

The numbers

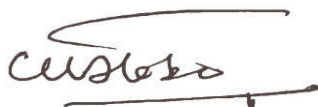
**PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

Precinct Properties New Zealand Limited

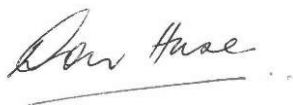
Interim financial statements

For the six months ended 31 December 2019

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 19 February 2020.



CRAIG STOBO
CHAIRMAN



DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

Contents

Consolidated statement of comprehensive income	03
Consolidated statement of changes in equity	04
Consolidated statement of financial position	05
Consolidated statement of cash flows	06
Notes to the financial statements	
1. Reporting entity	07
2. Basis of preparation	07
3. Fair value estimation	07
4. Significant accounting judgements, estimates and assumptions	07
5. Significant events and transactions during the period	08
6. Investment and development properties	08
7. Intangible assets	09
8. Gross operating revenue	09
9. Segment information	09
10. Other expenses	10
11. Reconciliation of net profit after tax to adjusted funds from operations (AFFO)	11
12. Earnings per share	11
13. Other current liabilities	12
14. Interest bearing liabilities	12
15. Lease liabilities	13
16. Derivative financial instruments	13
17. Capital commitments	14
18. Contingencies	14
19. Related party transactions	14
20. Events after balance date	15
Independent review report	16

Consolidated statement of comprehensive income

For the six months ended 31 December 2019

Amounts in \$millions unless otherwise stated		Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
	Notes			
Revenue				
Gross operating revenue		77.8	64.6	135.8
Less direct operating expenses		(23.8)	(17.3)	(40.8)
Operating income before indirect expenses		54.0	47.3	95.0
Indirect expenses / (revenue)				
Interest expense		2.5	1.8	2.5
Interest income		-	(0.3)	(0.7)
Other expenses	10	6.6	7.7	15.8
Total indirect expenses / (revenue)		9.1	9.2	17.6
Operating income before income tax		44.9	38.1	77.4
Non operating income / (expenses)				
Unrealised net gain / (loss) in value of investment and development properties	6	-	-	161.7
Unrealised net gain / (loss) on financial instruments		(2.0)	(12.6)	(44.3)
Other revenue	18	26.7	-	2.0
Depreciation - property, plant and equipment		(0.5)	-	(0.3)
Lease depreciation		(2.5)	-	-
Lease interest expense		(2.2)	-	-
Net realised gain / (loss) on sale of investment properties	6	-	(1.9)	(1.7)
Net realised gain / (loss) on disposal of investment in joint venture		-	-	6.6
Total non operating income / (expenses)		19.5	(14.5)	124.0
Net profit before taxation		64.4	23.6	201.4
Income tax expense / (benefit)				
Current tax expense		7.6	0.4	-
Depreciation recovered on sale		-	10.7	10.7
Deferred tax expense / (benefit) - financial instruments		1.4	(2.5)	(5.9)
Deferred tax expense / (benefit) - depreciation		1.1	(10.4)	5.6
Total taxation expense / (benefit)		10.1	(1.8)	10.4
Share of profit or (loss) of joint ventures		-	(0.8)	(1.1)
Net profit after income tax attributable to equity holders		54.3	24.6	189.9
Other comprehensive income / (expense)				
Items that will not be reclassified to profit or loss				
Credit risk adjustments on financial liabilities designated at fair value through profit or loss		(0.9)	1.2	0.3
Tax on items transferred directly to/(from) equity		0.2	(0.3)	(0.1)
Total other comprehensive income / (expense)		(0.7)	0.9	0.2
Total comprehensive income after tax attributable to equity holders		53.6	25.5	190.1
Earnings per share (cents per share)				
Basic and diluted earnings per share	12	4.13	2.03	15.23
Other amounts (cents per share)				
Operating income before income tax per share		3.42	3.15	6.21
Net operating income per share	11	4.61	3.11	6.37

The accompanying notes on pages 07 to 15 form part of these Financial Statements

Consolidated statement of changes in equity

For the six months ended 31 December 2019

Amounts in \$millions unless otherwise stated	Cents per share	Shares (m)	Ordinary shares	Retained earnings	Total equity
At 1 July 2018		1,211.1	1,046.7	644.0	1,690.7
Profit after income tax for the period				24.6	24.6
Other comprehensive income for the period				0.9	0.9
Distributions					
Q4 final (paid 28 Sep 2018)	1.450			(17.6)	(17.6)
Q1 interim (paid 3 Dec 2018)	1.500			(18.2)	(18.2)
At 31 December 2018		1,211.1	1,046.7	633.7	1,680.4
Profit after income tax for the period				165.3	165.3
Other comprehensive income for the period				(0.7)	(0.7)
Issue of shares					
Placement - 22 Feb 2019		87.8	130.0		130.0
Retail offer - 11 Mar 2019		14.8	21.9		21.9
Issue costs incurred			(2.6)		(2.6)
Distributions					
Q2 interim (paid 27 Mar 2019)	1.500			(19.7)	(19.7)
Q3 interim (paid 21 Jun 2019)	1.500			(19.7)	(19.7)
At 30 June 2019		1,313.7	1,196.0	758.9	1,954.9
Profit after income tax for the period				54.3	54.3
Other comprehensive income for the period				(0.7)	(0.7)
Distributions					
Q4 final (paid 27 Sep 2019)	1.500			(19.7)	(19.7)
Q1 interim (paid 12 Dec 2019)	1.575			(20.7)	(20.7)
At 31 December 2019		1,313.7	1,196.0	772.1	1,968.1

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

The accompanying notes on pages 07 to 15 form part of these Financial Statements

Consolidated statement of financial position

As at 31 December 2019

Amounts in \$millions	Notes	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2019
Current assets			
Cash		13.8	6.9
Debtors and other current assets		14.7	17.5
Total current assets		28.5	24.4
Investment properties held for sale	6	72.8	-
Non current assets			
Fair value of derivative financial instruments	16	45.0	42.1
Other assets		6.0	2.1
Development properties	6	1,013.1	923.2
Investment properties	6	1,848.4	1,870.5
Property, plant and equipment		10.0	10.0
Right-of-use assets		40.6	-
Intangible assets		21.0	21.1
Total non current assets		2,984.1	2,869.0
Total assets		3,085.4	2,893.4
Current liabilities			
Interest bearing liabilities	14	22.0	-
Fair value of derivative financial instruments	16	0.2	1.2
Provision for tax		5.1	5.7
Lease liabilities	15	2.9	-
Accrued development capital expenditure		11.0	18.1
Other current liabilities	13	19.6	50.7
Total current liabilities		60.8	75.7
Non current liabilities			
Interest bearing liabilities	14	911.3	758.4
Fair value of derivative financial instruments	16	60.7	64.1
Lease liabilities	15	41.9	-
Other non-current liabilities		2.0	2.0
Deferred tax liability		40.6	38.3
Total non current liabilities		1,056.5	862.8
Total liabilities		1,117.3	938.5
Total equity		1,968.1	1,954.9
Total liabilities and equity		3,085.4	2,893.4

The accompanying notes on pages 07 to 15 form part of these Financial Statements

Consolidated statement of cash flows

For the six months ended 31 December 2019

Amounts in \$millions	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Cash flows from operating activities			
Gross rental income per statement of comprehensive income	77.8	64.6	135.8
Less: Current year incentives	(1.3)	(1.2)	(1.0)
Add: Amortisation of incentives and intangibles	2.1	2.0	4.0
Add: Depreciation of property, plant and equipment	0.5	-	0.3
Add: Working capital movements	1.4	(2.5)	(6.0)
Cash flow from gross rental income	80.5	62.9	133.1
Interest income	-	0.3	0.3
Property expenses	(15.1)	(17.9)	(48.4)
Other expenses	(8.3)	(7.8)	(13.3)
Interest expense	(2.1)	(1.8)	(1.2)
Income tax	(8.1)	(4.2)	(6.4)
Net cash inflow / (outflow) from operating activities	46.9	31.5	64.1
Cash flows from investing activities			
Capital expenditure on investment properties	(32.2)	(36.0)	(29.9)
Capital expenditure on development properties	(97.6)	(84.4)	(202.7)
Capital expenditure on other assets	(4.1)	(0.1)	(1.1)
Acquisition of development properties	(5.4)	-	-
Investment in and advances to joint ventures	-	(0.5)	(1.0)
Acquisition of a subsidiary	(0.6)	-	(7.4)
Generator expenditure on property, plant and equipment	(1.4)	-	(0.3)
Disposal of investment properties	-	188.1	188.2
Capitalised interest on investment properties	(2.3)	(0.7)	(3.2)
Capitalised interest on development properties	(18.6)	(18.7)	(36.1)
Net cash inflow / (outflow) from investing activities	(162.2)	47.7	(93.5)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure	133.9	120.4	233.7
Loan facility drawings to fund acquisitions	5.4	-	-
Other loan facility drawings / (repayments) ¹	24.5	(161.4)	(124.5)
Repayment of leasing liabilities	(1.3)	-	-
Loan facility cancellations	-	-	(150.0)
Issue of new shares ²	-	-	149.3
Distributions paid to share holders	(40.4)	(35.7)	(75.1)
Net cash inflow / (outflow) from financing activities	122.1	(76.7)	33.4
Net increase / (decrease) in cash held	6.8	2.5	4.0
Cash at the beginning of the period	6.9	2.9	2.9
Cash at the end of the period	13.7	5.4	6.9

¹ Loan facility drawings are net of repayments made throughout the period.

² Issue of new shares are net of issue costs.

The accompanying notes on pages 07 to 15 form part of these Financial Statements

Notes to the financial statements

For the six months ended 31 December 2019

1. Reporting entity

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

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

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

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

2. Basis of preparation

The interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting.

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.

Precinct has elected to include additional comparative periods to assist users of the financial statements.

These interim financial statements should be read in conjunction with the financial statements and related notes included in Precinct's Annual Report for the year ended 30 June 2019.

From 1 July 2019 Precinct has adopted NZ IFRS 16 - Leases which is effective for annual reporting periods beginning on or after 1 January 2019.

This standard replaces 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. Lessor accounting remains largely unchanged from NZ IAS 17.

While the majority of Precinct's investment and development properties are freehold, Precinct is a lessee under an occupational ground lease in relation to the basement walkway at AON Centre and prepaid ground leases at Wynyard Quarter (10 and 12 Madder Street and Mason Bros. Building).

Under NZ IFRS 16 Precinct recognises 'right-of-use' assets and lease liabilities for all leases that Generator New Zealand Limited has entered as a lessee.

NZ IFRS 16 has no impact on the accounting for the ground leases at Wynyard Quarter due to the prepaid nature of these leases.

Precinct has elected to apply the modified retrospective approach in adopting NZ IFRS 16 with the effect of adoption being recognised at the transition date with no adjustment to the prior period presented. The lease liabilities recognised on 1 July 2019 of \$46.1 million were measured as the present value of the remaining cash flows discounted at the transition date 'incremental borrowing rate' based on Precinct and Generator's individual weighted average cost of borrowing. The cash flows relating to the non prepaid ground lease are included in the fair value of the investment properties and therefore a gross up for the lease liability is recognised in the investment property balance at the amount equal to the lease liability. As at 31 December 2019, the lease liabilities have reduced to \$44.8 million.

3. 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).

4. Significant accounting judgements, estimates and assumptions

In preparing Precinct's interim financial statements, management continually make 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 interim financial statements are in relation to:

- Investment and development properties**
- Deferred tax assets and deferred tax liabilities**
- Cross currency interest rate swaps and USPP notes**
- Impairment test of intangible assets and goodwill**

Notes to the financial statements (Continued)

For the six months ended 31 December 2019

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

5. Significant events and transactions during the period

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

i. United States private placement

On 16 July 2019 Precinct issued US\$110 million of notes in the United States private placement market. To substantially remove the currency risk, Precinct entered a cross currency swap to fully swap back proceeds to New Zealand dollars. Refer to note 14 for further details.

6. Investment and development properties

Market value (fair value) - amounts in \$millions	Valuer ¹	Valuation 30 June 2019	Capitalised incentives	Additions / ² disposals	Revaluation gain / (loss)	Book value 31 December 2019
Investment properties³						
Auckland						
AMP Centre	Colliers	205.0	0.3	1.5	-	206.8
ANZ Centre (50%)	Colliers	187.5	(0.3)	0.1	-	187.3
HSBC House	JLL	106.0	(0.2)	8.9	-	114.7
PwC Tower	JLL	400.0	(0.6)	3.8	-	403.2
Zurich House	JLL	114.3	(0.4)	0.2	-	114.1
Mason Bros. ⁴	CBRE	45.5	(0.1)	0.0	-	45.4
12 Madden Street ⁴	CBRE	82.3	-	0.2	-	82.5
Wellington						
NTT Tower ⁵	Colliers	122.5	0.1	1.4	-	124.0
Mayfair House	Bayleys	47.3	(0.1)	0.3	-	47.5
No.1 and 3 The Terrace	Bayleys	86.5	0.0	7.8	-	94.3
No. 3 The Terrace ⁶	Bayleys	12.7	-	-	-	12.7
Pastoral House ⁷	Colliers	59.8	0.0	(59.8)	-	-
AON Centre	Colliers	161.5	(0.0)	3.6 ⁸	-	165.1
Bowen Campus	CBRE	239.6	0.2	11.0	-	250.8
Investment properties		1,870.5	(1.0)	(20.9)	-	1,848.4
Properties held for sale³						
Pastoral House ⁷	Colliers	-	0.0	72.8	-	72.8
Properties held for sale		-	0.0	72.8	-	72.8
Development properties³						
Commercial Bay ⁹	JLL	890.0	-	64.3	-	954.3
Bowen Campus Stage Two	CBRE	15.5	-	3.3	-	18.8
10 Madden Street	N/A	17.7	-	16.0	-	33.7
30 Waring Taylor Street ¹⁰	N/A	-	-	6.3	-	6.3
Development properties		923.2	-	89.8	-	1,013.1

1 30 June 2018 valuer.

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

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

4 Mason Bros. and 12 Madden Street are both subject to a pre-paid ground lease for 125 years.

5 This property was previously known as Dimension Data House.

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

7 On 15 August 2019, Precinct entered into an agreement to sell Pastoral House for \$77.0 million (price subject to adjustment relating to final measurement of net lettable area). The sale transaction remains conditional and is expected to settle on 30 April 2020.

8 Includes a gross up for the lease liability (December 2019: \$3.0 million).

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

10 On 30 August 2019 Precinct acquired 30 Waring Taylor Street for \$5.2 million and will undertake a full redevelopment of the building.

7. Intangible assets

Amounts in \$ millions	Customer relationships	Brands	Goodwill	Total
Cost				
Balance at 30 June 2019	2.0	0.8	18.4	21.2
Acquisition through business combination	-	-	-	-
Balance at 31 December 2019	2.0	0.8	18.4	21.2
Accumulated amortisation				
Balance at 30 June 2019	0.1	-	-	0.1
Amortisation	0.1	-	-	0.1
Impairment loss	-	-	-	-
Balance at 31 December 2019	0.2	-	-	0.2
Carrying amounts at 31 December 2019	1.8	0.8	18.4	21.0

The amortisation of customer relationships is included in other expenses.

Accounting policy - impairment test of intangible assets and goodwill

Intangible assets with indefinite lives and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

8. Gross operating revenue

Amounts in \$ millions	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Gross property income from rentals	57.7	52.8	108.0
Gross property income from expense recoveries	12.3	13.8	26.1
Straight line rental adjustments	0.4	-	0.3
Amortisation of capitalised lease incentives	(2.5)	(2.0)	(4.3)
Generator operating revenue	9.9	-	5.7
Total gross operating revenue	77.8	64.6	135.8

9. Segment information

a) Basis for segmentation

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

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

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

Notes to the financial statements (Continued)

For the six months ended 31 December 2019

b) Information about reportable segments

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

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

Amounts in \$ millions	Unaudited six months ended 31 December 2019			Audited year ended 30 June 2019		
	Investment properties	Flexible space	Total	Investment properties	Flexible space	Total
Revenue						
Gross operating revenue	67.9	9.9	77.8	130.1	5.7	135.8
Intersegment revenue	(0.5)	0.5	-	(0.3)	0.3	-
Less direct operating expenses	(18.2)	(5.6)	(23.8)	(34.5)	(6.3)	(40.8)
Operating income before indirect expenses	49.2	4.8	54.0	95.3	(0.3)	95.0

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

Amounts in \$ millions	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2019
Segment operating income before indirect expenses	54.0	95.0
Interest expense	(2.5)	(2.5)
Interest income	-	0.7
Other expenses	(6.6)	(15.8)
Unrealised net gain / (loss) in value of investment and development properties	-	161.7
Unrealised net gain / (loss) on financial instruments	(2.0)	(44.3)
Other revenue	26.7	2.0
Depreciation - property, plant and equipment	(0.5)	(0.3)
Lease depreciation	(2.5)	-
Lease interest expense	(2.2)	-
Net realised gain / (loss) on sale of investment properties	-	(1.7)
Net realised gain / (loss) on disposal of investment in joint venture	-	6.6
Net profit before taxation	64.4	201.4

10. Other expenses

Amounts in \$ millions	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Other expenses			
Audit fees	0.1	0.1	0.2
Directors' fees and expenses	0.3	0.4	0.7
Manager's base fees	4.9	4.1	8.6
Manager's performance fees	-	2.1	4.4
Amortisation of intangible assets	0.1	-	0.1
Other ¹	1.2	1.0	1.8
Total other expenses	6.6	7.7	15.8

¹ Other expenses includes valuation fees, share registry costs and annual report design and publication.

11. Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

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

<i>Amounts in \$millions unless otherwise stated</i>	<i>Unaudited six months ended 31 December 2019</i>	<i>Unaudited six months ended 31 December 2018</i>	<i>Audited year ended 30 June 2019</i>
Net profit after taxation	54.3	24.6	189.9
Unrealised net (gain) / loss in value of investment and development properties	-	-	(161.7)
Unrealised net (gain) / loss on financial instruments	2.0	12.6	44.3
Net realised (gain) / loss on sale of investment properties	-	1.9	1.7
Net realised loss / (gain) on disposal of investment in joint venture	-	-	(6.6)
Depreciation - property, plant and equipment	0.5	-	0.3
Depreciation recovered on sale	-	10.7	10.7
Deferred tax (benefit) / expense	2.5	(12.9)	(0.3)
IFRS 16 lease adjustments	1.2	-	-
Share of (profit) / loss of joint ventures	-	0.8	1.1
Net operating income	60.5	37.7	79.4
Addback: amortisations	4.0	3.4	7.1
Less: straightline rents	(0.4)	-	(0.3)
Funds from operations (FFO)	64.1	41.1	86.2
Less: maintenance capex	(2.0)	(2.9)	(7.2)
Less: liquidated damages (net of tax impact)	(19.2)	-	-
Less: incentives and leasing costs	(2.0)	(2.9)	(3.9)
Adjusted funds from operations (AFFO)	40.9	35.3	75.1
Weighted average number of shares for net operating income per share (millions)	1,313.8	1,211.1	1,246.7
Net operating income per share (cents)	4.61	3.11	6.37
Adjusted funds from operations per share (cents)	3.11	2.91	6.02

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

Dividend policy

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

12. Earnings per share

<i>Amounts in \$millions</i>	<i>Unaudited six months ended 31 December 2019</i>	<i>Unaudited six months ended 31 December 2018</i>	<i>Audited year ended 30 June 2019</i>
Net profit after tax for basic and diluted earnings per share (\$millions)	54.3	24.6	189.9
Weighted average number of shares for basic and diluted earnings per share (millions)	1,313.8	1,211.1	1,246.7

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 six months ended 31 December 2019

13. Other current liabilities

Amounts in \$millions	Notes	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2019
Other current liabilities			
Trade creditors		6.1	6.5
Liquidated damages	18	-	34.4
Generator deferred consideration obligation		0.5	1.0
Accrued expenses		13.5	8.8
Total other current liabilities		20.1	50.7

14. Interest bearing liabilities

Amounts in \$millions	31 December 2019	30 June 2019
Interest bearing liabilities		
Bank loans	288.5	287.5
US private placement	260.7	97.9
NZ senior secured bond	175.0	175.0
Convertible note	150.0	150.0
Total drawn debt	874.2	710.4
US private placement - fair value adjustments	31.3	28.0
Convertible note - embedded financial derivative adjustment	33.1	25.6
Capitalised borrowing costs	(5.3)	(5.6)
Net interest bearing liabilities	933.3	758.4

Breakdown of borrowings:

Amounts in \$ millions	Held at	Maturity ¹	Facility	Coupon ¹	31 December 2019	30 June 2019
Bank loans ²	Amortised cost	Nov-20	150.0	Floating ³	22.0	145.0
Bank loans	Amortised cost	Jul-22	260.0	Floating ³	260.0	142.5
Bank loans	Amortised cost	Jul-23	200.0	Floating ³	6.5	-
NZ senior secured bond (PCT010)	Amortised cost	Dec-21	75.0	5.54%	75.0	75.0
NZ senior secured bond (PCT020)	Amortised cost	Nov-24	100.0	4.42%	100.0	100.0
Convertible note (PCTHA)	Amortised cost	Sep-21	150.0	4.80%	150.0	150.0
US private placement	Fair value	Jan-25	65.3	4.13%	65.3	65.3
US private placement	Fair value	Jan-27	32.6	4.23%	32.6	32.6
US private placement	Fair value	Jul-29	118.4	4.28%	118.4	-
US private placement	Fair value	Jul-31	44.4	4.38%	44.4	-
Total			1,195.7		874.2	710.4

Weighted average term to maturity	3.9 years	4.4 years
Weighted average interest rate before swaps (including funding costs)	3.40%	3.86%

¹ As at 31 December 2019

² Precinct completed a bank refinance on 19 February 2020 with the maturity date extended to February 2025 for the same facility value.

³ Interest rates on bank loans are at the 90-day benchmark borrowing rate (BKBM) plus a margin. Precinct also pays facility fees.

Precinct has committed funding of \$1,195.7 million (June 2019: \$1,119.7 million) including the NZ senior secured bonds, convertible note and US private placements.

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 future cash flows have been fully swapped back to New Zealand dollars.

Accounting policy - interest bearing liabilities

Bank loans and the NZ senior secured bonds 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.

The convertible note embedded financial derivative is recognised at fair value with any gains or losses recognised in the profit or loss as they arise. This fair value is determined using the black-scholes model with observable inputs such as Precinct's share price and its historic standard deviation, the convertible note strike price and the risk free rate. The movement in fair value attributable to changes in Precinct's own credit risk is calculated by determining the changes in credit spreads above observable market interest rates and is recognised in other comprehensive income. This measurement falls into level 2 of the fair value hierarchy.

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

15. Lease liabilities

Amounts in \$ millions	Unaudited six months ended 31 December 2019		
	Investment properties	Flexible space	Total
Current	-	2.9	2.9
Non-current	3.0	38.9	41.9
Total lease liabilities	3.0	41.8	44.8

16. Derivative financial instruments

Amounts in \$ millions	31 December 2019	30 June 2019
Current assets	-	-
Non-current assets ¹	45.0	42.1
Current liabilities	(0.2)	(1.2)
Non-current liabilities	(60.7)	(64.1)
Total fair value of derivative financial instruments	(15.9)	(23.2)
Notional contract cover (fixed payer)	870.0	930.0
Notional contract cover (fixed receiver)	325.0	325.0
Notional contract cover (cross currency swaps - fixed receiver)	260.7	260.7
Percentage of net drawn borrowings fixed	77.8%	101.4%
Weighted average term to maturity (fixed payer)	3.98 years	4.22 years
Weighted average interest rate after swaps (including funding costs)	5.11%	5.67%

¹ This includes the cross currency interest rate swap valuation of \$30.3 million (June 2019: \$25.7 million) and a net debit value adjustment of \$0.4 million (June 2019: \$0.2 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.

Notes to the financial statements (Continued)

For the six months ended 31 December 2019

17. Capital commitments

Precinct has \$ 201.8 million of capital commitments as at 31 December 2019 (June 2019: \$268.7 million; December 2018: \$361.4 million) relating to construction contracts.

18. Contingencies

a) Contingent liabilities

There are no contingent liabilities as at 31 December 2019 (June 2019: \$nil; December 2018: \$nil).

b) Contingent assets

Included within the Fletcher Construction Company Limited (FCC) construction contract for Commercial Bay is the right of Precinct to liquidated damages if certain milestones are not met. As at 31 December 2019 Precinct has withheld \$52.0 million of liquidated damages (June 2019: \$36.4 million) All liquidated damages have been assessed as being virtually certain at 31 December 2019 (June 2019: \$2.0 million), with \$26.7 million of this being recognised in profit and loss in the current period (June 2019: \$2.0 million) and \$23.3 million credited against the development project cost.

There are no other significant contingencies as at 31 December 2019 (June 2019: \$nil; December 2018: \$nil).

19. Related party transactions

Fees charged by and owing to the manager:

Amounts in \$ millions	31 December 2019		31 December 2018		30 June 2019	
	Fees charged	Owing at 31 December	Fees charged	Owing at 31 December	Fees charged	Owing at 30 June
Base management services fee	4.7	1.6	4.1	0.7	8.6	0.7
Performance fee	-	-	2.1	-	4.4	2.4
Leasing fees	0.3	-	2.8	-	4.7	0.6
Development manager fees	2.0	-	3.4	-	7.6	-
Acquisition and disposal fees	0.1	-	-	-	-	-
Generator management fee	0.2	0.1	-	-	0.1	-
Recoverable services fee	1.8	-	1.9	-	4.1	-
Total	9.1	1.7	14.3	0.7	29.5	3.7

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.

Any Initial Amount credited to the Carrying Account which is not used up in paying Performance Fees or in offsetting subsequent Deficits will effectively expire 2 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 2 years after it is debited against the Carrying Account.

No performance fee is payable in quarters where equity total returns are negative. As at 31 December 2019 there is a notional performance fee deficit of \$ 4,431,743 to be carried forward to the calculation of performance fees in future quarters (June 2019: \$nil; December 2018: \$1,965,171 deficit).

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

c) Leasing fees

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

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

d) Development manager fees

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

e) Acquisition and disposal fees

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

f) Recoverable services fee

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

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

g) Generator management fee

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

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

h) Other transactions with the manager

Other than in respect to the Generator business, Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager is appointed to manage and administer Precinct. The manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's Directors are considered to be the key management personnel and received Directors' fees for the period ended 31 December 2019 of \$ 279,204 (June 2019: \$482,473; December 2018: \$232,048).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited and AMP Services (NZ) Limited, being the manager or companies related to the manager for premises leased in PWC Tower, AMP Centre and NTT Tower. Total rent received by Precinct from these parties during the period ended 31 December 2019 was \$ 1,739,012 (June 2019: \$3,522,597; December 2018 \$1,759,562). As at 31 December 2019 an amount of \$ 7,498 was owing from Precinct to these related parties (June 2019: \$1,452 amounts owing to Precinct from these related parties; December 2018: \$10,834 amounts owing from Precinct from these related parties).

i) Related party debts

No related party debts have been written off or forgiven during the period (June 2018: \$nil; December 2017: \$nil).

20. Events after balance date

On 19 February 2020 the Board approved the financial statements for issue and approved the payment of a dividend of \$ 20,691,784 (1.575 cents per share) to be paid on 27 March 2020.

Precinct refinanced the November 2020 bank facility on 19 February 2020. The maturity date has been extended to February 2025 for the same facility value.



INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF PRECINCT PROPERTIES NEW ZEALAND LIMITED

We have reviewed the interim financial statements of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group") on pages 03 to 15, which comprise the statement of financial position of the group as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review 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 review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Ernst & Young provides other assurance services to the group including the statutory audit of the group's year-end financial statements and audit of individual property operating expense statements. We provide an agreed upon procedures engagement recalculating the performance fee paid or payable to the group's manager. We also provide reporting to the trustee of the group's secured fixed rate bonds and convertible notes in relation to our audit. Other than the provision of those services and in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Ernst & Young and the group have entered an agreement in respect of our proposed occupancy of a group property. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 03 to 15, do not present fairly, in all material respects, the financial position of the group as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 19 February 2020 and our findings are expressed as at that date.

Chartered Accountants

Auckland

Directory.

Precinct Properties New Zealand Limited

Registered Office of Precinct
Level 12,
188 Quay Street
Auckland, 1010
New Zealand
T: +64-9-927-1647
E: hello@precinct.co.nz
W: www.precinct.co.nz

Officers of Precinct

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

Bankers

ANZ New Zealand Bank
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
Level 15
191 Queen Street
Auckland

Directors of Precinct

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

Manager

AMP Haumi Management Limited
Level 12,
188 Quay Street
Auckland, 1010
New Zealand

Auditor

Ernst & Young
2 Takutai Square
Britomart
Auckland 1010
New Zealand

Security Trustee

Public Trust
Level 35, Vero Centre
48 Shortland Street
Auckland 1010

Registrar – Investors

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Private Bag 92 119
Auckland 1142

T: +64-9-488-8700

E: enquiry@computershare.co.nz

W: www.computershare.co.nz

F: +64-9-488-8787

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.