Precinct
PROPERTIES NEW ZEALAND

ANNUAL REPORT **2013**

DELIVERING ON OUR
Vision

When our clients thrive, **we thrive.**

Three years ago, we transformed our approach. The quality of the buildings, we reasoned, must be matched by the relationships with the people who work in them. We committed to delivering premium office space where businesses, and the people who form those businesses, would thrive.

The last three years have also been a time of steady consolidation and growth, but over the last 12 months Precinct has moved to execute a vision and achieve a new level of growth.

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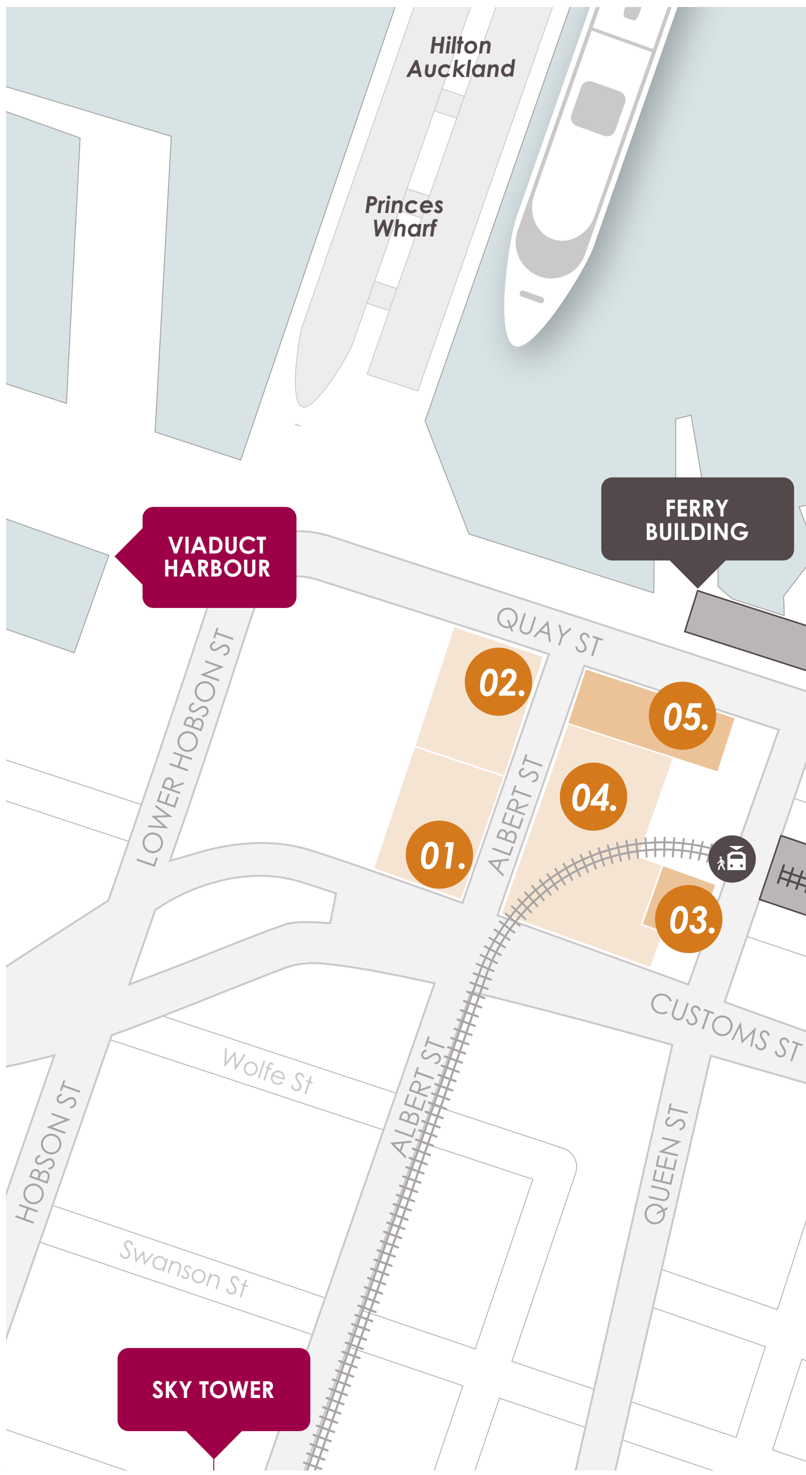
A **precinct**
unfolds downtown

Downtown Precinct

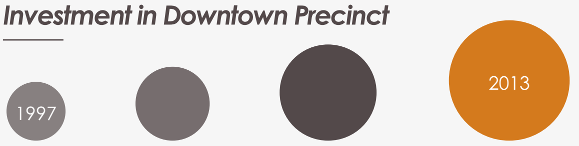


Where we've come from and where we're going.

"The previous three years were a time of steady consolidation and growth. But over the last year Precinct has moved to execution and a new level of growth."

- Scott Pritchard, CEO

Investment in Downtown Precinct



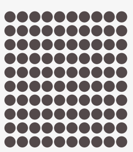
$74m

$628m

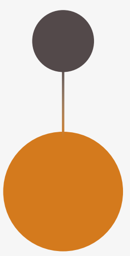
Land area (m²)

1997
3,700 m²

2013
18,800 m²



Net lettable area (m²)



1997
25,000 m²

2013
104,000 m²

Evolution of the Downtown precinct

1997 ACQUISITION

01. AMP CENTRE

Value 30 June 2013

$110.0m

Total Net Lettable Area

25,137sqm

Part of Precinct's original portfolio, the AMP Centre is a 25-level building with excellent views to Viaduct Harbour and the Hauraki Gulf.

2002 DEVELOPMENT

02. PwC TOWER

Value 30 June 2013

$233.1m

Total Net Lettable Area

31,298sqm

The PricewaterhouseCoopers Tower is one of New Zealand's most sought after office addresses and was developed by Precinct.

2009 REDEVELOPMENT

03. ZURICH HOUSE

Value 30 June 2013

$85.2m

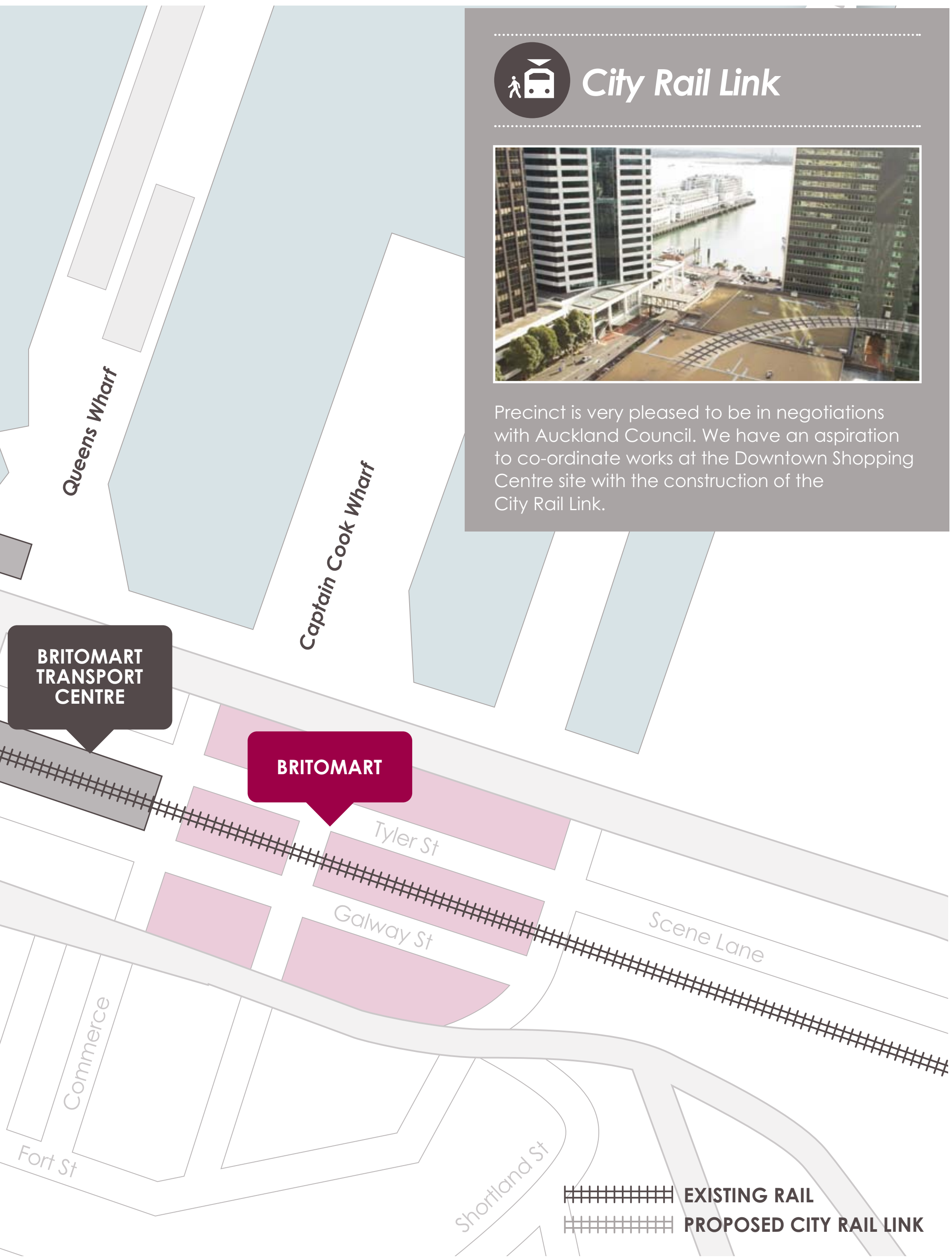
Total Net Lettable Area

14,445sqm

Zurich House was redeveloped by Precinct to a 5-Star Green Star rating. The building features 15 levels of high quality building accommodation.

City Rail Link

Precinct is very pleased to be in negotiations with Auckland Council. We have an aspiration to co-ordinate works at the Downtown Shopping Centre site with the construction of the City Rail Link.



MAP IS FOR ILLUSTRATIVE PURPOSES ONLY. ACTUAL BOUNDARIES MAY VARY.

Market outlook

CBD
Office Employment

2012
70,800
Source – CBRE

CBD
Office Employment

2022
93,600
Source – CBRE

CBD
Increase in workers

22,800
Source – CBRE

CBD
Forecast net absorbtion

m²

>200,000 sqm
Source – CBRE

2012 ACQUISITION

04. DOWNTOWN SHOPPING CENTRE

Value 30 June 2013
$96.2m

Total Net Lettable Area
13,950sqm

The heart of the Downtown Precinct, Precinct acquired this 6,500 square metre site in 2012. This property is one of New Zealand's best redevelopment opportunities.

2013 ACQUISITION

05. HSBC HOUSE

Value 30 June 2013
$103.2m

Total Net Lettable Area
19,200sqm

Precinct's most recent acquisition, HSBC House benefits from uninterrupted views of the Harbour and importantly consolidates the downtown footprint.

POTENTIAL BEYOND 2013

DOWNTOWN PRECINCT

With a footprint of almost 2 hectares of land and buildings on Auckland's CBD waterfront and resource consent for 71,000 square metres (gross floor area) of retail and office development, we now have the opportunity to deliver on our aspiration of creating an unparalleled offering.

We have started the master planning process with the primary objective being to create a world class asset that provides amenity and a sense of community to all our clients. We also recognise the importance of this area for Auckland's and its visitors and want to create a social focal point on Auckland's CBD waterfront.


ANZ Centre

2013 Highlights

$157.5m
net profit after tax

+12%
increase in net tangible assets per share

$58.3m
net operating income after tax

+14%
increase in net operating income after tax

$46.3m
revaluation gain

97%
occupancy

2013 Key Events

October 2012

Acquisition of Downtown Shopping Centre, for $90 million

October 2012

Leasing 4,000 square metres to ANZ at Wellington's 171 Featherston Street

May 2013

Acquisition of HSBC House, for $103 million

June 2013

ANZ Centre redevelopment won the 2013 Rider Levett Bucknall Property Council Supreme Award

June 2013

Announced new $660 million secured bank debt facility, delivering material savings

June 2013

Leasing 4,000 square metres to Chorus at Wellington's State Insurance Tower

May 2013

Completion of ANZ Centre redevelopment

ANZ Centre

Craig Stobo, Chairman.

Chairman's Report

CRAIG STOBO

STRONG GAINS UNDERPINNED BY A COMMITMENT TO BEST PRACTICE

I am very pleased to again present Precinct's annual report, and to do so for a year where the company achieved a strong financial result and strong gains in all areas of the business.

Precinct had a net profit for the year ended 30 June 2013 of $157.5 million (2012: $45.1 million), and a net operating income of $58.3 million (2012: $51.3 million). A significant revaluation gain of $46.3 million was matched by strong operational performance. Our team achieved some big leasing successes and put the company at its highest level of occupancy for 5 years.

We also reported a 16.3% total return for the year, exceeding the benchmark New Zealand-listed property sector return (excluding Precinct) of 15.8%.

Collectively, these gains made for a positive year. But it was also satisfying to see the company's commitment to best practice clearly reflected in everything we do.

We had significant success in completing the redevelopment of the ANZ Centre. The $75 million top-to-toe refurbishment was completed on time and under budget. We must also acknowledge the great support of existing clients within the building during such a busy and extended construction phase and our project team for managing and minimising disruption to clients' operations. Tied in with the landscaping at St Patrick's Square, our work at the site has improved its amenity for both clients and the general public. We were delighted to see it win the Supreme Award at the 2013 Rider Levett Bucknall Property Council Awards.

A BALANCED GROWTH PROFILE

The company has followed a determined strategy in focusing on downtown areas where it can create new environments that provide value for clients and shareholders. But at the same time we have kept the scale of growth consistent with reliable dividend payments to shareholders. The company is in a good position as key acquisitions continue to provide good income while we plan for future options and development.

As we move to realise the development opportunities within our portfolio we will also sell non-core buildings, helping to fund these developments organically.

In addition, post balance date we have announced an equity raising of up to $70 million. The equity being raised will be used to repay debt and will help us to deliver on our vision for the future. New Zealand resident shareholders will have the ability to participate in this equity issue through a share purchase plan (SPP). The SPP booklet and application form will be sent to eligible shareholders on 20 September.

A COMMITMENT TO CLIENT SAFETY

Precinct has now completed a comprehensive two year programme of assessment of the seismic strength of its portfolio. This is an increasingly important area for clients and investors, and one where our portfolio is well positioned and we take our responsibilities seriously.

Although it is outside the period under review, I want to record how pleased the Board were with the team's instant response to the two earthquakes in Wellington. Within hours they had contacted all clients and service providers, advised them on what to do and instructed independent structural inspections to confirm the buildings' safety.

As a result of these assessments, no material damage to the structural integrity of the buildings was discovered.
Overall, the portfolio performed well with only superficial damage occurring. This has now been repaired or is underway.

BOARD CHANGES AND MANAGEMENT FEE

Precinct's total return saw approximately two-thirds of the maximum performance fee paid in line with the agreed process for recognising our outperformance of the market. The Board is pleased that the performance fee mechanism continues to provide strong alignment between the returns to investors and returns to the Manager.

In April we said farewell to Anthony Beverley, who had been involved with the business since 1997. Anthony has seen our business grow in more than just size and on behalf of the Board I would like to thank Anthony for the contribution he has made to Precinct, and wish him all the best for the future.

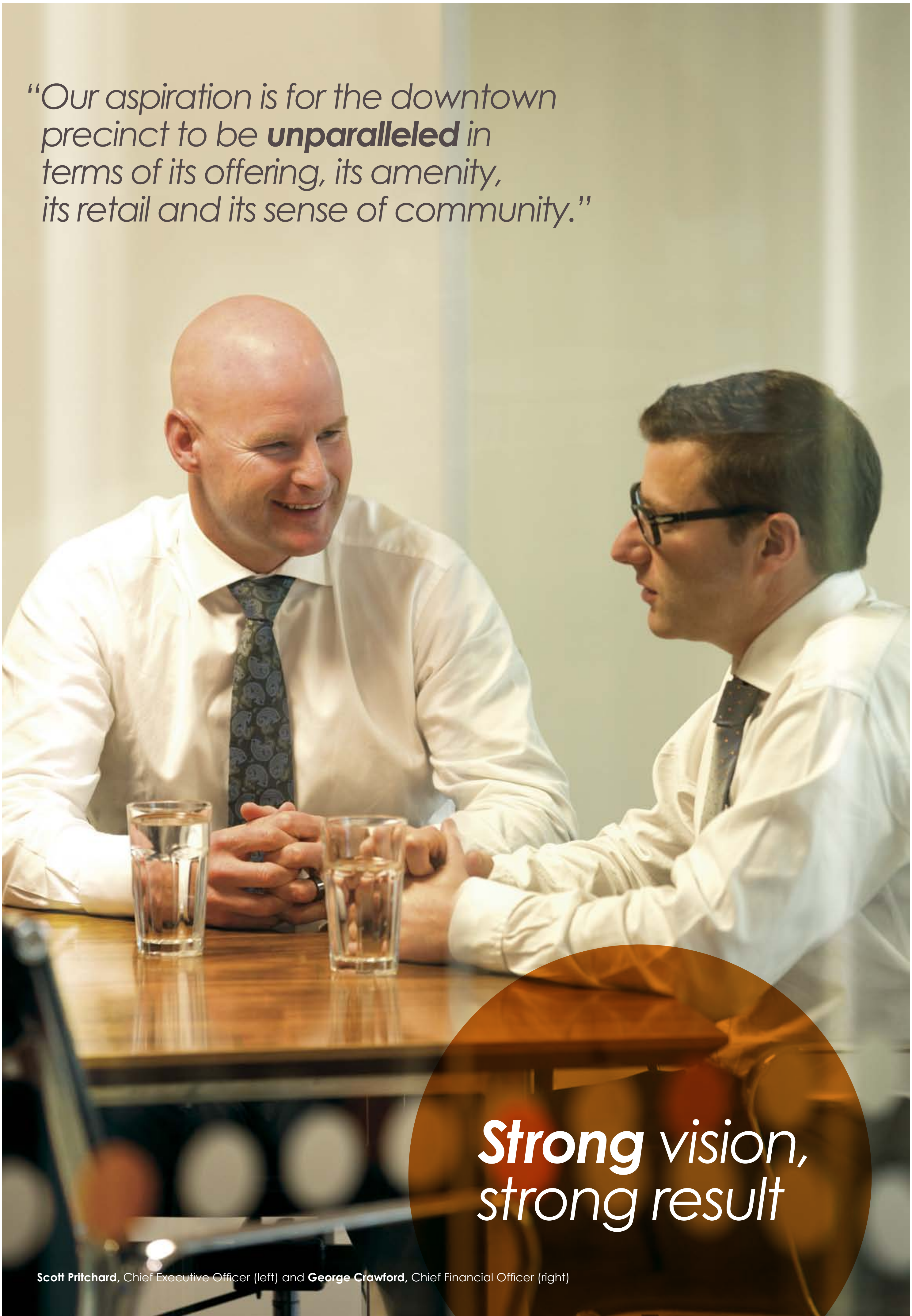
Anthony is replaced by Chris Judd, who is the head of property funds management for AMP Capital in Australia. Chris brings more than 25 years' experience in the real estate industry, and has broad funds management and capital markets expertise. I welcome him to the team.

The results confirm a very good year. They have been driven by quality execution and good process. The company goes into the coming year on a very strong foundation.

Craig Stobo

CHAIRMAN

"Our aspiration is for the downtown precinct to be **unparalleled** in terms of its offering, its amenity, its retail and its sense of community."



Strong *vision, strong result*

Scott Pritchard, Chief Executive Officer (left) and **George Crawford,** Chief Financial Officer (right)

CEO's Report

SCOTT PRITCHARD

FROM CONSOLIDATION TO EXECUTION

Following a strong recovery in property valuations and improvements in the general occupier markets, Precinct has had a good year. With an improved financial performance and significant gains in portfolio occupancy, Precinct has benefitted from strategies adopted over the previous three years. With the completion of two significant acquisitions we have moved from recent years of steady consolidation to execution of strategy and growth.

The increase in profit to $157.5 million (2012: $45.1 million) included a revaluation gain of $46.3 million and a non-operating deferred tax gain of $39.7 million. Our portfolio is now valued at $1.64 billion, following the redevelopment of the ANZ Centre, and acquisitions of the Downtown Shopping Centre and HSBC House in Auckland. But leasing activity was also strong, with over 35,000 square metres let. This reflected good demand from a business community that is growing in confidence. It was also a change to the pattern of recent times where we have begun each year needing to fill new vacancies. This year, with 97% occupancy and very little expiry risk, Precinct is well placed for rental growth.

RESULTS BACKED BY OPERATIONAL PERFORMANCE

A key part of our gains came from positive leasing momentum in Wellington, where we reduced vacancy by 50% since January. Deals with Chorus at State Insurance Tower, ANZ at 171 Featherston Street and significant leasing at 80 The Terrace have been very pleasing.

Overall Wellington CBD 'A' Grade office space vacancy fell to 3.7% in June 2013 (June 2012: 4.6%) according to Colliers.

As predicted, Auckland had a very positive leasing market with increased demand for quality office space and improved market rentals. Colliers June 2013 survey found Auckland Prime CBD office vacancy fell to 5.8%, from 8.4% the previous year. Tightening supply, lack of new developments and strong demand for quality means most research houses are forecasting good rental growth in Auckland.

PRECINCT STRATEGY PROVING ITS VALUE

Auckland was also where we saw some of the year's real highlights. By purchasing the Downtown Shopping Centre and subsequently HSBC House, Precinct now owns almost two hectares of contiguous sites right on Auckland's waterfront.

We have started on a master planning process to develop the Downtown Shopping Centre as the focal point for a new precinct that will help bring out the real potential of downtown Auckland. At the end of the period, we were pleased to enter negotiations with Auckland Council with a view to coordinating the timing of works at the site with the building of a City Rail Link tunnel.

This development is part of a strategy of acquiring quality downtown areas and using the critical mass this offers to provide new value for our clients. Our overall focus remains very much on quality office space. Providing retail amenity adds to this quality and establishing a precinct creates a much more attractive space.

Just over one year on from when we launched our new name as Precinct, I'm proud that people in the sector see what this means and what it represents in building a strong business offering for our clients.

The year also saw very good gains from an active approach to management. We introduced new procurement policies which cut the number of our suppliers by half, generating savings and better quality control. We negotiated an average of 12% savings in our insurance costs. Precinct is also training staff in the NABERSNZ tool, launched in New Zealand in June 2013 to measure energy performance of buildings. We will roll out the programme across our portfolio to improve our energy efficiency.

We continued with seismic surveys and upgrades throughout the portfolio as we have in recent years and believe our commitment to being a leader in this area has contributed to strong demand for our buildings.

As our Chairman has noted, we were very pleased to see our work at the ANZ Centre recognised with a major award. This reflected success in a strategy of providing quality premises and building long-term client relationships. That same approach will stand the company in good stead for future growth.

Scott Pritchard

CHIEF EXECUTIVE OFFICER

Results overview

Leasing success, a more optimal level of gearing, a deferred tax benefit and a strong revaluation gain led to an increase in net profit after tax to $157.5 million (2012: $45.1 million).

Net operating income for the year also increased to $58.3 million (2012: $51.3 million) or 5.85 cents per share (2012: 5.14 cents per share).

Reconciliation to net operating income

($ millions unless otherwise stated)	***30 June 2013***	*30 June 2012*
Net profit after taxation	157.5	45.1
Unrealised net (gain) / loss in value of investment properties	(46.3)	(5.5)
Realised loss / (gain) on sale of investment properties	0.0	0.3
Unrealised interest rate swap (gain) / loss	(13.2)	5.1
Deferred tax expense	(39.7)	6.3
Net operating income	58.3	51.3

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.

The acquisition of Bowen Campus in June 2012 and the Downtown Shopping Centre in October 2012 contributed to a 16% increase in rental income to $147.7 million (2012: $127.3 million).

Allowing for these transactions and the ANZ Centre redevelopment, like-for-like income was 3.2% higher than in the previous year due to higher occupancy.

Property expenses were $43.7 million, 20% higher than the previous period. Once these were adjusted for recent acquisitions, however, the increase was 3.5% compared to 2012. This increase was primarily a result of non-recoverable expenses associated with the No.1 The Terrace rent review and higher insurance costs.

Precinct renewed its insurance towards the end of the period with premiums reducing by around 12% for the coming year and on more comprehensive terms. Precinct has a flat deductible for seismic events of $30 million for Wellington and $20 million for Auckland.

"Precinct is very well positioned for the future through its ownership of prime assets, its bias to Auckland, its expected growth in rents and value add opportunities."

- Scott Pritchard, CEO

Interest expense increased $7.2 million to $28 million, reflecting higher debt levels following the purchase of Bowen Campus and Downtown Shopping Centre.

Precinct recorded a 16.3% total return for the year to 30 June 2013. This exceeded the benchmark New Zealand listed property sector return (excluding Precinct) of 15.8%, with approximately two-thirds of the maximum performance fee being paid in line with the agreed process for recognising outperformance of the market.

Overall indirect expenses increased by around 10% reflecting an enlarged portfolio.

Tax expense was $4.9 million (2012: $7.2 million) reflecting higher pre-tax profit and a lower level of deductible leasing costs, offset by a higher level of depreciation associated with acquisitions. The disposal of depreciable assets associated with the ANZ Centre redevelopment delivered a reduction in tax expense of $2.4 million.

The fair value gain in interest rate swaps of $13.2 million compared to a loss of $5.1 million the previous year. The positive movement reflected an increase in market interest rates since 30 June 2012 and an unwinding of interest rate swap positions.

Precinct has adopted a revised approach to determining the provision for deferred tax. The revised methodology reflects that the market value of fixtures and fittings will on average be equal to their tax book value. This has resulted in a reduction in the liability to $40.3 million as at 30 June 2013 (2012: $83.7 million).

Insurance

We reviewed and restructured our property and general liability insurance program. With assistance and advice from AON, we engaged directly with a wide range of insurers so that our buildings and risk management process were understood fully by insurers, and could be reflected in pricing.

A saving of 12% has been achieved when compared to last year's costs, and the scope of our cover has not been compromised. The savings achieved this year show the value of the quality seismic assessments and strengthening we have done as this gives insurers a very good understanding of the performance of our buildings.

Key Financial Information[1]

($ millions unless otherwise stated)	***2013***	*2012*	*Change*
Rental revenue	$147.7	$127.3	16.0%
Operating profit before indirect expenses	$104.0	$90.9	14.4%
Net operating income before tax	$63.2	$58.5	8.0%
Net operating income[2]	$58.3	$51.3	13.6%
Net profit/(loss) after taxation	$157.5	$45.1	249.2%
Earnings per share based on net operating income before tax	6.33 cents	5.86 cents	8.0%
Earnings per share based on net operating income after tax	5.85 cents	5.14 cents	13.8%
Gross distribution (cents per share)[3]	5.495 cents	5.672 cents	(3.1%)
Net distribution (cents per share)[3]	5.120 cents	5.040 cents	1.6%
Payout Ratio	87.5%	98.1%	(10.7%)
Total assets	$1,658.5	$1,350.4	22.8%
Total liabilities	$674.7	$473.2	42.6%
Total equity	$983.8	$877.2	12.2%
Shares on issue (million shares)	997.07	997.07	
NTA per share	99	88	12.5%
Gearing ratio at balance date[4]	37.3%	27.0%	38.1%

1. The information set out above has been extracted from the financial statements set out on pages 42 to 69.
2. 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.
3. Dividend paid and proposed relating to financial year.
4. For loan covenant purposes deferred tax losses and fair value of swaps are not included in the calculation of gearing ratio.

Auckland valuations increased by around 6%. This gain reflected an improving investment market, leasing success and higher rentals. Wellington valuations were stable, due to supportive sales evidence and steady market rents.

Excluding the ANZ Centre, Downtown Shopping Centre and HSBC House, the portfolio weighted average (by income) capitalisation rate has compressed from 8.0% a year earlier to 7.7%.

Collectively, the revaluation, redevelopment of ANZ Centre, and the acquisitions of Downtown Shopping Centre and HSBC House increased the value of Precinct's portfolio to around $1.64 billion (2012: $1.33 billion).

Precinct's NTA per share at balance date was 99 cents per share, compared with 88 cents per share as last reported. The increase in NTA is due to the revaluation gain, the reduction in deferred tax liability, the fair value gain in interest rate swaps and Precinct's policy of retaining earnings.

Reconciliation of NTA movement

Reconciliation of NTA movement	*cps*
NTA 30 June 2012	88
Revaluation gain	5
Deferred tax benefit	4
Interest rate swap movement	1
Retained earnings	1
NTA 30 June 2013	**99**

CAPITAL MANAGEMENT

The acquisition of the Downtown Shopping Centre for $90 million and HSBC House for $103 million was consistent with Precinct's strategy of securing quality space where it can also add value and, in Auckland, a focus on properties in the downtown harbour-front area.

Following these two Auckland acquisitions and the ANZ Centre redevelopment, bank borrowings increased to $603 million (2012: $346 million). Gearing rose to 37.3%. This compares with 27% a year earlier and remains well within our banking covenant of 50%.

Precinct's existing bank debt facilities were amended twice during the period to accommodate the additional drawings required for the new acquisitions. The final restructured $660 million secured bank debt facility comprises three tranches expiring in July 2016, July 2017 and July 2018, increasing the weighted average term to expiry to four years (2012: 3.2 years).

Precinct has been able to negotiate reduced borrowing margins by providing mortgage security over selected properties.

Of Precinct's drawn bank debt 57% (2012: 63%) was effectively hedged through the use of interest rate swaps. This resulted in a weighted average interest rate, including all fees of 5.6% (2012: 6.8%).

Capital Management Metrics

	2013	*2012*
Debt drawn	$603 m	$346 m
Gearing – banking covenant	37.3%	27.0%
Weighted average term to expiry	4.0 years	3.2 years
Weighted average debt cost (incl fees)	5.6%	6.8%
Hedged	57%	63%
Weighted average hedging	2.2 years	2.8 years
ICR (previous 12 months)	3.0 x	3.5 x
Facility size	$660 m	$475 m

As the company makes progress at Downtown Shopping Centre and Bowen Campus it will look to recycle out of non-core assets. Proceeds from these disposals will be used to help fund these development opportunities.

Post balance date, the decision to raise up to $70 million of equity should position Precinct with sufficient capital to deliver on these existing medium term opportunities within the portfolio.

EARNINGS AND OUTLOOK

The Board expects full year earnings for the 2014 financial year of approximately 6.2 cps (before performance fees) or 6.0 cps (assuming 50% of the maximum performance fee is payable). While committed occupancy was 97% as at 30 June 2013, income generating occupancy was 93% providing potential for future earning growth.

Precinct expects to pay a dividend of 5.4 cps for the 2014 financial year, consistent with the 90% payout dividend policy.

"Equity raised post balance date will be used to repay bank debt and positions Precinct to deliver on existing medium term opportunities within its portfolios."

- George Crawford, CFO

6.2cps

FY14 net operating income after tax, before performance fees

5.4cps

FY14 dividend guidance

Operational Update

Mary Smith, HSBC House Property Manager

Andrew Stringer, General Manager, Property

PORTFOLIO PERFORMANCE

Continued momentum in Auckland and renewed success in Wellington saw 27,500 square metres of new leasing, lifting occupancy to 97% (2012: 94%). This is the highest it has been in four years. Through this new leasing, Precinct has attracted twenty one new clients across 12,300 square metres.

Planned departures from 80 The Terrace in Wellington had resulted in portfolio occupancy falling to 93% in January. Since then around 9,000 square metres of space was let in Wellington and this significant leasing success means Precinct now has a much-reduced total of around 6,300 square metres currently available in the Capital.

Other leasing highlights included:

- Securing Chorus for over 4,000 square metres at Wellington's State Insurance Tower
- Leasing 6,000 square metres at 80 The Terrace
- ANZ committing to around 4,000 square metres at 171 Featherston Street in Wellington

In total 35,000 square metres and 60 leasing transactions were secured in the period on a weighted average lease term (WALT) of 6.0 years, helping maintain a secure income stream as demonstrated by an improved portfolio WALT of 5.7 years.

Leasing transactions in the Auckland portfolio were let at a 2% premium to valuation with Wellington's at a 1% premium.

Post-balance date, accounting firm Crowe Horwath (formerly WHK) committed to the top floor of PWC Tower on a 9 year term, taking building occupancy to 97%. With this success, Precinct now has no material vacancies (by income) in the Auckland portfolio.

In the period, Precinct settled 28,500 square metres of market rent reviews at a 2% premium to valuation and an additional 23,200 square metres of structured reviews. Across the 51,700 square metres of rent reviews, we saw a reduction in passing rents of around 2%.

Over-renting, which peaked in 2011 at 7%, fell to 1.8% (2012: 3%) and the portfolio is now in a solid position to capture market rental growth.

Pleasingly, existing clients including AMP, Bell Gully, Vero and New Zealand Fire Service, have committed to new leases, extensions or expansion within the portfolio.

REFURBISHMENT PROJECTS

The successful refurbishment of the ANZ Centre, Auckland saw Precinct win the Supreme Award at the 2013 Rider Levett Bucknall Property Council Awards. This complex project was delivered on time, ahead of budget and contributed to an improved market rental growth outlook in Auckland.

In addition to that project we are also underway with two smaller refurbishments.

- Vodafone on the Quay, one of Wellington's best known towers is now seeing its lobby undergo a complete refurbishment. This project will transform the entrance and improve the functionality of the space for clients and visitors.
- 80 The Terrace is also being refurbished and re-positioned with upgrades to office levels and the lobby. These works in part have driven the leasing enquiry that this building has enjoyed over recent months. The office floors have been refurbished with new ceiling tiles and grid, energy efficient lighting, new carpets and upgraded bathroom facilities.

SEISMIC UPDATE

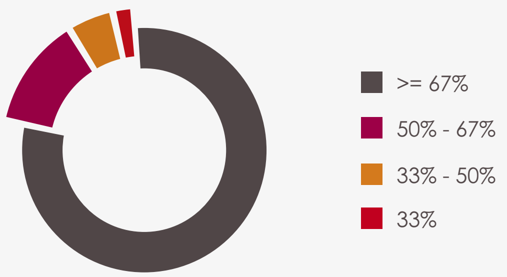
Precinct has now completed a comprehensive programme of assessment of the seismic strength of its portfolio.

Consequently, we have a high degree of comfort as to the seismic performance of the portfolio and improvement works that will be undertaken. The total cost of seismic works remains unchanged and is expected to range between $15 and $25 million over a 5-8 year period.

Outside the period, the recent earthquake activity in Wellington has been a reminder of the importance of this area for clients. Clients are usually looking for low risk buildings which have a score higher than 67% of New Build Standard (NBS). Rather than reliance on the higher level IEP (Initial Evaluation Procedure) assessments, detailed computer modelling and analysis shows 82% of Precinct's buildings by market value score greater than 67% NBS.

Precinct's process of seismic review and strengthening reflects our commitment to client safety and ensuring very high building standards.

SEISMIC PERFORMANCE RATING (BY VALUE)



Creating Safe Environments

According to John Hopkins University research, sixty-three New Zealanders per 100,000 die of heart attacks every year. With response time a critical factor and with around 17,000 people working in our buildings each day, we have taken the initiative to install defibrillators throughout our portfolio and provide training for use to clients.

We have now trained over 200 people across the portfolio and will be holding refresher training sessions every two years for new staff or clients.

PROCUREMENT

We have recently undertaken a comprehensive procurement project across both our Wellington and Auckland portfolios.

The process looked at the existing arrangements with a range of suppliers including insurance, utilities and cleaning amongst other services. The objectives of the project were to establish more proactive management of suppliers, create a consistent and higher level of service for our clients and generate savings across the portfolio.

Prior to the process Precinct worked with more than 40 service providers which we have now reduced to 22. This makes the management of these providers more streamlined and effective. Our aim is for clients to notice an increased level of service from our suppliers as we have also set new performance standards.

With an annual spend of approximately $7 million on services across our portfolio, another key objective was to create value and savings. Through the robustness of the process and the refinement of service levels, we expect to achieve this objective.

Lighting Update

We are continually looking for ways to work with our clients to create value and efficiencies in their business. A recent example is a lighting upgrade initiative we undertook in partnership with PwC.

When PwC expressed an interest last year to review its lighting infrastructure, we worked with PwC to deliver a more economic and environmentally friendly option.

By specifying and installing a leading technology system we have dramatically transformed the way in which PwC use its lights. The technology has built-in sensors that respond to the occupancy and daylight contribution of the space, which means that lights are only used when required. The new lights are also more energy efficient, reducing the power consumption significantly and resulting in financial savings.

OFFICE MARKET OUTLOOK

Vacancy in Auckland prime (including both Premium and A-Grade) CBD office buildings continues to fall. According to Colliers latest vacancy survey effective June 2013, the overall Auckland Prime CBD office vacancy rate has decreased to 5.8% from 8.4% at June 2012.

The tightening in supply, lack of new developments on the horizon and strong occupier demand for quality space continues to see most research houses forecasting a good level of market rental growth aligned with expectations of growth in the Auckland economy. According to CBRE, CBD office based employment growth is forecast to increase by over 10,000 workers by the end of 2017 (22,800 workers by 2020) ultimately leading to strong net absorption forecasts based on sound market fundamentals.

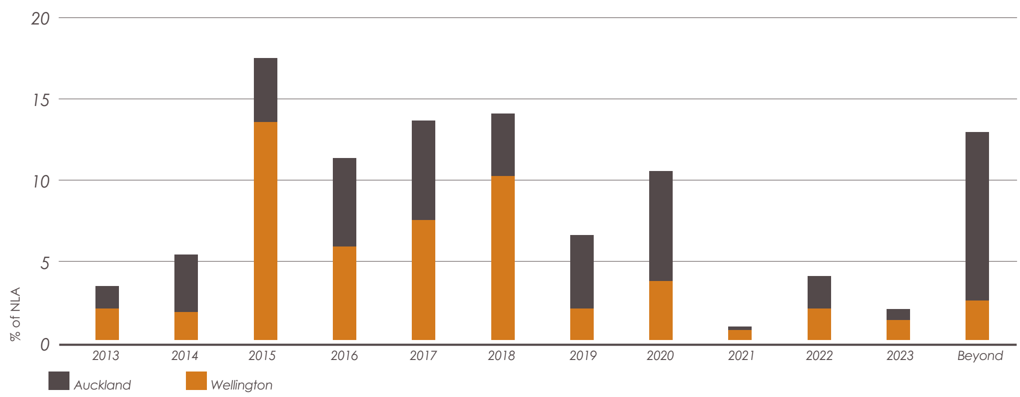
Whilst the Government continues to focus on reducing its footprint in the Wellington market, demand and hence activity in the prime sector remains strong. This activity is evidenced by new leases to ANZ (171 Featherston Street), Chorus (State Insurance Tower) and early lease extensions with Bell Gully (171 Featherston Street) and Russell McVeagh (Vodafone on the Quay).

CBD prime vacancy in Wellington remains at low levels; now 3.7% at June 2013 reducing from 4.6% at June 2012. Continued focus on seismic performance should, in the medium term, result in increasing demand from occupiers for strong, quality buildings.

"Pleasingly, existing clients including AMP Financial Services, Bell Gully, Vero and New Zealand Fire Service, have committed to new leases, extensions or expansion within the portfolio."

- Andrew Stringer, General Manager, Property

Lease expiry profile



Occupancy

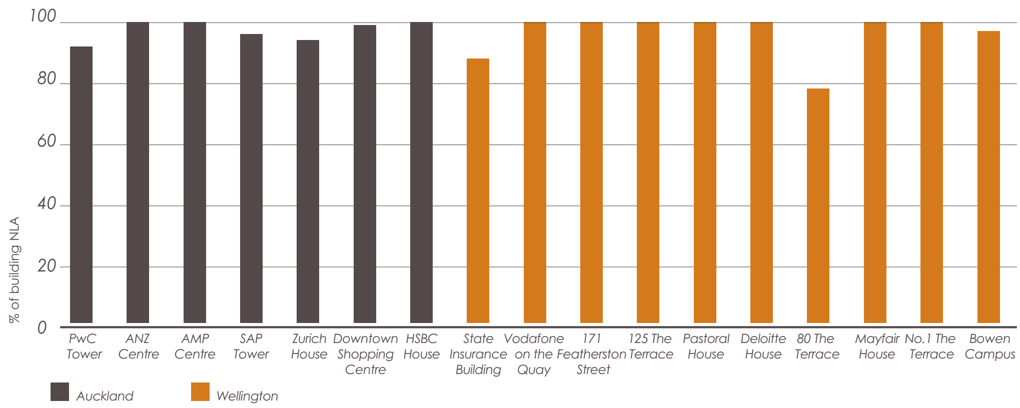



Photo from 171 Featherston Street


State Insurance Tower

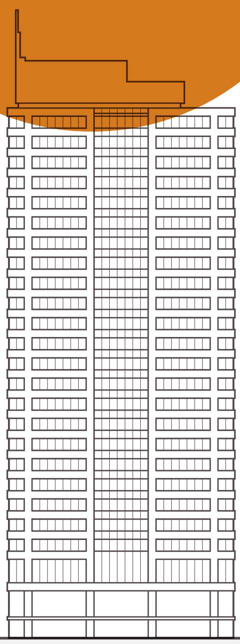
Wellington Assets

Leasing activity in Wellington for quality office space remains at a good level. This has been evidenced by recent leasing success which has seen our available space in the Capital reduce by 50% since January.

Significant new leasing at 80 The Terrace and securing Chorus for over 4,000 square metres at State Insurance Tower have been highlights. In addition, ANZ Bank's commitment last year to around 4,000 square metres at 171 Featherston Street is their second major commitment to our business. This demonstrates the benefit from a shift two years ago to a more client focused business approach.

Seismic considerations are increasingly important to Wellington clients. Limited supply of quality buildings and second-tier assets not meeting the level of seismic resilience clients are seeking is naturally increasing demand for premium buildings. Precinct remains committed to client safety and ensuring very high building standards.

Property portfolio



01.

PwC Tower

OCCUPANCY ***92%***

WALT ***5.9 years***

CLIENTS

PwC, Buddle Findlay, Hesketh Henry, Jones Lang LaSalle

Quay Street, Auckland

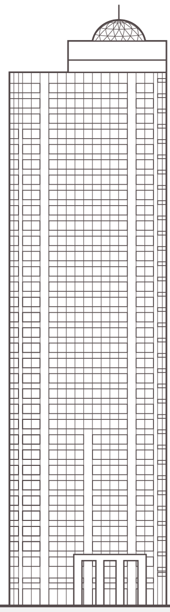
The PwC Tower is one of New Zealand's most sought-after office addresses. Completed in 2002 with state-of-the-art building technology, the 29-level tower is set in a first-class location in Auckland's waterfront precinct and features some of the country's largest floor plates, a hotel-style lobby and high-speed lifts, along with 11 retail premises and 358 car parks.

CBRE VALUATION

AS AT 30 JUNE 2013: ***$233.1 million***

TOTAL NET LETTABLE AREA (NLA): ***31,298 sqm***

TYPICAL OFFICE FLOOR PLATE: ***1,350 sqm***



02.

ANZ

OCCUPANCY ***100%***

WALT ***11.5 years***

CLIENTS

ANZ, Chapman Tripp, Mighty River Power, Vero, First NZ Capital

Albert Street, Auckland

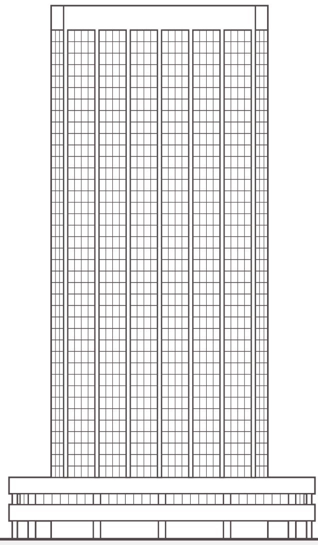
The ANZ Centre is one of New Zealand's tallest and most recognisable buildings at 39 levels, occupying a key site on Auckland's Albert Street. It features a distinctive polished Spanish granite façade and full-height windows, providing generous natural light and expansive views of Auckland city and the Waitemata Harbour. The ANZ Centre has undergone a major upgrade.

COLLIERS INTERNATIONAL VALUATION

AS AT 30 JUNE 2013: ***$250.0 million***

TOTAL NET LETTABLE AREA (NLA): ***33,351 sqm***

TYPICAL OFFICE FLOOR PLATE: ***1,054 sqm***



03.

AMP Centre

OCCUPANCY ***100%***

WALT ***6.0 years***

CLIENTS

AMP Financial Services, Aon, AJ Park, QBE Insurance, Southern Cross, Thales New Zealand

Customs Street West, Auckland

The AMP Centre is a 25-level building with excellent views to the Viaduct Harbour and Hauraki Gulf. It occupies a prominent site adjoining the PwC Tower in Auckland's waterfront precinct, and has large flexible floor plates, making it attractive to organisations requiring extensive areas of efficient working space.

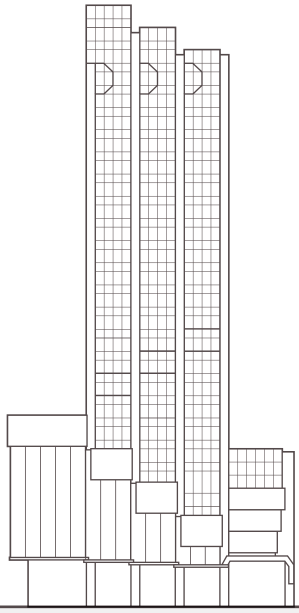
COLLIERS INTERNATIONAL VALUATION

AS AT 30 JUNE 2013: ***$110.0 million***

TOTAL NET LETTABLE AREA (NLA): ***25,137 sqm***

TYPICAL OFFICE FLOOR PLATE: ***1,097 sqm***

Property portfolio



04.

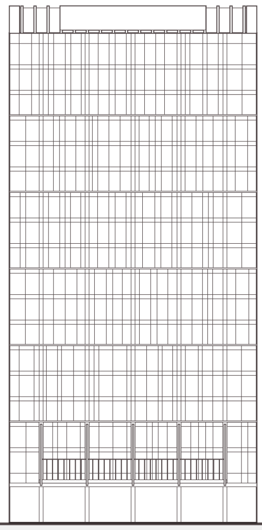
SAP Tower

OCCUPANCY ***96%***
WALT ***4.2 years***
CLIENTS
SAP, Marsh, Colliers International

Queen Street, Auckland

Located in the heart of Auckland's Queen Street, this prime office building comprises 21 levels of high-quality office accommodation, as well as two levels of retail and a health club that includes a tennis court and swimming pool. SAP Tower was built in 1989 to a striking design, and its distinctive architecture has made it an Auckland landmark. The building's rectangular shape, together with the positioning of the service core, provides a high level of flexibility of use.

JONES LANG LASALLE VALUATION
AS AT 30 JUNE 2013: ***$88.7 million***
TOTAL NET LETTABLE AREA (NLA): ***17,630 sqm***
TYPICAL OFFICE FLOOR PLATE: ***762 sqm***



05.

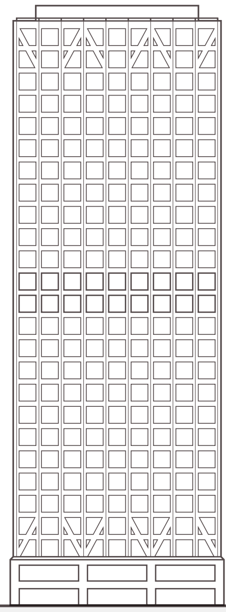
Zurich House

OCCUPANCY ***94%***
WALT ***5.6 years***
CLIENTS
Zurich, Willis New Zealand, CBRE, NZ Funds Management, Guardians of NZ Superannuation

Queen Street, Auckland

Zurich House was redeveloped by Precinct to a 5-Star Green Star rating, achieved by incorporating highly innovative energy-efficient and environmentally-friendly materials while recycling some of the existing building structure and using sustainable business practices. The building features 15 levels of high-quality office accommodation, with a two-storey entrance gallery and lobby. The entire façade of Zurich House is clad in energy-efficient glazing to maximise natural light.

JONES LANG LASALLE VALUATION
AS AT 30 JUNE 2013: ***$85.2 million***
TOTAL NET LETTABLE AREA (NLA): ***14,445 sqm***
TYPICAL OFFICE FLOOR PLATE: ***910 sqm***



06.

State Insurance Tower

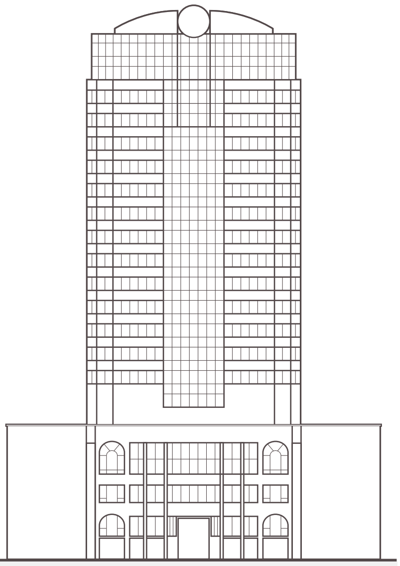
OCCUPANCY ***88%***
WALT ***5.1 years***
CLIENTS
State Insurance, Air New Zealand, AJ Park, Buddle Findlay, Hudson Global Resources

Willis Street, Wellington

One of New Zealand's best-known office buildings, located in the corporate precinct of the Wellington CBD, State Insurance Tower was completed in 1984. The building is adjacent to Willis Street and Lambton Quay and is a short stroll from Frank Kitts Park and the Wellington harbour waterfront. The office floors enjoy excellent harbour views and natural sunlight from all cardinal points.
The property also offers one level of street-level retail, one-and-a-half levels of car parking and an enclosed subterranean retail level.

BAYLEYS VALUATION
AS AT 30 JUNE 2013: ***$135.2 million***
TOTAL NET LETTABLE AREA (NLA): ***26,641 sqm***
TYPICAL OFFICE FLOOR PLATE: ***1,050 sqm***

Property portfolio



07.

Vodafone on the Quay

OCCUPANCY ***100%***

WALT ***5.1 years***

CLIENTS

Vodafone, Russell McVeagh, Microsoft, Fonterra, Rabobank

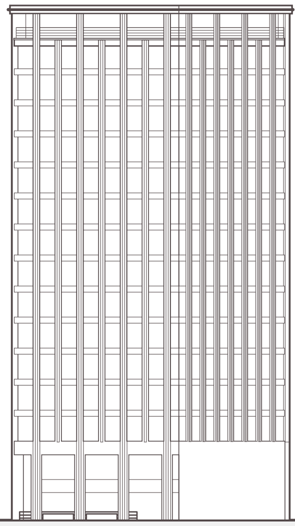
Lambton Quay, Wellington

Vodafone on the Quay is a landmark property in the heart of Wellington fronting Midland Park. The building has a distinctive presence on Lambton Quay, with its integrated architectural styles and green-tinted glazing. Vodafone on the Quay is close to the Courts, Parliament and Treasury. The office floors have panoramic views of the harbour and inner city, and provide column-free office space and efficient floor layouts.

COLLIERS INTERNATIONAL WELLINGTON VALUATION AS AT 30 JUNE 2013: ***$95.6 million***

TOTAL NET LETTABLE AREA (NLA): ***16,762 sqm***

TYPICAL OFFICE FLOOR PLATE: ***1,000 sqm***



08.

No. 1 The Terrace

OCCUPANCY ***100%***

WALT ***5.3 years***

CLIENTS

The Treasury, Ministry of Health, Parliamentary Services

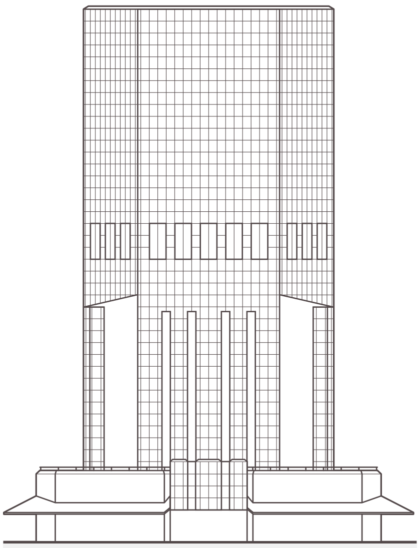
The Terrace, Wellington

No. 1 The Terrace occupies the prestigious corner location of The Terrace and Bowen Street in Wellington, in the heart of the parliamentary precinct. After redevelopment in 2006, it is an 18-level building with an adjoining low-rise annex featuring some of the largest CBD floor plates in New Zealand.

COLLIERS INTERNATIONAL WELLINGTON VALUATION AS AT 30 JUNE 2013: ***$76.1 million***

TOTAL NET LETTABLE AREA (NLA): ***18,851 sqm***

TYPICAL OFFICE FLOOR PLATE (TOWER): ***768 sqm***
2,080 sqm (podium floors)



09.

171 Featherston Street

OCCUPANCY ***100%***

WALT ***8.0 years***

CLIENTS

Bell Gully, First NZ Capital, Cameron & Partners, ANZ

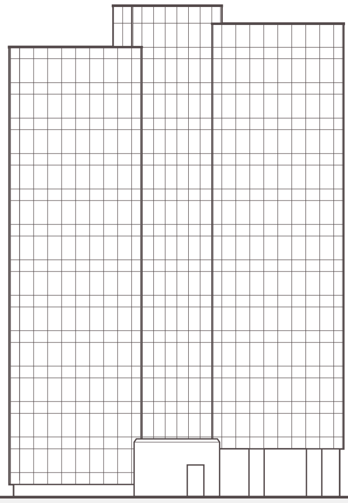
Featherston Street, Wellington

171 Featherston Street is the office tower component of a 26-level dual office/hotel complex occupying a key Wellington waterfront location, with uninterrupted views of the harbour. The office tower comprises the upper 13 levels, the three basement levels of car parks and part of the ground floor. The building features distinctive bronze-tinted glass cladding and strong vertical lines and offers a premium Wellington business address.

BAYLEYS VALUATION AS AT 30 JUNE 2013: ***$72.3 million***

TOTAL NET LETTABLE AREA (NLA): ***11,352 sqm***

TYPICAL OFFICE FLOOR PLATE: ***915 sqm***



10.

125 The Terrace

OCCUPANCY ***100%***

WALT ***5.5 years***

CLIENTS

Minter Ellison Rudd Watts, New Zealand Qualifications Authority, Canadian High Commission

The Terrace, Wellington

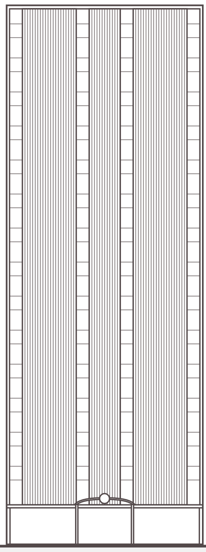
125 The Terrace is in the heart of Wellington's central business and retail district and enjoys some of the region's highest measured pedestrian traffic flows. The building comprises 13 levels of prime office accommodation, two levels of retail and four levels of car parks. The blue laminated reflective glass and distinctive blue granite exterior finishes merge to create an attractive landmark that provides some of Wellington's best-appointed office accommodation.

BAYLEYS VALUATION

AS AT 30 JUNE 2013: ***$66.8 million***

TOTAL NET LETTABLE AREA (NLA): ***12,069 sqm***

TYPICAL OFFICE FLOOR PLATE: ***869 sqm***



11.

Pastoral House

OCCUPANCY ***100%***

WALT ***3.6 years***

CLIENTS

Ministry of Primary Industries, Bank of New Zealand

The Terrace, Wellington

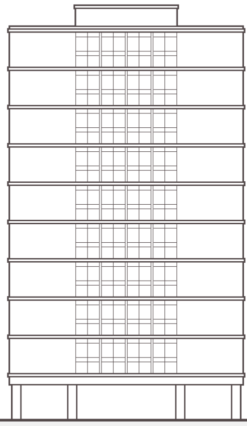
Pastoral House is an 18-level A-grade building comprising 17 levels of office accommodation and one ground floor retail level. It has dual frontages to The Terrace and Lambton Quay, and offers easy access to Government departments, Parliament and transport hubs. The property has an excellent aspect with harbour views and the Lambton Quay frontage enjoys good retail pedestrian exposure. Precinct completed a refurbishment of Pastoral House in 2005.

CBRE VALUATION

AS AT 30 JUNE 2013: ***$53.7 million***

TOTAL NET LETTABLE AREA (NLA): ***15,555 sqm***

TYPICAL OFFICE FLOOR PLATE: ***800 sqm***



12.

Bowen Campus

OCCUPANCY ***97%***

WALT ***1.7 years***

CLIENTS

Ministry of Social Development

Bowen Street, Wellington

Bowen Campus encompasses approximately one hectare of land and is situated in the heart of the parliamentary precinct next to the Beehive. This includes the 10-storey Bowen State Building and the 15-storey Charles Fergusson Tower which were built between the early 1960s and mid-1970s. The property offers a redevelopment opportunity with resource consent currently in place for 60,000 sqm of office space.

CBRE VALUATION

AS AT 30 JUNE 2013: ***$51.9 million***

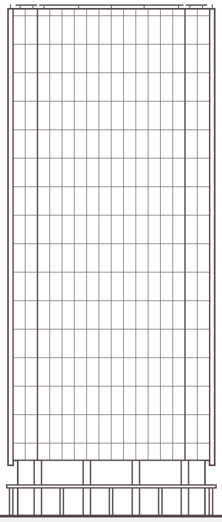
TOTAL NET LETTABLE AREA (NLA): ***30,167 sqm***

TYPICAL OFFICE FLOOR PLATE:

***1,485 sqm** (Bowen State)*

***802 sqm** (Charles Fergusson Tower)*

Property portfolio



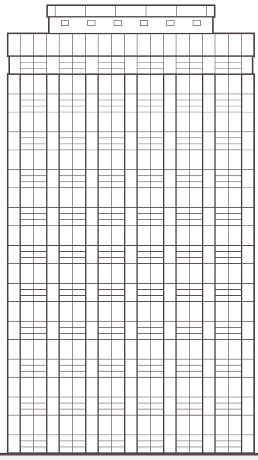
13. Deloitte House

OCCUPANCY ***100%***
WALT ***3.3 years***
CLIENTS
Deloitte, Telecom, Medsafe, Real Estate Agents Authority

Featherston Street, Wellington

Deloitte House is located in the heart of the Wellington corporate precinct and enjoys triple frontages to Brandon and Featherston Streets and Customhouse Quay. Originally built in 1983, the building was extended and refurbished in 2005/07 and now comprises 16 office floors, ground floor retail and a basement car parking level. There is good natural light for all levels and unobstructed harbour views from level five and above.

COLLIERS INTERNATIONAL WELLINGTON VALUATION
AS AT 30 JUNE 2013: ***$48.4 million***
TOTAL NET LETTABLE AREA (NLA): ***12,972 sqm***
TYPICAL OFFICE FLOOR PLATE: ***775 sqm***



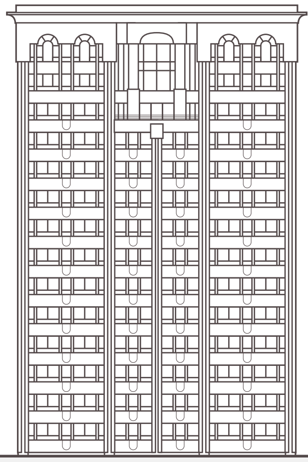
14. Mayfair House

OCCUPANCY ***100%***
WALT ***2.9 years***
CLIENTS
Department of Corrections

The Terrace, Wellington

Mayfair House was constructed in 1986. It is well-located, enjoying a favourable aspect at the northern end of The Terrace, close to the parliamentary precinct and close to key Government departments. It comprises 13 office floors, being some of the largest and most efficient plate sizes in the area. The property includes 251 car parks.

COLLIERS INTERNATIONAL WELLINGTON VALUATION
AS AT 30 JUNE 2013: ***$37.1 million***
TOTAL NET LETTABLE AREA (NLA): ***12,332 sqm***
TYPICAL OFFICE FLOOR PLATE: ***1,103 sqm***



15. 80 The Terrace

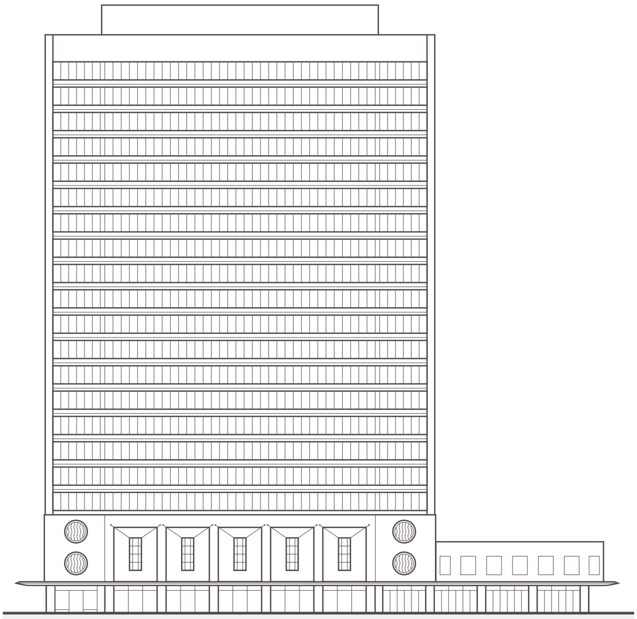
OCCUPANCY ***78%***
WALT ***4.7 years***
CLIENTS
New Zealand Fire Service, Transport Accident and Investigation Commission

The Terrace, Wellington

80 The Terrace is located on The Terrace, conveniently positioned near Government offices, car parks, bus and rail transport links, with nearby on- and off-ramps to the urban motorway. The set-back frontage and motorway to the rear ensure good natural light to all levels and harbour views from the upper floors. Completed in 1987, the building comprises 14 levels of office accommodation on top of four levels (eight split levels) of car parks.

CBRE VALUATION
AS AT 30 JUNE 2013: ***$26.4 million***
TOTAL NET LETTABLE AREA (NLA): ***10,563 sqm***
TYPICAL OFFICE FLOOR PLATE: ***778 sqm***

Property portfolio
New acquisitions for 2013



16.

HSBC House

OCCUPANCY ***100%***
WALT ***4.1 years***
CLIENTS
HSBC, NZTA, Baldwins

Queen Street, Auckland

HSBC House comprises a 21 level commercial office tower situated on a prime waterfront CBD site. This is a landmark building occupying one of the most prominent and sought after positions in the Auckland CBD. The building enjoys excellent natural light on all sides together with virtually uninterrupted harbour views.

CBRE VALUATION
AS AT 30 JUNE 2013: ***$103.2 million***
TOTAL NET LETTABLE AREA (NLA): ***19,200 sqm***
TYPICAL OFFICE FLOOR PLATE: ***1,059 sqm***

17.

Downtown Shopping Centre

OCCUPANCY ***99%***
WALT ***2.2 years***
CLIENTS
The Warehouse, Burger King, McDonald's, ASB

Customs Street West, Auckland

First opened in 1975, the Downtown Shopping Centre has a land area of approximately 6,500 square metres and existing resource consent for a 71,000 sqm (GFA) mixed-use office and retail development. With excellent access to public transport and positioned by Auckland's waterfront, this property has to be one of New Zealand's best long term investment opportunities.

CBRE VALUATION
AS AT 30 JUNE 2013: ***$96.2 million***
TOTAL NET LETTABLE AREA (NLA): ***13,950 sqm***
TYPICAL OFFICE FLOOR PLATE: ***N/A***


01.


02.


03.


04.


05.

Executive Team

01. Andrew Stringer

GENERAL MANAGER, PROPERTY

Andrew joined Precinct in 2011. As General Manager Property he is responsible for portfolio performance and leading the asset management team.

His previous roles include National Director of Valuation & Advisory Services at Colliers International, General Manager of private development company Landco Land Developments, and manager – Projects and Acquisitions for Kiwi Income Property Trust.

Andrew has a Bachelor of Property degree from the University of Auckland and is a Registered Valuer.

02. Scott Pritchard

CHIEF EXECUTIVE OFFICER

Scott has led the team since 2010 being responsible for the overall strategy and operations of Precinct.

Scott was most recently employed for six years as Fund Manager for Goodman Property Trust.

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

Scott holds a Masters degree in Management from Massey University. He is a director of the New Zealand Green Building Council and is also a member of the Property Council's national council.

03. George Crawford

CHIEF FINANCIAL OFFICER

George was appointed in late 2010. As Chief Financial Officer he is responsible for the financial and management reporting, capital management, cash flow management and taxation compliance functions for Precinct.

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 most recently Chief Financial Officer.

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

04. Trevor Wairepo

GENERAL COUNSEL
AND COMPANY SECRETARY

Trevor was appointed to this role in 2011, bringing extensive experience in all aspects of commercial real estate, both in New Zealand and the United Kingdom.

He has previously worked in the UK for nine years with international US firm Gibson Dunn & Crutcher and prior to that, with international UK firm Freshfields Bruckhaus Deringer. Most recently, Trevor was senior legal counsel with Meridian Energy, based in Christchurch.

Trevor is a Chartered Company Secretary, a Fellow of the Institute of Chartered Company Secretaries and a UK and NZ qualified solicitor.

Trevor holds a Master of Business Administration (Distinction) from the University of Auckland and a Bachelor of Laws and a Bachelor of Arts from the University of Canterbury.

05. Richard Hilder

CORPORATE ANALYST
AND INVESTOR RELATIONS MANAGER

Richard joined Precinct in 2010 after returning from the UK 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 UK.

Prior to moving to the UK Richard worked for Goodman Property Trust and Trust Investment Management Limited in New Zealand.

Richard has a Bachelor of Commerce (Honours) (Finance and Economics) from University of Auckland.


01.
02.
03.


04.
05.
06.

Meet the board

01. Graeme Wong

DIRECTOR, INDEPENDENT BCA (HONS) BUS ADMIN, FCFIP

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

Graeme has previously been a director of Sealord Group, Tasman Agriculture, Magnum Corporation, At Work Insurance, and an alternate director of Air New Zealand.

He is currently chairman of Harbour Asset Management and Areograph, a director of Tourism Holdings, and a member of the management and trust boards of Samuel Marsden Collegiate School.

02. Don Huse

DIRECTOR, INDEPENDENT BCA, CA

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

He is a director of OTPP New Zealand Forest Investments, Crown Irrigation Investments and Transpower New Zealand.

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.

03. Graeme Horsley

DIRECTOR, MNZM, LFNZIV/LFPINZ, FRICS, AF INST D

Graeme Horsley is an independent property consultant and professional director with 40 years property valuation and consultancy experience, including 14 years with Ernst & Young New Zealand where he was a partner and national director of the real estate group. Graeme is a Member of the New Zealand Order of Merit, a Life Fellow of the New Zealand Institute of Valuers (NZIV) now the Property Institute of New Zealand, an Eminent Fellow of the Royal Institution of Chartered Surveyors and an Accredited Fellow of the Institute of Directors.

In 2006 he was appointed a panel member of the Local Government Rates Inquiry; a ministerial inquiry setup to investigate the cost drivers and funding of local authority rating and in 2007 he was appointed an additional member of the High Court.

He is chair of Vital Healthcare Properties Trust, Matavai Niue Ltd, Niue Tourism Property Trust, and an independent director of Willis Bond Capital Partners Limited, Accessible Properties Limited and a trustee of the Tauranga Art Gallery Trust.

04. Chris Judd

DIRECTOR

Chris Judd has over 25 years' experience in the Property Industry.

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

05. Craig Stobo

CHAIRMAN, INDEPENDENT BA (HONS) FIRST CLASS ECONOMICS

Educated at Otago University and Wharton Business School, Craig Stobo has worked as a diplomat, economist, investment banker, and as CEO of BT Funds Management Ltd.

He has authored reports for the NZ Government on "The Taxation of Investment Income" and for the Taupo Group on "Creating Wealth for New Zealanders", and chaired the Government's International Financial Services Development Group in 2010.

Craig is a professional director and entrepreneur. In addition to his involvement with Precinct since 2005, he is chairman of the NZ Local Government Funding Agency (LGFA), AIG Insurance NZ Limited, OCG Consulting Ltd, Saturn Portfolio Management Limited, Elevation Capital Management Limited, and Appello Services Limited.

06. Rob Campbell

DIRECTOR, APPOINTED TO THE BOARD IN APRIL 2012.

Rob Campbell is an appointee of Haumi Company Limited. He has over 20 years' experience in investment management and corporate governance.

He is Chairman of Guinness Peat Group plc, Summerset Group Holdings Limited and a director of Turners and Growers Limited and other companies.

07. Mohamed Alhameli

Absent

DIRECTOR, CFA, BSC, MQM.

Mohamed joined the Abu Dhabi Investment Authority (ADIA) Real Estate and Infrastructure Department in 2008, where he is responsible for the investment management of a large global real estate portfolio. He is actively involved in both direct and indirect investments, mainly focusing on New Zealand, China, India, and Australia. Mohamed graduated in 1997 with a B.Sc. in Engineering from George Washington University in Washington DC, USA and has completed his Master of Quality Management from University of Wollongong, in Dubai, UAE.

08. Robert Walker

Absent

ALTERNATE DIRECTOR, BSC (HONS) IN URBAN ESTATE MANAGEMENT, MRICS

Robert is an alternate director for Mohamed Alhameli.

He is Head of Asia Pacific for the Abu Dhabi Investment Authority (ADIA) Real Estate and Infrastructure Department having joined in 2009. He is a chartered surveyor with over 20 years' experience in the property industry in Asia Pacific. Previous roles include Managing Director of Jones Lang LaSalle in Beijing, Director of Marketing and Operations in China for Hines, and CEO of the Macquarie Wanda Real Estate Fund, an 8 million square feet unlisted shopping centre business.

Corporate governance

INTRODUCTION

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

The board's commitment to corporate governance best practice can be seen in the Corporate Governance Manual that the board developed and adopted. The manual includes a Code of Ethics and a board Charter.

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

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 2013, investors will have the opportunity to re-elect two independent directors, as well as vote on various other matters.

THE BOARD

As at 30 June 2013 there were seven directors of Precinct and one alternate director. All directors are non-executive, and a majority (four) of the directors are independent (as defined by the NZX Listing Rules) being Messrs, Stobo, Horsley, Huse and Wong, with the other directors not being independent. Further details of each new director are set out below.

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

Mohamed Alhameli was appointed as a director 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. Robert Walker is an alternate director for Mohamed Alhameli. Christopher Judd is the other director appointed by AMP Haumi Management Limited and was appointed on 29 April 2013. Mr Alhameli, Mr Judd and Mr Walker are not required by Precinct's constitution or by rule 3.3.11 of the NZX Listing Rules to retire by rotation.

During the year to 30 June 2013 Anthony Beverley (resigned with effect from 29 April 2013) ceased to hold office as a director of Precinct.

As at 30 June 2013 Precinct has one subsidiary company which holds all of the individual Precinct properties. The directors for the Precinct subsidiary are Scott Pritchard, George Crawford and Trevor Wairepo.

A schedule of directors and their board meeting attendance record for the year to 30 June 2013 is set out below.

The board comprised eight males and no females as at 30 June 2013. The officers of the company comprised five males and no females as at 30 June 2013.

Director	*Status*	*Date of appointment*	*Board attendances for the year: eight board meetings*	*Gender*
Craig Stobo	Board Chairman Nominations Committee Chairman Independent Director	4 May 2010	8	M
Mohamed Alhameli	Director	2 April 2012	0	M
Anthony Beverley	Director – resigned with effect from 29 April 2013	4 May 2010	6*	M
Robert Campbell	Director	2 April 2012	8	M
Graeme Horsley	Due Diligence Committee Chairman Independent Director	4 May 2010	8	M
Don Huse	Audit and Risk Committee Chairman Independent Director	1 November 2010	8	M
Christopher Judd	Director	29 April 2013	2**	M
Robert Walker	Alternate Director for Mohamed Alhameli	2 April 2012	8	M
Graeme Wong	Remuneration Committee Chairman Independent Director	1 November 2010	8	M

Note: * Two board meetings occurred following the resignation of Anthony Beverley on 29 April 2013. ** Six board meetings occurred prior to the appointment of Christopher Judd as a director on 29 April 2013.

THE COMMITTEES OF THE BOARD

For the year to 30 June 2013 there were four committees of the board. These comprise an Audit and Risk Committee, a Nominations Committee, a Remuneration Committee and a Due Diligence Committee. The charters that exist for each committee can be found in the Corporate Governance Manual which is available on Precinct's website (www.precinct.co.nz).

The Audit and Risk Committee comprised Don Huse as Chairman, Graeme Horsley, Craig Stobo and Rob Campbell. This committee met four times during the year and all members attended every meeting. The committee was established to assist the board in discharging its duties with respect to financial reporting, compliance and risk management.

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

The Nominations Committee comprised Craig Stobo as Chairman, Graeme Horsley and Anthony Beverley. This committee did not meet during the year. The committee is to assist the board in planning the board's composition, evaluating competencies required of prospective directors and to make relevant recommendations to the board.

The Due Diligence Committee comprised Graeme Horsley as Chairman, Craig Stobo, Anthony Beverley and Graeme Wong. This committee met five times during the year and all members of the committee attended every meeting except Graeme Horsley who did not attend one meeting. This committee is an ad hoc committee that can be called on by the board to provide guidance and recommendations regarding due diligence related matters.

MANAGEMENT FEE STRUCTURE

Precinct's management fee structure includes a three-tier base fee and a performance fee based on relative outperformance over other NZX-listed property entities.

Management services agreement summary

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

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

Management services fee

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

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

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

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

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

Performance fee

Precinct also pays a performance fee to the manager linked to Precinct's adjusted equity returns relative to its peers in the listed property sector.

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.

Base management services

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

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

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

Additional services

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

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

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

Reimbursement of costs

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

Services similar to services provided to Precinct

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

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

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

Resourcing

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

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

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

Term and termination

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

In general, the Management Agreement may be terminated in the following ways:

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

provided that in each case Precinct may only exercise this right of termination if the termination has been approved by special resolution of Shareholders other than the manager or its "Associated Persons".

- By the manager on six months' written notice to Precinct.

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

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

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

Call option (transfer of manager's interests in the Management Agreement)

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

Board appointment rights

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

This director appointment right is subject to the Listing Rules and the requirements of any ruling granted by NZX from time to time.

TAKEOVERS CODE EXEMPTIONS

Introduction

This section contains information required by the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010.

Unless otherwise stated, the information provided in this section of the report is as at 31 August 2013.

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 (New Zealand) Limited *(AMPCI)* and Haumi Company Limited (as general partner of the Haumi (NZ) Limited Partnership *(HNZLP)*) are party 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 below.

FUNDS MANAGEMENT ACQUISITIONS

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

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

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

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

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

EMPLOYEE SHARE SCHEME ACQUISITIONS

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

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

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

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

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

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 31 August 2013, the percentage of voting securities on issue that are held or controlled by the AMPCI Parties as at 31 August 2013, 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*	2.18**	21.37***	21.35***	21.411***

Note: The figure marked * is calculated on the basis that no voting securities in Precinct have been acquired under the Pre-emptive arrangements. The figures marketed with a ** are calculated on the basis of the total holdings of voting securities in Precinct by the Combined AMPCI Parties as at 31 August 2013. The figures in this table marked with a *** 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 31 August 2013.

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

Note: 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 31 August 2013.

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**

Note: 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 31 August 2013.

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

Note: The figures in this table are calculated on the basis of the maximum percentages of Precinct voting securities that could be held by the parties as a result of the Combined Transactions, and that there is no change in the number of voting securities on issue after 31 August 2013.

NZX RULINGS AND WAIVERS

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 such transactions, unless any 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 on the waiver, and its effects and conditions, 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 AMP NZ Office Trust, and on the new management agreement being approved by unit holders of AMP NZ Office Trust.
- 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 AMP NZ Office Trust (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 this waiver, Precinct's constitution contains certain provisions which are not ordinarily contained in the constitution of a company listed on the NZSX, 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.

Shareholder information

Twenty largest Precinct shareholders as at 31 August 2013

Rank	*Shareholder*	*No. of shares*	*% of shares*
1.	National Nominees New Zealand Limited	203,882,583	20.45
2.	Accident Compensation Corporation	71,052,705	7.13
3.	FNZ Custodians Limited	50,918,335	5.11
4.	Investment Custodial Services Limited	43,367,053	4.35
5.	BNP Paribas Nominees (NZ) Limited	31,682,358	3.18
6.	HSBC Nominees (New Zealand) Limited A/C State Street	29,243,914	2.93
7.	Premier Nominees Ltd	28,968,814	2.91
8.	Private Nominees Limited	28,002,777	2.81
9.	Custodial Services Limited	26,845,392	2.69
10.	Guardian Nominees No 2 Limited	26,355,573	2.64
11.	Forsyth Barr Custodians Limited	22,029,559	2.21
12.	JP Morgan Chase Bank NA	15,468,783	1.55
13.	Premier Nominees Limited – OnePath Wholesale Property Securities	15,450,003	1.55
14.	MFL Mutual Fund Limited – NZCSD	15,213,392	1.53
15.	Forsyth Barr Custodians Limited	12,450,288	1.25
16.	Citibank Nominees (New Zealand) Limited	10,494,577	1.05
17.	Custodial Services Limited	9,957,245	1.00
18.	New Zealand Superannuation Fund Nominees Limited	8,455,409	0.85
19.	Mint Nominees Limited	7,672,335	0.77
20.	Custodial Services Limited	7,263,825	0.73
	Totals: Top 20 holders of Ordinary Shares	**664,774,920**	**66.67**
	Total Remaining Holders Balance	**332,294,874**	**33.33**

Source: Computershare

Distribution of Precinct shares and shareholders as at 31 August 2013

Range	*Total holders*	*Units*	*% of issued Capital*
1 – 99	1	1	0.00
100 – 199	2	221	0.00
200 – 499	12	4,119	0.00
500 – 999	72	47,239	0.00
1,000 – 1,999	172	226,859	0.02
2,000 – 4,999	640	2,189,835	0.22
5,000 – 9,999	1,308	9,209,353	0.92
10,000 – 49,999	4,437	100,689,023	10.10
50,000 – 99,999	825	54,717,661	5.49
100,000 – 499,999	396	69,534,113	6.97
500,000 – 999,999	25	15,980,677	1.60
1,000,000 – 9,999,999,999,999	34	744,470,693	74.67
Rounding		0.01	
Total	**7,924**	**997,069,794**	**100.00**

Source: Computershare

Substantial security holders as at 31 August 2013

Security holder	*No. of ordinary shares*	*%*	*Date of notice*
AMP Capital Investors (New Zealand) Limited[1]	216,915,710	21.755	23.07.2012
Haumi Company Limited	189,443,261	19.00	23.07.2012
Accident Compensation Corporation	76,911,378	7.714	9.05.2013
OnePath (NZ) Limited	59,133,280	5.931	06.08.2012

Source: NZX substantial shareholder notices

1. AMP Capital Investors (New Zealand) Limited's substantial security holder notice includes the 189,443,261 (19.0%) Precinct shares of Haumi Company Limited.

The total number of ordinary shares on issue as at 31 August 2013 was 997,069,794. Precinct has only ordinary shares on issue.

Precinct's website (www.precinct.co.nz) contains a summary of all NZX waivers granted and published by NZX within or relied on by Precinct within the 12 month period preceding the date 2 months before the date of publication of this annual report.

Neither Precinct nor its subsidiary made any donations during the year to 30 June 2013.

Details of directors' interests in Precinct shares as at 30 June 2013 are as follows;

	2013	*2012*
Director	*No. of shares*	*No. of shares*
Rob Campbell	98,750	0
Graeme Horsley	310,000	310,000
Don Huse	250,000	250,000
Graeme Wong	50,000	50,000

The following interests register entries were recorded for Precinct and its subsidiaries for the year to 30 June 2013.

Rob Campbell
Director of Tourism Holdings Limited
Chairman of Arco Property General Partner Limited
Acquired 98,750 Precinct shares

Graeme Horsley
Director of Accessible Properties Limited
Resigned as Chairman of Ngati Whatua o Orakei Corporation Limited
Resigned as a director of Trust Investments Management Limited
Resigned as a director of Orakei Retirement Care Limited
Resigned as a director of Orakei Management Services Limited
Resigned as a director of Corporate Property Investments Limited
Resigned as a director of Tamaki Retirement Care Limited
Resigned as a director of Tamaki Management Services Limited
Resigned as a director of The Ministry of Education Governance Board – School Properties

Don Huse
Resigned as a director of Southern Cross Airports Corporation Holdings Limited
Resigned as a director of Southern Cross Airports Corporation Pty Limited
Resigned as a director of Sydney Airport Corporation Limited
Resigned as a director of Sydney Airport Finance Company Pty Limited
Resigned as a director of Sydney Airport RPS Company Pty Limited
Director of Crown Irrigation Investments Limited

Chris Judd
Director of AMP Capital Palms Pty Limited
Director of AMP Capital Bayfair Pty Limited
Director of AMP Capital Property Portfolio Limited
Chairman of the APP Governance Committee
Director of AMP Haumi LTI Trustee Limited
Director of AMP Haumi Management Limited

Craig Stobo
Director of AIG Insurance New Zealand Limited
Director of Luminary Limited
Director of Luminary Search Limited
Resigned as a director of The Great Pinot Noir Company Limited

Graeme Wong
Director of China Forestry Group New Zealand Company Limited
Director of CFGC Investments New Zealand Limited
Director of CFGC Forest Managers Limited
Director of & Shareholder in Southern Capital Partners (NZ) Limited
Member of the Management Board of The Bible Society Development (New Zealand) Incorporated

Shareholder information (continued)

Insurance and indemnity

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

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

Remuneration of Precinct directors

The remuneration of Precinct directors was established by the Remuneration Committee having reference to remuneration paid to Directors of comparable New Zealand listed entities. As part of the corporatisation of Precinct, a cap of $450,000 per annum on Director remuneration was established. The actual fees paid are below this cap and vary according to the responsibilities and committee participation of each independent director.

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

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

	Role	*30 June 2013*		*30 June 2012*	
		Sub committee	*Board*	*Sub committee*	*Board*
Craig Stobo	Board Chair	$3,500	$137,467	$4,000	$131,400
Don Huse	Audit and Risk Committee Chair	–	$87,159	$4,000	$80,861
Graeme Horsley	Independent Director	$3,900	$77,098	$4,000	$70,754
Graeme Wong	Independent Director	$3,500	$77,098	$4,560	$70,754
Total		**$10,900**	**$378,821**	**$16,560**	**$353,769**

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 2013 additional committee fees totalling $10,900 were paid to the due diligence committee in relation to the acquisition of Downtown Shopping Centre (30 June 2012: $16,560).

Remuneration of the manager

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

Fee	*Fee basis*	*Service provided*	*30 June 2013*	*30 June 2012*
Base management services fee	In accordance with clause 9.2 of the MSA: 0.55% on the Value of Investment Property to $1 billion. 0.45% on the Value of Investment Property between $1 billion and $1.5 billion. 0.35% on the Value of Investment Property above $1.5 billion.	Overall management of Precinct to deliver on the board approved business plans, budgets and strategies.	$7.5 million	$6.6 million
Performance fee	In accordance with clause 9.4c of the MSA: 10% of quarterly outperformance of Precinct against the NZX 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.	$3.4 million	$3.2 million

Fee	Fee basis	Service provided	30 June 2013	30 June 2012
Leasing fees – new leases	In accordance with Clause 1 of Schedule 3 of the MSA:	Leasing of vacant space comprising annual rental of $4.8 million (2012: $12.9m) for a weighted average term of 6 years (2012: 7 years).	$0.66 million	$1.74 million
	a) A minimum fee of $2,500 per lease.	Precinct engages the Manager and external agents to lease vacant space.		
	b) For leases with an annual rental of less than $100,000, a fee equivalent to two months rental.	Where both the Manager and an external agent are involved, any fee payable to an external agent reduces the fee payable to the Manager so that the total fee payable by Precinct is no greater than the agreed scale of fees.		
	c) For leases with a term of less than 3 years, 12% of the annual rental.	If the fee payable to an external agent is equal to or exceeds the Manager scale of fees, no fee is payable to the Manager.		
	d) For leases with a 3 year term, 13% of the rental.	During the year, Precinct and the Manager agreed that fees payable for relocations of existing customers would be based on the additional term certain secured.		
	e) For leases with a term exceeding three years, 13% of the annual rental plus 1% for each year or part thereof, up to a maximum of 20% of annual rental.	The scale of leasing fees paid to the Manager is consistent with the scale of leasing fees paid to external agents. Fees paid by Precinct to external agents during the year totalled $1.6 million (2012: $1.9m).		
	f) Incentive fees ranging from 150% to 300% of the standard scale; only payable where competing market opportunities include incentive fees.	During the year no incentive fees were payable.		
Surrender Fees	In accordance with Clause 2 of Schedule 3 of the MSA:	Surrender payments made during the period totalling $0.2 million (2012: $0.4m).	$0.02 million	$0.04 million
	A fee of 10% of the surrender payment			
Leasing fees – renewals	In accordance with Clause 2 of Schedule 3 of the MSA.	Lease renewals over space comprising annual rental of $6.0 million (2012: $2.1m) for a weighted average term of 4 years (2012: 2.7 years).	$0.71 million	$0.12 million
	A fee of 50% to 100% of the leasing fee for new leases.			
	The Board of Precinct has applied judgement to determine the fair and reasonable fee payable for lease renewals. Broadly, the Board has determined that the following guidelines should apply:			
	a) 50%: where a client exercises its renewal option in accordance with the lease agreement.			
	b) 75%: where a client renegotiates the terms of the lease resulting in new documentation, but for a term materially consistent with the existing renewal term.			

Fee	Fee basis	Service provided	30 June 2013	30 June 2012
Development management fees	In accordance with Clause 6 of Schedule 3 of the MSA.	Development management fees paid in the period relate to the final fee for the redevelopment of the ANZ Centre, Auckland and a fee on the refurbishment of 171 Featherston St, Wellington.	$0.56 million paid in the year.	$0.91 million paid in the year.
	A fee of 2.5% of the total development cost excluding land cost, incentives, marketing, and finance costs.	Overall management of the development includes co-ordination of design, construction contract tendering, management of risks, appointment of consultants.		Further fees of up to $0.46 million are payable on achievement of certain project milestones through to practical completion.
Acquisition and disposal of properties	In accordance with Clause 5 of Schedule 3 of the MSA.	During the year Downtown Shopping Centre was acquired for $90 million and HSBC House was acquired for $103 million.	$1.93 million paid in the year relating to the acquisition of Downtown Shopping Centre and HSBC House.	$0.50 million paid in the year relating to the acquisition of Bowen Campus.
	A fee of 1% of the purchase price or other consideration to be provided by the purchaser.	Managing the sale or purchase including instruction of agents, valuers and lawyers and coordination of due diligence.	No fees were charged in relation to unsuccessful acquisitions.	The Manager agreed not to charge a fee in relation to the Chews Lane sale.
	A reasonable cost recovery fee on unsuccessful acquisitions based on "time in attendance" using a reasonable hourly rate and capped at $40,000 per acquisition.			No fees were charged in relation to unsuccessful acquisitions.
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.	$2.10 million	$1.24 million (7 months)
Rent review fees	In accordance with Clause 3 of Schedule 3 of the MSA.	The Manager managed the rent review process for reviews totalling annual rental of $9.2m (2012: $10.56m). The balance of rent reviews were managed by external agents.	$0.24 million.	$0.03 million.
	a) Where the rent does not increase because of a ratchet clause, an administration fee of $1,000 will only be payable at Board discretion. b) Open market reviews: 3% of the annual gross rental or 10% of the rental increase achieved.			

Management expense ratio

	2013 $m	2012 $m
Base management fee	$7.5 m	$6.6 m
Performance fee	$3.4 m	$3.2 m
Audit, Trustee & Directors	$0.6 m	$0.6 m
Other expenses	$1.3 m	$1.2 m
Total management expenses	**$12.8 m**	**$11.6 m**
Average total property value	**$1,486.1 m**	**$1,293.2 m**
Management expense ratio – excluding performance fee	63 bps	65 bps
Management expense ratio	86 bps	90 bps

Other fees paid to the manager outside of management expenses total $6.21 million (2012: $4.13 million) as detailed above.

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 CFO comprises base salary, short term incentive payments ("STI") and long term incentive payments ("LTI").

Short term remuneration

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

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

LTI scheme

The manager operates an LTI scheme under which the CEO and CFO 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 amounts 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	Beneficial interest number
Scott Pritchard	CEO	30 June 13	$605,412	605,412	1,725,229
		30 June 12	$582,626	598,486	1,119,817
		30 June 11	$420,970	521,331	521,331
George Crawford	CFO	30 June 13	$403,608	403,608	1,121,258
		30 June 12	$388,418	398,991	717,650
		30 June 11	$264,335	318,659	318,659

During the year ended 30 June 2013, the number of employees of the manager (including the CEO and CFO) 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.

Remuneration Range	# Employees
$750,000 – $800,000	1
$600,000 – $650,000	1
$350,001 – $400,000	1
$250,001 – $300,000	1
$200,001 – $250,000	3
$150,001 – $200,000	2
$100,001 – $150,000	5
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This annual report of Precinct Properties New Zealand Limited is dated 13 September 2013 and is signed on behalf of the board by:

Director

CRAIG STOBO
CHAIRMAN

Director

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The Numbers

PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS 2013

Statements of Comprehensive Income

For the year ended 30 June 2013

		Group		Company	
Amounts in $millions	*Notes*	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Revenue					
Gross rental income		**147.7**	127.3	**–**	–
Less direct operating expenses		**(43.7)**	(36.4)	**–**	–
Operating income before indirect expenses		**104.0**	90.9	**0.0**	0.0
Indirect expenses / (revenue)					
Interest expense		**28.2**	21.0	**28.2**	21.0
Interest income		**(0.2)**	(0.2)	**(66.4)**	(55.3)
Other expenses	3	**12.8**	11.6	**12.8**	11.6
Total indirect expenses / (revenue)		**40.8**	32.4	**(25.4)**	(22.7)
Operating income before income tax		**63.2**	58.5	**25.4**	22.7
Non operating income / (expenses)					
Unrealised net gain / (loss) in value of investment properties	10	**46.3**	5.5	**–**	–
Realised gain / (loss) on sale of investment properties	10	**–**	(0.3)	**–**	–
Unrealised interest rate swap gain / (loss)		**13.2**	(5.1)	**13.2**	(5.1)
Total non operating income / (expenses)		**59.5**	0.1	**13.2**	(5.1)
Net profit before taxation		**122.7**	58.6	**38.6**	17.6
Income tax expense / (benefit)					
Current tax expense	4	**4.9**	7.2	**7.2**	6.2
Deferred tax expense / (benefit)	4	**(39.7)**	6.3	**3.7**	(1.4)
Total taxation expense / (benefit)		**(34.8)**	13.5	**10.9**	4.8
Net profit after taxation attributable to equity holders		**157.5**	45.1	**27.7**	12.8
Total comprehensive income after income tax attributable to equity holders	5 & 7	**157.5**	45.1	**27.7**	12.8
Earnings per share (cents per share)					
Basic and diluted earnings per share	6	**15.79**	4.53		
Other amounts (cents per share)					
Operating income before current tax per share	6	**6.33**	5.86		
Net operating income per share	6	**5.85**	5.14		

The accompanying notes on pages 46 to 69 form part of these Financial Statements.

Statements of Changes in Equity

For the year ended 30 June 2013

Amounts in $millions	*Ordinary shares*	*Retained earnings*	*Total equity*
Group			
At 1 July 2011	814.7	67.7	882.4
Total comprehensive income for the period	–	45.1	45.1
Distributions to equity holders	–	(50.3)	(50.3)
At 30 June 2012	**814.7**	**62.5**	**877.2**
At 1 July 2012	**814.7**	**62.5**	**877.2**
Total comprehensive income for the period	**–**	**157.5**	**157.5**
Distributions to equity holders	**–**	**(50.9)**	**(50.9)**
At 30 June 2013	**814.7**	**169.1**	**983.8**
Company			
At 1 July 2011	814.7	(251.7)	563.0
Total comprehensive income for the period	–	12.8	12.8
Distributions to equity holders	–	(50.3)	(50.3)
At 30 June 2012	**814.7**	**(289.2)**	**525.5**
At 1 July 2012	**814.7**	**(289.2)**	**525.5**
Total comprehensive income for the period	**–**	**27.7**	**27.7**
Distributions to equity holders	**–**	**(50.9)**	**(50.9)**
At 30 June 2013	**814.7**	**(312.4)**	**502.3**

The accompanying notes on pages 46 to 69 form part of these Financial Statements.

Statements of Financial Position

As at 30 June 2013

		Group		Company	
Amounts in $millions	*Notes*	***30 June 2013***	*30 June 2012*	***30 June 2013***	*30 June 2012*
Current assets					
Cash and cash equivalents		**3.0**	0.7	**3.0**	0.7
Debtors	9	**7.3**	9.9	**2.9**	1.4
Total current assets		**10.3**	10.6	**5.9**	2.1
Non-current assets					
Fair value of interest rate swaps		**3.8**	–	**3.8**	–
Deferred tax asset – fair value of interest rate swaps	4	**4.0**	7.7	**4.0**	7.7
Investment properties	10	**1,640.4**	1,332.1	**0.1**	–
Loan to subsidiary	11	**–**	–	**1,116.1**	895.6
Total non-current assets		**1,648.2**	1,339.8	**1,124.0**	903.3
Total assets		**1,658.5**	1,350.4	**1,129.9**	905.4
Current liabilities					
Fair value of interest rate swaps		**0.4**	0.1	**0.4**	0.1
Provision for tax		**2.0**	2.9	**3.3**	1.9
Other current liabilities	12	**11.4**	12.7	**3.3**	4.1
Total current liabilities		**13.8**	15.7	**7.0**	6.1
Non-current liabilities					
Interest bearing liabilities	14	**603.0**	346.5	**603.0**	346.5
Fair value of interest rate swaps		**17.6**	27.3	**17.6**	27.3
Deferred tax liability – depreciation	4	**40.3**	83.7	**–**	–
Total non-current liabilities		**660.9**	457.5	**620.6**	373.8
Total liabilities		**674.7**	473.2	**627.6**	379.9
Total equity		**983.8**	877.2	**502.3**	525.5
Total liabilities and equity		**1,658.5**	1,350.4	**1,129.9**	905.4

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 19 August 2013.

Director *Director*

The accompanying notes on pages 46 to 69 form part of these Financial Statements.

Statements of Cash Flows

For the year ended 30 June 2013

Amounts in $millions	*Notes*	*Group* **30 June 2013**	*Group* 30 June 2012	*Company* **30 June 2013**	*Company* 30 June 2012
Cash flows from operating activities					
Gross rental income	8	**142.5**	116.2	**–**	–
Interest income		**0.2**	0.2	**66.4**	55.3
Property expenses		**(40.9)**	(37.8)	**–**	–
Other expenses		**(13.8)**	(10.9)	**(16.3)**	(8.0)
Interest expense		**(29.3)**	(20.7)	**(27.2)**	(21.2)
Income tax		**(4.5)**	(8.1)	**(5.8)**	(4.0)
Net cash inflow / (outflow) from operating activities	7	**54.2**	38.9	**17.1**	22.1
Cash flows from investing activities					
Proceeds from sale of investment properties		**–**	47.8	**–**	–
Loan to subsidiary		**–**	–	**(220.4)**	(35.4)
Capital expenditure on investment properties		**(59.7)**	(47.2)	**–**	–
Acquisiton of investment properties		**(195.8)**	(51.4)	**–**	–
Capitalised interest on investment property		**(2.0)**	(1.5)	**–**	–
Net cash inflow / (outflow) from investing activities		**(257.5)**	(52.3)	**(220.4)**	(35.4)
Cash flows from financing activities					
Loan facility drawings to fund acquisitions		**195.8**	3.6	**195.8**	3.6
Loan facility drawings to fund capex		**59.7**	47.2	**59.7**	47.2
Other loan facility drawings[1]		**1.0**	13.2	**1.0**	13.2
Distributions paid to share holders		**(50.9)**	(50.3)	**(50.9)**	(50.3)
Net cash inflow / (outflow) from financing activities		**205.6**	13.7	**205.6**	13.7
Net increase / (decrease) in cash held		**2.3**	0.4	**2.3**	0.4
Cash at the beginning of the year		**0.7**	0.3	**0.7**	0.3
Cash at the end of the year		**3.0**	0.7	**3.0**	0.7

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

The accompanying notes on pages 46 to 69 form part of these Financial Statements.

1) Summary of significant accounting policies

The reporting entity

The audited financial statements presented are those of Precinct Properties New Zealand Limited (Precinct) and its subsidiary. Precinct is an issuer for the purposes of the Financial Reporting Act 1993.

The statements are those of Precinct and its 100% owned subsidiary: Precinct Properties Holdings Limited.

Precinct's principal activity is investment in predominantly prime CBD office properties in New Zealand. Precinct is managed by AMP Haumi Management Limited.

a) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

– Financial instruments at fair value through profit or loss are measured at fair value

– Investment property is measured at fair value

b) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRS'). Financial statements have been prepared using the New Zealand Dollar functional and reporting currency. Financial statements have been rounded to the nearest hundred thousand dollars.

The following standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the reporting period:

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods which the Company has not early adopted:

NZ IFRS 9 – Financial Instruments: Classification and measurement. The standard requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. Precinct have not yet determined the effect, if any, on the financial statements. The first balance date this standard will be applicable for Precinct will be 30 June 2016.

NZ IFRS 13 – Fair Value Measurement: NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. Precinct have not yet determined the effect, if any, on the financial statements.

c) Basis of consolidation

The consolidated financial statements include Precinct and its subsidiary company. The acquisition of subsidiaries is accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition separate from goodwill, the identifiable assets acquired, the liabilities assumed and non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities of the acquiree are measured initially at their fair values at the acquistion date.

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.

d) Investment properties

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

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

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

1) Summary of significant accounting policies (continued)

d) Investment properties (continued)

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, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time. Valuation approaches used can be found in Note 2(ii).

Investment properties are derecognised when they have either been disposed of 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.

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

e) Development properties

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

f) Revenue recognition

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

g) 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. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to Loan to subsidiary and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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. The deferred tax liabilities or assets on investment property therefore reflect the anticipated depreciation clawback or loss on disposal arising on sale.

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.

h) Goods and services tax

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

1) Summary of significant accounting policies (continued)

i) Receivables

Receivables are recognised and carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectable amounts. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments of debts more than 60 days overdue are considered objective evidence of the impairment. Bad debts are written off when identified.

j) Leasing fees

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

k) Payables

Payables are carried at amortised cost. They represent liabilities for goods and services provided to Precinct prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

l) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the liability on an effective interest basis.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Derivative financial instruments

Precinct uses derivative financial instruments to manage its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss as the financial instrument meets the criteria of a derivative.

The fair value of interest rate swaps is the estimated amount that Precinct would receive or pay to terminate the swap at the balance date, taking into account current interest rates and creditworthiness of the swap counterparties.

n) Investments in subsidiary

Investments in subsidiary are carried at the lower of cost and estimated recoverable amount.

o) Derecognition of financial instruments

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

p) Cash and cash equivalents

For purposes of Statements of Cash Flows, cash includes coins, notes, demand deposits and other highly liquid investments in which the group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts.

q) Lease incentives

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

r) Operating and finance leases

Leases under which the Group retains substantially all the risks and rewards of ownership are classified as operating leases. All other leases are classified as finance leases.

s) Changes in accounting policies

There have been no changes in accounting policies from those applied in the previous year.

2) Significant accounting judgements, estimates and assumptions

In applying Precinct's accounting policies, management continually evaluates 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 outlined below:

(i) Operating lease commitments

Precinct has entered into commercial property leases on its investment properties. Precinct has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(ii) Investment and development properties

Independent valuations are used to determine the fair value of investment and development properties. The most common and accepted methods for assessing the current market value of a property are the Capitalisation and Discounted Cash Flow approaches. Each approach derives a value based on contract rentals, expected future market rentals, income void assumptions, maintenance requirements and appropriate discount rates.

The Capitalisation approach is considered a 'snapshot' view of the property's value, based on current contract and market income and an appropriate market yield or return for the particular property. Capital adjustments are then made to the value to reflect under- or over-renting, pending capital expenditure, upcoming expiries and associated lease-up costs.

Taking a more long-term investment view, the Discounted Cash Flow analysis adopts a 10-year investment horizon and makes appropriate allowances for rental income growth, leasing up on expiries, along with a terminal value at the end of the investment period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10-year period.

Due to the building refurbishment and staggered commencement of the new ANZ lease at ANZ centre, the valuer (Colliers International Limited) of this property considered the value of the property upon completion of the refurbishment as at 1 June 2013 utilising traditional investment valuation approaches (Contract Income, Market Income and Discounted Cashflow), with allowances made for costs to complete the development and a market margin for profit and risk.

In deriving a market value under each approach, all assumptions are compared, where possible, to market based evidence and transactions for properties with similar locations, condition and quality of accommodation. The adopted market value is a weighted combination of both the capitalisation and discounted cash flow approaches.

(iii) Deferred tax assets

As at 30 June 2013, Precinct had recognised deferred tax assets relating to the fair value of interest rate swaps. The deferred tax asset is the amount of income taxes recoverable in future periods in respect of the deductible temporary differences. In recognising this asset, management have considered the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

(iv) Deferred tax liabilities

As at 30 June 2013, 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. Precinct has assessed that the market value of fixtures and fittings will on average be equal to their tax book value.

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2013

3) Operating profit before income tax

Operating profit before income tax has been arrived at after charging the following items:

Amounts in $millions	Group		Company	
	30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
Other expenses				
Audit fees[1]	**0.2**	0.2	**0.1**	0.2
Directors' fees	**0.4**	0.4	**0.4**	0.4
Manager's base fees	**7.5**	6.6	**7.5**	6.6
Manager's performance fees	**3.4**	3.2	**3.4**	3.2
Other[2]	**1.3**	1.2	**1.4**	1.2
Total other expenses	**12.8**	11.6	**12.8**	11.6

1. Audit fees include $60,450 for other assurance services (30 June 2012: $34,125).
2. Other expenses includes valuation fees, share registry costs and annual report design and publication.

4) Taxation

Statement of Comprehensive Income

Major components of income tax expense for the years ended 30 June 2013 and 2012 are:

Amounts in $millions	Group		Company	
	30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
Current tax expense	**4.9**	7.2	**7.2**	6.2
Deferred tax expense / (benefit)				
Fair value of interest rate swaps	**3.7**	(1.4)	**3.7**	(1.4)
Depreciation – current year	**(43.4)**	7.7	**–**	–
Total deferred tax expense / (benefit)	**(39.7)**	6.3	**3.7**	(1.4)
Total taxation expense	**(34.8)**	13.5	**10.9**	4.8

4) Taxation (continued)

Statement of Comprehensive Income (continued)

A reconciliation of income tax expense applicable to accounting profit before tax at statutory tax rate to tax expense at Precinct's effective tax rate for the years ended 30 June 2013 and 2012 is as follows:

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Net profit before taxation	**122.7**	58.6	**38.6**	17.6
At the statutory income tax rate of 28.0%	**34.3**	16.4	**10.8**	4.9
Unrealised gain/(loss) on value of investment properties	**(13.0)**	(1.5)	**–**	–
Realised (gain) / loss on sale of investment properties	**–**	0.1	**–**	–
Disposal of depreciable assets	**(2.4)**	–	**–**	–
Other adjustments	**(7.3)**	(3.1)	**(3.6)**	1.3
Depreciation	**(6.7)**	(4.7)	**–**	–
Current tax expense	**4.9**	7.2	**7.2**	6.2
Total deferred tax expense / (benefit)	**(39.7)**	6.3	**3.7**	(1.4)
Total taxation expense	**(34.8)**	13.5	**10.9**	4.8
Effective tax rate	**–28%**	23%	**28%**	27%

Statement of Financial Position

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Deferred tax asset at 30 June relates to the following:				
Revaluation of interest rate swaps to fair value	**4.0**	7.7	**4.0**	7.7
Deferred tax liability at 30 June relates to the following:				
Depreciation clawback	**(40.3)**	(83.7)	**–**	–
Total deferred tax asset / (liability)	**(36.3)**	(76.0)	**4.0**	7.7

As at 30 June 2013, Precinct has changed its approach to estimating the deferred tax liability relating to provision for depreciation claw-back on disposal of investment properties at carrying values. The change in estimation method has been made to better reflect the market values attributable to fixtures and fittings based on revised estimates of their useful lives. The market value of fixtures and fittings have on average been assessed as equal to their tax book value. The effect of the change in estimation method as at 30 June 2013 has been to reduce the deferred tax liability by $50.9m.

Precinct has no tax losses available to carry forward as at 30 June 2013 (2012: $nil).

As at 30 June 2013, Precinct holds its properties on capital account for income tax purposes.

5) 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, deferred tax and other non-cash NZ IFRS adjustments.

Amounts in $millions	30 June 2013	30 June 2012
Net profit after taxation	157.5	45.1
Unrealised net (gain) / loss in value of investment properties	(46.3)	(5.5)
Realised loss / (gain) on sale of investment properties	–	0.3
Unrealised interest rate swap (gain) / loss	(13.2)	5.1
Deferred tax (benefit)/expense	(39.7)	6.3
Net operating income	**58.3**	51.3

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

6) Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary share holders (excluding distributions to share holders) by the weighted average number of shares outstanding during the period.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Group	
Amounts in millions	30 June 2013	30 June 2012
Net profit after tax for basic and diluted earnings per share ($)	157.5	45.1
Weighted average number of shares for basic and diluted earnings per share	997.1	997.1

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

Operating income before tax per share is calculated by dividing net operating income plus current tax, by the weighted average number of shares outstanding during the period.

Net operating income per share is calculated by dividing net operating income by the weighted average number of shares outstanding during the period.

These additional measures are provided to assist shareholders in assessing their returns for the year.

7) Reconciliation of net profit after taxation with cash inflow / (outflow) from operating activities

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Net profit after taxation	**157.5**	45.1	**27.7**	12.8
Add / (less) non-cash items and non operating items				
Unrealised (gain) / loss in value of investment properties	**(46.3)**	(5.5)	**–**	–
Realised loss / (gain) on sale of investment properties	**–**	0.3	**–**	–
Unrealised interest rate swap loss	**(13.2)**	5.1	**(13.2)**	5.1
Deferred tax (benefit)/expense	**(39.7)**	6.2	**3.7**	(1.4)
Amortisation of leasing costs and incentives	**4.3**	3.5	**–**	–
Movement in working capital				
Increase / (decrease) in creditors	**(0.1)**	(3.3)	**(1.1)**	5.6
(Increase) / decrease in debtors	**(8.3)**	(12.5)	**–**	–
Net cash inflow / (outflow) from operating activities	**54.2**	38.9	**17.1**	22.1

8) Reconciliation of gross rental income recognised in the statement of comprehensive income to cash flow from gross rental income

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Gross rental income	**147.7**	127.3	**–**	–
Less: Current year incentives	**(8.7)**	(10.0)	**–**	–
Add: Amortisation of incentives	**3.1**	1.5	**–**	–
Add: Working capital movements	**0.4**	(2.6)	**–**	–
Cash flow from gross rental income	**142.5**	116.2	**–**	–

9) Debtors

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Trade debtors	**1.1**	4.3	**–**	1.4
Provision for doubtful debts	**(0.1)**	(0.1)	**–**	–
Other debtors	**6.3**	5.8	**2.9**	–
Total debtors	**7.3**	9.9	**2.9**	1.4

9) Debtors (continued)

Debtors are reviewed for impairment on an on-going basis. A trade debtor is considered past due when the counterparty has failed to make payment when contractually due.

A debtor is considered to be impaired when all amounts due according to the original terms of receivables may not be able to be collected. Doubtful debts are provided for when the debt is considered to be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows relating to the debt. The provision for doubtful debts as at 30 June 2013 and 30 June 2012 relate to trade debtors that have been outstanding for less than a year.

10) Investment properties

30 June 2013

Amounts in $millions	*Valuer*	*Initial yield[2] %*	*Capitalisation rate[2] %*	*Occupancy %*
ANZ Centre[6]	Colliers International	6.8%	6.8%	100%
SAP Tower	Jones Lang LaSalle	8.1%	7.6%	96%
AMP Centre	Colliers International	8.0%	7.6%	100%
125 The Terrace	Bayleys	8.1%	7.9%	100%
171 Featherston Street	Bayleys	8.3%	7.7%	100%
No.1 and 3 The Terrace	Colliers International	8.0%	7.5%	100%
No. 3 The Terrace[1]	Colliers International	N/A	N/A	N/A
PricewaterhouseCoopers Tower	CBRE	6.2%	7.1%	92%
Pastoral House	CBRE	8.6%	8.3%	100%
Vodafone on the Quay	Colliers International	7.3%	7.5%	100%
State Insurance Tower	Bayleys	5.4%	7.8%	88%
Mayfair House	Colliers International	8.7%	8.8%	100%
80 The Terrace	CBRE	4.5%	9.5%	78%
Deloitte House	Colliers International	9.1%	8.1%	100%
Zurich House	Jones Lang LaSalle	7.6%	7.0%	94%
Bowen Campus	CBRE	11.4%	9.8%	97%
Downtown Shopping Centre[7]	CBRE	7.1%	7.0%	99%
HSBC House[8]	CBRE	8.0%	7.5%	100%
Market value (fair value) of properties		7.4%	7.5%	97%

1. No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
2. Total weighted average by market value.
3. Total weighted average lease term is total average weighted lease term by income.
4. Valuation gain / (loss).
5. Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.
6. Additions include $2.0m of capitalised interest. The amount of interest that is capitalised is calculated by taking the average cost of borrowing from Precinct's lenders and the cost of interest attached to the financial instruments associated with the borrowings.
7. Downtown Shopping Centre was purchased on 31 October 2012.
8. HSBC House was purchased on 17 May 2013.
9. HSBC House was valued as at 12 April 2013 (all other properties were valued at 30 June 2013). Management are of the view that there would be no change in the value if it was valued as at 30 June 2013.

WALT[3] years	Valuation 30 June 2012	Capitalised incentives	Additions/ disposals[5]	**Revaluation[4] 30 June 2013**	**Valuation 30 June 2013[9]**
11.5	192.5	0.9	39.7	**16.9**	**250.0**
4.2	80.0	0.5	3.0	**5.2**	**88.7**
6.0	100.2	(0.2)	0.9	**9.1**	**110.0**
5.5	64.0	0.3	0.4	**2.0**	**66.7**
8.0	69.4	0.5	0.0	**2.4**	**72.3**
5.3	78.0	0.1	0.3	**(2.3)**	**76.1**
45.2	10.7	0.0	0.0	**0.0**	**10.7**
5.9	222.4	1.8	6.5	**2.4**	**233.1**
3.6	54.8	(0.1)	0.1	**(1.1)**	**53.7**
5.1	92.5	0.6	4.1	**(1.7)**	**95.5**
5.1	129.5	0.9	0.7	**4.1**	**135.2**
2.9	38.2	(0.3)	0.3	**(1.1)**	**37.1**
4.7	26.1	0.4	2.7	**(2.8)**	**26.4**
3.3	47.0	0.2	0.1	**1.1**	**48.4**
5.6	75.4	0.7	0.8	**8.3**	**85.2**
1.7	51.5	0.0	0.0	**0.4**	**51.9**
2.2	–	0.0	91.7	**4.5**	**96.2**
4.1	–	0.0	104.3	**(1.1)**	**103.2**
5.7	1,332.1	6.3	255.7	**46.3**	**1,640.4**

10) Investment properties (continued)

30 June 2012

Amounts in $millions	Valuer	Initial yield[2] %	Capitalisation rate[2] %	Occupancy %
ANZ Centre[8]	Colliers International	5.7%	7.0%	100%
SAP Tower	Jones Lang LaSalle	7.6%	8.3%	85%
AMP Centre	Colliers International	7.9%	8.3%	89%
125 The Terrace	Bayleys	8.0%	8.0%	94%
171 Featherston Street	Bayleys	8.4%	8.0%	100%
No.1 and 3 The Terrace	CBRE	8.1%	7.6%	100%
No. 3 The Terrace[1]	CBRE	N/A	N/A	N/A
PricewaterhouseCoopers Tower	CBRE	6.2%	7.4%	87%
Pastoral House	CBRE	8.4%	8.3%	100%
Vodafone on the Quay	Colliers International	8.2%	7.8%	94%
State Insurance Tower	Bayleys	5.5%	7.9%	85%
Mayfair House	Colliers International	8.8%	8.8%	100%
80 The Terrace	CBRE	11.2%	9.5%	90%
Deloitte House	Colliers International	9.3%	8.5%	98%
Chews Lane[4]	N/A	N/A	N/A	N/A
Zurich House	Jones Lang LaSalle	6.7%	7.6%	99%
Bowen Campus[7]	CBRE	10.7%	9.9%	95%
Market value (fair value) of properties		7.3%	7.9%	94%

1. No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
2. Total weighted average by market value.
3. Total weighted average lease term is total average weighted lease term by income.
4. The remaining Chews Lane office and retail units were sold on 16 December 2011 resulting in a realised loss on sale of $0.3 million.
5. Valuation gain / (loss).
6. Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales or unconditional contracts for sale at year-end.
7. Bowen Campus was puchased on 28 June 2012.
8. Additions include $1.5m of capitalised interest. The amount of interest that is capitalised is calculated by taking the average cost of borrowing from Precinct's lenders and the cost of interest attached to the financial instruments associated with the borrowings.
9. Bowen Campus was valued as at 6 March 2012 (all other properties were valued at 30 June 2012). Management are of the view that there would be no change in the value if it was valued as at 30 June 2012.

Precinct's properties were valued as at 30 June 2013 by independent registered valuers Colliers International, Bayleys, Jones Lang Lasalle and CBRE. The valuations are on the basis of fair value.

	2013	2012
Breakdown of Valuation by Valuer		
Colliers International	**627.8**	470.4
Jones Lang LaSalle	**173.9**	155.4
CBRE	**564.5**	443.5
Bayleys	**274.2**	262.9
	1,640.4	1,332.1

WALT[3] years	Valuation 30 June 2011	Capitalised incentives	Additions/ disposals[6]	Revaluation[5] 30 June 2012	Valuation 30 June 2012[9]
10.9	158.5	0.1	31.6	2.3	192.5
5.0	73.3	2.7	2.8	1.2	80.0
6.2	98.3	0.5	1.0	0.4	100.2
6.0	64.2	(0.2)	(0.3)	0.3	64.0
3.8	65.0	0.2	0.3	3.9	69.4
5.8	79.0	(0.1)	0.0	(0.9)	78.0
46.2	10.6	–	–	0.1	10.7
6.0	207.0	5.0	3.4	7.0	222.4
4.5	56.0	(0.0)	(0.0)	(1.2)	54.8
4.0	96.3	0.2	0.7	(4.6)	92.5
4.7	124.6	(0.0)	4.2	0.6	129.5
3.2	38.3	(0.2)	0.2	(0.1)	38.2
2.1	30.4	(0.1)	0.2	(4.4)	26.1
4.1	48.7	0.2	0.0	(1.9)	47.0
N/A	32.5	–	(32.5)	0.0	–
6.7	71.5	1.1	0.2	2.7	75.4
2.5	–	–	51.4	0.1	51.5
5.9	1,254.2	9.3	63.2	5.5	1,332.1

11) Investment in subsidiary

Shares in subsidiary

Precinct owns 100 shares in its subsidiary company with the parcel of 100 subsidiary shares being purchased for $100. The subsidairy's balance date is 30 June 2013.

There were no changes in the percentage of Precinct ownership and in the balance date of the subsidiary company. The subsidiary is incorporated in New Zealand.

Loan to subsidiary

Amounts in $millions	*Incorporation date of company*	*Subsidiary loan*	
		2013	*2012*
Precinct Properties Holdings Limited	15-May-12	**1,116.1**	895.6
Total loan to subsidiary		**1,116.1**	895.6

The subsidiary loan is subject to an individual loan facility agreement between Precinct and the subsidiary. The interest rate of this loan is variable and is set by Precinct. The current interest rate as set by Precinct is 8% (2012: 8%).

12) Other current liabilities

	Group		***Company***	
Amounts in $millions	***30 June 2013***	*30 June 2012*	***30 June 2013***	*30 June 2012*
Trade creditors	**3.2**	4.7	**–**	–
Other liabilities	**5.5**	3.3	**3.3**	4.1
Accrued capital expenditure	**2.7**	4.7	**–**	–
Total other current liabilities	**11.4**	12.7	**3.3**	4.1

13) Contingent liabilities

There are no contingent liabilities as at 30 June 2013 (2012: $nil).

14) Interest bearing liabilities

On 20 June 2013 Precinct secured a new $660m loan facility. The facility replaced Precinct's existing $525.5m facility.

As at 30 June 2013 Precinct has a cash advance facility with ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand Limited (BNZ), Commonwealth Bank of Australia (ASB) and Bank of Tokyo-Mitsubishi UFJ Limited (BTMU) for $660,000,000 (2012: $475,000,000). The maturity profile for the facility is as follows:

		Group and Company 2013	
Amounts in $millions	*Maturity Date*	***Facility***	***Drawn***
Loan facility 2013			
ANZ	Jul-18	**67.8**	**48.8**
ASB	Jul-18	**67.8**	**48.8**
BNZ	Jul-18	**67.7**	**48.7**
ANZ	Jul-17	**67.8**	**67.8**
ASB	Jul-17	**67.8**	**67.8**
BNZ	Jul-17	**67.7**	**67.7**
ANZ	Jul-16	**67.8**	**67.8**
ASB	Jul-16	**67.8**	**67.8**
BNZ	Jul-16	**67.8**	**67.8**
BTMU	Jul-16	**50.0**	**50.0**
Total		**660.0**	**603.0**

The lenders under the loan facility 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.

Interest rates charged on the facility for the drawdown period are at the 90-day benchmark borrowing rate (BKBM) plus a margin. As at 30 June 2013 the weighted average interest rate applying to drawn amounts was 3.55% (includes margin) (2012: 3.57%). Through the use of interest rate swaps Precinct has as of 30 June 2013 effectively fixed the interest rate on $341,500,000 being 56.6% (2012: $219,000,000, 63.2%) of its total drawn amount at a weighted average interest rate of 5.84% (includes margin) (2012: 7.26%). The weighted average term of the swaps is 3.66 years (2012: 4.3 years).

Precinct also pays a fee for the facility which is payable quarterly to BNZ, ANZ, BTMU and ASB. Precinct also pays a facility agent fee to ANZ.

14) Interest bearing liabilities (continued)

Amounts in $millions	Maturity Date	Facility	Drawn
	Group and Company 2012		
Loan facility 2012			
BNZ	Jul-17	41.7	17.2
ANZ	Jul-17	41.7	17.2
ASB	Jul-17	41.6	17.2
BNZ	Jul-16	41.7	26.7
ANZ	Jul-16	41.7	26.7
ASB	Jul-16	41.6	26.7
BNZ	Jul-14	41.7	41.7
ANZ	Jul-14	41.7	41.7
ASB	Jul-14	41.6	41.7
BNZ	Jul-13	33.4	30.0
ANZ	Jul-13	33.3	30.0
ASB	Jul-13	33.3	30.0
Total		475.0	346.5

15) Imputation credit account

	Group		Company	
Amounts in millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Opening credit balance	**(0.7)**	–	**(0.7)**	–
Taxation paid	**5.5**	5.9	**5.5**	5.9
Imputation credits attached to distributions	**(5.2)**	(6.6)	**(5.2)**	(6.6)
Closing credit balance	**(0.4)**	(0.7)	**(0.4)**	(0.7)

16) Shares issued

Amounts in millions	Group 30 June 2013 shares	Group 30 June 2012 shares	Company 30 June 2013 shares	Company 30 June 2012 shares
Shares issued	**997.1**	997.1	**997.1**	997.1

Amounts in millions	Group shares	Group shares ($)	Company shares	Company shares ($)
Movement in shares on issue				
At 1 July 2011	997.1	814.7	997.1	814.7
At 1 July 2012	997.1	814.7	997.1	814.7
At 30 June 2013	**997.1**	**814.7**	**997.1**	**814.7**

The total number of shares outstanding as at 30 June 2013 is 997,069,794 (2012: 997,069,794). The shares carry full voting rights, no redemption rights, have no par value and are subject to the terms of the constitution.

17) Distributions paid and proposed

The following distributions were declared and paid during the year.

Amounts in $millions	Group 30 June 2013	Group 30 June 2012	Company 30 June 2013	Company 30 June 2012
Q4 2012 final distribution: 1.260 cents per share (Q4 2011: 1.260 cents per share)	**12.5**	12.5	**12.5**	12.5
Q1 2013 interim distribution: 1.280 cents per share (Q1 2012: 1.260 cents per share)	**12.8**	12.6	**12.8**	12.6
Q2 2013 interim distribution: 1.280 cents per share (Q2 2012: 1.260 cents per share)	**12.8**	12.6	**12.8**	12.6
Q3 2013 interim distribution 1.280 cents per share (Q3 2012: 1.260 cents per share)	**12.8**	12.6	**12.8**	12.6
Total distributions paid	**50.9**	50.3	**50.9**	50.3
Distribution approved subsequent to balance date				
Q4 2013 final distribution 1.280 cents per share (Q4 2012: 1.260 cents per share)	**12.8**	12.6	**12.8**	12.6

18) Commitments

Precinct has $4.5m of capital commitments as at 30 June 2013 (2012: $33.4) relating to the ANZ redevelopment.

Operating lease commitments as lessor

Precinct has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one and 45 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Within one year	**151.9**	106.3	**–**	–
After one year but not more than five years	**410.6**	329.8	**–**	–
More than five years	**274.1**	298.6	**–**	–

The above rental numbers are based on contract rates as at 30 June 2013 and 30 June 2012. Actual rental amounts in future will differ due to rent review provisions within the lease agreements. The commitments are calculated using the expiry dates of lease contracts.

19) 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, who is responsible for allocating resources and assessing performance of the operating segments, 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.

20) Related party transactions

Manager fees

Precinct pays AMP Haumi Management Limited a base management services fee and a performance 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 $1billion; 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.

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters. No performance fee is payable in quarters where equity total returns are negative. As at 30 June 2013 there is a notional performance fee surplus of $nil to be carried forward to the calculation of performance fees in future quarters (2012: $2,898,152).

For the year ended 30 June 2013 the following related party transactions occurred on an arms' length basis:

a) Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, AMP Haumi Management Limited (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 $378,821 in 2013 (2012: $375,870).

b) Precinct pays AMP Haumi Management Limited a base management services fee. The amount paid for the year was $7,466,122 (30 June 2012: $6,635,066). An outstanding amount for Precinct of $678,647 (2012: $563,030) is payable to AMP Haumi Management Limited.

c) Precinct pays AMP Haumi Management Limited on a cost recovery basis a property and facilities management fee. The amount paid for the year was $2,084,459 (30 June 2012: $1,243,552). An outstanding amount of $nil (2012: $nil) is payable to AMP Haumi Management Limited.

d) Precinct pays AMP Haumi Management Limited a leasing fee where AMP Haumi Management Limited has negotiated leases instead of or alongside a real estate agent. The amount paid for the year was $1,572,935 (2012: $1,888,161). An outstanding amount of $140,679 (2012: $nil) is payable to AMP Haumi Management Limited.

e) Precinct pays AMP Haumi Management Limited a performance fee based on Precinct's quarterly returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The amount paid for the year was $3,363,788 (2012: $3,327,651). An amount of $1,293,000 was outstanding at 30 June 2013 (2012: $1,153,545).

f) Precinct paid AMP Haumi Management Limited as development manager total fees for the year of $556,866 (2012: $462,500). An outstanding amount of $468,496.88 at 30 June 2013 (2012: $nil) is payable to AMP Haumi Management Limited.

g) Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia and AMP Services (NZ) Limited, being the Manager or companies related to the manager for premises leased in PWC Centre, AMP Centre, Zurich House, 80 The Terrace and 171 Featherson Street. Total rent received by Precinct from these parties during the year was $5,854,108 (2012: $5,551,223). As at 30 June 2013 an amount of $29,305 (2012: $1,260) was owing to Precinct from AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia and AMP Services (NZ) Limited.

h) Precinct paid AMP Haumi Management Limited acqusition fees during the year relating to the acquisition of HSBC House and Downtown Shopping Centre of $1,930,000 (2012: $504,000). An outstanding amount of $1,030,000 at 30 June 2013 (2012: $504,000) is payable to AMP Haumi Management Limited.

i) Precinct has one subsidiary loan which is subject to an individual loan facility agreement with variable interest rates as set by Precinct. See note 11. The total loan to the subsidiary company at 30 June 2013 was $1,116.1m (2012: $895.6m).

j) Precinct made nil purchases of assets from related parties in 2013 (2012: $50.4m paid to Capital Properties (Wellington) Limited for purchase of Bowen Campus).

No related party debts have been written off or forgiven during year (2012: $nil).

21) Capital management

The Group's capital includes ordinary shares and retained earnings. 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 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, interest rate 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 by management.

22) Financial risk management, objectives and policies

Precinct's principal financial instruments, other than derivatives, comprise bank loans. The main purpose of these financial instruments is to raise finance for Precinct.

Precinct has various other financial assets and liabilities such as cash and cash equivalents, trade debtors and trade creditors, which arise directly from its operations.

Precinct also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from Precinct's operations and its sources of finance.

The main risks arising from Precinct's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Summary of financial instruments

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Non-derivative financial assets				
Classified as loans and receivables				
Cash and cash equivalents	**3.0**	0.7	**3.0**	0.7
Trade debtors	**1.1**	4.3	**–**	1.4
Loan to subsidiary	**–**	–	**1,116.1**	895.6
Total non-derivative financial assets at amortised cost	**4.1**	5.0	**1,119.1**	897.7
Non-derivative financial liabilities				
At amortised cost				
Other current liabilities	**11.4**	12.7	**3.3**	4.1
Loan facility	**603.0**	346.5	**603.0**	346.5
Total non-derivative financial liabilities at amortised cost	**614.4**	359.2	**606.3**	350.6
Derivative financial instruments				
At fair value through profit or loss – held for trading				
Interest rates swaps	**14.2**	27.4	**14.2**	27.4
Total derivative financial instruments at fair value through profit or loss	**14.2**	27.4	**14.2**	27.4

Due to the short-term nature of trade debtors and other current liabilities, variable interest rates charged on advances to subsidiaries and 90 day interest rate resets on bank loans, the carrying value of these instruments are considered to reflect their fair value at balance date.

22) Financial risk management, objectives and policies (continued)

Fair value estimation

Precinct uses various methods in estimating fair values. The methods comprise:

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.

The following table presents the financial instruments that are measured at fair value at 30 June 2013 and 30 June 2012.

	Group		Company	
Amounts in $millions	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Assets				
Level 1	**–**	–	**–**	–
Level 2				
Interest Rate Swaps (non current)	**3.8**	–	**3.8**	–
Level 3	**–**	–	**–**	–
Liabilities				
Level 1	**–**	–	**–**	–
Level 2				
Interest Rate Swaps (current)	**0.4**	0.1	**0.4**	0.1
Interest Rate Swaps (non current)	**17.6**	27.3	**17.6**	27.3
Level 3	**–**	–	**–**	–

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 and cash equivalents and trade debtors. Precinct's exposure to credit risk is equal to the fair value of the instruments.

Precinct conducts credit assessments to determine credit worthiness prior to entering into lease agreements.

In addition, receivable balances are monitored on an ongoing basis with the result that Precinct's exposure to bad debts is not significant.

With the exception of Precinct's loan to its subsidiary company and counterparties to the interest rate swaps there is no significant concentration of credit risk and financial assets are spread amongst a number of financial institutions. Interest rate swaps counterparties may be ANZ, ASB, BNZ or Westpac. The maximum exposure to credit risk is disclosed in the following table.

22) Financial risk management, objectives and policies (continued)

The table below presents the categorisation of Precinct's financial assets as at 30 June 2013 and 30 June 2012.

2013

Amounts in $millions	Group: Loans & receivables	Group: At fair value through P&L	Company: Loans & receivables	Company: At fair value through P&L
Financial assets				
Cash and cash equivalents	3.0	–	3.0	–
Trade debtors	1.1	–	–	–
Loan to subsidiary	–	–	1,116.1	–
Fair value of interest rate swaps	–	3.8	–	3.8
Total	4.1	3.8	1,119.1	3.8

Amounts in $millions	Group: Other financial liabilities	Group: At fair value through P&L	Company: Other financial liabilities	Company: At fair value through P&L
Financial liabilities				
Loan faciltity	603.0	–	603.0	–
Other current liabilities	11.4	–	3.3	–
Fair value of interest rate swaps	–	18.0	–	18.0
Total	614.4	18.0	606.3	18.0

2012

Amounts in $millions	Group: Loans & receivables	Group: At fair value through P&L	Company: Loans & receivables	Company: At fair value through P&L
Financial assets				
Cash and cash equivalents	0.7	–	0.7	–
Trade debtors	4.3	–	1.4	–
Loan to subsidiary	–	–	895.6	–
Total	5.0	–	897.7	–

Amounts in $millions	Group: Other financial liabilities	Group: At fair value through P&L	Company: Other financial liabilities	Company: At fair value through P&L
Financial liabilities				
Loan facility	346.5	–	346.5	–
Other current liabilities	12.7	–	4.1	–
Fair value of interest rate swaps	–	27.4	–	27.4
Total	359.2	27.4	350.6	27.4

Interest rate risk

Precinct's exposure to the risk of changes in market interest rates relates primarily to Precinct's long-term debt obligations with a floating interest rate.

Precinct's policy is to manage its interest cost using a mix of fixed and variable rate debt. Precinct's policy is to keep at least 60% of its bank borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, Precinct enters into interest rate swaps, in which Precinct agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. At 30 June 2013, after taking into account the effect of interest rate swaps, approximately 56.6 % of Precinct's bank loan is at a fixed rate of interest (2012: 63.2%).

As Precinct holds fixed rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed debt is disclosed in Note 14 and it is acknowledged that this risk is a by-product of Precinct's attempt to manage its cash flow interest rate risk.

22) Financial risk management, objectives and policies (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June. A 0.25% change in interest rates would have increased or decreased profit and equity in respect of these items by the amounts shown below. This analysis assumes all other variables remain constant:

2013 Interest rate risk	***Group***			***Company***		
Amounts in $millions	***Carrying amount***	***–0.25%***	***+0.25%***	***Carrying amount***	***–0.25%***	***+0.25%***
Financial assets						
Cash & cash equivalents	**3.0**	**–**	**–**	**3.0**	**–**	**–**
Loan to subsidiary	**–**	**–**	**–**	**1,116.1**	**–**	**–**
Interest rate swaps	**3.8**	**(1.7)**	**1.7**	**3.8**	**(1.7)**	**1.7**
Financial liabilities						
Loan facility	**603.0**	**(1.5)**	**1.5**	**603.0**	**(1.5)**	**1.5**
Interest rate swaps	**18.0**	**1.8**	**(1.8)**	**18.0**	**1.8**	**(1.8)**
Total increase / (decrease)		**(1.4)**	**1.4**		**(1.4)**	**1.4**

2012 Interest rate risk	***Group***			***Company***		
Amounts in $millions	*Carrying amount*	*–0.25%*	*+0.25%*	*Carrying amount*	*–0.25%*	*+0.25%*
Financial assets						
Cash & cash equivalents	0.7	–	–	0.7	–	–
Loan to subsidiary	–	–	–	895.6	–	–
Financial liabilities						
Loan facility	346.5	(0.9)	0.9	346.5	(0.9)	0.9
Interest rate swaps	27.4	2.4	(2.4)	27.4	2.4	(2.4)
Total increase / (decrease)		1.5	(1.5)		1.5	(1.5)

22) Financial risk management, objectives and policies (continued)

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 instruments. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has loan facilities available to cover any potential shortfalls.

The tables below analyse Precinct's financial assets and liabilities (principal and interest) into relevant contractual maturity groupings based on the remaining period as at 30 June 2013 and 30 June 2012.

2013

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial assets								
Group								
Trade debtors	1.1	1.1	–	–	–	–	1.1	
Interest rate swaps	3.8	–	0.1	(0.4)	(2.2)	(1.9)	(4.4)	
Company								
Loan to subsidiary	1,116.1	–	–	–	–	1,116.1	1,116.1	8.00%
Interest rate swaps	3.8	–	0.1	(0.4)	(2.2)	(1.9)	(4.4)	

2012

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial assets								
Group								
Trade debtors	4.3	4.3	–	–	–	–	4.3	
Company								
Loan to subsidiary	895.6	–	–	–	–	895.6	895.6	8.00%

2013

Amounts in $millions	*Carrying amount*	*0–6 mths*	*6 mths–1 yr*	*1–2 yrs*	*2–5 yrs*	*> 5 yrs*	*Total contractual cashflows*	*Effective interest rate*
Financial liabilities								
Group								
Loan facility	603.0	4.8	4.8	9.6	269.3	353.0	641.5	5.56%
Interest rate swaps	18.0	3.9	3.4	5.3	3.8	1.2	17.6	
Other current liabilities	11.4	11.4	–	–	–	–	11.4	
Company								
Loan facility	603.0	3.7	3.6	95.9	132.5	133.5	369.2	5.56%
Interest rate swaps	18.0	3.9	3.4	5.3	3.8	1.2	17.6	
Other current liabilities	3.3	3.3	–	–	–	–	3.3	

Liquidity risk (continued)

Amounts in $millions	2012 Carrying amount	0–6 mths	6 mths–1 yr	1–2 yrs	2–5 yrs	> 5 yrs	Total contractual cashflows	Effective interest rate
Financial liabilities								
Group								
Loan facility	346.5	3.7	3.6	95.9	132.5	133.5	369.2	6.82%
Interest Rate Swaps	27.4	3.8	3.8	7.7	11.6	7.3	34.2	
Other current liabilities	12.7	12.7	–	–	–	–	12.7	
Company								
Loan facility	346.5	3.7	3.6	95.9	132.5	133.5	369.2	6.82%
Interest Rate Swaps	27.4	3.8	3.8	7.7	11.6	7.3	34.2	
Other current liabilities	4.1	4.1	–	–	–	–	4.1	

23) Events after balance date

Payment of final dividend

On 19 August 2013 the Board approved the financial statements for issue and approved the payment of a dividend of $12,762,494 (1.28 cents per share) to be paid on 19 September 2013.

Wellington earthquakes

On 21 July 2013 and 16 August 2013 the Wellington region experienced earthquakes measuring magnitudes 6.5 and 6.2 respectively. Following inspections by structural engineers, no significant damage was identified.

Independent Auditor's Report

To the Shareholders of Precinct Properties New Zealand Limited

Report on the Financial Statements

We have audited the financial statements of Precinct Properties New Zealand Limited (the "Company") and its subsidiary on pages 42 to 69, which comprise the statements of financial position of the Company and the group as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended of the Company and the group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Ernst & Young provides assurance related services to the Company. We have no other relationship with, or interest in the Company or any of its subsidiaries.

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

Opinion

In our opinion, the financial statements on pages 42 to 69:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and the group as at 30 June 2013 and the financial performance and cash flows of the Company and the group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the Company as far as appears from our examination of those records.

Ernst + Young

19 August 2013

Auckland

Directory

Board

Directors:
Craig Stobo – Chairman, Independent
Don Huse – Independent Director
Graeme Horsley – Independent Director
Graeme Wong – Independent Director
Chris Judd – Director
Mohamed Alhameli – Director
Rob Campbell – Director

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George Crawford, Chief Financial Officer
Trevor Wairepo, General Counsel and Company Secretary

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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.
- To elect to receive electronic communication.