Precinct

PROPERTIES NEW ZEALAND

INTERIM REPORT **2014**

BRINGING OUR

Vision

TO LIFE

*An activated waterfront has led to **a desire** from occupiers to be on the water's edge.*

CONTENTS

Cover: Vodafone of the Quay, Wellington.


Ashlee, Wellington Facilities Manager
and Dave, Wellington Senior Facilities Manager.

First Half Highlights

$39.5m
net profit after tax

+5.5%
increase in first half dividend

97%
occupancy

$32.0m
net operating income

$62.5m
successfully raised new equity

5.5 years
weighted average lease term

A solid start

Chairman's and CEO's Report

It has been a good start to another active and important year. Our focus remains on optimising the investment portfolio, designing the Downtown development, repositioning non-core assets for disposal and participating in the Government Wellington office accommodation process.

During the period we also completed a major foyer and lift lobby upgrade at Vodafone on the Quay in Wellington. The works have helped revitalise the asset providing a more welcoming and premium environment. We have also completed all seismic works at the Former Central Police Station. This heritage building dates back to 1917 and is made up of two buildings which sit on either side of the Vodafone on the Quay Tower. This unique character space now has a seismic rating of 80%. Comprehensive refurbishment works are due for completion in April 2014.

PERFORMANCE

Net profit after tax for the six months to 31 December 2013 increased to $39.5 million (2012: $23.6 million).

Improved Auckland occupancy and recent acquisitions contributed to a 22% increase in net operating income[1] for the period of $32.0 million (2012: $26.2 million). Improved occupancy was matched by market rental growth, with leasing transactions and market reviews in Auckland secured at a 6% premium to 30 June 2013 valuations.

Precinct shareholders will receive cash dividends for the 6 month period of 2.7 cents per share, up 5.5% from the previous period.

FINANCIAL RESULTS

Rental revenue for the six months was up 20% to $82.6 million (2012: $68.9 million). The increase was primarily due to new rental income from recent acquisitions, the ANZ Centre becoming fully income-producing and improved Auckland occupancy. Allowing for acquisitions and the ANZ Centre redevelopment, revenue was 3% higher than the previous comparable period.

Property expenses were $23.8 million. This was 12% higher than the previous comparable period, but once adjusted for recent acquisitions it represented a reduction of 3%.

Interest expense increased $4.6 million to $16.7 million. This reflected higher debt levels following the purchase of the Downtown Shopping Centre and HSBC House and interest costs associated with the ANZ Centre redevelopment no longer being capitalised.

Other expenses increased by around 13% as the size of the portfolio grew. Precinct outperformed the benchmark New Zealand-listed property sector return (excluding Precinct) resulting in a performance fee of $1.3 million being payable in the second quarter.

Tax expense of $3.9 million was at a level similar to the previous interim period (2012: $3.8 million) despite higher pre-tax profit. Tax on this period's higher profit was offset by an increase in depreciation associated with acquisitions and recognition of a tax deduction relating to the sale of Chews Lane in 2011 which reduced tax expense by $1.2 million.

The fair value gain in interest rate swaps of $10.6 million (2012: $1.7 million) reflected the increase in market interest rates since 30 June 2013 and the unwinding of interest rate positions.

An internal review of the 30 June 2013 property valuations was undertaken in accordance with our accounting policies. It indicated no material value movement in the period.

Precinct's net tangible assets per share at balance date increased to one dollar per share, compared with 99 cents per share at 30 June 2013.

1 Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items as detailed in Note 5 of the Financial Statements.

A solid start

Key Financial Information[1]

	31 December 2013 ($ millions unless otherwise stated)	*31 December 2012 ($ millions unless otherwise stated)*	*Change*
Rental revenue	**$82.6 m**	$68.9 m	19.9%
Operating profit before indirect expenses	**$58.8 m**	$47.6 m	23.5%
Net operating income before taxation	**$35.9 m**	$30.0 m	19.7%
Net operating income[2]	**$32.0 m**	$26.2 m	22.1%
Net profit/(loss) after taxation	**$39.5 m**	$23.6 m	67.4%
EPS based on net operating income before current taxation	**3.47 cents**	3.01 cents	15.3%
EPS based on net operating income before current taxation	**3.10 cents**	2.63 cents	17.9%
Net distribution for interim period (cents per share)	**2.70 cents**	2.56 cents	5.5%
Payout ratio	**87.1%**	97.3%	-10.5%
Net tangible assets per share	**$1.0**	88 cents	13.6%
Debt Drawn	**$556.0 m**	$481.5 m	15.5%
Gearing[3]	**34.1%**	33.5%	1.8%
Weighted average term to expiry of debt facility	**3.6 years**	3.5 years	2.9%
Weighted average debt cost (including fees)	**5.8%**	6.2%	-6.5%
% of debt hedged	**67.0%**	68.3%	-1.9%
Interest coverage ratio (ICR)	**3.0 times**	3.3 times	-9.1%

1 The information set out above has been extracted from the financial statements set out on pages 8 -19.

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 period.

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

View from State Insurance Tower.

Former Central Police Station.

Reinstated retail space within the former Central Police Station.

*Reduced gearing following a **successful equity issue**.*

A solid start

Capital Management

Two successful equity initiatives raised $62.5 million in the period. The proceeds were used to repay bank borrowings which reduced to $556 million (30 June 2013: $603 million). Precinct's gearing decreased to 34.1% (30 June 2013: 37.3%).

Precinct's existing bank debt facilities were also reduced during the period to $610 million (30 June 2013: $660 million) as the company carried excess funding capacity following the successful equity issues. The 2016 tranche was reduced resulting in a weighted average term to expiry at 31 December of 3.6 years (30 June 2013: 4.0 years).

Of Precinct's drawn bank debt, 67% (30 June 2013: 57%) was effectively hedged through the use of interest rate swaps. This hedging resulted in a weighted average interest rate including all fees of 5.8% (30 June 2013: 5.6%) and a weighted average term of 2.4 years (30 June 2013: 2.2 years).

Vodafone on the Quay Foyer.

A solid start

Portfolio Performance

Portfolio occupancy was maintained at 97% (30 June 2013: 97%) with new leasing secured at a 3% premium to valuations.

In Auckland, Precinct started the year with income generating occupancy of 97%, significantly higher than at the same time last year. After allowing for recent acquisitions and the ANZ Centre redevelopment, this improved position led to a 19% increase in Auckland's net property income compared with the previous comparable period.

The Auckland portfolio is now almost fully occupied with only 600 square metres of office space available. HSBC House, which was acquired in May 2013 and had benefited from a six-month vendor underwrite, is now 100% occupied. 2,500 square metres of space within the building has been leased at a premium to 30 June 2013 valuations.

In Wellington, continued success at State Insurance Tower has led to the Wellington portfolio being 96% occupied. With the strengthening works in the Former Central Police Station complete and reinstatement works almost complete, further leasing progress is anticipated in the next 12 months.

The July and August earthquakes contributed to a further increase in market awareness of the seismic performance of Wellington's CBD office stock. This has increased demand for strong, quality buildings.

Following these earthquakes we engaged Holmes Consulting Group to undertake comprehensive inspections of our Wellington buildings. This found no material damage to their structural integrity. The non-recoverable cost to repair superficial damage was minor.

In total, 30 leasing transactions covering 38,700 square metres were secured in the six months. This helped maintain a strong portfolio WALT of 5.5 years.

Precinct settled 5,200 square metres of market rent reviews at a 6% premium to valuation in the period.

A solid start

Outlook

The outlook for prime CBD office stock continues to improve with vacancy remaining at low levels. According to CBRE, Auckland Prime CBD vacancy decreased from 6.0% to 4.0% in the six months to December 2013. As a result, most research houses are forecasting meaningful rental growth over 2014. This is consistent with recent leasing transactions in the Auckland portfolio.

Wellington's prime CBD vacancy also continues to decrease, with vacancy reducing from 2.9% to 1.2% over the six months to December 2013. The Wellington portfolio is positioned well given low levels of prime supply and a concentration of leasing activity for well-located, seismically strong buildings.

Precinct is well positioned to capture earnings growth in the medium term with the portfolio no longer over-rented and an expectation in Auckland of sound market rental growth. Earnings growth however will lag market due to a lower level of impending expiry and a higher weighting to structured leases.

In Wellington, market awareness of seismic performance and our commitment to seismic upgrades is contributing to an increase in occupier demand and an improved occupancy outlook. Sustained low prime vacancy rates and price stability returning to the insurance market could provide some modest rental growth in the medium term.

Guidance for the 2014 financial year remains unchanged. Full-year operating earnings after tax are expected to be around 6.2 cents per share (before performance fees) or 6.0 cps (assuming 50% of the maximum performance fee is payable).

Dividend guidance for the 2014 financial year also remains unchanged at 5.4 cents per share, consistent with our policy to pay dividends of around 90% of earnings.

Craig Stobo

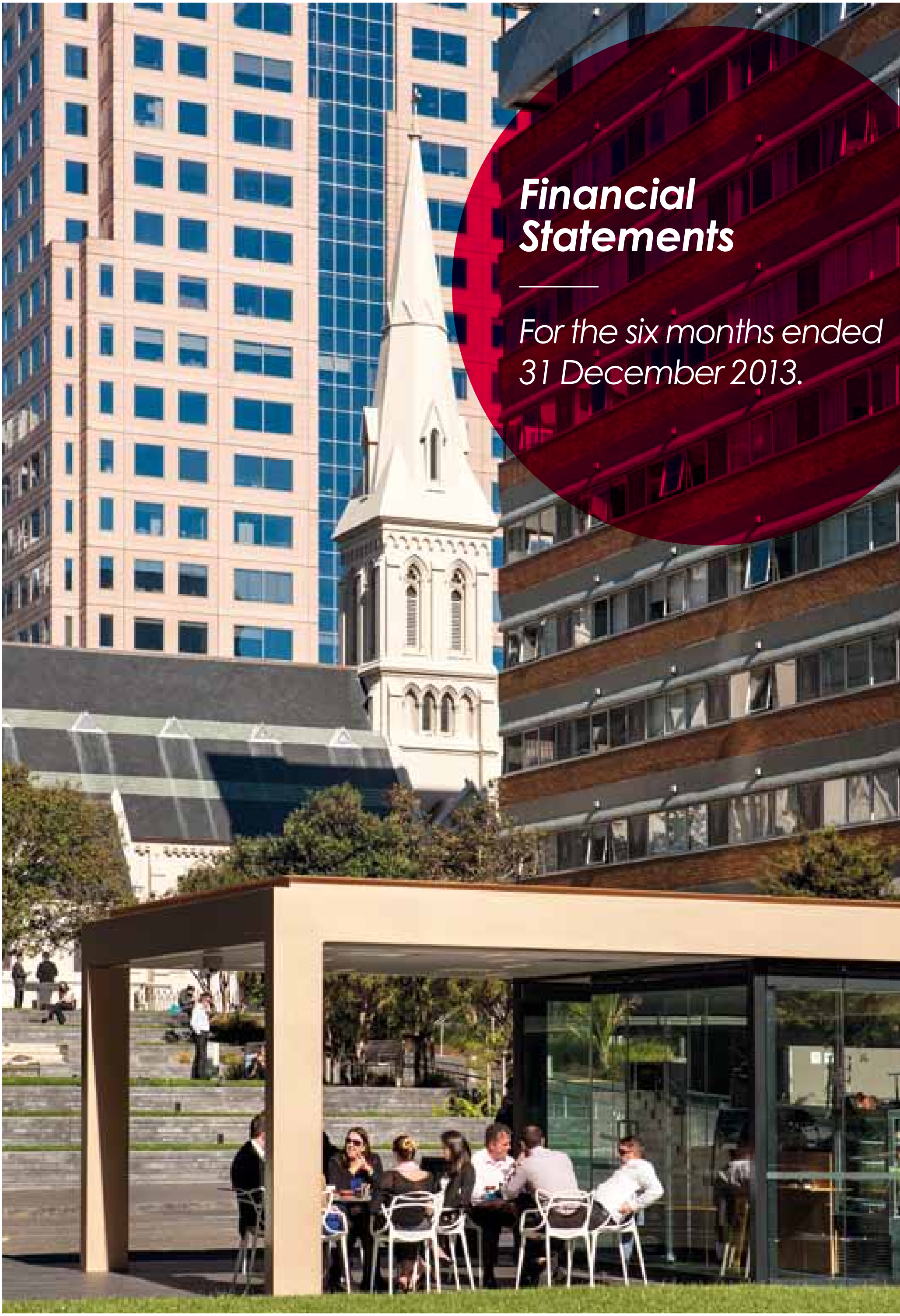
CRAIG STOBO
CHAIRMAN

Scott Pritchard

SCOTT PRITCHARD
CHIEF EXECUTIVE OFFICER

Financial Statements

For the six months ended 31 December 2013.



Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013

	Notes	**Unaudited six months ended 31 December 2013 $M**	Unaudited six months ended 31 December 2012 $M	**Audited year ended 30 June 2013 $M**
Revenue				
Gross rental income		**82.6**	68.9	**147.7**
Less direct operating expenses		**(23.8)**	(21.3)	**(43.7)**
Operating income before indirect expenses		**58.8**	47.6	**104.0**
Indirect expenses/(revenue)				
Interest expense		**16.7**	12.1	**28.2**
Interest income		**(0.1)**	(0.1)	**(0.2)**
Other expenses	3	**6.3**	5.6	**12.8**
Total indirect expenses/(revenue)		**22.9**	17.6	**40.8**
Operating income before income tax		**35.9**	30.0	**63.2**
Non operating income/(expenses)				
Unrealised net gain/(loss) in value of investment properties	9	**–**	–	**46.3**
Unrealised interest rate swap gain/(loss)		**10.6**	1.7	**13.2**
Total non operating income/(expenses)		**10.6**	1.7	**59.5**
Net profit before taxation		**46.5**	31.7	**122.7**
Income tax expense/(benefit)				
Current tax expense	4	**3.9**	3.8	**4.9**
Deferred tax expense/(benefit)	4	**3.1**	4.3	**(39.7)**
Total taxation expense/(benefit)		**7.0**	8.1	**(34.8)**
Net profit after taxation attributable to equity holders		**39.5**	23.6	**157.5**
Total comprehensive income after income tax attributable to equity holders	7	**39.5**	23.6	**157.5**
Earnings per share (cents per share)				
Basic and diluted earnings per share	6	**3.82**	2.37	**15.79**
Other amounts (cents per share)				
Operating income before current tax per share	6	**3.47**	3.01	**6.24**
Net operating income per share	6	**3.10**	2.63	**5.85**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

	Ordinary shares $M	*Retained earnings $M*	*Total equity $M*
At 1 July 2012	**814.7**	62.5	**877.2**
Total comprehensive income for the period	**–**	23.5	**23.5**
Distributions to equity holders	**–**	(25.3)	**(25.3)**
At 31 December 2012	**814.7**	60.7	**875.4**
At 1 January 2013	**814.7**	60.7	**875.4**
Total comprehensive income for the period	**–**	134.0	**134.0**
Distributions to equity holders	**–**	(25.6)	**(25.6)**
At 30 June 2013	**814.7**	169.1	**983.8**
At 1 July 2013	**814.7**	169.1	**983.8**
Total comprehensive income for the period	**–**	39.5	**39.5**
Issue of new shares	**61.5**	–	**61.5**
Distributions to equity holders	**–**	(27.2)	**(27.2)**
At 31 December 2013	**876.2**	181.4	**1,057.6**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	**Unaudited as at 31 December 2013 $M**	Unaudited as at 31 December 2012 $M	**Audited as at 30 June 2013 $M**
Current assets				
Cash and cash equivalents		**4.0**	5.5	**3.0**
Fair value of interest rate swaps		**0.1**	–	**–**
Debtors		**8.3**	9.8	**7.3**
Total current assets		**12.4**	15.3	**10.3**
Non current assets				
Fair value of interest rate swaps		**7.5**	–	**3.8**
Deferred tax asset – fair value of interest rate swaps		**1.0**	7.2	**4.0**
Investment properties	9	**1,657.5**	1,461.0	**1,640.4**
Total non current assets		**1,666.0**	1,468.2	**1,648.2**
Total assets		**1,678.4**	1,483.5	**1,658.5**
Current liabilities				
Fair value of interest rate swaps		**0.2**	–	**0.4**
Provision for tax		**2.8**	1.6	**2.0**
Other current liabilities		**10.4**	11.9	**11.4**
Total current liabilities		**13.4**	13.5	**13.8**
Non current liabilities				
Interest bearing liabilities	10	**556.0**	481.5	**603.0**
Fair value of interest rate swaps		**11.0**	25.7	**17.6**
Deferred tax liability – depreciation		**40.4**	87.4	**40.3**
Total non current liabilities		**607.4**	594.6	**660.9**
Total liabilities		**620.8**	608.1	**674.7**
Total equity	12	**1,057.6**	875.4	**983.8**
Total liabilities and equity		**1,678.4**	1,483.5	**1,658.5**

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 17 February 2014.

CRAIG STOBO
CHAIRMAN

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	Notes	***Unaudited six months ended 31 December 2013 $M***	*Unaudited six months ended 31 December 2012 $M*	***Audited year ended 30 June 2013 $M***
Cash flows from operating activities				
Gross rental income		**82.3**	69.5	**142.5**
Interest income		**0.1**	0.1	**0.2**
Property expenses		**(26.2)**	(22.5)	**(40.9)**
Other expenses		**(7.9)**	(9.5)	**(13.8)**
Interest expense		**(16.7)**	(11.0)	**(29.3)**
Income tax		**(2.0)**	(5.2)	**(4.5)**
Net cash inflow/(outflow) from operating activities	7	**29.6**	21.4	**54.2**
Cash flows from investing activities				
Capital expenditure on investment properties		**(15.9)**	(34.0)	**(59.7)**
Acquisition of investment properties		**–**	(91.2)	**(195.8)**
Capitalised interest on investment properties		**(0.1)**	(1.1)	**(2.0)**
Net cash inflow/(outflow) from investing activities		**(16.0)**	(126.3)	**(257.5)**
Cash flows from financing activities				
Loan facility drawings to fund acquisitions		**–**	91.2	**195.8**
Loan facility drawings to fund capex		**15.9**	34.0	**59.7**
Loan facility repayments		**(50.0)**	–	**–**
Other loan facility drawings[1]		**(12.9)**	9.8	**1.0**
Issue of new shares		**61.5**	–	**–**
Distributions paid to share holders		**(27.1)**	(25.3)	**(50.9)**
Net cash inflow/(outflow) from financing activities		**(12.6)**	109.7	**205.6**
Net increase/(decrease) in cash held		**(1.0)**	4.8	**2.3**
Cash at the beginning of the period		**3.0**	0.7	**0.7**
Cash at the end of the period		**4.0**	5.5	**3.0**

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

The accompanying notes form part of these Financial Statements.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2013

1) Summary of significant accounting policies

The reporting entity

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

Precinct is an issuer for the purposes of the Financial Reporting Act 1993.

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

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

Basis of preparation

The interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared using New Zealand Dollar functional and reporting currency. All financial information has been presented in millions, unless otherwise stated.

These interim financial statements should be read in conjunction with the financial statements and related notes included in Precinct's Annual Report for the year ended 30 June 2013.

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

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 judgments, estimates and assumptions made by management.

Precinct's critical accounting policies and estimates in these unaudited interim financial statements are as follows.

- Operating lease commitments
- Investment and development properties
- Deferred tax assets and liabilities

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

3) Operating profit before income tax

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

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	Audited year ended 30 June 2013 $M
Other expenses			
Audit fees[1]	**0.1**	0.1	**0.2**
Directors fees	**0.2**	0.2	**0.4**
Manager's base fees	**4.1**	3.6	**7.5**
Manager's performance fees	**1.3**	1.2	**3.4**
Other[2]	**0.6**	0.5	**1.3**
Total other expenses	**6.3**	5.6	**12.8**

1 Audit fees include $3,650 for other assurance services.

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

4) Taxation

Major components of income tax expense are:

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	Audited year ended 30 June 2013 $M
Current tax expense	**3.9**	3.8	**4.9**
Deferred tax expense/(benefit)			
Fair value of interest rate swaps	**3.0**	0.5	**3.7**
Depreciation – current year	**0.1**	3.8	**(43.4)**
Total deferred tax expense/(benefit)	**3.1**	4.3	**(39.7)**
Total taxation expense	**7.0**	8.1	**(34.8)**

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.

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	**Audited year ended 30 June 2013 $M**
Net profit after taxation	**39.5**	23.6	**157.5**
Unrealised net (gain)/loss in value of investment properties	**–**	–	**(46.3)**
Unrealised interest rate swap (gain)/loss	**(10.6)**	(1.7)	**(13.2)**
Deferred tax (benefit)/expense	**3.1**	4.3	**(39.7)**
Net operating income	**32.0**	26.2	**58.3**

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

6) Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary share holders (excluding distributions to share holders) by the weighted average number of shares outstanding during the period. There are no shares that have a dilutive effect on earnings per share, therefore basic and diluted earnings per share are equal.

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

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	**Audited year ended 30 June 2013 $M**
Net profit after tax for basic and diluted earnings per share ($)	**39.5**	23.6	**157.5**
Weighted average number of shares for basic and diluted earnings per share	**1,033.8**	997.1	**997.1**

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

Operating income before income 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 period.

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

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	Audited year ended 30 June 2013 $M
Net profit after taxation	**39.5**	23.6	**157.5**
Add/(less) non-cash items and non operating items			
Unrealised (gain)/loss in value of investment properties	**–**	–	**(46.3)**
Unrealised interest rate swap (gain)/loss	**(10.6)**	(1.7)	**(13.2)**
Deferred tax (benefit)/expense	**3.1**	4.3	**(39.7)**
Amortisation of leasing costs and incentives	**2.8**	2.3	**4.3**
Movement in working capital			
Increase/(decrease) in creditors	**(3.3)**	(8.8)	**(0.1)**
(Increase)/decrease in debtors	**(2.0)**	1.7	**(8.3)**
Net cash inflow/(outflow) from operating activities	**29.5**	21.4	**54.2**

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

	Unaudited six months ended 31 December 2013 $M	Unaudited six months ended 31 December 2012 $M	Audited year ended 30 June 2013 $M
Gross rental income	**82.6**	68.9	**147.7**
Add: Current year incentives	**(1.7)**	(2.4)	**(8.7)**
Add: Amortisation of incentives	**1.6**	1.2	**3.1**
Add: Working capital movements	**(0.2)**	1.8	**0.4**
Cash flow from gross rental income	**82.3**	69.5	**142.5**

9) Investment properties

	Valuer[5]	Valuation 30 June 2013	Capitalised Incentives	Additions/ Disposals	Book Value 31 December 2013	Book Value 31 December 2012
ANZ Centre[1]	Colliers International	**250.0**	(0.1)	1.9	**251.8**	219.3
SAP Tower	Jones Lang LaSalle	**88.7**	(0.4)	1.2	**89.5**	82.2
AMP Centre	Colliers International	**110.0**	0.2	0.5	**110.7**	100.5
125 The Terrace	Bayleys	**66.7**	(0.2)	0.1	**66.6**	64.6
171 Featherston St	Bayleys	**72.3**	0.2	0.4	**72.9**	69.7
No.1 and 3 The Terrace	Colliers International	**76.1**	(0.1)	0.4	**76.4**	78.0
No. 3 The Terrace[2]	Colliers International	**10.7**	–	–	**10.7**	10.7
PricewaterhouseCoopers Tower	CBRE	**233.1**	(0.1)	1.2	**234.2**	225.0
Pastoral House	CBRE	**53.7**	0.0	0.1	**53.8**	54.8
Vodafone on the Quay	Colliers International	**95.5**	(0.1)	4.9	**100.3**	94.2
State Insurance Tower	Bayleys	**135.2**	0.8	0.1	**136.1**	130.2
Mayfair House	Colliers International	**37.1**	(0.1)	0.3	**37.3**	38.2
80 The Terrace	CBRE	**26.4**	0.5	3.4	**30.3**	26.9
Deloitte House	Colliers International	**48.4**	0.0	0.2	**48.6**	47.2
Zurich House	Jones Lang LaSalle	**85.2**	0.2	0.0	**85.4**	76.6
Bowen Campus	CBRE	**51.9**	–	0.5	**52.4**	51.5
Downtown Shopping Centre[3]	CBRE	**96.2**	0.0	0.8	**97.0**	91.4
HSBC House[4]	CBRE	**103.2**	0.1	0.2	**103.5**	–
Market value (fair value) of properties		**1,640.4**	0.9	16.2	**1,657.5**	1,461.0

1 Additions include 0.1m 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 those borrowings.

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

3 Downtown Shopping Centre was purchased on 31 October 2012.

4 HSBC House was purchased on 17 May 2013. 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.

5 30 June 2013 valuer.

10) Interest bearing liabilities

As at 31 December 2013 Precinct has a cash advance facility with ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand (BNZ), Commonwealth Bank of Australia (ASB) and Bank of Tokyo-Mitsubishi UFJ Limited (BTMU) for $610,000,000 (30 June 2013: $660,000,000; 31 December 2012: $535,000,000). The maturity profile for the facility is as follows:

		31 December 2013		30 June 2013	
Loan Facility	*Maturity Date*	***Facility $M***	***Drawn $M***	*Facility $M*	*Drawn $M*
ANZ	Jul-18	**67.8**	**49.8**	67.8	48.8
ASB	Jul-18	**67.8**	**49.8**	67.8	48.8
BNZ	Jul-18	**67.8**	**49.8**	67.7	48.7
ANZ	Jul-17	**67.8**	**67.8**	67.8	67.8
ASB	Jul-17	**67.8**	**67.8**	67.8	67.8
BNZ	Jul-17	**67.7**	**67.7**	67.7	67.7
ANZ	Jul-16	**51.1**	**51.1**	67.8	67.8
ASB	Jul-16	**51.1**	**51.1**	67.8	67.8
BNZ	Jul-16	**51.1**	**51.1**	67.8	67.8
BTMU	Jul-16	**50.0**	**50.0**	50.0	50.0
Total		**610.0**	**556.0**	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 31 December 2013 the weighted average interest rate applying to drawn amounts was 3.58% (includes margin) (June 2013: 3.55%; December 2012: 3.62%). Through the use of interest rate swaps Precinct has as of 31 December 2013 effectively fixed the interest rate on $371,500,000 being 66.8% (June 2013: $341,500,000 56.6%; December 2012: $329,000,000, 68.3%) of its total drawn amount at a weighted average interest rate of 5.83% (includes margin) (June 2013: 5.84%; December 2012: 5.94%). The weighted average term of the swaps is 3.45 years (June 2013: 3.66 years; December 2012: 3.6 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.

11) Financial instruments

Precinct holds interest rate swaps at fair value through profit or loss. In estimating fair values, Precinct uses Level 2 inputs. The fair value of interest rate swaps fall into Level 2 of the fair value hierarchy. Level 2 inputs are inputs other than quoted prices included within Level 1 (quoted prices in active market for identical assets or liabilities) that are observable for the asset or liability, either directly (by price) or indirectly (derived from prices). The fair value is determined using a valuation technique being swap models and present value techniques with observable inputs such as interest rate curves.

12) 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 $1.5billion.

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 31 December 2013 there is a notional perfomance fee surplus of $102,578 to be carried forward to the calculation of performance fees in future quarters (June 2013: $nil; December 2012: $nil).

For the six months ended 31 December 2013 the following arm's length related party transactions occurred:

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 for the period ended 31 December 2013 received Directors' fees of $195,000 (June 2013: $378,821; December 2012: $178,232).

b) Precinct pays AMP Haumi Management Limited a base management services fee. The amount paid for the six months was $4,130,722 (June 2013: $7,466,122; December 2012: $3,602,595). An outstanding amount for Precinct of $690,932 (June 2013: $678,647; December 2012: $628,766) 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 period was $1,342,944 (June 2013: $2,084,459; December 2012 $1,032,950). An outstanding amount of $nil (June 2013: $nil; December 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 period was $1,283,020 (June 2013: $1,572,935; December 2012: $870,097). An outstanding amount of $453,768 was payable at 31 December 2013 (June 2013: $140,679; December 2012: $nil).

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 period was $1,313,458 (June 2013: $3,363,788; December 2012: $1,194,708). An amount of $1,313,458 was outstanding at 31 December 2013 (June 2013: $1,293,000; December 2012: $1,194,708).

f) Precinct paid AMP Haumi Management Limited as development manager total fees for the six months of $371,638 (June 2013: $556,866; December 2012: $462,500). No balance was outstanding as at 31 December 2013 (June 2013: $468,497; December 2012: $nil).

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 Featherston Street. Total rent received by Precinct from these parties during the period was $3,134,797 (June 2013: $5,854,108; December 2012: $3,473,983). As at 31 December 2013 an amount of $35,633 (June 2013: $29,305; December 2012: $28,841) was owing to Precinct from these related parties.

h) Precinct paid AMP Haumi Management Limited acquisition fees during the period of $nil (June 2013: $1,930,000; December 2012: $900,000). No balance was outstanding at 31 December 2013 (June 2013: $1,030,000; December 2012: $nil).

No related party debts have been written off or forgiven during the period (June 2013: $nil; December 2012: $nil).

13) Equity

The total number of shares outstanding as at 31 December 2013 is 1,059,733,595 (June 2013: 997,069,794; December 2012: 997,069,794). External costs, net of tax, directly attributable to the issue of new shares are deducted from the proceeds of the issue.

14) Capital commitments

As at 31 December 2013 Precinct had outstanding capital commitments totalling $8.1 million, mainly relating to SAP Tower, 80 The Terrace and Vodafone on the Quay (June 2013: $4.5 million; December 2012: $9.6 million).

15) Operating segments

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.

16) Events after balance date

On 17 February 2014 the Board approved the payment of a dividend of 1.350 cents per share ($14,306,404 in total) to be paid on 20 March 2014.

Auditor's Review Report

Building a better working world

Chartered Accountants

Review Report to the Shareholders of Precinct Properties New Zealand Limited

We have reviewed the interim financial statements on pages 8 to 19. The interim financial statements provide information about the past financial performance of Precinct Properties New Zealand Limited (the "Company") and its subsidiaries and their financial position as at 31 December 2013. This information is stated in accordance with the accounting policies set out in the Company's annual financial statements dated 19 August 2013.

This report is made solely to the Company's shareholders, as a body, in accordance with our engagement letter. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation of interim financial statements which comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements and which present fairly the financial position of the Company and its subsidiaries as at 31 December 2013 and the results of their operations and cash flows for the six month period ended on that date.

Reviewer's Responsibilities

We are responsible for reviewing the interim financial statements presented by the directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

Basis of Statement

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We have reviewed the interim financial statements of the Company and its subsidiaries for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board. These standards require that we plan and perform the review to obtain moderate assurance as to whether the statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

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

Statement of Review Findings

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 8 to 19, do not fairly present the financial position of the Company and its subsidiaries as at 31 December 2013 and their financial performance and cash flows for six month period ended on that date in accordance with generally accepted accounting practice in New Zealand as it relates to interim financial statements.

Our review was completed on 17 February 2014 and our findings are expressed as at that date.

Ernst + Young

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

Precinct Properties New Zealand Limited

Level 12, PwC Tower
188 Quay Street
Auckland 1010
New Zealand

T +64-9-927-1647
E hello@precinct.co.nz
W www.precinct.co.nz

Scott Pritchard – Chief Executive Officer
George Crawford – Chief Financial Officer
Trevor Wairepo – General Counsel and Company Secretary

Manager

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

Bankers

ANZ National Bank
Bank of New Zealand
ASB Institutional Bank
Bank of Tokyo-Mitsubishi

Auditor

Ernst & Young
2 Takutai Square
Britomart
Auckland 1010
New Zealand

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Private Bag 92 119
Auckland 1020
New Zealand

T +64-9-488-8700
F +64-9-488-8787

Please contact our registrar;

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