

COMMITTING
TO OUR
STRATEGY

ANNUAL REPORT 2016



A yellow crane is visible in the top right corner of the page, set against a clear blue sky with some light clouds. The crane's lattice structure is prominent.

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Cover page image: Artist impression of Bowen State building from parliament
More information can be found at
www.precinct.co.nz



COMMITTING TO OUR
DEVELOPMENTS HAS SEEN
US **ADVANCE OUR LONG
TERM STRATEGY.**

CHAIRMAN'S REPORT

STRONG RESULT AND PERFORMANCE

The past year has been highly positive for our business, as we continue to convert our plans into commitments and achieve key milestones. Overall, we were pleased with the progress in line with our strategy for increasing earnings and value for shareholders.

We benefited from a 5% portfolio revaluation gain of \$81.2 million. This contributed to net profit after tax increasing 12.9% to \$138.2 million. Importantly, net operating income per share of 6.01 cents was in line with earnings guidance provided in August 2014, following significant debt reduction.

\$138.2M

Net profit after tax

ADVANCING OUR STRATEGY

We began construction at our Commercial Bay and Wynyard Quarter developments. Outside the period, we were very pleased to successfully conclude negotiations for the Government's Wellington Accommodation Project and the resultant commitment by the Crown to long term leases at Bowen Campus and our other Wellington Government buildings. This sees us make a substantial \$213 million commitment to development and refurbishment expenditure to be delivered over the next 3 years.

The Commercial Bay precinct remains our single biggest development. In December we achieved the pre-leasing threshold for the new tower and are proud to partner with PwC as the anchor client. Post balance date, we have secured MinterEllisonRuddWatts for the new tower taking pre-leasing to 60%. With the tower completing in June 2019 we have made very good leasing progress to date.

We welcome H&M to Commercial Bay as the first retail client. H&M are one of the world's fastest-growing international fashion retailers and their commitment two years in advance to a flagship store highlights the attraction of Commercial Bay.

Progress across all our developments has seen our strategy advance considerably in the period. I would like to acknowledge the world class skills that the development partners and management of AHML bring to these projects and the contribution they have made to the transformation of Precinct.

We continue to closely monitor risk and ensure conservative capital management. We secured an \$860 million debt facility and following the March 2015 equity raising and sale of non-core assets, we now have sufficient funding capacity to deliver our three committed developments.

BOARD REVIEW

In February we completed the 2014 additional fees review in accordance with the Management Services Agreement.

Following advice from an independent expert and extensive discussions with Precinct's manager, the independent directors agreed a number of fee amendments resulting in a total reduction in fees of \$460,790 for the 2015 and 2016 financial years. Development fees increased reflecting the increase in market fees for development management services and also the level of resource required to deliver the complex projects which Precinct currently has underway. Importantly, a performance criteria was introduced for development projects to align the interests of Precinct's manager with Precinct shareholders and to help ensure the projects are successfully delivered. The additional services fees are disclosed in the remuneration report (see page 34).

During the year the board established two due diligence committees for the Commercial Bay and Bowen Campus projects. These committees oversaw the due diligence leading up to the decisions, by the board, to proceed. This process was very comprehensive reflecting the scale of the developments.

The board once again reviewed the appropriateness of Precinct's dividend policy. The board continues to believe the policy aligns with 'best practice' and is market leading for New Zealand property entities, as it closely matches the operating cash flow of the business defined as adjusted funds from operations or AFFO.

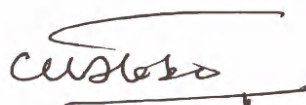
Further details on our dividend policy, and how it relates to underlying profitability measures including net operating income and AFFO, are set out on pages 18 and 19. The board is proud to lead the market with transparency and disclosure, in particular relating to sustainability, dividend policy and the early adoption of the new Auditor's Report.

OUTLOOK AND DIVIDEND GUIDANCE

The board expects full year earnings for the 2017 financial year of approximately 6.2 cents per share (cps), before performance fees and expects to pay a dividend of 5.6 cps. This represents a 3.7% increase in dividend to shareholders.

The company has now completed a two year pre-funding phase that reduced gearing to a low of 11%. We have now converted our plans into commitments, with \$1 billion of projects underway. Over the past 12 months we have achieved key milestones on these projects in particular with regard to leasing pre-commitments. We have confidence in the earnings growth and the value that will be created from the completed developments. As the company executes its strategy and development risks such as cost, programme and leasing are reduced, it is anticipated that dividends will grow further.

It has been an active and positive year. Collectively we ended the year with a strong portfolio and a secure strategic platform on which to build continued strong returns and growth.



CRAIG STOBO, CHAIRMAN



HIGHLIGHTS

\$81.2 **M**

Revaluation gain

5.60 **CPS**

FY17 dividend guidance

+3.7 **%**

Expected increase in dividend for FY17

+98 **%**

Portfolio occupancy

"THE COMPANY HAS NOW COMPLETED A TWO YEAR PRE-FUNDING PHASE AND CONVERTED PLANS INTO \$1 BILLION OF COMMITTED PROJECTS. AS THE COMPANY CONTINUES TO EXECUTE ITS STRATEGY AND THE ASSOCIATED DEVELOPMENT RISKS ARE REDUCED, IT IS ANTICIPATED THAT DIVIDENDS WILL GROW FURTHER."

>> **Craig Stobo**, Chairman.



Demolition works at Commercial Bay

MANAGEMENT REPORT

HIGHLIGHTS

It has been very satisfying to record significant progress across several fronts over the year. The commitments to Commercial Bay and Wynyard Quarter Stage One were major highlights. However, the post balance date commitment by the Crown to 68,000 sqm of Wellington office space was arguably the key achievement as it will transform the quality of our Wellington Government portfolio. Including the Government leasing, our team have leased an impressive 135,000 sqm of space in the year which is equivalent to leasing four PwC Towers.

The commitment by the Crown to long term leases concludes a comprehensive and rigorous three year process which has required the Crown to relocate a number of different Government Agencies.

Across Bowen Campus, Pastoral House and Mayfair House the Crown have committed to 15 year leases with varying commencement dates while the 12 year lease at 3 The Terrace provides for an overall transaction weighted average lease term of 14.6 years. This outcome lifted the WALT of the Wellington portfolio by 6 years to 9.5 years and Precinct's overall portfolio WALT by 3 years.

At our Commercial Bay and Wynyard Quarter developments we secured important lease commitments and began work on the ground.

We ended the year in a strong position. Our buildings were 98% occupied with an overall WALT of 6.3 years, extending out to 8.2 years when the three developments are included. Leasing enquiries are strong, and we are making significant leasing progress at our three world class developments.

DEVELOPMENTS DELIVERING ON STRATEGY

In both cities we delivered on our strategy of concentrating our ownership of assets in prime locations, creating unrivalled and vibrant precincts, lifting the quality of our assets and delivering an improved long term earnings track.

In the period Precinct committed to \$765 million of development projects and in August 2016 committed to Bowen Campus, a \$203 million project. Precinct currently has \$968 million of development in progress with a forecast value on completion of \$1.14 billion. Consistent with strategy, these developments will improve the quality of the portfolio, increase the weighting to Auckland and improve the long term earnings outlook. Of the 89,500 sqm of office space under development around 74% is pre-leased.

Wynyard Quarter Stage One

We began work at Wynyard Quarter along Auckland's new waterfront axis. Leasing success at Wynyard Quarter Stage One has led to the development being 86% leased, by income, from 70% at December 2015. The increase demonstrates the quality of the real estate and its location on the waterfront.

Commercial Bay

We passed the 50% pre-leasing benchmark for committing to Commercial Bay, completed all design and related due

diligence and appointed Fletchers Construction to deliver the building construction.

This mixed use development will cost \$681 million and is evenly split by value between retail and office. Following the commitment by MinterEllisonRuddWatts the new office tower is 60% pre-leased, by income.

Our vision for Commercial Bay has always been to take advantage of our strategic holdings in this unique location and to put a new heart into the city. Commercial Bay will be an exciting new retail and dining destination and also the city's premier business address. We are progressing strong enquiries from clients seeking to locate here. We welcomed the decision by H&M to establish their flagship store at Commercial Bay underscoring the unique attractions the development offers.

"ACROSS ALL OF OUR PROJECTS WE HAVE ACHIEVED SIGNIFICANT DEVELOPMENT AND LEASING MILESTONES. IMPORTANTLY FIXED PRICE CONSTRUCTION CONTRACTS PROVIDE US MORE CERTAINTY AROUND PROJECT SUCCESS."

>> Scott Pritchard, CEO.

74%

% of office space under construction pre leased

135,000 SQM

Leasing achieved in the period, including Crown RFP

\$396 M

Expected value on completion of Commercial Bay Retail

13.1 YEARS

Development weighted average lease term (committed leases)

MANAGEMENT REPORT (CONTINUED)

RESULTS OVERVIEW

A strong revaluation gain resulted in net profit after tax increasing to \$138.2 million (2015: \$122.4 million).

Net operating income (distributable earnings), which adjusts for a number of non-cash items, also increased to \$72.8 million (2015: \$68.3 million).

Dividends paid and attributed to the 2016 financial year totalled 5.40 cps (2015: 5.40 cps). This represented a payout ratio of 89.9% consistent with Precinct's dividend policy of paying around 90% of net operating income. The dividend paid closely matched AFFO of 5.33 cps which is considered to align with international 'best practice' for real estate entities.

RECONCILIATION OF NET OPERATING INCOME

Amounts in millions	2016	2015
Net profit after taxation	138.2	122.4
Unrealised net (gain) / loss in value of investment properties	(81.2)	(64.8)
Net realised loss on sale of investment properties	2.7	1.6
Unrealised net loss / (gain) on financial instruments	16.4	11.9
Depreciation recovered on sale	10.0	3.8
Deferred tax expense	(13.3)	(6.6)
Net operating income	72.8	68.3

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 \$146.0 million, 14.4% lower than the previous year (2015: \$170.5 million). The fall in rental revenue was a direct result of selling \$274 million of non-core assets over the past 18 months. The proceeds from the sale of three Wellington assets and SAP Tower in Auckland have been used to repay bank debt and reduce our leverage. Also in the period construction of Commercial Bay began at the site of the Downtown Shopping Centre which further reduced rental income. Allowing for these transactions gross rental income was consistent with the previous period.

Property expenses were \$41.5 million, 15.1% lower than the previous period (2015: \$48.9 million). After adjusting for the recent asset sales and Downtown Shopping Centre closure, expenses fell in the period by 1.6%.

Net property income reduced to \$104.5 million (2015: \$121.6 million). Adjusting for transactions, like for like net property income rose by 0.6% with Auckland increasing by 3% and Wellington experiencing a 2.6% decline.

Net interest expense fell \$20.4 million to \$11.0 million, which reflected lower debt levels following the non-core asset sales and the \$174.1 million entitlement offer undertaken in March 2015.

Precinct recorded a 14% shareholder total return for the year to 30 June 2016. This underperformed the benchmark New Zealand listed property sector return (excluding Precinct) of 19%. In line with the agreed process for recognising outperformance of the market no performance management fees were paid. Overall

indirect expenses were \$10.1 million, 2.9% lower than the previous period.

Current tax expense fell \$0.9 million to \$10.6 million. This reflected a higher level of deductible leasing costs and the disposal of depreciable assets at the Downtown Shopping Centre. These items were partly offset by higher pre-tax profit.

The fair value loss in financial instruments of \$16.4 million compared with a loss of \$11.9 million the previous year. The loss mainly reflects the significant fall in market interest rates following the vote by Britain to leave the EU in June 2016.

The valuation gain of \$81.2 million (2015: \$64.8 million), when compared with year end book values, reflected valuations increasing by 8.5% in Auckland and decreasing by 2.3% in Wellington. The Auckland increases were equally attributable to a reduction in capitalisation rates and market rental growth. The decline in Wellington values is a result of a reduction in market rents and an increase in capital expenditure allowances associated with the Government's Wellington Accommodation Project, offset by lower capitalisation rates.

\$81.2 M

2016 revaluation gain

As at 30 June 2016 Precinct's portfolio totalled \$1.70 billion consistent with the prior period (2015: \$1.69 billion).

Precinct's net tangible assets per share at balance date increased 5.4% to \$1.17 (2015: \$1.11). The increase in net tangible assets is due to the revaluation gain and Precinct's retained earnings policy, partly offset by the fair value loss in financial instruments.

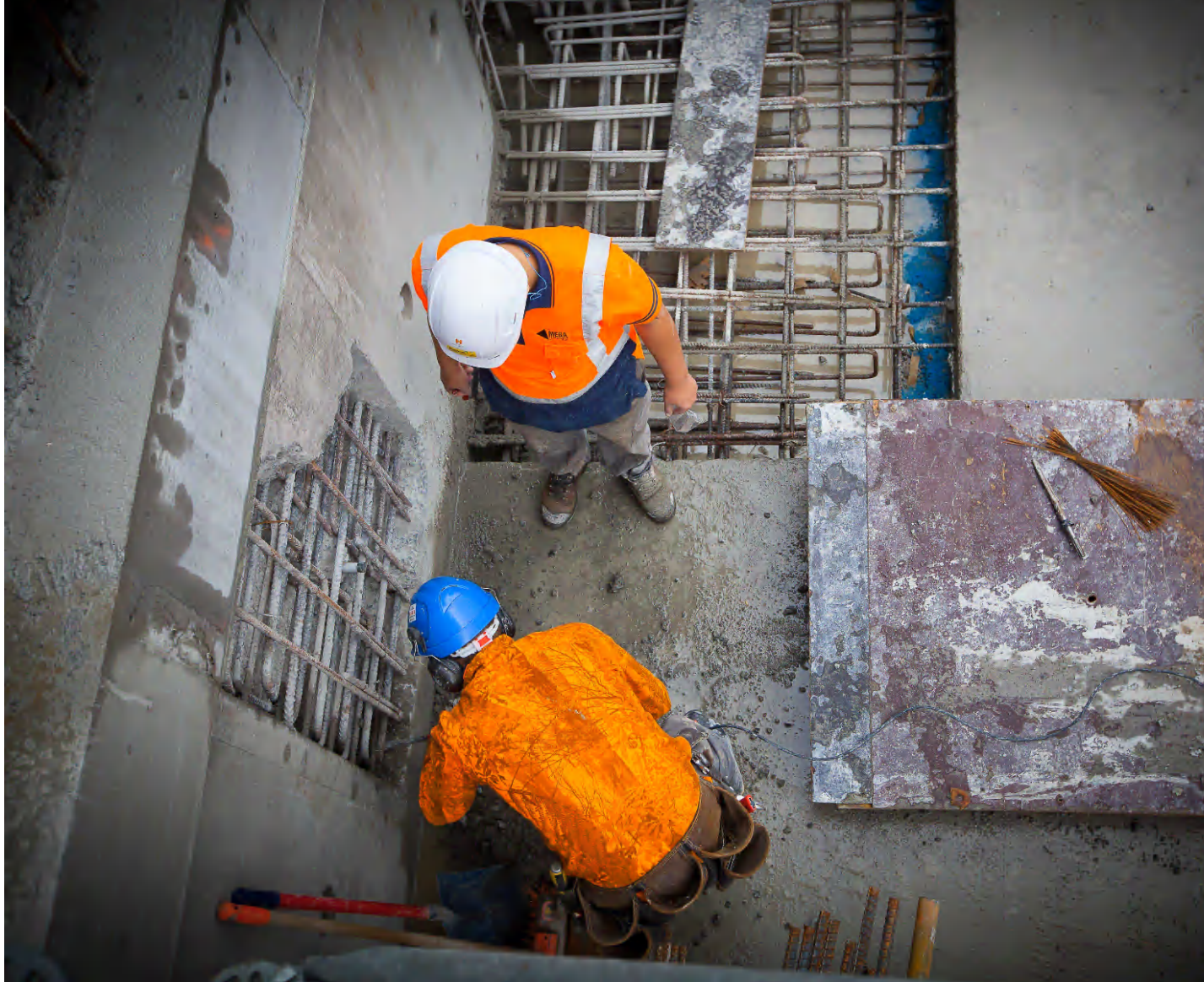
+5.4%

Increase in net tangible assets

Funds from operations

Funds from operations (FFO) and Adjusted funds from operations (AFFO) are measures used by real estate entities to describe the underlying performance from their operations. Aligning dividends with AFFO is generally considered to be best practice for real estate entities. FFO and AFFO are defined in more detail on page 19.

FFO for the year increased \$4.2 million to \$78.7 million (2015: \$74.5 million) or 6.50 cps. This represented an FFO payout ratio of 83%. AFFO for the year of \$64.6 million or 5.33 cps, closely matching dividend paid of 5.4 cps.



WORKS AT WYNYARD QUARTER STAGE 1

KEY FINANCIAL INFORMATION

(\$ millions unless otherwise stated)	2016	2015	Change
Rental revenue	146.0	170.5	(14.4%)
Operating income before indirect expenses	104.5	121.6	(14.1%)
Net operating income before tax	83.4	79.8	4.5%
Net operating income ¹	72.8	68.3	6.6%
Net profit after taxation	138.2	122.4	12.9%
Earnings per share based on operating income before tax	6.89 cents	7.23 cents	(4.7%)
Earnings per share based on operating income after tax	6.01 cents	6.19 cents	(2.9%)
Gross distribution (cents per share) ²	6.468 cents	6.834 cents	(5.4%)
Net distribution (cents per share) ²	5.400 cents	5.400 cents	0.0%
Payout Ratio	89.9%	87.2%	3.1%
Total assets	1,738.6	1,753.2	(0.8%)
Total liabilities	327.7	414.9	(21.0%)
Total equity	1,410.9	1,338.3	5.4%
Shares on issue (million shares)	1,211.1	1,211.1	0.0%
NTA per share	117 cents	111 cents	5.4%
Gearing ratio at balance date ³	14.4%	20.1%	(28.4%)

The information set out above has been extracted from the financial statements set out on pages 40 to 59.

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

² Dividend paid and proposed relating to financial year.

³ For loan covenant purposes deferred tax losses and fair value of swaps are not included in the calculation of gearing ratio.

MANAGEMENT REPORT (CONTINUED)

CAPITAL MANAGEMENT

A core component of Precinct's strategy has been to secure a substantial proportion of the development funding through asset recycling. Consistent with this strategy Precinct settled \$177 million of non-core asset sales in the financial year which was used to reduce debt. The commencement of works at Wynyard Quarter and Commercial Bay partly offset this reduction. As at 30 June 2016 total borrowings were \$221 million (30 June 2015: \$326 million). Reflecting the fall in total borrowings, gearing decreased to 14.4% (30 June 2015: 20.1%) .

14.4%

Gearing as at 30 June 2016

In December 2015, the existing secured bank debt facilities were refinanced, providing material savings from lower margins, additional tenor and funding capacity. Importantly the five year \$860 million bank facility reduces refinancing risk during the development phase of Commercial Bay, Bowen Campus and Wynyard Quarter. Funding is provided by ANZ, BNZ, CBA, Westpac and HSBC. Precinct has total debt facilities of \$1 billion with a weighted average term to expiry of 5 years (30 June 2015: 4.6 years).

\$860M

New 5 year bank facility

We have now successfully executed the pre-funding phase of our strategy. During the past 2 years we have secured over \$1 billion of long term borrowing, including \$173 million from non bank sources, sold 4 assets for a total of \$274 million and raised \$174 million of equity from shareholders. With gearing of 14.4% Precinct comfortably meets its borrowing covenants and is in a strong financial position to deliver its committed developments. Funding this development through committed debt facilities will contribute strongly to delivering long term earnings growth as developments complete. As the development phase progresses Precinct will continue to diversify its funding sources and increase tenor.

Following debt repayment, Precinct was 90% hedged through the use of interest rate swaps (30 June 2015: 62%). This hedging level will reduce as capital is deployed on development projects. The weighted average interest rate including all fees was 5.4% at 30 June 2016 (30 June 2015: 5.4%).

CAPITAL MANAGEMENT METRICS

	2016	2015
Debt drawn (\$m) ¹	221	326
Gearing - banking covenant	14.4%	20.1%
Weighted average term to expiry	5.1 years	4.6 years
Weighted average debt cost (incl fees)	5.4%	5.4%
Hedged	90.0%	62.0%
Weighted average hedging	2.7 years	2.9 years
ICR (previous 12 months)	6.9 x	3.5 x
Total debt facilities (\$m)	1,033	423

¹ Excludes the USPP note fair value adjustment of \$17.0 million (2015: \$16.6 million). Interest bearing liabilities are detailed in Note 15 of the Financial Statements.

"WE HAVE SUCCESSFULLY EXECUTED THE PRE-FUNDING PHASE OF OUR STRATEGY. WITH GEARING OF 14.4%, PRECINCT IS IN A STRONG FINANCIAL POSITION TO DELIVER ITS COMMITTED DEVELOPMENTS, AND TO DELIVER EARNINGS GROWTH."

>> George Crawford, COO.



CENTRAL ON MIDLAND PARK - WELLINGTON 100% LEASED

OPERATIONAL UPDATE

Portfolio metrics continue to be strong with investment portfolio occupancy maintained at 98% (2015: 98%) and an increase to the weighted average lease term (WALT) of 1.3 years to 6.3 years (2015: 5.0 years), extending out to 8.2 years after including developments.

8.2 YEARS

Weighted average lease term (including developments)

Auckland leasing continues to be very strong, in a supply constrained market, with occupiers willing to commit a long way out from expiries in order to secure quality premises. As well as Commercial Bay, this has been seen by HSBC Bank extending their current lease in HSBC House and committing to relocate in 2019 to 188 Quay Street on a new 10 year lease across two floors and taking naming rights over the building. Colliers International have also committed to relocate to 188 Quay Street, which will reduce vacancy risk from PwC's relocation to Commercial Bay.

In total 135,000 sqm was secured in the period, including 22,500 sqm in the investment portfolio on a WALT of 5.1 years. Leasing highlights included securing 4,500 sqm at Deloitte House through a new lease to the Inland Revenue Department across 4 levels and an extension to OMV Limited on their existing floors. Through this success, the building occupancy increased to 100% (2015: 84%).

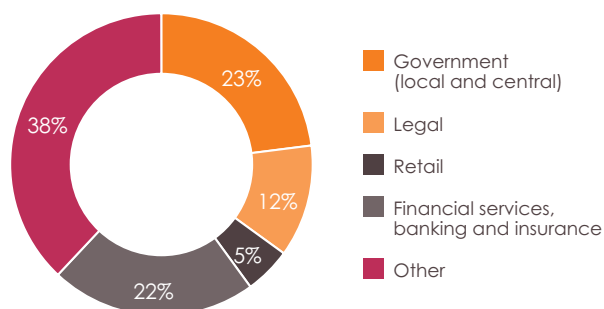
It is also very pleasing to have achieved 100% occupancy at Central on Midland Park. The building underwent a major seismic upgrade in 2012 and achieving 100% occupancy is a significant result.

As announced, Precinct concluded the Government's Wellington Accommodation Project and the resultant commitment by the Crown to 68,000 sqm at Bowen Campus, Pastoral House, Mayfair House and No 3 The Terrace, as well as an extension to the existing lease at 1 The Terrace.

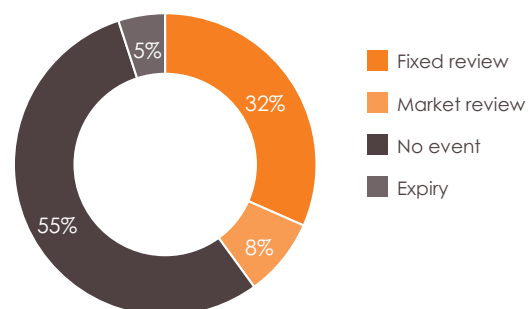
In the period, Precinct settled 111,000 sqm of rent reviews of which 45,000 sqm were subject to market reviews. In total Precinct settled the reviews at a 2.6% premium to contract and 1.7% above 2015 valuations.

The portfolio is now under-rented by 3.6% (2015: (1.8%)) and continues to be positioned to capture market rental growth.

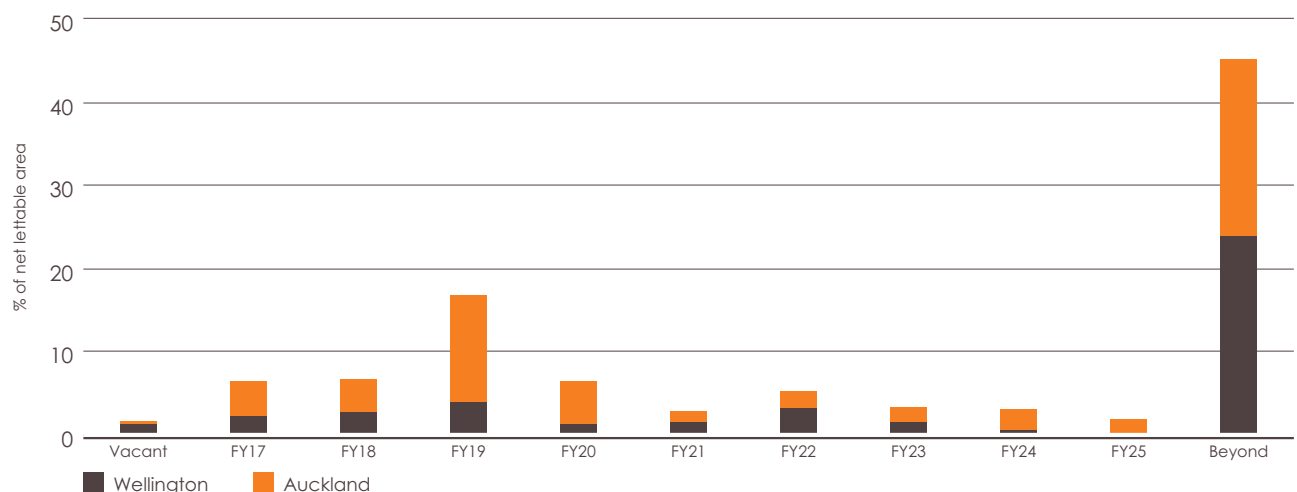
COMPOSITION OF REVENUE BY INDUSTRY



2017 LEASING EVENTS BY INCOME



LEASE EXPIRY PROFILE BY NLA



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

MANAGEMENT REPORT (CONTINUED)

OUR MARKETS

AUCKLAND

CBD Office

The Auckland CBD office market remains extremely strong with a continuation of historically low vacancy levels. CBRE's latest vacancy survey effective June 2016 shows that the Auckland prime CBD office vacancy rate has increased slightly to 3.3% (1.7% as at December 2015 and 1.6% as at June 2015) as a result of the completion of a number of new build developments.

Given the low levels of vacancy, strong demand for quality buildings and the steady growth in the current economic environment, forecasts from most research houses are anticipating a continuation of strong rental growth.

CBD Retail

The Auckland CBD retail environment has strengthened considerably over the past few years driven by strong demand from a unique blend of international and local retailers, improvement in dining and entertainment precincts and strong growth in tourist numbers. This has been supported by continued growth in CBD-based employment, major investment in hotel and commercial construction and in public transport initiatives including the City Rail Link.

The latest Colliers Auckland CBD retail vacancy survey effective June 2016 shows that the vacancy rate has increased slightly to 2.7% (2.5% as at December 2015 and 2.5% as at June 2015) as a result of Downtown Shopping Centre being removed from the overall stock. According to Colliers the amount of vacant retail space in the CBD has actually decreased to the lowest level since December 2007.

WELLINGTON

CBD Office

The Wellington occupier market is anticipated to continue along a trajectory similar to previous years with limited growth forecast. A key consideration however remains the impact of the conclusion of the Government's Wellington Accommodation Project together with the relocation of various occupiers to new office developments as they are completed.

According to the latest CBRE vacancy survey, Wellington's prime CBD office vacancy decreased slightly to 3.5% in June 2016 (3.9% as at December 2015 and 3.2% as at June 2015).

OUTLOOK

We continue to successfully execute our long term strategy and have moved from the pre-funding and planning phase to the committed development phase. Significant leasing progress at our three development sites has allowed us to commit to these transformational projects.

We are now in the process of delivering on our long term strategy and understand that in order for us to achieve this it is crucial to have a strong well resourced team. This is the case, with an experienced 10-strong dedicated development team led by Andrew Buckingham, General Manager - Developments and David Johnson, Commercial Bay Project Director. Our development team is supported by the wider business and our specialist consultant team including architects Warren and Mahoney and project manager RCP. In addition, we have partnered with some of the best and most reliable construction contractors in the country with Fletcher Construction at Commercial Bay, Hawkins and NZ Strong at Wynyard Quarter Stage 1 and LT McGuinness in Wellington. With this team behind us we are confident in delivering value to shareholders.

Management and the board remain focused on maintaining appropriate levels of risk management and governance as the developments are undertaken. While further leasing of future vacancy remains a key focus, with 135,000 sqm of leasing achieved in the period and the office developments enjoying 74% pre-commitment, leasing risk has been substantially lessened.

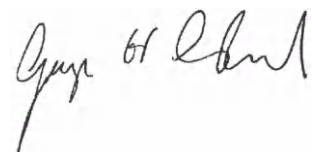
Achievements in the year have given us greater confidence in our earnings track. Some of these achievements included securing 68,000 sqm to the Crown in Wellington, achieving 86% pre-commitment at Wynyard Quarter Stage 1 and 60% pre-commitment at the new Commercial Bay tower.

A priority for the coming year will be to maintain the leasing momentum at Commercial Bay for both the retail and office developments.

Key metrics remain strong. Occupancy of 98% and a long weighted average lease term, including developments, of 8.2 years enables us to have confidence in our ability to deliver our long term strategy and earnings growth.



Scott Pritchard, CEO



George Crawford, COO

DEVELOPMENT PORTFOLIO

WYNYARD QUARTER STAGE ONE

Leasing success at Wynyard Quarter Stage 1 has led to the development being 86% leased, by income, from 70% at December 2015. The increase demonstrates the quality of the real estate and its location on the waterfront.

Physical works commenced at the end of 2015 with 9,500sqm of the 13,400sqm pre-leased to Auckland Tourism Events and Economic Development (ATEED) and Warren and Mahoney. Mott McDonald have since leased space at Mason Brothers leaving around 1,500 sqm to lease. Overall the project will generate net contract income of \$6.7 million on completion with a weighted average lease term of 11.1 years.

The project continues to progress on programme, with the Mason Brothers building forecast to achieve practical completion in December 2016 and the Innovation Building to be complete in July 2017.

The forecast project cost remains \$84 million with an estimated yield on cost of 8.0%, providing meaningful earnings accretion.

11.1 YEARS

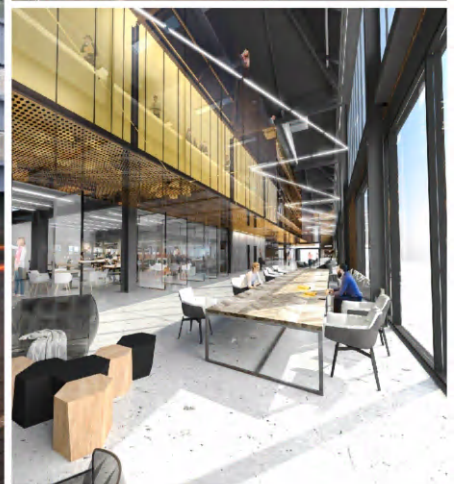
Weighted average lease term (committed leases to date)

86%

Wynyard Stage One occupancy, by income

8.0%

Forecast development yield on cost



ARTIST IMPRESSION OF THE MASON BROTHERS BUILDING (LEFT AND BOTTOM RIGHT) AND INNOVATION BUILDING (TOP RIGHT)

DEVELOPMENT PORTFOLIO (CONTINUED)

BOWEN CAMPUS

Precinct is very pleased to secure the Crown at Bowen Campus, concluding almost three years of commercial negotiations. The project is expected to have a total cost of \$203 million, a value on completion of \$229 million and generate a yield on cost of 7.5%. The Crown have committed to a 15-year lease with fixed 1.5% annual increases and market reviews every 6 years, subject to a 10% cap and collar.

Bowen Campus will undergo a comprehensive redevelopment which will see the existing area, excluding the annex building, increase from 26,100 sqm to 38,400 sqm. This increase in floor area is primarily due to an expansion of the Bowen State building from 14,100 sqm to 23,000 sqm as well as additional floor area gained from a new facade installed at Charles Ferguson Tower and additional retail amenity. Precinct has entered into a fixed price lump sum construction contract with LT McGuinness, who will be completing the construction of the works at Bowen Campus, providing suitable certainty regarding cost for the project.

The Crown have committed to 32,400 sqm of office space (87% office pre-commitment) and have an option to take the remaining top three floors at the Bowen State building representing around 4,700 sqm. Importantly, future development potential is retained over the balance of the Bowen Campus site with a further 4,000 sqm of development land available.

15 YEARS

Weighted average lease term (committed leases)

87%

Office space (NLA) pre-leased to Crown

7.5%

Forecast development yield on cost



ARTIST IMPRESSION OF THE REDEVELOPED BOWEN STATE BUILDING SHOWING THE EXTENDED FLOORPLATES

COMMERCIAL BAY

During the year Precinct committed to Commercial Bay - a \$681 million development including a new 39 level commercial office tower and a world class retail centre at the former Downtown Shopping Centre site on Auckland's waterfront.

Commercial Bay will completely reshape the waterfront area bounded by Britomart, the Viaduct and the CBD. The retail will be a laneway environment with around 100 shops including leading retailers plus a number of restaurants, cafes and bars making the most of the unique waterfront location.

On completion the project is expected to generate a yield on cost of 7.5%.

Highlights to date

- Securing PwC as the anchor client for the new tower, to be named the PwC Tower.
- Achieving 60% pre-leasing, by income, at the new tower with PwC being joined by Chapman Tripp, MinterEllisonRuddWatts, along with other clients.
- Signing major international fashion retailer H&M for a flagship store.
- Entering a guaranteed maximum price construction contract with Fletcher Construction.
- May 2016 - Closing down of Downtown Shopping Centre and commencement of construction works.
- Colliers International have committed to relocate to 188 Quay Street in the Commercial Bay precinct.

1 Queen Street

- HSBC Bank have committed to relocate in 2019 to 188 Quay Street and will take naming rights over the building.
- Precinct is considering the longer term options for 1 Queen Street, which has enormous potential for a range of uses by virtue of its unique position on the waterfront side of Commercial Bay.

Flagship H&M store secured

Precinct is very excited that H&M have chosen Commercial Bay as the site for their flagship store. H&M is one of the fastest growing international fashion retailers and the choice of Commercial Bay highlights the resurgence of Queen Street as the heart of Auckland retailing.

H&M's early commitment to Commercial Bay two years' ahead of opening is indicative of the strong interest being received from retailers.

PROJECT INFORMATION

	Retail	Office
Net lettable area	18,000 sqm	39,000 sqm
Expected completion	October 2018	June 2019
Key leasing to date	H&M flagship store	PwC, Chapman Tripp, Minter Ellison Rudd Watts

"THE FLAGSHIP H&M STORE WILL CONTINUE THE REGENERATION OF THE LOWER QUEEN STREET AND BRITOMART PRECINCTS AND PUTS COMMERCIAL BAY FIRMLY ON THE FASHION MAP OF AUCKLAND"

>> **Scott Pritchard**, CEO.

12.7 YEARS

Weighted average lease term (committed leases to date)

60%

Office pre-leasing by income



ARTIST IMPRESSION OF THE NEW PWC TOWER AT COMMERCIAL BAY

HERE THE CITY BEGAN

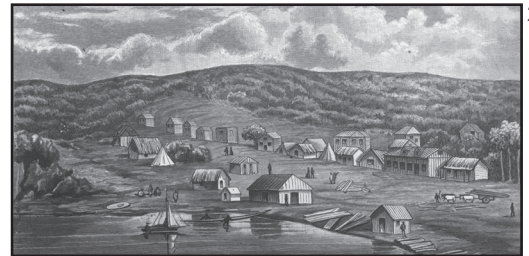
In 1840, Commercial Bay was established and helped create the city we know today. The string of bays along the shore were ideal landing spots, and the deepest bay with the best anchorage for trading ships was designated Commercial Bay. Over time, the bay has been in-filled and long wharves have stretched out to meet the ships, as the shoreline has shifted to accommodate the growing city. Sails and oars have given way to horses and trams, which in turn have yielded to cruise liners and underground trains.

Great feats of engineering have been built, and dismantled, to make way for the next generation of development.

Commercial Bay will again see the southern shore of the Waitemata as the heart of the city, re-establishing a hub of transport, commerce and trade for all Aucklanders to meet and enjoy.



1840s > The best deep water anchorage



1840s > The landing place for goods and people



1919 > Trade blossomed



1979 > The city kept changing

**Mid 2016
- End 2016**
Deconstruction of
Downtown
Shopping Centre

**Late 2016
- Late 2018**
Basement
Construction

HERE THE CITY BEGINS

We believe Commercial Bay is set to become the most transformational project Auckland has ever seen. It brings together the best of everything in one location – a world class commercial space, public transport, international quality retail, public spaces and hospitality environments, as well as striking urban design.

Commercial Bay embraces the best of the existing buildings and links them together creating a working population of 10,000 people.

At the heart of the Commercial Bay precinct will be a stunning new 39 level office tower that will transform Auckland's skyline. It will be anchored by PwC and be known as the PwC Tower. At the base of the tower sits a three level retail precinct unlike anything Auckland has seen before. The laneway design will redefine retail in Auckland, with global flagship brands, diverse food and beverage and the highest concentration of quality retailers in one central, easily accessible location.

**Late 2017
- End 2018**
Retail
Construction

October 2018
Commercial Bay
retail open



5 YEAR SUMMARY

(\$ millions unless otherwise stated)	2012	2013	2014	2015	2016
Financial performance					
Gross rental revenue	\$127.3	\$147.7	\$165.4	\$170.5	\$146.0
Less direct operating expenses	(\$36.4)	(\$43.7)	(\$47.1)	(\$48.9)	(\$41.5)
Operating profit before indirect expenses	\$90.9	\$104.0	\$118.3	\$121.6	\$104.5
Net interest expense	(\$20.8)	(\$28.0)	(\$33.2)	(\$31.4)	(\$11.0)
Other expenses	(\$11.6)	(\$12.8)	(\$12.6)	(\$10.4)	(\$10.1)
Operating income before income tax	\$58.5	\$63.2	\$72.5	\$79.8	\$83.4
Non operating income / (expense)					
Unrealised net gain in value of investment properties	\$5.5	\$46.3	\$47.5	\$64.8	\$81.2
Other non operating income	(\$5.4)	\$13.2	\$10.9	(\$13.5)	(\$19.1)
Net profit before taxation	\$58.6	\$122.7	\$130.9	\$131.1	\$145.5
Current tax expense	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)	(\$10.6)
Depreciation recovered on sale expense				(\$3.8)	(\$10.0)
Deferred tax benefit / (expense)	(\$6.3)	\$39.7	(\$5.0)	\$6.6	\$13.3
Net profit after taxation	\$45.1	\$157.5	\$117.2	\$122.4	\$138.2
Dividends					
Net dividend (cents)	5.04	5.12	5.40	5.40	5.40
Net operating income					
Operating income before income tax	\$58.5	\$63.2	\$72.5	\$79.8	\$83.4
Less: Current tax expense	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)	(\$10.6)
Net operating income after tax	\$51.3	\$58.3	\$63.8	\$68.3	\$72.8
Net operating income after tax per share (cents)	5.14	5.85	6.10	6.19	6.01
Dividend payout ratio to net operating income after tax	98.1%	87.5%	88.5%	87.2%	89.9%
Funds from operations (FFO)					
Net operating income after tax	\$51.3	\$58.3	\$63.8	\$68.3	\$72.8
Adjusted for:					
Amortisations	\$4.1	\$3.1	\$6.2	\$7.3	\$6.4
Straightline rents	(\$1.2)	(\$1.5)	(\$0.5)	(\$1.1)	(\$0.5)
Funds from operations	\$54.3	\$59.9	\$69.5	\$74.5	\$78.7
Funds from operations (cents)	5.44	6.00	6.64	6.75	6.50
Dividend payout ratio based on FFO	92.6%	85.3%	81.3%	80.0%	83.1%
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	-	-	(\$3.3)	(\$2.6)	(\$6.4)
Less: Incentives and leasing costs	-	-	(\$8.7)	(\$7.1)	(\$3.0)
Less: Tenant Improvements	-	-	(\$3.1)	(\$4.0)	(\$4.7)
Swap Close outs	-	-		1.6	
Adjusted funds from operations	-	-	\$54.5	\$62.4	\$64.6
Adjusted funds from operations (cents)	-	-	5.21	5.66	5.33
Dividend payout ratio based on AFFO	-	-	104%	95%	101%

(\$ millions unless otherwise stated)	2012	2013	2014	2015	2016
Financial position					
Total investment assets	\$1,332.1	\$1,640.4	\$1,728.1	\$1,687.8	\$1,513.7
Total development assets					\$190.4
Other assets	\$18.3	\$18.1	\$19.4	\$65.4	\$34.5
Total assets	\$1,350.4	\$1,658.5	\$1,747.5	\$1,753.2	\$1,738.6
Interest bearing liabilities	\$346.5	\$603.0	\$572.0	\$340.0	\$234.1
Other liabilities	\$126.7	\$71.7	\$68.7	\$74.9	\$93.6
Total liabilities	\$473.2	\$674.7	\$640.7	\$414.9	\$327.7
Total equity	\$877.2	\$983.8	\$1,106.8	\$1,338.3	\$1,410.9
Number of shares (m)	997.1	997.1	1059.7	1211.1	1211.1
Weighted average number of shares (m)	997.1	997.1	1046.6	1103.1	1211.1
Net tangible assets per share	0.88	0.99	1.04	1.11	1.17
Share price at 30 June	0.93	1.02	1.07	1.14	1.25
Covenants					
Bank covenant loan to value	27.0%	37.3%	33.8%	20.1%	14.4%
Interest coverage ratio	3.5 x	3.0 x	3.2 x	3.5 x	6.9 x
Key portfolio metrics					
Average portfolio cap rate	7.9%	7.5%	7.3%	7.0%	6.5%
Weighted average lease term (years)	5.9	5.7	5.4	5.0	6.3
Occupancy (by NLA)	94%	97%	98%	98%	98%
Net lettable area	289,934	322,115	322,115	304,485	225,613
Number of properties	16.0	17.0	17.0	15.0	13.0

Definition - Funds from operations (FFO) and Adjusted funds from operations (AFFO)

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

Funds from operations (FFO)

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

Adjusted funds from operations (AFFO)

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

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

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

Our Dividend Policy

Precinct's dividend policy is to pay out approximately 90% of net operating income after tax as dividends, with the retained earnings being used to fund the capital expenditure required to maintain the quality of Precinct's property portfolio. The payment of dividends is not guaranteed by Precinct and Precinct's dividend policy may change from time to time.

BOARD OF DIRECTORS

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", chaired the Government's International Financial Services Development group in 2010, and chaired the Establishment Board of the Local Government Funding Agency in 2011.

Craig is a professional director and entrepreneur. In addition to chairing Precinct, he is chairman of the New Zealand Local Government Funding Agency (LGFA), AIG Insurance NZ, Flitway Group, Saturn Portfolio Management, Elevation Capital Management, Bureau, and Biomarine Group.

LAUNA INMAN

DIRECTOR, INDEPENDENT

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

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

GRAEME HENRY WONG

DIRECTOR, INDEPENDENT BCA (HONS) BUS ADMIN, INFINTZ (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 a 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.

CHRISTOPHER JAMES JUDD

DIRECTOR, MANAGER APPOINTEE

Chris Judd has over 28 years' experience in the property industry including a 14 year association with property and property funds in New Zealand. Chris is the Head of Property Funds Management for AMP Capital Australia with executive and governance responsibilities in Australia, New Zealand and Singapore.

He is a registered valuer being an Associate of the Australian Property Institute. Chris was the inaugural chairman of the Property Council of Australia's Unlisted Property Roundtable and is a member of the International and Capital Markets Division Committee.

ROBERT JAMES CAMPBELL

DIRECTOR, SHAREHOLDER APPOINTEE

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

Rob is currently chairman 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 ¹

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.

¹ ANTHONY BERTOLDI IS THE ALTERNATE DIRECTOR FOR MOHAMMED AL NUAIMI. ANTHONY IS THE 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 and providing commercial input to 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 is a fellow of the Institute of Chartered Accountants in England of Wales.

KYM BUNTING

GENERAL MANAGER - PROPERTY

Prior to joining Precinct in 2014, 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.

DAVIDA DUNPHY

GENERAL COUNSEL AND COMPANY SECRETARY

Davida joined Precinct in 2014 and has more than 15 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 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. She is also a Chartered Company Secretary (ACIS).

ANDREW BUCKINGHAM

GENERAL MANAGER - 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.

RICHARD HILDER

GENERAL MANAGER - 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.

NICOLA MCARTHUR

GENERAL MANAGER - MARKETING AND COMMUNICATIONS

Nicola joined Precinct in 2012 returning to New Zealand after 10 years working in a variety of marketing roles in the United Kingdom and Australia.

Her role at Precinct is to lead the business's marketing strategy, oversee marketing activities and to ensure we maintain optimum levels of communication with our clients, key stakeholders and general public.

Nicola has a Master of Marketing from Melbourne Business School, a Graduate Certificate of Corporate Management from Deakin University and a Bachelor of Arts from Auckland University.

SUSTAINABILITY

OUR POLICY

Precinct has developed a sustainability policy reflecting the goal of 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, and meet the trend from occupiers to prefer more environmentally sustainable office accommodation. Our sustainability policy incorporates elements from international best practice models into a customised measurement tool.

Our policy is based on the principle 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.

2016 OPERATIONAL PERFORMANCE

Broadly we have achieved:

- Implementing a sustainability policy to help track performance against a newly set base year.
- PwC Tower and Zurich House achieved 1 to 2 star increases in their NABERS base build rating.
- Zurich House has had a 45% increase in energy efficiency since 2013.

Base year and measurement

The base year has been set from the 1st of July 2015 to the 30th June 2016. This aligns reporting on performance with annual reporting dates.

No progress is recorded to date as the base year has been set during this reporting period.

Future reporting will be measured against both the base year and the previous year. For the first year, this will be the same figure.

For fair comparison between properties, consumption is standardised according to floor area and occupancy to produce consumption intensity. This minimises the variations dictated by the size of a building and limits the penalisation of high consumption due to increased occupancy.

TOTAL ENERGY CONSUMPTION

Property	kWh/m ² Base year ¹
AMP Centre	136.0
ANZ Centre	97.0
HSBC House	216.0
PwC Tower	123.3
Zurich House	105.0
No. 1 - 3 The Terrace	123.2
Deloitte House	137.5
Mayfair House	66.9
Pastoral House	101.1
State Insurance Tower	224.7
Vodafone on the Quay	139.5
Auckland Portfolio Average	135.5
Wellington Portfolio Average	132.2
Total Portfolio Average	133.7

¹ Base Year: The base year is the year from 01/07/2015 until 30/06/2016.

TOTAL CARBON EMISSIONS

Property	CO2kg/m ² Base Year ¹
AMP Centre	21.4
ANZ Centre	14.6
HSBC House	35.7
PwC Tower	19.1
Zurich House	16.0
No. 1 - 3 The Terrace	20.2
Deloitte House	23.2
Mayfair House	11.2
Pastoral House	16.6
State Insurance Tower	37.5
Vodafone on the Quay	23.4
Auckland Portfolio Average	21.3
Wellington Portfolio Average	22.0
Total Portfolio Average	21.7

¹ Base Year: The base year is the year from 01/07/2015 until 30/06/2016.

CORPORATE GOVERNANCE

INTRODUCTION

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

The board's commitment to corporate governance best practice is set out in the Corporate Governance Manual that guides the directors, the manager of Precinct and Precinct's representatives. The Corporate Governance Manual includes a Code of Ethics and a Board Charter and incorporates (to the extent relevant to Precinct) the NZX Listing Rules, the NZX Corporate Governance Best Practice Code Recommendations, the Securities Commission Governance Principles and Guidelines and the Financial Markets Authority's (FMA) Corporate Governance in New Zealand principles and guidelines.

This section of the Annual Report reflects the company's compliance with the requirements of the Financial Markets Authority Corporate Governance in New Zealand Principles and Guidelines. The Corporate Governance Manual is available on Precinct's website (www.precinct.co.nz) in the News and Investor Information section together with a statement of how Precinct's corporate governance policies, practices and processes differ from the NZX Corporate Governance Best Practice Code. If any investor would like a copy sent to them, please contact Precinct investor relations.

PRINCIPLE 1 – ETHICAL STANDARDS

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

The board is committed to providing a level of corporate governance and direction consistent with market best practice. Ensuring that Precinct is governed transparently and to the highest of ethical standards and integrity is one of the key priorities for the board.

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

Security Trading Policy

Precinct is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations. No director, officer or employee may use their position of knowledge of Precinct or its business to engage in securities trading for personal benefit or to provide benefit to any third party.

The security trading policy, set out in the Corporate Governance Manual, applies to all directors, officers and employees of Precinct and their subsidiaries who intend to trade in Precinct listed securities.

PRINCIPLE 2 - BOARD COMPOSITION AND PERFORMANCE

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

As at 30 June 2016 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 Craig Stobo, Don Huse, Graeme Wong and Launa Inman. Launa Inman was appointed at Precinct's annual general meeting on 18 November 2015 following the retirement of Graeme Horsley. 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 2016, 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 in 2012 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.

Mohammed Al Nuaimi and Chris Judd were appointed in 2013 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 acts as alternate director for Mohammed Al Nuaimi.

Messrs Campbell, 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.

Board and Officers Composition - As at 30 June 2016 the board comprised seven males and one female (compared to eight males as at 30 June 2015) and the officers of the company comprised two males and one female (being the same as at 30 June 2015). The number of management employees totalled forty-two comprising sixteen females and twenty-six males.

Precinct, through its manager, is committed to providing a diverse and inclusive working environment to attract, recruit and retain the best talent from the widest pool of candidates. A copy of Precinct's diversity policy is included in Precinct's Corporate Governance Manual. The board has developed this policy to encourage a diverse working environment at all levels of the organisation to build a culture where diversity of gender, age, ethnicity, background, experience, skills, thought, ideas, styles and perspective are leveraged to create true business value.

The diversity policy was adopted on 16 June 2016. As at the date of this annual report the board has yet to evaluate the performance of the company against the diversity policy. The gender composition of directors and officers is as follows:

CORPORATE GOVERNANCE (CONTINUED)

	30 June 2016		30 June 2015	
Gender	Female	Male	Female	Male
Directors	1 (16.7%)	6 (83.3%)	0 (0%)	7 (100%)
Independent directors	1 (25%)	3 (75%)	0 (0%)	4 (100%)
Officers	1 (33.3%)	2 (66.7%)	1 (33.3%)	2 (66.7%)

Meetings - A schedule of directors and their board meeting attendance record for the year to 30 June 2016 is set out in the table below.

Subsidiary Company Directors - As at 30 June 2016 Precinct had two subsidiary companies which hold all of the individual Precinct properties. Precinct's third subsidiary company Precinct Properties Downtown Limited was amalgamated into Precinct Properties Holdings Limited on 29 January 2016. The directors for the Precinct subsidiary companies as at 30 June 2016 were Scott Pritchard, George Crawford and Davida Dunphy.

Board Performance Assessment - The Board regularly reviews its collective skill set to identify any shortcomings, its level of diversity and director tenure to ensure director independence. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern the company and monitor the company's performance in the interests of shareholders.

PRINCIPLE 3 – BOARD COMMITTEES

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

For the year to 30 June 2016 there were three committees of the board, being the Audit and Risk Committee, Nominations Committee and Remuneration Committee. The charters that exist for each committee can be found in the Corporate Governance Manual 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/Launa Inman, Craig Stobo and Rob Campbell.

This committee met four times during the year. The attendance of directors at meetings is shown in the table below. 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's purpose is to provide guidance to the board when approving directors' remuneration.

The Nominations Committee comprised Craig Stobo as Chairman, Robert Campbell and Graeme Horsley/Launa Inman. 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. Following year end it was determined that the Remuneration and Nominations Committees be merged to form one Remuneration and Nominations Committee.

The Due Diligence Committee is an ad hoc committee that is established by the board from time to time to provide guidance and recommendations on the due diligence for any transaction of a significant size and/or complexity. The Due Diligence Committee was established twice during the year to 30 June 2016 for the Bowen Campus and Commercial Bay developments and met a total of six 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.

BOARD OF DIRECTORS AND ATTENDANCE

Director	Independent Director	Status	Date of Appointment	Board meetings	Audit and Risk Committee meetings
Number of meetings				6	4
Craig Stobo	Yes	Board Chairman Nominations Committee Chairman	4 May 2010	6	4
Mohammed Al Nuaimi		Director	30 October 2013	5	n/a
Anthony Bertoldi		Alternate Director for Mohammed Al Nuaimi	12 August 2014	6	n/a
Robert Campbell		Director	2 April 2012	6	4
Donald Huse	Yes	Audit and Risk Committee Chairman	1 November 2010	6	4
Launa Inman	Yes	Director	18 November 2015	4 ¹	2 ¹
Christopher Judd		Director	29 April 2013	6	n/a
Graeme Wong	Yes	Remuneration Committee Chairman	1 November 2010	6	n/a

¹ Graham Horsely attended 2 meetings prior to his resignation and the appointment of Launa Inman on 18 November 2015

PRINCIPLE 4 – REPORTING AND DISCLOSURES

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

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

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

PRINCIPLE 5 – REMUNERATION

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

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.

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

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

More information on remuneration of directors and executives can be found within the Remuneration Report.

PRINCIPLE 6 – RISK MANAGEMENT

The board has a sound understanding of the key risks faced by the business. The board regularly verifies that the company has appropriate processes that identify and manage potential and relevant risks.

The board has a risk management register in place which identifies, manages and communicates the key risks that may impact the company's business. The Audit and Risk Committee of the board oversees the risk register and reviews it regularly.

Precinct has a Financial Risk Management Policy. The policy details Precinct's approach to managing financial risks and the policies and controls that are required to mitigate the likelihood of financial risks resulting in an adverse outcome. This policy is reviewed annually.

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

PRINCIPLE 7 – AUDITORS

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

Oversight of Precinct's external audit arrangements is the responsibility of the Audit and Risk Committee. Ensuring that

external audit independence is maintained is one of the key aspects in discharging this responsibility. The audit policy, detailed in the Corporate Governance Manual, has been adopted by the committee. This policy covers the following areas:

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

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

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of the New Zealand Institute of Chartered Accountants to evidence their competence.

PRINCIPLE 8 – SHAREHOLDER RELATIONS

The board fosters constructive relationships with shareholders that encourage them to engage with the company.

The board is committed to achieving best practice investor relations. An annual investor relations plan has been established and is reviewed annually. This plan details the investor relations approach to e-communications, roadshows, investor briefings, site visits, blackout periods, financial reporting and other items.

A key objective of the plan is to ensure continuous disclosure to NZX and that information is accurate and not misleading.

PRINCIPLE 9 – STAKEHOLDER INTERESTS

The board respects the interests of stakeholders within the context of the company's ownership type and its fundamental purpose.

The company has a wide range of stakeholders including small and large shareholders, bondholders and other debt holders. The company aims to manage its business in a way which creates sustainable earnings and value growth for shareholders.

CORPORATE GOVERNANCE (CONTINUED)

MANAGEMENT FEE STRUCTURE

MANAGEMENT SERVICES AGREEMENT

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

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

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, capital expenditure, acquisitions and disposals are made on a pro rata basis each month.

Development properties, including land, 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:
 - 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

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

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

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

Precinct and the manager agreed the 2014 market review of the additional services fees in 2016. Given this recent agreement, the 2016 market review has been waived by Precinct and the manager.

REIMBURSEMENT OF COSTS

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

RESOURCING

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.

TERM AND TERMINATION

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

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

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

CALL OPTION

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

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

BOARD APPOINTMENT RIGHTS

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

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

TAKEOVER 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 2016.

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 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 or after the acquisition of voting securities under the Combined Transactions is set out on the following page.

EMPLOYEE SHARE SCHEME ACQUISITIONS

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

- Eligible Employees are invited to borrow an interest free amount (Loan) from the manager. The Loan amount is determined based on the agreed performance criteria for the LTI Scheme (which is based on the performance of Precinct and the manager).
- The Loan is advanced to AMP Haumi LTI Trustee Limited (the Employee Share Scheme Administrator), who uses the Loan to purchase Precinct shares on-market (the Employee Share Scheme Acquisitions), and then holds those Precinct shares

on trust for the Eligible Employees in accordance with the rules of the LTI Scheme.

- Participants who remain employed by the manager for the duration of the Loan period receive a bonus equal to the amount of the Loan, which may be used to repay the Loan. The rules of the LTI Scheme contain a mechanism which protects participants from changes in market value of the Precinct shares.
- Participants are entitled to Precinct shares held for them by the Employee Share Scheme Administrator only once they have satisfied the vesting requirements of the LTI Scheme.
- Participants who cease to be employed by the manager before satisfying the vesting requirements of the LTI Scheme are not entitled to the Precinct shares held for them by the Employee Share Scheme Administrator. Those participants are required to repay their Loan when their employment terminates, but the Employee Share Scheme Administrator will sell the Precinct shares held for that participant and use the sale proceeds towards repayment of the Loan.

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

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 17 August 2016, the percentage of voting securities on issue that are held or controlled by the AMPCI Parties as at 17 August 2016, and the potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties after the Pre-emptive Acquisitions are as follows:

Exempted person	Number of voting securities that have been acquired under the Pre-emptive Acquisitions	% of voting securities on issue that are held or controlled	% of all voting securities on issue that are held or controlled with Associates	Maximum % of all voting securities on issue that could be held or controlled after the Pre-emptive Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates after the Pre-emptive Acquisitions
AMPCI Parties	Zero ¹	2.28 ²	21.24 ²	21.35	21.41

These figures are calculated on the basis that only the Corporatisation Transfer and the Pre-emptive Acquisitions occur, and that there is no change in the number of voting securities on issue after 17 August 2016.

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

2 These figures are calculated on the basis of the total holdings of voting securities in Precinct by the AMPCI Parties (and their Associates, as applicable) as at 17 August 2016 and that there is no change in the number of voting securities on issue after 17 August 2016.

Fund management acquisitions

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

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

The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Fund Management Acquisitions occur, and that there is no change in the number of voting securities on issue after 17 August 2016.

Employee share scheme acquisitions

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

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

The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Employee Share Scheme Acquisitions occur, and that there is no change in the number of voting securities on issue after 17 August 2016. The figures marked * are made on the basis that the Employee Share Scheme Administrator and the manager are not Associates of each other.

Combined transactions

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

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

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

The maximum % shown in the above tables are calculated on the basis of the Takeovers Code exemption including that there is no change to the total number of voting securities on issue after 17 August 2016. Details of which can be found in Precinct's Corporation Proposal Information Pack dated 5 October 2010.

NZX RULINGS AND WAIVERS

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

2010 CORPORATISATION

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

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

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

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

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

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

This waiver is conditional on the following:

- the ability of the manager to appoint two directors being approved by unit holders of ANZO (at the meeting to approve the trust converting to a corporate structure);
- Precinct's constitution containing certain provisions, and these remaining in effect and materially unaltered. These included provisions to the effect that:
 - a. a majority of the directors must be independent of the manager and persons who control the manager;
 - b. if a 15%+ Shareholder appoints a director, the board must have a minimum of seven directors;

c. no 15%+ Shareholder who has exercised a right to appoint a director shall have the right to vote on the election of other directors (which was itself a separate condition);

d. any director appointed by a 15%+ Shareholder must be included in the number of directors upon which is based the calculation of the number of directors required to retire under Listing Rule 3.3.11.

- the waiver, its effects and conditions are set out in each annual report and offer document of Precinct;
- each director appointed by the manager is identified in Precinct's annual report as having been so appointed, and as not being subject to retirement by rotation;
- if the manager elects not to appoint two directors (and removes, or procures the resignation of, any directors appointed by it), the conditions as to election of directors independent of the manager shall not apply.

NON-STANDARD DESIGNATION

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

AS AT 30 JUNE 2016

SHAREHOLDER AND BONDHOLDER INFORMATION

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder	Number of shares	% of shares
1.	Haumi Company	227,363,103	18.77
2.	ANZ New Zealand Investments	100,453,212	8.29
3.	Accident Compensation Corp	78,194,839	6.46
4.	Private Clients of FNZ Custodians	63,561,668	5.25
5.	Private Clients of Forsyth Barr	62,175,362	5.13
6.	Private Clients of Craigs Investment Partners	56,773,597	4.69
7.	Salt Funds Mgt	45,966,607	3.80
8.	Private Clients of Investment Custodial Services	40,179,571	3.32
9.	Private Clients of Private Nominees	35,219,918	2.91
10.	Vanguard Group	19,266,077	1.59
11.	State Street Global Advisors	18,300,189	1.51
12.	Mint Asset Mgt	18,244,410	1.51
13.	Brookfield Investment Mgt	16,993,611	1.40
14.	AMP Capital Investors	15,092,133	1.25
15.	Colonial First State - Core Australian Equities	12,580,337	1.04
16.	BlackRock Investment Mgt - Index	11,843,277	0.98
17.	Smartshares	11,797,790	0.97
18.	Norges Bank Investment Mgt	8,507,599	0.70
19.	Guardian Trust	8,338,683	0.69
20.	Acadian Asset Mgt	8,102,363	0.67
Totals: Top 20 holders of Ordinary Shares		858,954,346	70.92

Source: Orient Capital

SHAREHOLDER DISTRIBUTION

Range	Total holders	Shares	% of Issued Capital
100 - 199	2	235	0.00
200 - 499	34	10,644	0.00
500 - 999	83	56,701	0.00
1,000 - 1,999	178	244,166	0.02
2,000 - 4,999	650	2,244,392	0.19
5,000 - 9,999	1,293	9,186,706	0.76
10,000 - 49,999	4,205	95,715,343	7.90
50,000 - 99,999	786	52,671,832	4.35
100,000 - 499,999	390	68,309,830	5.64
500,000 - 999,999	27	18,132,151	1.50
1,000,000 and over	29	964,548,665	79.64
Total	7,677	1,211,120,665	100.00

Source: Computershare

SUBSTANTIAL SECURITY HOLDERS

Security holder	No. of shares held at date of notice	%	Date of notice
AMP Capital Investors International Holdings Limited (ACIHL) ¹	198,943,261	18.773	01.12.2014
ANZ New Zealand Investments Limited	96,934,404	8.004	3.03.2016
ANZ Bank New Zealand Limited	34,301,684	2.832	3.03.2016
Accident Compensation Corporation	80,947,737	6.684	20.08.2015

Source: NZX Substantial shareholder notices

¹ AMP Capital Investors International Holdings Limited substantial security holder notice includes the Precinct shares of Haumi Company Limited.

The total number of ordinary shares on issue as at 30 June 2016 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 preceeding 30 June 2016.

The Group made donations of \$18,826 during the year to 30 June 2016 to Auckland City Mission and Wellington City Mission.

BONDHOLDER INFORMATION

BONDHOLDER DISTRIBUTION

Range	Total holders	Units	% of Issued Capital
5,000 - 9,999	41	231,000	0.31
10,000 - 49,999	277	5,674,000	7.57
50,000 - 99,999	72	4,439,000	5.92
100,000 - 499,999	70	12,525,000	16.70
500,000 - 999,999	3	2,390,000	3.19
1,000,000 and over	10	49,741,000	66.32
Total	473	75,000,000	100.00

DIRECTOR INTERESTS

DETAILS OF DIRECTOR INTERESTS IN PRECINCT SHARES

	2016	2015
Director	No. of shares	No. of shares
Rob Campbell	141,602	141,602
Don Huse	571,428	571,428
Graeme Wong	67,427	67,427

The following interests register entries were recorded for Precinct and its subsidiaries for the year to 30 June 2016

Rob Campbell

Resigned as Director of Guinness Peat Group plc, Harmony Group Limited and Call Plus Limited

Anthony Bertoldi

Appointed Alternate Director of HIP Company Limited

Launa Inman

Appointed Director of Super Retail Group, Director of Bellamy's Organic, Alannah and Madeline Foundation, the Commonwealth Bank of Australia and the Virgin Australia Melbourne Fashion Festival

Mohammed Al Nuaimi

Appointed Director of HIP Company Limited

Craig Stobo

Appointed as Director of Bureau Limited

REMUNERATION REPORT

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. There is a cap on director remuneration of \$580,000 per annum beginning 1 November. The actual fees paid for the year ending 31 October 2015 were \$419,426 which is below this cap. The fees paid 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 board remuneration from the company for their services as directors. Rob Campbell was paid \$8,000 for his services on sub committees during the year.

Role	30 June 2016 ¹		30 June 2015	
	Sub committee	Board	Sub committee	Board
Craig Stobo Board Chair	8,000	160,000	8,688	154,092
Don Huse Audit and Risk Committee Chair	9,120	100,000	10,545	97,154
Graeme Horsley ² Independent Director	-	34,500	-	87,100
Graeme Wong Independent Director	8,000	90,000	9,250	87,100
Launa Inman ² Independent Director	-	75,185	-	-
Rob Campbell Director	8,000	-	4,125	-
Total	33,120	459,685	32,608	425,446

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

² Graeme Horsley resigned and Launa Inman was appointed as Independent Director on 18 November 2015.

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 2016, \$33,120 in committee fees were paid to the due diligence committee (30 June 2015: \$32,608).

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

REMUNERATION OF THE MANAGER

The roles, responsibilities and remuneration of the manager are determined by the Management Services Agreement between Precinct and the manager. All additional services fees are approved by independent directors on a fair and reasonable basis. Precinct and the manager agreed the 2014 market review of additional services fees in 2016. The table below sets out these various services provided by the manager and details the fees paid for those services in the period. A copy of the Management Services Agreement is available on the Precinct website (www.precinct.co.nz).

Fee	Fee basis	Service provided	June 2016 (\$m)	June 2015 (\$m)
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. Development properties, including land, are excluded from the Value of Investment Property.	Overall management of Precinct to deliver on the Board approved business plans, budgets and strategies.	8.07	8.50

Fee	Fee basis	Service provided	June 2016 (\$m)	June 2015 (\$m)
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	Nil
Surrender fees	In accordance with Clause 4 of Schedule 3 of the MSA: A fee of up to 10% of the surrender payments.	Surrender payments made during the period totalling \$0.02 million (2015: \$0.02m).	0.02	0.02
Development management fees	In accordance with Clause 6 of Schedule 3 of the MSA. A fee of 3% of the total development cost excluding land cost, incentives, marketing, and finance costs. A maximum fee of 1% of the total development cost excluding land cost, incentives, marketing and finance costs for successful delivery of a project.	Development management fees paid in the period relate to the development of Commercial Bay, Government Wellington Accommodation Project and Wynyard Quarter Stage One. As detailed in Part C of Schedule 3 of the MSA, overall management of the development includes making recommendations covering the development and redevelopment of property, consultant management, co-ordination of design, procurement of consents, development financing, co-ordination and cost management, construction contract tendering, management of risks and ongoing monitoring and reporting of the project.	9.68	1.80
Acquisition and sale of properties	In accordance with Clause 5 of Schedule 3 of the MSA. Where no external agent has been engaged, a fee of up to 1% of the purchase price or other consideration to be provided by the purchaser. Where an external agent has been engaged, the amount of the fee will be reflective of the manager's contribution and the external agent's scale of fees provided that the total fee payable will not exceed 1% of the purchase price or other consideration.	During the year 125 The Terrace was sold for \$65.0 million. Managing the sale or purchase including negotiation of the commercial terms with the vendor or purchaser, instruction of agents, valuers and lawyers, financing and coordination and conduct of due diligence.	0.13	0.83
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.	2.60	2.93

REMUNERATION REPORT (CONTINUED)

Fee	Fee basis	Service provided	June 2016 (\$m)	June 2015 (\$m)
Leasing fees – new leases	In accordance with Clause 1 of Schedule 3 of the MSA: a) A minimum fee of \$2,500 per lease. b) For leases with a term of less than 3 years, 11% of the annual rental. c) For leases with a 3 year term, 12% of the rental. d) For leases with a term exceeding three years, 12% of the annual rental plus 1% for each year or part thereof, up to a maximum of 20% of annual rental.	Leasing of vacant space comprising annual rental of \$17.9 million (2015: \$3.1 million) for a weighted average term of 6.7 years (2015: 5.4 years). Precinct engages the manager and external agents to lease vacant space. The scale of leasing fees paid to the manager is below the scale of leasing fees paid to external agents. Fees paid by Precinct to external agents during the year totalled \$1.9 million (2015:\$0.8 million). Where both the manager and an external agent are involved, the manager's contribution is paid according to the manager's agreed scale of fees and the total fee paid by Precinct is no greater than the external agent's scale of fees. 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.	2.64	1.53
Leasing fees – renewals	In accordance with Clause 2 of Schedule 3 of the MSA. A fee of 25% to 75% of the leasing fee for new leases on the following basis: a) 25%: where the lessee exercises a renewal with no material engagement from the manager. b) 50%: where a lessee exercises a right of renewal and the rental outcome is negotiated between the parties. c) 75%: where a lessee seeks market responses and the manager secures the lessee to renew.	Lease renewals were secured over space comprising annual rental of \$25.9 million (2015: \$5.8m) for a weighted average term of 3.6 years (2015: 4.1 years). Fees charged in the period were offset by a credit resulting from a backdated fee reduction following the revision to the fees payable for Additional Services agreed in February 2016.	(0.03)	0.90
Rent review fees	In accordance with Clause 3 of Schedule 3 of the MSA. a) For structured (non-market) reviews and for any market review which does not result in a rental increase an administration fee of \$1,000 will be payable. b) Open market reviews: 10% of the rental increase achieved in Year 1 of the review, subject to a minimum fee of \$1,000.	The manager managed the rent review process for reviews totalling annual rental of \$23.6 million (2015:\$13.1 million). The balance of rent reviews were managed by external agents. The credit during the year resulted from a backdated fee reduction following the revision to the fees payable for Additional Services agreed in February 2016.	(0.43)	0.57

INSURANCE AND INDEMNITY

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

MANAGEMENT EXPENSE RATIO

Amounts in \$ millions (unless otherwise stated)	2016	2015
Base management fee	8.1	8.5
Performance fee	-	-
Audit & Directors	0.8	0.7
Other expenses	1.2	1.2
Total management expenses	10.1	10.4
Average total property value	1,696.0	1,688.0
Management expense ratio - excluding performance fee	60 bps	62 bps
Management expense ratio	60 bps	62 bps

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

MANAGEMENT REMUNERATION

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

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

Remuneration of the CEO 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, major development management and staff management objectives.

During the year ended 30 June 2016, 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 below. The amounts in this table do not include the value of shares granted under the LTI scheme.

Remuneration range	# employees
\$850,001 - \$900,000	1
\$650,001 - \$700,000	1
\$450,001 - \$500,000	1
\$350,001 - \$400,000	1
\$250,001 - \$300,000	4
\$200,001 - \$250,000	4
\$150,001 - \$200,000	3
\$100,001 - \$150,000	8
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REMUNERATION REPORT (CONTINUED)

LTI SCHEME

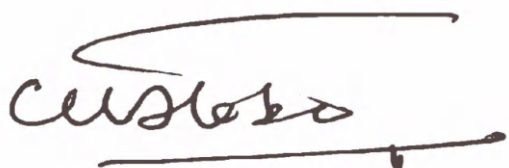
The manager operates an LTI scheme under which the CEO, COO and other senior executives are granted shares in Precinct, which are held in trust and vest on the third anniversary of the grant subject to their continuing employment. The value of the grants made under the LTI scheme are determined at the 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	Jun-16	510,000	TBD ¹
		Jun-15	306,000	265,556
		Jun-14	389,365	352,717
George Crawford	COO	Jun-16	340,000	TBD ¹
		Jun-15	204,000	177,037
		Jun-14	259,577	235,145

¹ For 30 June 2016 the value of the LTI allocation has been determined by the AHML board however the shares have not yet been acquired due to restrictions under Precinct's Securities Trading Policy.

This annual report of Precinct Properties New Zealand Limited is dated 17 August 2016 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 2016

Works of the Mason Brothers Building

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

Amounts in \$ millions	Notes	30 June 2016	30 June 2015
Revenue			
Gross rental income		146.0	170.5
Less direct operating expenses		(41.5)	(48.9)
Operating income before indirect expenses		104.5	121.6
Indirect expenses / (revenue)			
Interest expense		11.2	31.6
Interest income		(0.2)	(0.2)
Other expenses	10	10.1	10.4
Total indirect expenses / (revenue)		21.1	41.8
Operating income before income tax		83.4	79.8
Non operating income / (expenses)			
Unrealised net gain / (loss) in value of investment properties	9	81.2	64.8
Unrealised net gain / (loss) on financial instruments		(16.4)	(11.9)
Net realised gain / (loss) on sale of investment properties	9	(2.7)	(1.6)
Total non operating income / (expenses)		62.1	51.3
Net profit before taxation		145.5	131.1
Income tax expense / (benefit)			
Current tax expense	11	10.6	11.5
Depreciation recovered on sale	11	10.0	3.8
Deferred tax expense / (benefit) - financial instruments	11	(4.6)	(3.3)
Deferred tax expense / (benefit) - depreciation	11	(8.7)	(3.3)
Total taxation expense / (benefit)		7.3	8.7
Net profit and total comprehensive income after taxation attributable to equity holders	12, 14	138.2	122.4
Earnings per share (cents per share)			
Basic and diluted earnings per share	13	11.41	11.10
Other amounts (cents per share)			
Operating income before income tax per share		6.89	7.23
Net operating income per share	12	6.01	6.19

The accompanying notes on pages 44 to 59 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Amounts in \$ millions unless otherwise stated	Cents per share	Shares (m)	Ordinary shares	Retained earnings	Total equity
At 1 July 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
Total comprehensive income for the year				138.2	138.2
Distributions					
Q4 final distribution	1.35			(16.4)	(16.4)
Q1 interim distribution	1.35			(16.4)	(16.4)
Q2 interim distribution	1.35			(16.4)	(16.4)
Q3 interim distribution	1.35			(16.4)	(16.4)
At 30 June 2016		1,211.1	1,046.7	364.2	1,410.9

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

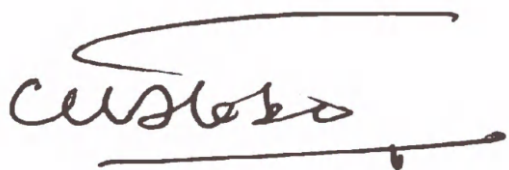
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

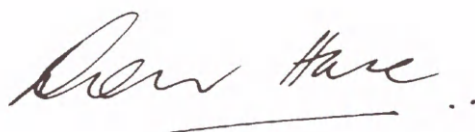
As at 30 June 2016

Amounts in \$ millions	Notes	30 June 2016	30 June 2015
Current assets			
Cash		2.6	2.7
Fair value of derivative financial instruments	16	-	-
Debtors and other current assets		6.8	5.2
Property sale proceeds to be settled	9	-	32.5
Total current assets		9.4	40.4
Investment properties held for sale	9	-	76.0
Non-current assets			
Fair value of derivative financial instruments	16	24.5	15.4
Other assets		0.6	5.3
Development properties	9	190.4	-
Investment properties	9	1,513.7	1,611.8
Total non-current assets		1,729.2	1,632.5
Total assets		1,738.6	1,748.9
Current liabilities			
Fair value of derivative financial instruments	16	-	-
Provision for tax		13.0	5.9
Other current liabilities		20.2	16.1
Total current liabilities		33.2	22.0
Non-current liabilities			
Interest bearing liabilities	15	234.1	340.0
Fair value of derivative financial instruments	16	39.0	13.9
Deferred tax liability	11	21.4	34.7
Total non-current liabilities		294.5	388.6
Total liabilities		327.7	410.6
Total equity		1,410.9	1,338.3
Total liabilities and equity		1,738.6	1,748.9

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 17 August 2016.



CRAIG STOBO
CHAIRMAN



DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

Amounts in \$ millions	Notes	30 June 2016	30 June 2015
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		146.0	170.5
Less: Current year incentives		(1.3)	(3.9)
Add: Amortisation of incentives		3.4	4.0
Add: Working capital movements		(0.4)	(0.9)
Cash flow from gross rental income		147.7	169.7
Interest income		0.2	0.2
Property expenses		(41.6)	(47.5)
Other expenses		(9.7)	(10.4)
Interest expense		(13.6)	(32.0)
Income tax		(13.5)	(12.4)
Net cash inflow / (outflow) from operating activities	14	69.5	67.6
Cash flows from investing activities			
Capital expenditure on investment properties		(26.6)	(27.3)
Capital expenditure on development properties		(40.3)	-
Capital expenditure on other assets		(0.2)	(2.5)
Disposal of investment properties		170.3	100.1
Capitalised interest on development properties		(2.7)	-
Net cash inflow / (outflow) from investing activities		100.5	70.3
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		67.1	29.8
Other loan facility drawings / (repayments) ¹		(18.8)	(89.8)
Loan facility cancellations		(153.0)	(359.0)
Issue of retail bonds		-	75.0
Issue of United States private placement		-	97.9
Issue of new shares ²		-	170.5
Distributions paid to share holders		(65.4)	(61.3)
Net cash inflow / (outflow) from financing activities		(170.1)	(136.9)
Net increase / (decrease) in cash held		(0.1)	1.0
Cash at the beginning of the year		2.7	1.7
Cash at the end of the year		2.6	2.7

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

² Issue of new shares are net of issue costs.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 two 100% owned subsidiaries (the Group).

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

2. BASIS OF PREPARATION

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

The financial statements have been prepared:

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

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise Precinct and its subsidiary companies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit 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 2018). 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.
- NZ IFRS 16 - Leases (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in NZ IAS 17. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. 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 and development 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. Sale of ANZ Centre - Wellington and 125 The Terrace

On 30 July 2016 ANZ Centre - Wellington was sold for \$76.0 million resulting in a loss on sale of \$1.7 million.

On 16 September 2016 125 The Terrace was sold for \$65.0 million resulting in a loss on sale of \$1.0 million.

ii. Commercial Bay development

On 10 December 2015 Precinct committed to the \$681 million Commercial Bay development project.

iii. Major Government leasing

During the year terms were agreed with the Crown for new leases over 68,000 sqm of office space at Bowen Campus, Pastoral House, Mayfair House and 3 The Terrace. The terms of the agreements for lease require Precinct to undertake full refurbishment / redevelopment of these properties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

9. INVESTMENT AND DEVELOPMENT PROPERTIES

30 June 2016

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
Auckland				
AMP Centre	CBRE	25,265	6.8%	6.5%
ANZ Centre - Auckland	JLL	33,351	5.8%	6.0%
Downtown Shopping Centre ⁵	N/A	N/A	N/A	N/A
HSBC House	Colliers	19,224	6.5%	6.6%
PricewaterhouseCoopers Tower	CBRE	31,296	5.8%	6.1%
Zurich House	Colliers	14,445	5.2%	6.4%
Wellington				
125 The Terrace ⁶	N/A	N/A	N/A	N/A
157 Lambton Quay	Bayleys	16,756	6.2%	7.0%
Bowen Campus ⁷	Colliers	30,167	10.6%	6.6%
Deloitte House ⁸	CBRE	12,972	8.9%	8.0%
Mayfair House ⁷	Colliers	12,332	8.5%	6.8%
No.1 and 3 The Terrace ⁷	Colliers	18,462	8.2%	7.4%
No.3 The Terrace ⁹	CBRE	N/A	N/A	N/A
Pastoral House ⁷	Colliers	15,522	10.9%	6.8%
State Insurance Tower	Bayleys	26,641	7.1%	7.2%
Market value (fair value) of investment properties			6.7%	6.5%
Investment properties held for sale⁴				
ANZ Centre - Wellington ¹⁰	N/A	N/A	N/A	N/A
Market value (fair value) of investment properties held for sale			N/A	N/A
Development properties⁴				
Wynyard Quarter Stage One ¹¹	Colliers	12,903	6.6%	6.3%
Commercial Bay ¹²	JLL	N/A	N/A	N/A
Market value (fair value) of development properties			6.6%	6.3%

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

2 Total weighted average lease term is weighted by income.

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

4 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay and Wynyard Quarter Stage One which are development sites.

5 Subsequent to the closure of Downtown Shopping Centre on 28 May 2016 and commencement of demolition works, Downtown Shopping Centre has been transferred from investment properties to development properties and renamed Commercial Bay.

6 125 The Terrace was sold on 16 September 2015 for \$65.0 million resulting in a loss on sale of \$1.0 million.

7 Precinct has agreed terms with the New Zealand Government for a full refurbishment/redevelopment of the property.

8 Leasehold property on a perpetually renewable lease.

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

10 ANZ Centre - Wellington was sold on 30 July 2015 for \$76.0 million resulting in a loss on sale of \$1.7 million.

11 Subsequent to entering into a Development Agreement with Panuku Development Auckland at Wynyard Quarter the costs relating to Wynyard Quarter Stage 1 have been transferred from other assets to development properties. Wynyard Quarter Stage One is currently under construction with core data provided reflecting the "as if complete" assessed rates.

12 Additions include the transfer of Downtown Shopping Centre from investment properties and capitalised development costs relating to the proposed Commercial Bay tower and retail complex.

Occupancy %	WALT years ²	Valuation 30 June 2015	Capitalised incentives	Additions / disposals ³	Revaluation gain / (loss)	Carrying value
100%	4.5	136.0	(0.4)	2.1	10.3	148.0
100%	9.5	271.1	0.7	0.7	32.5	305.0
N/A	N/A	120.0	-	(120.0)	-	-
94%	3.5	120.0	0.6	0.7	0.2	121.5
100%	3.8	293.0	(1.2)	1.1	20.1	313.0
100%	3.2	100.5	(0.9)	1.1	9.8	110.5
N/A	N/A	64.9	-	(64.9)	-	-
82%	4.6	106.0	-	5.2	(2.2)	109.0
100%	14.7	49.0	(0.3)	7.2	2.1	58.0
100%	2.9	49.3	0.6	0.6	(5.5)	45.0
100%	17.1	38.1	(0.3)	0.8	(0.1)	38.5
100%	9.2	70.0	(0.2)	1.1	1.4	72.3
N/A	42.2	10.6	-	-	0.3	10.9
100%	15.3	47.0	(0.2)	0.9	(6.7)	41.0
94%	4.1	136.3	(0.7)	7.0	(1.6)	141.0
98%	7.4	1,611.8	(2.3)	(156.4)	60.6	1,513.7
N/A	N/A	76.0	-	(76.0)	-	-
N/A	N/A	76.0	-	(76.0)	-	-
84%	11.1	-	-	31.5	11.9	43.4
N/A	N/A	-	-	138.3	8.7	147.0
84%	11.1	-	-	169.8	20.6	190.4

Accounting policies

Investment properties

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

Development properties

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

Valuation of investment and development properties

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

30 June 2015

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
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	Bayleys	16,756	5.8%	7.5%
80 The Terrace ⁷	N/A	N/A	N/A	N/A
Bowen Campus	Colliers	30,167	12.5%	9.6%
Deloitte House ⁸	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 ⁹	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 investment properties			7.0%	7.0%
Investment properties held for sale⁴				
ANZ Centre - Wellington ¹⁰	Colliers	11,352	7.0%	7.4%
Market value (fair value) of investment properties held for sale			7.0%	7.4%

¹ Total weighted average by market value.

² Total weighted average lease term is weighted by income.

³ Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.

⁴ 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.

⁵ Additions include capitalised development costs relating to the proposed Commercial Bay 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 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.

⁸ Leasehold property on a perpetually renewable lease.

⁹ No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

¹⁰ ANZ Centre - Wellington was under contract for sale as at 30 June 2015. The sale completed on 30 July 2015.

Occupancy %	WALT years ²	Valuation 30 June 2014	Capitalised incentives	Additions / disposals ³	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

Accounting policies (continued)

Investment property held for sale

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

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.

Recognition of revenue from investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2016 by independent registered valuers Colliers International, Bayleys, JLL and CBRE.

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

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	<ul style="list-style-type: none"> - Office gross market rent per sqm - Retail gross market rent per sqm - Core capitalisation rate - Discount rate - Terminal capitalisation rate - Rental growth rate per annum - Profit and risk allowance

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

Inputs used to measure fair value	Range of significant unobservable inputs:		Fair value measurement sensitivity:	
	30 June 2016	30 June 2015	to increase in input	to decrease in input
Office gross market rent per sqm	\$270 - \$707	\$213 - \$695	Increase	Decrease
Retail gross market rent per sqm	\$225 - \$2,817	\$180 - \$8,000	Increase	Decrease
Core capitalisation rate	6.0% - 8.0%	6.1% - 9.6%	Decrease	Increase
Discount rate	7.8% - 9.3%	8.4% - 10.0%	Decrease	Increase
Terminal capitalisation rate	6.3% - 8.3%	6.5% - 10.1%	Decrease	Increase
Rental growth rate per annum	0.0% - 5.0%	0.5% - 5.0%	Increase	Decrease
Profit and risk allowance	5%-17%	N/A	Decrease	Increase

Valuations reflect, where appropriate:

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

Valuation methodologies**Income capitalisation approach**

Determines fair value by capitalising the net income at a capitalisation rate reflecting the nature, location and tenancy profile of the asset. Subsequent near term capital adjustments are then made which typically include letting-up allowances for vacancy and pending expiries, capital expenditure allowances and under/over renting reversions.

Discounted cash flow analysis

A financial modelling methodology assessing the long-term return that is likely to be derived from an asset. Explicit assumptions are required for rental income growth, leasing up metrics on expiries along with terminal value at the end of the cash flow period, typically a 10 year horizon. A market-derived discount rate is then applied to the assessed cash flows and discounted to a present value to determine fair value.

Sales comparison approach

Fair value is determined by applying positive and negative adjustments to recently transacted assets of a similar nature.

Residual approach

A methodology normally used for property which is undergoing, or is expected to undergo, redevelopment. Fair value is determined by firstly calculating a gross realisation which forecasts what a property is worth on completion and deducts all costs associated with the development of the property. These costs typically include letting and sale costs, a market required profit and risk margin, construction costs and finance costs.

Unobservable inputs within the income capitalisation approach**Gross market rent**

The estimated rental amount which a tenancy within a property is expected to achieve under a new arm's length transaction including a share of the property operating expenses.

Core capitalisation rate

The income return produced by an investment expressed as a percentage of the capital value. The capitalisation rate which is applied to a property's net market income is determined through analysis of comparable sales transactions.

Unobservable inputs within the discounted cash flow analysis**Discount rate**

The rate of return used to convert a property's future cash flows to present value. The discount rate is determined through analysis of comparable sales.

Terminal capitalisation rate

The rate used to convert income into an indication of the anticipated value of the property at the end of the cash flow period.

Rental growth rate

The growth rate applied to the market rental over the cash flow period.

Unobservable inputs within the residual approach**Profit and risk allowance**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

10. OTHER EXPENSES

Amounts in \$ millions	30 June 2016	30 June 2015
Other expenses		
Audit fees ¹	0.2	0.2
Directors' fees and expenses	0.6	0.5
Manager's base fees	8.1	8.5
Manager's performance fees	-	-
Other ²	1.2	1.2
Total other expenses	10.1	10.4

¹ Fees paid to the Group's auditor comprise \$136,500 for audit and review of financial statements (2015: 136,500) and \$40,800 for other assurance services (2015: \$51,500). Other assurance services include trustee reporting (\$4,000) and agreed upon procedures in respect of review of performance fee calculation (\$16,000) and operating expense statement review (\$20,800).

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

11. TAXATION

Amounts in \$ millions	30 June 2016	30 June 2015
Net profit before taxation	145.5	131.1
At the statutory income tax rate of 28.0%	40.7	36.7
Unrealised (gain) on value of investment properties	(22.7)	(18.2)
Disposal of depreciable assets	(4.2)	0.0
Other adjustments	2.5	0.0
Depreciation	(5.7)	(7.0)
Current tax expense / (benefit)	10.6	11.5
Depreciation recovered on sale of depreciable assets	10.0	3.8
Fair value of financial instruments	(4.6)	(3.3)
Depreciation - current year	(8.7)	(3.3)
Total deferred tax expense / (benefit)	(13.3)	(6.6)
Total taxation expense	7.3	8.7
Effective tax rate	5%	7%

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

Precinct has no tax losses available to carry forward as at 30 June 2016 (2015: \$nil)

Amounts in \$ millions	30 June 2016	30 June 2015
Deferred tax asset - fair value of financial instruments	(8.8)	(4.3)
Deferred tax liability - depreciation	30.2	39.0
Net deferred tax liability	21.4	34.7

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 2016 are \$14,486,163 (2015: \$5,184,212).

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.

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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 2016	30 June 2015
Net profit after taxation	138.2	122.4
Unrealised net (gain) / loss in value of investment properties	(81.2)	(64.8)
Unrealised net (gain) / loss on financial instruments	16.4	11.9
Net realised loss / (gain) on sale of investment properties	2.7	1.6
Depreciation recovered on sale	10.0	3.8
Deferred tax (benefit) / expense	(13.3)	(6.6)
Net operating income	72.8	68.3
Weighted average number of shares for net operating income per share (millions)	1,211.1	1,103.1
Net operating income per share (cents)	6.01	6.19

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

13. EARNINGS PER SHARE

Amounts in \$ millions	30 June 2016	30 June 2015
Net profit after tax for basic and diluted earnings per share (\$millions)	138.2	122.4
Weighted average number of shares for basic and diluted earnings per share (millions)	1,211.1	1,103.1
Basic and diluted earnings per share (cents)	11.41	11.10

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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

Amounts in \$ millions	30 June 2016	30 June 2015
Net profit after taxation	138.2	122.4
Add / (less) non-cash items and non operating items		
Unrealised net (gain) / loss in value of investment properties	(81.2)	(64.8)
Unrealised net (gain) / loss on financial instruments	16.4	11.9
Net realised (gain) / loss on sale of investment properties	2.7	1.6
Deferred tax (benefit) / expense	(13.3)	(6.6)
Amortisation of leasing costs and incentives	6.2	7.3
Movement in working capital		
Increase / (decrease) in creditors	(0.6)	(5.6)
(Increase) / decrease in debtors	1.0	1.4
Net cash inflow / (outflow) from operating activities	69.4	67.6

15. INTEREST BEARING LIABILITIES

Amounts in \$ millions	30 June 2016	30 June 2015
Interest bearing liabilities		
Bank loans	48.3	153.0
US private placement	97.9	97.9
NZ retail bond	75.0	75.0
Total drawn debt	221.2	325.9
US private placement - fair value adjustments	17.0	16.6
Capitalised borrowing costs	(4.1)	(2.5)
Net interest bearing liabilities	234.1	340.0

Breakdown of borrowings:

Amounts in \$ millions	Held at	Maturity ¹	Coupon ¹	30 June 2016	30 June 2015
Bank loans	Amortised cost	Jul-16 ²	Floating ³	-	103.0
Bank loans	Amortised cost	Jul-17 ²	Floating ³	-	50.0
Bank loans	Amortised cost	Nov-20	Floating ³	48.3	-
NZ retail bond	Amortised cost	Dec-21	5.54%	75.0	75.0
US private placement	Fair value	Jan-25	4.13%	76.8	76.3
US private placement	Fair value	Jan-27	4.23%	38.1	38.2
Total				238.2	342.5

Weighted average term to maturity	5.1 years	4.6 years
Weighted average interest rate before swaps (including funding costs)	3.88%	5.08%

¹ As at 30 June 2016.

² Facility cancelled on 18 December 2015.

³ 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 2016	30 June 2015
Fair value of derivative financial instruments		
Current assets	-	-
Non-current assets ¹	24.5	15.4
Current liabilities	-	-
Non-current liabilities	(39.0)	(13.9)
Total	(14.5)	1.5
Notional contract cover (fixed payer)	730.0	452.5
Notional contract cover (fixed receiver)	75.0	75.0
Notional contract cover (cross currency swaps - fixed receiver)	97.9	97.9
Percentage of net drawn borrowings fixed	90.5%	62.1%
Weighted average term to maturity (fixed payer)	4.84 years	4.54 years
Weighted average interest rate after swaps (including funding costs)	5.36%	5.37%

¹ This includes the cross currency interest rate swap valuation of \$20.3 million (June 2015: \$15.8 million) and a net credit value adjustment of \$2.8 million (June 2015: \$2.9 million).

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 \$446.7m of capital commitments as at 30 June 2016 (2015: \$2.1m) relating to construction contracts.

Precinct has conditionally agreed to acquire Queen Elizabeth Square from Auckland Council for \$27.2m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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:

Amounts in \$ millions	Commitments as lessor (receivable)		Commitments as lessee (payable)	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Within one year	121.8	156.4	0.8	0.8
After one year but not more than five years	273.2	374.6	3.0	3.0
More than five years	199.6	245.6	18.9	19.4

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 2016 (2015: \$nil).

20. RELATED PARTY TRANSACTIONS

Fees paid and owing to the manager:

Amounts in \$ millions	30 June 2016		30 June 2015	
	Fees paid	Owing at 30 June	Fees paid	Owing at 30 June
Base management services fee	8.1	0.6	8.5	0.7
Performance fee	-	-	-	-
Leasing fees	2.2	0.5	3.0	1.5
Development manager fees	9.7	2.8	1.8	1.8
Acquisition and disposal fees	0.1	-	0.8	0.3
Property and facilities management fee	2.6	(0.1)	2.9	0.3

a) Base management services fee

The base management services fee structure is as follows:

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

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

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance in excess of a benchmark index, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters. No performance fee is payable in quarters where equity total returns are negative. As at 30 June 2016 there is a notional performance fee deficit of \$17,569,378 to be carried forward to the calculation of performance fees in future quarters (2015: \$10,227,608 deficit).

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

c) Leasing fees

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

d) Development manager fees

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

e) Acquisition and disposal fees

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

f) Property and facilities management fee

Precinct pays a property and facilities management fee on a cost recovery basis to the manager. These fees are expensed through direct operating expenses in the year in which they arise.

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 \$459,685 in 2016 (2015: \$425,446).

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 and 157 Lambton Quay. Total rent received by Precinct from these parties during the year was \$3,018,857 (2015: \$4,188,931). As at 30 June 2016 an amount of \$781 (2015: \$2,466) was owing to Precinct from AMP Services (NZ) Limited.

h) Related party debts

No related party debts have been written off or forgiven during the year (2015: \$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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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 2016			30 June 2015		
	At amortised cost	Fair value through profit or loss	Total	At amortised cost	Fair value through profit or loss	Total
Financial assets						
Cash	2.6	-	2.6	2.7	-	2.7
Debtors	3.8	-	3.8	0.8	-	0.8
Property sale proceeds to be settled	-	-	-	32.5	-	32.5
Derivative financial instruments	-	24.5	24.5	-	15.4	15.4
Total	6.4	24.5	30.9	36.0	15.4	51.4
Financial liabilities						
Other current liabilities	20.2	-	20.2	16.1	-	16.1
Interest bearing liabilities	123.3	97.9	221.2	228.0	114.5	342.5
Derivative financial instruments	-	39.0	39.0	-	13.9	13.9
Total	143.5	136.9	280.4	244.1	128.4	372.5

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 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 2016	30 June 2015
	Effect on profit or equity	Effect on profit or equity
25 basis point increase	(0.1)	(0.3)
25 basis point decrease	0.1	0.3

b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. Financial instruments which subject Precinct to credit risk principally consist of cash, debtors and derivative financial instruments in an asset position. Precinct's exposure to credit risk is equal to the carrying value of the financial instruments.

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

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

c) Liquidity risk

Liquidity risk is the risk that Precinct will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial liabilities.

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

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

Amounts in \$ millions	Carrying amount	0 - 1 yr	1-2 yrs	2-5 yrs	>5 yrs	Total contractual cash flows
30 June 2016						
Interest bearing liabilities	221.2	12.4	12.4	83.2	193.5	301.5
Net derivative financial instruments	14.5	2.0	5.0	10.7	10.7	28.5
Other current liabilities	20.2	20.2	-	-	-	20.2
Total	255.9	34.6	17.4	93.9	204.2	350.2

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

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 29 July 2016 the Crown executed documentation for 68,000 sqm of office space at Bowen Campus, Pastoral House, Mayfair House and 3 The Terrace. Precinct entered into a fixed price construction contract with LT McGuinness for \$116.7m.

On 17 August 2016 the Board approved the financial statements for issue and approved the payment of a dividend of \$16,350,129 (1.35 cents per share) to be paid on 29 September 2016.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRECINCT PROPERTIES NEW ZEALAND LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group") on pages 40 to 59, which comprises the statement of financial position of the group as at 30 June 2016, 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 the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 40 to 59 present fairly, in all material respects, the financial position of the group as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides other assurance services to the group including performing a half year review and providing limited assurance opinions in respect of individual property expenses. We provide an agreed upon procedures engagement recalculating the performance fee paid to the group's manager. We also provide a certificate to the Trustee commenting on certain matters in relation to the group's secured fixed rate bonds as required by the Trust Deed. Other than the provision of those assurance services and in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. 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.

Key Audit Matters

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

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

1. Valuation of investment property

The valuation of the investment property carried at \$1,513.7 million is important to our audit as it represents a significant judgment area and a significant percentage of the total assets of the group. The valuation of the investment property is highly dependent on forecasts and estimates. We therefore identified the valuation of investment properties as a significant audit risk. The group policy is that property valuations are performed by external experts at least once a year. Amongst other matters, these valuations are based on assumptions such as forecast rental revenues, occupancy rates, estimated capitalisation rates and other market transactions.

Disclosures surrounding this item are included in note 9 to the financial statements.

In obtaining sufficient audit evidence we:

- evaluated the objectivity, independence and expertise of the external appraisers.
- applied a sampling methodology to assess the accuracy of the property related data (including schedules of forecast rental income) and other key assumptions, such as discount rates, used as the input to the valuations.
- involved our real estate valuation specialists to assist us in analysing a sample of the valuations and the underlying valuation methodology. This included examining consistency with publically available market reports and assessing whether key assumptions such as capitalisation rates, rental growth rates and discount rates fell within a reasonable range.
- assessed the adequacy of the disclosures made in respect of the valuation of investment property.

2. Development Properties

The valuation of development properties carried at \$190.4m million is important to our audit as it represents a significant area of judgment. The valuation of development property is highly dependent on forecasts and estimates. We therefore identified the valuation of this item as a significant audit risk. The group policy is that property valuations are performed by external experts at least once a year. The valuation of development property applies similar principles as the valuation of investment property. In the case of development property, forecast development cost is a further important assumption and there is a greater level of estimation required in respect of future rental amounts because there is a greater percentage of tenancy area not yet subject to rental agreements.

Disclosures surrounding this item are included in note 9 to the financial statements.

In obtaining sufficient audit evidence we:

- evaluated the objectivity, independence and expertise of the external appraisers.
- applied a sampling methodology to assess the accuracy of the property related data (including schedules of forecast rental income, including where tenancy agreements have already been signed, and forecast development costs) and other key assumptions, such as discount rates and forecast development margins, used as the inputs to the valuation.
- involved our real estate valuation specialists to assist us in analysing the valuations and the underlying valuation methodology. This included examining consistency with publically available market reports and assessing whether key assumptions such as capitalisation rates, rental growth rates, leasing up periods, development costs, development margins and discount rates fell within a reasonable range.
- assessed the adequacy of the disclosures made in respect of the valuation of development property.

3. Property Revenue

The group recognised \$146.0 million of gross rental income for the year ended 30 June 2016

The group's property revenue is derived from a significant number of leases with tenants.

Recognition of property revenue, including extracting, interpreting and accounting for the various obligations and commitments between the group and its tenants, is considered a key audit matter given the materiality of revenue to the overall financial statements.

Disclosures surrounding this item are included in note 9 to the financial statements.

In obtaining sufficient audit evidence we inspected a sample of tenant leases to assess whether:

- the lease terms and conditions were accurately recorded in the group's financial reporting systems; and
- the accounting for lease incentives and rental income resulted in rental income being recognised in accordance with the group's accounting policies as outlined in note 9.

Other Information

The directors of the company are responsible for the other information. The other information comprises the information in the group's annual report for the year ended 30 June 2016, but does not include the financial statements and the auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider

whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (New Zealand), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

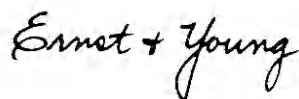
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Auckland

17 August 2016

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

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

Bond Trustee

The New Zealand Guardian
Trust Company Limited
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Directors of Precinct

Craig Stobo – Chairman, Independent Director
Don Huse – Independent Director
Launa Inman – Independent Director
Graeme Wong – Independent Director
Chris Judd – Director
Mohammed Al Nuaimi – Director
Rob Campbell – Director

Manager

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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.

