.0**	**112.8**	**76.7**	**203.1**	**403.6**
Net derivative financial instruments	**(1.5)**	**1.6**	**1.9**	**7.2**	**9.0**	**19.7**
Other current liabilities	**16.1**	**16.1**	**–**	**–**	**–**	**16.1**
Total	**357.1**	**28.7**	**114.7**	**83.9**	**212.1**	**439.4**
30 June 2014						
Interest bearing liabilities	572.0	9.1	9.1	581.9	–	600.1
Net derivative financial instruments	3.3	7.7	3.1	0.7	0.2	11.6
Other current liabilities	14.2	14.2	–	–	–	14.2
Total	589.5	31.0	12.2	582.6	0.2	625.9

Accounting Policy – Derecognition of financial instruments

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

23. SEGMENT INFORMATION

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

24. EVENTS AFTER BALANCE DATE

On 27 July 2015 the sale of 80 The Terrace was settled.

On 30 July 2015 ANZ Centre – Wellington was sold for $76.0 million.

On 18 August 2015 the Board approved the unconditional sale of 125 The Terrace for $65.0 million. The sale is expected to settle in September 2015.

On 18 August 2015 the Board approved the financial statements for issue and approved the payment of a dividend of $16,349,722 (1.35 cents per share) to be paid on 24 September 2015.

Building a better working world

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PRECINCT PROPERTIES NEW ZEALAND LIMITED

Report on the Financial Statements

We have audited the group financial statements of Precinct Properties New Zealand Limited and its subsidiaries ("the Group") on pages 28 to 49, which comprise the statement of financial position of the Group as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 461G(1) of the Financial Markets Conduct Act 2013. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

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

Opinion

In our opinion, the financial statements on pages 28 to 49:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- present fairly, in all material respects, the financial position of the Group as at 30 June 2015 and the financial performance and cash flows of the Group for the year then ended.

Ernst + Young

18 August 2015
Auckland

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George Crawford, Chief Operating Officer
Davida Dunphy, General Counsel and Company Secretary

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Don Huse – Independent Director
Graeme Horsley – Independent Director
Graeme Wong – Independent Director
Chris Judd – Director
Mohammed Al Nuaimi – Director
Rob Campbell – Director

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Please contact our registrar;

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

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