Precinct
PROPERTIES NEW ZEALAND

INTERIM REPORT **2015**

ACTIVE OPPORTUNITIES

→

IN 2015 WE WILL
CONTINUE TO EXECUTE
ON OUR LONG TERM STRATEGY.

FIRST HALF HIGHLIGHTS

$31.6 MILLION
NET PROFIT AFTER TAX

$173 MILLION
OF LONG TERM BORROWINGS SECURED

+10%
INCREASE IN NET OPERATING INCOME

$1.05
NET TANGIBLE ASSETS PER SHARE

98%
OCCUPANCY

5.3 YEARS
WEIGHTED AVERAGE LEASE TERM

Cover and this page: Artist impression of new Tower.

CHAIRMAN'S AND CEO'S REPORT

We are very excited to be able to share with you some of our plans for the Downtown development. Around 18 months ago we set out with an ambition of creating a world class retail and office development that could also become a symbol for Auckland.

We believe that the concept that has been created not only meets this ambition but has the potential of transforming our portfolio and Auckland's CBD waterfront. Over the coming months we will look to share more with you, as the design progresses.

Post balance date, we announced that we had successfully concluded the conditional development agreement with Auckland Transport on the City Rail Link and the conditional acquisition of Queen Elizabeth (QE) Square. This was a key milestone for the Downtown project. At Wynyard Central, we announced that we expect to commence works in the coming months. The first stage is expected to cost around $80 million. Importantly, commercial terms have been agreed in principle for Grid AKL (Innovation precinct) which will provide around a 60% pre-commitment to the first stage of this development.

These two announcements capped off what has been a very active period where advancing and executing our long term strategy has been a key focus. In the period we successfully sold SAP Tower in Auckland for $97 million and secured $173 million of long term debt through two capital management initiatives.

We have now moved from establishment to execution of our long term strategy – our 20:20 Vision. Over the coming years it is anticipated that the portfolio will be transformed by developing our own prime real estate and selling non-core assets. As we execute our strategy we will continue to focus on maintaining a stable and secure dividend.

INTERIM RESULT OVERVIEW

Net profit after tax for the six months ended 31 December 2014 was $31.6 million. This was $7.9 million lower than the comparative period's $39.5 million mainly due to the fair value change in interest swaps.

Net operating income, which adjusts for a number of non-cash items, increased $3.3 million to $35.3 million (31 Dec 2013: $32.0 million). The increase was primarily due to improved occupancy levels across both the Auckland portfolio and at State Insurance Tower in Wellington. This improvement saw rental revenue increase by 4.2% to $86.1 million for the six months to 31 December 2014 (31 Dec 2013: $82.6 million).

Other expenses fell by $1.2 million to $5.1 million. This reflected no performance fee being payable in the first half of the financial year.

Current tax expense increased by $0.9 million to $4.8 million. This period's tax expense was higher due to a higher pre-tax profit and a $1.2 million tax reduction relating to the sale of Chews Lane in 2011 being recognised in the prior period. These items were offset by tax deductions associated with development feasibility costs and a washup relating to prior periods.

The fair value loss in interest rate swaps of $5.3 million compared with a $10.6 million gain for the same period last year. The reversal reflected the significant fall in market interest rates since 30 June 2014.

An internal review of the 30 June 2014 property valuations was undertaken in accordance with our accounting policies. It indicated no material value movement in the period. The 31 December 2014 investment property book values were consistent with Precinct's policy of carrying investment property at fair value.

Precinct's net tangible assets per share at balance date was $1.05, compared with $1.04 at 30 June 2014.

KEY FINANCIAL INFORMATION

	31 December 2014 ($ millions unless otherwise stated)	31 December 2013 ($ millions unless otherwise stated)	% change
Rental revenue	**$86.1 m**	$82.6 m	4.2%
Operating income before indirect expenses	**$62.1 m**	$58.8 m	5.6%
Net operating income before taxation	**$40.1 m**	$35.9 m	11.7%
Net operating income	**$35.3 m**	$32.0 m	10.3%
Net profit/(loss) after taxation	**$31.6 m**	$39.5 m	-20.0%
EPS based on net operating income before current taxation	**3.78 cents**	3.47 cents	8.9%
EPS based on net operating income after current taxation	**3.33 cents**	3.10 cents	7.4%
Net distribution for interim period (cents per share)	**2.70 cents**	2.70 cents	0.0%
Payout ratio	**81.1%**	87.1%	-6.9%
NTA	**104.7 cents**	99.8 cents	4.9%
Debt Drawn	**$579.4 m**	$556.0 m	4.2%
Gearing	**33.7%**	34.1%	-1.2%
Weighted average term to expiry of debt facility	**4.9 years**	3.6 years	36.1%
Weighted average debt cost (including fees)	**5.9%**	5.8%	1.7%
Hedged	**62.0%**	67.0%	-7.5%
Interest coverage ratio (ICR)	**3.3 times**	3.0 times	10.0%

NZX RULINGS AND WAIVERS

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

Above: Artist impression of Mason Brothers building, Wynyard Stage 1.

CAPITAL MANAGEMENT

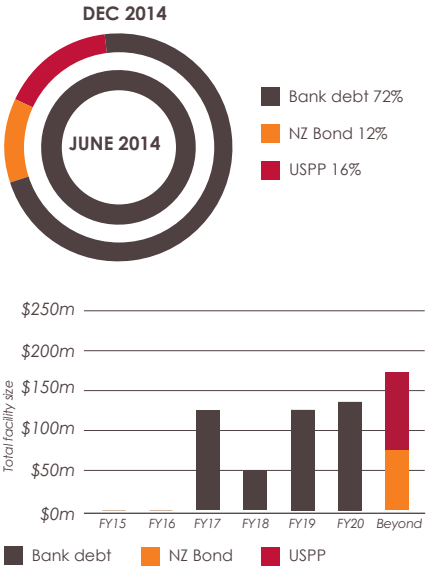
Over the last six months, two successful capital management initiatives have added valuable funding diversity and term to our borrowings. Precinct undertook a United States Private Placement and a Retail bond issue which secured total borrowings of $173 million for a term of 9.1 years.

In the period, Precinct also refinanced its existing secured bank debt facilities delivering material savings from lower margins. Following the bank refinance and long term debt issuance the weighted average debt maturity profile has increased to 4.9 years at 31 December 2014 (30 June 2014: 3.1 years).

At Balance date, Precinct has total borrowings of $579 million (30 June 2014: $572 million) and gearing of 33.7% (30 June 2014: 33.8%).

Of Precinct's drawn bank debt, 62% (30 June 2014: 67%) was effectively hedged through the use of interest rate swaps. This hedging resulted in a weighted average interest rate including all fees of 5.9% (30 June 2014: 6.0%).

DEBT DIVERSITY PROFILE



PORTFOLIO PERFORMANCE

Leasing over the last six months has been pleasing with portfolio occupancy maintained at 98% (30 June 2014: 98%). New leasing secured over the period was at a 5% premium to valuations.

In total, 20 leasing transactions encompassing 11,400 square metres were secured during the period which has helped maintain a strong portfolio WALT of 5.3 years. In addition, Precinct settled 11,300 square metres of market rent reviews at a 5.5% premium to valuation.

With only 300 square metres of office space remaining available, the Auckland Portfolio is now almost fully leased. Key leasing during the period includes Regus committing to 1,050 square metres on level 33 at ANZ Centre on a 10 year lease term.

In Wellington, 80 The Terrace is now 100% occupied. This leasing success has improved overall portfolio occupancy across the Wellington portfolio to 98%. We expect to see further leasing progress at the former Central Police Station, over the next 12 months. This space has been recently strengthened and refurbished and is currently being offered to the market for lease.

Precinct remains short listed and in negotiation with the Crown for office accommodation in Wellington at Bowen Campus, 1-3 The Terrace, Pastoral House, Mayfair House and 125 The Terrace.

OFFICE MARKET UPDATE

Prime CBD office stock vacancy continues to firm and remains close to historically low levels. Jones Lang LaSalle reports the Auckland prime CBD office vacancy rate decreased from 1.7% to 1.2% over the past six months to December 2014.

The positive absorption within prime office space has resulted in most research houses forecasting meaningful rental growth over 2015, consistent with recent leasing transactions in the Auckland portfolio.

Wellington's Prime CBD vacancy also continues to decrease, with vacancy reducing from 0.9% to 0.5% over the six months to December 2014. The Wellington portfolio is positioned well given low levels of prime supply and a concentration of leasing activity for well-located, seismically strong buildings. Whilst prime vacancy remains at low levels, a key consideration for the Wellington market is the focus on the Crown's plan to optimise their office accommodation requirements.

EARNINGS AND OUTLOOK

DIVIDEND PAYMENT

Precinct shareholders will receive a second-quarter dividend of 1.35 cents per share plus imputation credits of 0.3766 cents per share. Offshore investors will receive an additional supplementary dividend of 0.17089 cents per share to offset non-resident withholding tax. The record date is 31 March 2014. Payment will be made on 17 April 2015.

EARNINGS AND OUTLOOK

Precincts 20:20 Vision Strategy is now being executed with the development of new prime real estate and the sale of non-core assets. Confirmed improvements in the occupier and investment markets support this strategy.

Precinct expects that short term earnings may be affected by reducing debt levels ahead of earlier guidance but Precinct is confident that owning a higher quality portfolio will deliver stronger earnings over the longer term. For FY16, Precinct also expects to maintain its current level of dividend, fully funded from operating revenue.

For the current financial year, Precinct expects full-year operating earnings after tax to be around 6.1 cents per share (before performance fees). Dividend guidance for the 2015 financial year also remains unchanged at 5.4 cents per share, consistent with the 90% pay out dividend policy.

Craig Stobo

CRAIG STOBO
CHAIRMAN

Scott Pritchard

SCOTT PRITCHARD
CHIEF EXECUTIVE OFFICER

THE NUMBERS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014.

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2014

	Notes	Unaudited six months ended 31 December 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Revenue				
Gross rental income		**86.1**	82.6	**165.4**
Less direct operating expenses		**(24.0)**	(23.8)	**(47.1)**
Operating income before indirect expenses		**62.1**	58.8	**118.3**
Indirect expenses/(revenue)				
Interest expense		**17.0**	16.7	**33.4**
Interest income		**(0.1)**	(0.1)	**(0.2)**
Other expenses	3	**5.1**	6.3	**12.6**
Total indirect expenses/(revenue)		**22.0**	22.9	**45.8**
Operating income before income tax		**40.1**	35.9	**72.5**
Non operating income/(expenses)				
Unrealised net gain/(loss) in value of investment properties	9	**–**	–	**47.5**
Unrealised derivative financial instrument gain/(loss)		**(5.3)**	10.6	**10.9**
Realised gain on sale of investment property	9	**0.2**	–	**–**
Total non operating income/(expenses)		**(5.1)**	10.6	**58.4**
Net profit before taxation		**35.0**	46.5	**130.9**
Income tax expense/(benefit)				
Current tax expense	4	**4.8**	3.9	**8.7**
Deferred tax expense/(benefit)	4	**(1.4)**	3.1	**5.0**
Total taxation expense/(benefit)		**3.4**	7.0	**13.7**
Net profit after taxation attributable to equity holders		**31.6**	39.5	**117.2**
Total comprehensive income after income tax attributable to equity holders	7	**31.6**	39.5	**117.2**
Earnings per share (cents per share)				
Basic and diluted earnings per share	6	**2.98**	3.82	**11.19**
Other amounts (cents per share)				
Operating income before current tax per share	6	**3.78**	3.47	**6.93**
Net operating income per share	6	**3.33**	3.10	**6.10**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2014

	Ordinary shares $M	Retained earnings $M	Total equity $M
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**
At 1 January 2014	**876.2**	181.4	**1,057.6**
Total comprehensive income for the period	**–**	77.7	**77.7**
Distributions to equity holders	**–**	(28.5)	**(28.5)**
At 30 June 2014	**876.2**	230.6	**1,106.8**
At 1 July 2014	**876.2**	230.6	**1,106.8**
Total comprehensive income for the period	**–**	31.6	**31.6**
Distributions to equity holders	**–**	(28.6)	**(28.6)**
At 31 December 2014	**876.2**	233.6	**1,109.8**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	Unaudited as at 31 December 2014 $M	Unaudited as at 31 December 2013 $M	Audited as at 30 June 2014 $M
Current assets				
Cash and cash equivalents		**3.8**	4.0	**1.7**
Property sale proceeds to be settled	9	**96.0**	–	**–**
Fair value of derivative financial instruments	11	**–**	0.1	**0.1**
Debtors		**8.2**	8.3	**10.7**
Total current assets		**108.0**	12.4	**12.5**
Investment properties held for sale		**–**	–	**95.6**
Non current assets				
Fair value of derivative financial instruments	11	**4.3**	7.5	**6.0**
Deferred tax asset – fair value of derivative financial instruments		**2.4**	1.0	**0.9**
Investment properties	9	**1,641.8**	1,657.5	**1,632.5**
Total non current assets		**1,648.5**	1,666.0	**1,639.4**
Total assets		**1,756.5**	1,678.4	**1,747.5**
Current liabilities				
Fair value of derivative financial instruments	11	**1.6**	0.2	**0.7**
Provision for tax		**2.8**	2.8	**2.9**
Other current liabilities		**9.3**	10.4	**14.2**
Total current liabilities		**13.7**	13.4	**17.8**
Non current liabilities				
Interest bearing liabilities	10	**579.4**	556.0	**572.0**
Fair value of derivative financial instruments	11	**11.3**	11.0	**8.7**
Deferred tax liability – depreciation		**42.3**	40.4	**42.2**
Total non current liabilities		**633.0**	607.4	**622.9**
Total liabilities		**646.7**	620.8	**640.7**
Total equity		**1,109.8**	1,057.6	**1,106.8**
Total liabilities and equity		**1,756.5**	1,678.4	**1,747.5**

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 24 February 2015.

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 2014

	Notes	**Unaudited six months ended 31 December 2014 $M**	Unaudited six months ended 31 December 2013 $M	**Audited year ended 30 June 2014 $M**
Cash flows from operating activities				
Gross rental income	8	**84.8**	82.3	**163.1**
Interest income		**0.1**	0.1	**0.2**
Property expenses		**(24.9)**	(26.2)	**(52.8)**
Other expenses		**(5.2)**	(7.9)	**(10.0)**
Interest expense		**(15.7)**	(16.7)	**(33.2)**
Income tax		**(5.0)**	(2.0)	**(7.7)**
Net cash inflow/(outflow) from operating activities	7	**34.1**	29.6	**59.6**
Cash flows from investing activities				
Capital expenditure on investment properties		**(13.3)**	(15.9)	**(35.6)**
Capitalised interest on investment properties		**–**	(0.1)	**(0.1)**
Net cash inflow/(outflow) from investing activities		**(13.3)**	(16.0)	**(35.7)**
Cash flows from financing activities				
Loan facility drawings to fund capex		**13.3**	15.9	**35.6**
Issue of retail bonds		**75.0**	–	**–**
Loan facility repayments		**(83.0)**	(50.0)	**(50.0)**
Other loan facility drawings[1]		**4.6**	(12.9)	**(16.6)**
Issue of new shares		**–**	61.5	**61.5**
Distributions paid to share holders		**(28.6)**	(27.1)	**(55.7)**
Net cash inflow/(outflow) from financing activities		**(18.7)**	(12.6)	**(25.2)**
Net increase/(decrease) in cash held		**2.1**	1.0	**(1.3)**
Cash at the beginning of the period		**1.7**	3.0	**3.0**
Cash at the end of the period		**3.8**	4.0	**1.7**

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 2014

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

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 2014.

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 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Other expenses			
Audit fees[1]	**0.1**	0.1	**0.2**
Directors' fees and expenses	**0.2**	0.2	**0.5**
Manager's base fees	**4.3**	4.1	**8.3**
Manager's performance fees	**–**	1.3	**2.2**
Other[2]	**0.5**	0.6	**1.4**
Total other expenses	**5.1**	6.3	**12.6**

1. Audit fees include $68,685 for audit and review of financial statements and $3,675 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 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Current tax expense	**4.8**	3.9	**8.7**
Deferred tax expense/(benefit)			
Fair value of derivative financial instruments	**(1.4)**	3.0	**3.1**
Depreciation – current year	**–**	0.1	**1.9**
Total deferred tax expense/(benefit)	**(1.4)**	3.1	**5.0**
Total taxation expense	**3.4**	7.0	**13.7**

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 and deferred tax.

	Unaudited six months ended 31 December 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Net profit after taxation	**31.6**	39.5	**117.2**
Unrealised net (gain)/loss in value of investment properties	**–**	–	**(47.5)**
Realised loss/(gain)on sale of investment properties	**(0.2)**	–	**–**
Unrealised derivative financial instrument (gain)/loss	**5.3**	(10.6)	**(10.9)**
Deferred tax (benefit)/expense	**(1.4)**	3.1	**5.0**
Net operating income	**35.3**	32.0	**63.8**

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 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Net profit after tax for basic and diluted earnings per share ($)	**31.6**	39.5	**117.2**
Weighted average number of shares for basic and diluted earnings per share	**1,059.7**	1,033.8	**1,046.6**

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 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Net profit after taxation	**31.6**	39.5	**117.2**
Add/(less) non-cash items and non operating items			
Unrealised (gain)/loss in value of investment properties	**–**	–	**(47.5)**
Unrealised derivative financial instrument (gain)/loss	**5.3**	(10.6)	**(10.9)**
Deferred tax (benefit)/expense	**(1.4)**	3.1	**5.0**
Amortisation of leasing costs and incentives	**3.6**	2.8	**6.1**
Movement in working capital			
Increase/(decrease) in creditors	**(3.4)**	(3.2)	**(4.5)**
(Increase)/decrease in debtors	**(1.6)**	(2.0)	**(5.8)**
Net cash inflow/(outflow) from operating activities	**34.1**	29.6	**59.6**

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 2014 $M	Unaudited six months ended 31 December 2013 $M	Audited year ended 30 June 2014 $M
Gross rental income	**86.1**	82.6	**165.4**
Add: Current year incentives	**(2.2)**	(1.7)	**(5.9)**
Add: Amortisation of incentives	**2.0**	1.6	**3.5**
Add: Working capital movements	**(1.1)**	(0.2)	**0.1**
Cash flow from gross rental income	**84.8**	82.3	**163.1**

9) Investment properties

	Valuer[2]	Valuation 30 June 2014 $M	Capitalised Incentives $M	Additions/ Disposals $M	Book Value 31 December 2014 $M	Book Value 31 December 2013 $M
ANZ Centre	CBRE	**256.0**	0.3	0.2	**256.5**	251.8
AMP Centre	JLL	**122.4**	(0.0)	0.1	**122.5**	110.7
125 The Terrace	CBRE	**63.8**	(0.1)	0.0	**63.7**	66.6
171 Featherston St	Bayleys	**75.8**	(0.0)	1.0	**76.8**	72.9
No.1 and 3 The Terrace	Colliers International	**72.5**	(0.0)	(0.0)	**72.5**	76.4
No. 3 The Terrace[1]	Colliers International	**10.6**	–	–	**10.6**	10.7
PricewaterhouseCoopers Tower	JLL	**263.0**	(0.1)	0.2	**263.1**	234.2
Pastoral House	CBRE	**49.5**	0.1	0.4	**50.0**	53.8
Vodafone on the Quay	Bayleys	**108.0**	(0.0)	0.0	**108.0**	100.3
State Insurance Tower	Colliers International	**136.7**	0.3	0.4	**137.4**	136.1
Mayfair House	CBRE	**37.5**	(0.2)	1.0	**38.3**	37.3
80 The Terrace	Colliers International	**36.6**	0.5	0.0	**37.1**	30.3
Deloitte House	Colliers International	**50.6**	0.0	0.1	**50.7**	48.6
Zurich House	Colliers International	**91.5**	(0.3)	0.0	**91.2**	85.4
Bowen Campus	Colliers International	**49.0**	(0.0)	0.0	**49.0**	52.4
Downtown Shopping Centre	CBRE	**101.0**	0.1	4.9	**106.0**	97.0
HSBC House	CBRE	**108.0**	0.1	0.3	**108.4**	103.5
Market value (fair value) of properties		**1,632.5**	0.7	8.6	**1,641.8**	1,568.0
SAP Tower[3]	CBRE	**95.6**	–	(95.6)	**–**	89.5
Market value (fair value) of properties held for sale		**95.6**	–	(95.6)	**–**	89.5

1. No. 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
2. 30 June 2014 valuer.
3. SAP Tower was unconditionally sold on 24 November 2014, resulting in a realised gain on sale of $0.2 million. Settlement is due to occur in late February 2015, sales proceeds due at settlement have been reflected as property sale proceeds to be settled within the statement of financial position.

10) Interest bearing liabilities

	31 December 2014		31 December 2013		30 June 2014	
	Facility $M	Drawn $M	Facility $M	Drawn $M	Facility $M	Drawn $M
Interest bearing liabilities						
Bank Loans	**527.0**	**507.0**	610.0	556.0	**610.0**	**572.0**
United States Private Placement	**97.9**	**–**	–	–	**–**	**–**
New Zealand Retail Bond	**75.0**	**75.0**	–	–	**–**	**–**
Subtotal	**699.9**	**582.0**	610.0	556.0	**610.0**	**572.0**
Prepaid borrowing costs		**(2.6)**		–		**–**
Net Borrowings	**699.9**	**579.4**	610.0	556.0	**610.0**	**572.0**

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

Bank Loans

As at 31 December 2014 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 $527,000,000 (30 June 2014: $610,000,000; 31 December 2013: $610,000,000). The maturity profile for the loan facility is as follows:

		31 December 2014		31 December 2013		30 June 2014	
Loan Facility	*Maturity Date*	Facility $M	Drawn $M	Facility $M	Drawn $M	Facility $M	Drawn $M
ANZ	Jul-19	**67.0**	**60.3**	67.8	49.8	**67.8**	**55.3**
ASB	Jul-19	**67.0**	**60.3**	67.8	49.8	**67.8**	**55.3**
BNZ	Jul-19	**67.0**	**60.4**	67.8	49.8	**67.8**	**55.3**
ANZ	Jul-18	**42.0**	**42.0**	67.8	67.8	**67.8**	**67.8**
ASB	Jul-18	**42.0**	**42.0**	67.8	67.8	**67.8**	**67.8**
BNZ	Jul-18	**42.0**	**42.0**	67.7	67.7	**67.7**	**67.7**
ANZ	Jul-16	**50.0**	**50.0**	51.1	51.1	**51.1**	**51.1**
ASB	Jul-16	**50.0**	**50.0**	51.1	51.1	**51.1**	**51.1**
BNZ	Jul-16	**50.0**	**50.0**	51.1	51.1	**51.1**	**51.1**
BTMU	Jul-17	**50.0**	**50.0**	50.0	50.0	**50.0**	**49.5**
Total		**527.0**	**507.0**	610.0	556.0	**610.0**	**572.0**

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.

Subsequent to balance date on 29 January 2015 Precinct cancelled $25m of the July 2016 facility and $65m of the July 2019 facility.

10) Interest bearing liabilities *(continued)*

United States Private Placement

In November 2014, Precinct agreed to issue US$75 million of notes for 10 and 12 year terms in the United States Private Placement (USPP) market. The USPP issuance comprised two tranches, a US$50 million 10 year note with a coupon of 4.13% and a US$25 million 12 year note with a coupon of 4.23%. To remove all currency risk the proceeds have been fully swapped back to New Zealand dollars.

Subsequent to balance date on 27 January 2015, the notes were issued.

New Zealand Retail Bond

On 17 December 2014, Precinct raised $75 million through a New Zealand public bond issue. The Bonds have a coupon of 5.50% and mature 17 December 2021.

Interest rates

Interest rates charged on the interest bearing liabilities for the drawdown period are at the 90-day benchmark borrowing rate (BKBM) plus a margin. As at 31 December 2014 the weighted average interest rate applying to drawn amounts was 4.57% (includes margin) (June 2014: 4.29%; December 2013: 3.58%). Through the use of interest rate swaps Precinct has as of 31 December 2014 effectively fixed the interest rate on $361,500,000 being 62.1% (June 2014: $381,500,000, 66.7%; December 2013: $371,500,000, 66.8%) of its total drawn amount leading to a weighted average interest rate of 5.93% (includes margin and line fee) (June 2014: 5.99%; December 2013: 5.83%). The weighted average term of the swaps is 4.05 years (June 2014: 3.35 years; December 2013: 3.45 years).

11) Derivative financial instruments

Precinct holds interest rate swaps and cross-currency swaps at fair value through profit or loss. In estimating fair values, Precinct uses Level 2 inputs. The fair value of 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 and cross-currency curves.

	31 December 2014 $M	*31 December 2013 $M*	***30 June 2014 $M***
Fair value of derivative financial instruments			
Interest rate swaps (current)	**(1.6)**	(0.1)	**(0.6)**
Interest rate swaps (non current)	**(8.6)**	(3.5)	**(2.7)**
Cross currency swaps (current)	**–**	–	**–**
Cross currency swaps (non current)	**1.6**	–	**–**
Total	**(8.6)**	(3.6)	**(3.3)**

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

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 2014 there is a notional performance fee deficit of $1,166,578 to be carried forward to the calculation of performance fees in future quarters (June 2014: $1,346,972 deficit; December 2013: $102,578 surplus).

For the six months ended 31 December 2014 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 2014 received Directors' fees of $205,446 (June 2014: $394,225; December 2013: $195,000).

b) Precinct pays AMP Haumi Management Limited a base management services fee. The amount paid for the six months was $4,278,225 (June 2014: $8,305,011; December 2013: $4,130,722). An outstanding amount for Precinct of $716,318 (June 2014: $704,331; December 2013: $690,932) 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 $1,376,518 (June 2014: $2,628,290; December 2013 $1,342,944). An outstanding amount of $nil (June 2014: $nil; December 2013: $nil) is payable to AMP Haumi Management Limited.

12) Related party transactions *(continued)*

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 $1,099,283 (June 2014: $2,697,785; December 2013: $1,283,020). An outstanding amount of $nil was payable at 31 December 2014 (June 2014: $nil; December 2013: $453,768).

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 $nil (June 2014: $2,163,512; December 2013: $1,313,458). An amount of $nil was outstanding at 31 December 2014 (June 2014: $nil; December 2013: $1,313,458).

f) Precinct paid AMP Haumi Management Limited as development manager total fees for the six months of $nil (June 2014: $371,638; December 2013: $371,638). No balance was outstanding as at 31 December 2014 (June 2014: $nil; December 2013: $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, 80 The Terrace, Vodafone on the Quay, State Insurance Tower and 171 Featherston Street. Total rent received by Precinct from these parties during the period was $1,979,538 (June 2014: $3,267,710; December 2013: $3,134,797). As at 31 December 2014 an amount of $5,676 (June 2014: $31,419; December 2013: $35,633) was owing to Precinct from these related parties.

h) Precinct paid AMP Haumi Management Limited acquisition fees during the period of $nil (June 2014: $nil; December 2013: $nil). No balance was outstanding at 31 December 2014 (June 2014: $nil; December 2013: $nil).

No related party debts have been written off or forgiven during the period (June 2014: $nil; December 2013: $nil).

13) Capital commitments

As at 31 December 2014 Precinct had outstanding capital commitments totalling $5.1 million, relating to construction contracts (June 2014: $6.6 million; December 2013: $8.1 million).

14) 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.

15) Events after balance date

On 27 January 2015 Precinct issued US$75m of notes in the United States Private Placement (USPP) Market.

On 29 January 2015 Precinct cancelled $25m of the July 2016 facility and $65m of the July 2019 facility.

On 24 February 2015 the Board approved the payment of a dividend of 1.35 cents per share ($16,350,175 in total) to be paid on 17 April 2015.

On 24 February 2015 the Board approved the intention to raise approximately $174.1 million through an underwritten 1 for 7 entitlement offer. The Offer will involve the issue of around 151.4 million ordinary shares.

Independent Review Report

Chartered Accountants

Review Report to the Shareholders of Precinct Properties New Zealand Limited ("the company") and its subsidiaries together ("the group")

We have reviewed the interim financial statements on pages 8 to 21, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, 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 and fair presentation of interim financial statements which comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with the generally accepted accounting practice in New Zealand as it relates to interim financial statements. As the auditor of Precinct Properties New Zealand Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

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

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

Ernst & Young provides other assurance related services. We have no other relationship with, or interests in, the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 8 to 21, do not present fairly, in all material respects, the financial position of the group as at 31 December 2014 and its financial performance and cash flows for the 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 24 February 2015 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 Al Nuaimi – Director
Robert Campbell – Director
Anthony Bertoldi – Alternate Director

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Scott Pritchard – Chief Executive Officer
George Crawford – Chief Financial Officer
Davida Dunphy – General Counsel and Company Secretary

Bond Trustee

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Trust Company Limited
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Manager

AMP Haumi Management Limited
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Auckland 1010
New Zealand

Bankers

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

Auditor

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Registrar

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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.