DEVELOPING THE **FUTURE**

ANNUAL REPORT **2017**

Precinct PROPERTIES NEW ZEALAND™

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Cover page image: 12 Madden Street, Wynyard Quarter
More information can be found at www.precinct.co.nz

CHAIRMAN'S REPORT

STRONG PERFORMANCE

It has been a good year for the company. Net profit after tax was up 17.3% to $162.1 million. Net operating income was in line with guidance and up 2.7% to 6.17 cents per share. Your full year dividend was up 3.7% to 5.6 cents per share (cps).

We advanced our strategy as city centre specialists, and reduced our risk profile as major developments were completed or passed construction milestones. This put us in a strong financial position and well placed to take up opportunities for future successful development within our portfolio.

The November 2016 Kaikoura earthquake had a significant impact on the Wellington market, and revealed structural issues at Deloitte House, resulting in a value write down of $26.1 million. This seismic event also reduced Precints earnings per share through lost income and seismic repair costs. Despite this setback, we recorded an overall valuation gain of $77.5 million helping lift the value of the portfolio to $2.04 billion. Net tangible assets per share rose 6% from $1.17 to $1.24.

$162.1M

Net profit after tax

ADVANCING OUR DEVELOPMENTS

One year ago we had three significant developments that were either just starting or at an early stage. Since then, Wynyard Quarter Stage One has been successfully completed and works commenced at Bowen Campus. We recorded a revaluation uplift on both development sites.

We are very positive about Commercial Bay which is enjoying strong retail and premium office demand. Pleasingly, the as-if-complete value of Commercial Bay increased by $88 million to $941 million. This increase was driven by leasing success, higher rental levels and cap rate compression. Forecast development profit[1] has increased to $213 million and once complete the project is now expected to deliver a return on cost[2] of around 31%. Forecast development profit[1] from both Bowen Campus and Commercial Bay has increased to around $242 million of which approximately $160 million remains to be recognised in future years.

We enjoyed strong pre-commitment for both the office and retail space at Commercial Bay. We were particularly pleased at the quality of the retail brands and food operators the development is securing in creating a new retail experience in the heart of the city.

CITY CENTRE FOCUS

Our investment in Commercial Bay also reflects our strategy as a city centre specialist. City centres worldwide are enjoying a resurgence. This is the case in Auckland where we are well positioned to grow in and with the city.

"WE BELIEVE OUR SUCCESS WILL BE INCREASINGLY DETERMINED BY THE OVERALL ENVIRONMENT OF OUR PRECINCTS. WE ARE GIVING OUR CLIENTS SPACES IN AREAS THEY LIKE AND WANT TO WORK IN."

>> **Craig Stobo**, Chairman.

We have been pleased to take up attractive opportunities in joint venture and mixed-use projects. An example is our joint venture with Panuku Development Auckland, an Auckland Council-controlled organisation, to develop the Innovation Precinct at Wynyard Quarter.

During the year, we acquired a 50% interest in Generator New Zealand Limited. With its recent appointment as the operator of GRID AKL at the Wynyard Innovation Precinct, Generator now operates over 9,000 sqm of co-working space in Auckland's city centre, leading an approach to shared work places that we expect to grow.

We see strong occupier markets and good opportunities flowing from Auckland's growth, with 72% of our portfolio now weighted to the city. In Auckland:

1. Working age population is expected to grow by around 40% or over 400,000 people, between 2013 and 2043.
2. Significant public and private investment continues in the city centre.
3. Auckland Council, through the Unitary Plan, is committed to a strong city centre.
4. A high tourism spend reflects it's role as New Zealand's gateway city.
5. City centre resident population and retail growth are faster in the CBD than in the suburbs.

SUSTAINABLE GROWTH

We continue to manage risk and focus on sound capital management. All our developments are undertaken on fixed-price contracts, and we remain securely funded. As announced with our annual results, we are considering issuing a subordinated convertible note. Post issue, we expect to further diversify our funding sources providing the capacity to consider future opportunities.

Fitting with a strategy for growing with the city we operate in, our buildings are designed to be sustainable. In both Auckland and Wellington we are driving a high level of quality regeneration of special city centre areas. The board is also committed to sustainable company operations. To this end we have provided more detail in this year's annual report on our approach to sustainability and have taken a first step towards adopting integrated reporting.

1 Development profit is calculated as independently assessed as if complete value less forecast total project cost.
2 Return on cost is development profit divided by forecast total project cost.

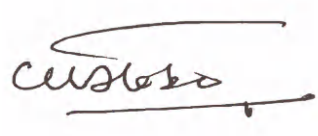
OUTLOOK AND DIVIDEND GUIDANCE

The board expects full year earnings for the 2018 financial year of approximately 6.30 cps, before performance fees and expects to pay a dividend of 5.80 cps. This represents a 3.6% increase in dividend to shareholders.

Over the year the company has enjoyed favourable occupier markets, continued good gains in Wellington in spite of the setbacks from the Kaikoura earthquake and built a strong position to benefit from growth in Auckland. It has been a positive year, moving to a more mature development phase that will continue to support future earnings and dividend growth.

We are positive about New Zealand’s economy, in particular Auckland's, with its population growth, tourism and construction activity.

We remain confident in the earnings guidance provided to the market during the past 3 years and in the value that will be created from the committed developments. As the company executes its strategy and development risks such as cost, programme and leasing are reduced, it is anticipated that dividends will grow further.



CRAIG STOBO, CHAIRMAN

HIGHLIGHTS

5.80 CPS

FY18 dividend guidance

+3.6%

Expected increase in dividend for FY18

CEO REPORT

STRONG PROGRESS

We achieved strong progress across all our activities last year. We successfully completed our Wynyard Quarter Stage One development, commenced works at Bowen Campus and achieved good progress at Commercial Bay. We saw continued gains from executing on a strategy of specialising in our city centres.

Our investment portfolio and the markets we operate in are in great shape with year-end occupancy for the investment portfolio of 100%. Overall the weighted average lease term (WALT) currently stands at a very strong 8.7 years.

8.7 YEARS

Weighted average lease term

We successfully concluded the first stage at Wynyard Quarter. On practical completion the development was 100% leased. We have maintained strong leasing at Commercial Bay with the office tower 66% pre-committed, up from 60% last year. In the period we secured, law firm, DLA Piper across 2,700 sqm and achieved further leasing of the top two floors.

We have now pre-committed 46% of Commercial Bay's retail precinct, up from 21% last year. Achieving an unconditional agreement to acquire Queen Elizabeth Square in December 2016 provided additional certainty to launch the retail leasing. The retail precinct continues to attract high interest. We ended the year in advanced discussions with both key retail and food and beverage anchor clients.

Post balance date, the Crown has advised its intention to lease the remaining office space at Bowen Campus, increasing the office pre-commitment to to 100%. The commitment increases the amount leased by the Crown to 37,100 sqm (June 2016: 32,400 sqm).

The Crown has committed to the additional space on the same terms as previously announced. The 15 year lease, with structured rent reviews, provides Precinct with further confidence in its earnings outlook. Construction works continue in line with expectations.

In the period, Deloitte House underwent a detailed structural investigation following the November 2016 earthquake. Assessments identified the seismic strength of the building was lower than previous assessments. Investigations are ongoing to identify the best outcome for the property and its clients.

We are pleased with our weighting to Auckland and Wellington with 72% and 28% holdings in each market. We ended the year very well-positioned to grow as Auckland continues to grow. Consistent with our strategy to develop strong client relationships through a focus on providing high levels of service, we acquired a 50% stake in Generator the co-working and shared office space provider, which was recently appointed to operate the Innovation Precinct at Wynyard Quarter.

SENIOR MANAGEMENT CHANGES

In the period we were pleased to announce the appointment of Richard Hilder, formerly Precinct's General Manager of Finance, to lead the finance function in the role of Chief Financial Officer. Richard has been with the business for seven years and we look forward to his ongoing contribution.

In addition and reflecting the increased activity of the business, Kym Bunting, Precinct's General Manager of Property, was appointed to the newly created role of General Manager of Transactions. Precinct's Chief Operating Officer, George Crawford will increase his commercial management responsibilities, assuming leadership of the property team and responsibility for performance of the investment portfolio.

DEVELOPMENT PROGRESS

Commercial Bay remains on track for overall completion by mid 2019. The opening of the retail component has now been split into two phases with phase one, comprising around 20% of the retail, planned to open earlier than previously indicated in mid 2018. The opening date for the balance of the retail is now programmed to be late Q1 2019.

The updated retail opening plan is not expected to materially impact the cost or returns to Precinct. Based on site progress to date, the revised opening plan is expected to mitigate risk from construction delays and help ensure a successful opening. We retain a positive working relationship with our main contractor and remain comfortable with the provisions of the fixed price construction contract. The project yield on cost remains unchanged at 7.5%.

At year end Commercial Bay had seen 280,000 cumulative hours of work across all activities and 9,500 tonnes of material removed from the site. Pleasingly, around 84% of on-site materials were recycled and repurposed. Completion of these phases of work and strong leasing continue to make our investment in this project more secure.

"POST BALANCE DATE, THE CROWN COMMITTED TO THE REMAINING OFFICE SPACE AT BOWEN CAMPUS. THIS REMOVES ALL OFFICE LEASING RISK AT BOWEN CAMPUS INCREASING OFFICE PRE-COMMITMENT TO 100%"

>> **Scott Pritchard**, CEO.

OUTLOOK

With the continued advancement of our strategy as city centre specialists, we remain focused on our long term commitments. 2017 has again delivered a strong financial result ensuring we are well positioned for future developments.

Precinct has achieved a number of development milestones over the last 12 months including the completion of Wynyard Quarter Stage One. Significant progress at Commercial Bay has also been made with two thirds of the office tower now being pre-committed and almost half of its retail precinct being pre-committed to date. With a good level of client enquiry and several advanced discussions currently underway, we are very satisfied with the progress achieved two years out from practical completion.

The post balance date commitment by the Crown at Bowen Campus further reflects the ongoing progress on the project and is another great outcome in 2017.

Key metrics across our investment portfolio in both Auckland and Wellington remain strong. Recording an overall year-end occupancy of 100% has been a great accomplishment. The long lease terms which clients have been secured on, across 37,500 sqm of space during the period, are also reinforcing this year's strong operational result.

Demand for city centre office space remains strong. With limited supply available and overall vacancy rates at record lows, we expect this strong demand for office space to continue and be further driven by continuing employment growth in the coming years. Some additional supply has been completed in the fringe of Auckland city but this has matched demand and is not expected to impact the city centre market. The city's retail market also showed high occupier demand, and rental growth, with limited new supply outside Commercial Bay.

100 %

Portfolio occupancy

$213 M

Commercial Bay expected development profit

Wellington's city centre office market also strengthened with high occupier demand, and rental growth and reduction in supply.

We look forward to delivering more of our long term strategy over the next 12 months. We are particularly excited about the next stage of Auckland City's growth and the role we will play in its regeneration. Strong returns and continued growth both remain an important focus for our company. By creating client spaces which are supporting earnings and dividend growth for our shareholders, we are confident about the year ahead.

Scott Pritchard, CEO

ANTHONY BERTOLDI, DIRECTOR AND SCOTT PRITCHARD, CHIEF EXECUTIVE OFFICER

MANAGEMENT REPORT

RESULTS OVERVIEW

A strong revaluation gain, reduced interest and tax charges and an unrealised gain on financial derivatives led to net profit after tax increasing to $162.1 million (June 2016: $138.2 million).

The investment portfolio is benefitting from 100% occupancy at year end, helping increase net operating income (distributable earnings), which adjusts for a number of non-cash items, to $74.7 million (June 2016: $72.8 million).

Dividends paid and attributed to the 2017 financial year totalled 5.60 cps, 3.7% higher than the previous year (June 2016: 5.40 cps). This represented a payout ratio of 90.8% consistent with Precinct's dividend policy of paying around 90% of net operating income. The dividend paid closely matched AFFO of 5.43 cps which is considered to align with international 'best practice' for real estate entities.

RECONCILIATION OF NET OPERATING INCOME

($ in millions)	2017	2016
Net profit after taxation	**162.1**	138.2
Unrealised net (gain) / loss in value of investment properties	**(77.5)**	(81.2)
Net realised loss on sale of investment properties	**0.0**	2.7
Unrealised net loss /(gain) on financial instruments	**(11.8)**	16.4
Depreciation recovered on sale	**0.0**	10.0
Deferred tax expense / (benefit)	**1.9**	(13.3)
Net operating income	**74.7**	**72.8**

Note: Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items as detailed in the reconciliation above. Precinct's dividend policy is based upon net operating income. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

$74.7 M

Net operating income

Gross rental revenue was $126.2 million, 13.6% lower than the previous year (June 2016: $146.0 million). The fall in rental revenue was primarily due to the commencement of development works at Commercial Bay and Bowen Campus. The Kaikoura earthquake in November 2016 led to revenue at Deloitte House in Wellington being $2.4 million lower than the previous period. These reductions were partially offset by the completion of Mason Brothers in December 2016. Allowing for these transactions and events, on a like for like basis, gross rental income was 1.3% higher than the previous period.

Property expenses of $35.8 million were 13.7% lower than the previous period (June 2016: $41.5 million). However, once these were adjusted for recent development activity, expenses actually increased by 6.2%. This increase was primarily a result of seismic repair costs associated with the Kaikoura earthquake which totalled around $1 million.

Net property income reduced to $90.4 million (June 2016: $104.5 million). Adjusting for developments and seismic repair costs, like for like net property income rose by 0.7% with Auckland increasing by 1% and Wellington flat.

Net interest expense of $3.4 million was $7.6 million lower than the previous year (June 2016: $11.0 million), which reflected the interest associated with properties which have commenced development now being capitalised.

Precinct recorded a 5.4% shareholder total return for the year to 30 June 2017. This outperformed the benchmark New Zealand listed property sector return (excluding Precinct) of 1.3%. Due to previous under performance and in line with the agreed process for recognising outperformance of the market no performance management fees were paid. Overall indirect expenses were $9.8 million, 3% lower than the previous period and reflecting a reduction in management fees paid.

Current tax expense fell to $2.5 million (June 2016: $10.6 million). This reflected a higher level of deductible leasing costs and the disposal of depreciable assets at Bowen Campus and Zurich House where the lower levels of the building will be incorporated into Commercial Bay, as well as deductions for interest capitalised.

The fair value gain in financial instruments of $11.8 million compared with a loss of $16.4 million the previous year. The gain reflects the increase in market interest rates during 2017.

Deloitte House in Wellington recorded a valuation decline of $26.1 million with further investigations undertaken in respect of costs to remediate and seismically improve the building following the November 2016 Kaikoura earthquake. Excluding Deloitte House, the valuation gain was $103.6 million reflecting a 5.4% increase to year end book values. The resulting overall valuation gain of $77.5 million for the period (June 2016: $81.2 million) helped increase net tangible assets per share at balance date by 6% to $1.24 (June 2016: $1.17).

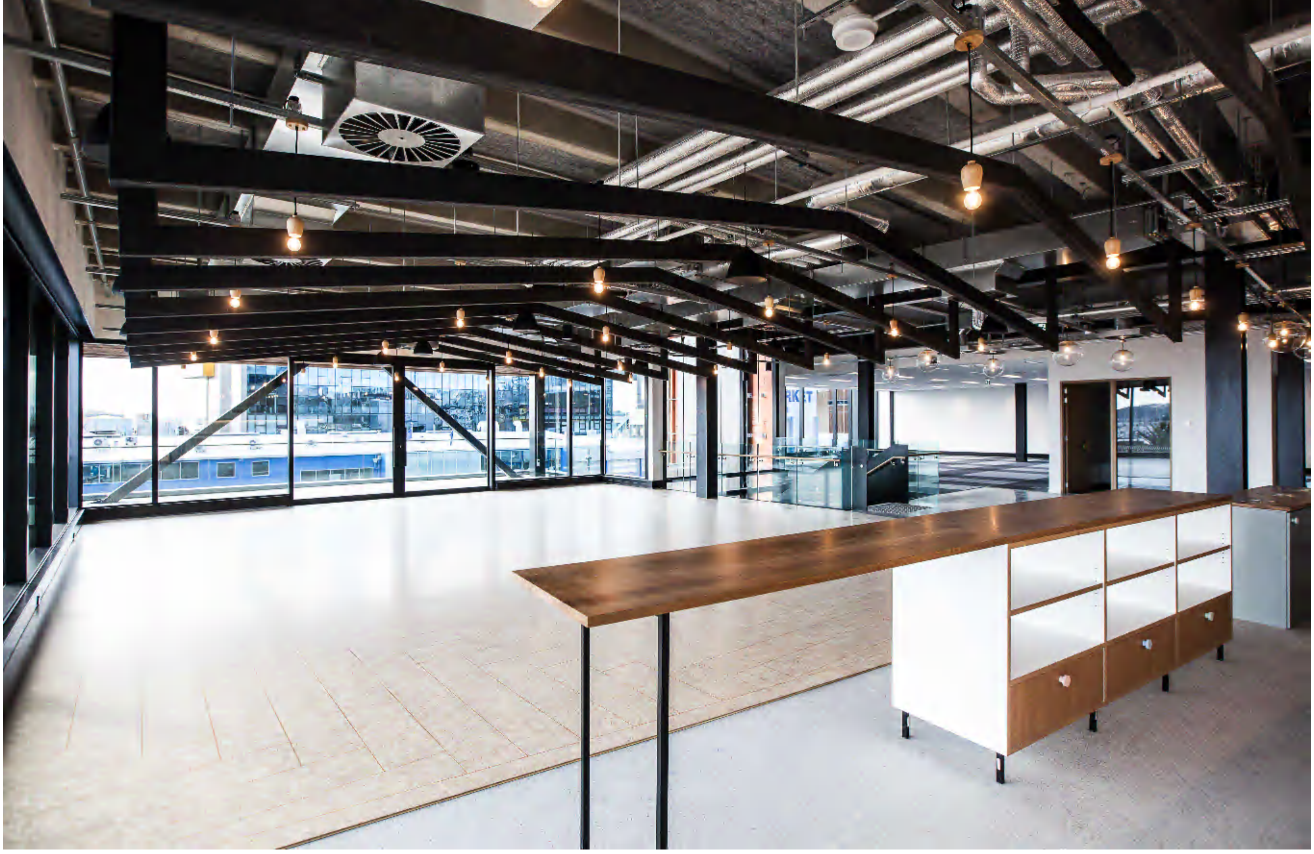
As at 30 June 2017 Precinct's portfolio value increased to $2.04 billion (June 2016: $1.7 billion). This increase was due to the valuation gain and the significant development spend in the period.

$77.5 M

Revaluation gain

+6.0 %

Increase in net tangible assets



12 MADDEN STREET, WYNYARD QUARTER STAGE ONE

"PRECINCT'S ACTIVE DEVELOPMENT PIPELINE CONTRIBUTED STRONGLY TO THE VALUE UPLIFT. COMMERCIAL BAY AND BOWEN CAMPUS "ON COMPLETION" VALUES INCREASED BY AROUND $93 MILLION TO $1,183 MILLION."

>> **Richard Hilder**, CFO.

Funds from operations

Funds from operations (FFO) and Adjusted funds from operations (AFFO) are measures used by real estate entities to describe the underlying performance from their operations. Aligning dividends with AFFO is generally considered to be best practice for real estate entities. FFO and AFFO are defined in more detail on page 29.

FFO for the year increased $2.2 million to $80.9 million (June 2016: $78.7 million) or 6.68 cps. This represented an FFO payout ratio of 84%. AFFO for the year was $65.8 million, or 5.43 cps, closely matching dividend paid.

KEY FINANCIAL INFORMATION

($ millions unless otherwise stated)	2017	2016	Change (%)
Rental revenue	**126.2**	146.0	(13.6)
Operating income before indirect expenses	**90.4**	104.5	(13.5)
Net operating income before tax	**77.2**	83.4	(7.4)
Net operating income[1]	**74.7**	72.8	2.6
Net profit after taxation	**162.1**	138.2	17.3
Earnings per share based on operating income before tax (cents per share)	**6.37**	6.89	(7.5)
Earnings per share based on operating income after tax (cents per share)	**6.17**	6.01	2.7
Gross distribution (cents per share)[2]	**6.35**	6.47	(1.8)
Net distribution (cents per share)[2]	**5.60**	5.40	3.7
Payout ratio (%)	**90.8**	89.9	1.0
Total assets	**2,079.2**	1,738.6	19.6
Total liabilities	**573.6**	327.7	75.0
Total equity	**1,505.6**	1,410.9	6.7
Shares on issue (million shares)	**1,211.1**	1,211.1	0.0
NTA (cents per share)	**124**	117	6.0
Gearing ratio at balance date (%)[3]	**25.1**	14.4	74.3

The information set out above has been extracted from the financial statements set out on pages 62 to 81.

1 *Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.*
2 *Dividend paid and proposed relating to financial year.*
3 *For loan covenant purposes deferred tax losses and fair value of swaps are not included in the calculation of gearing ratio.*

MANAGEMENT REPORT (CONTINUED)

CAPITAL MANAGEMENT

Total borrowings in the period increased to $452.1 million (June 2016: $221.2 million). The increase related to development spend at Bowen Campus, Wynyard Quarter Stage One and Commercial Bay. Reflecting the increase in total borrowings and the unconditional commitment to Queen Elizabeth Square, gearing increased to 25.1% (June 2016: 14.4%).

25.1%

Gearing as at 30 June 2017

A core component of Precinct's capital management strategy has been to diversify its funding sources. As at 30 June 2017, 38% of drawn debt was sourced from non bank sources. Precinct has total debt facilities of $1 billion with a weighted average term to expiry of 4.0 years (June 2016: 5.1 years). Precinct remains comfortably within its borrowing covenants and is in a strong financial position to deliver its committed developments.

The $860 million bank facility, expiring in November 2020, is provided by ANZ, BNZ, CBA, Westpac and HSBC. As the developments progress Precinct will continue to diversify its borrowings and increase its tenor. This approach will reduce refinancing risk at the completion of Commercial Bay and Bowen Campus.

Post balance date, Precinct announced that it is considering issuing a subordinated convertible note. Post issue, we expect to further diversify our funding sources and reduce our leverage, providing Precinct with the capacity to consider future opportunities.

$1.0 BILLION

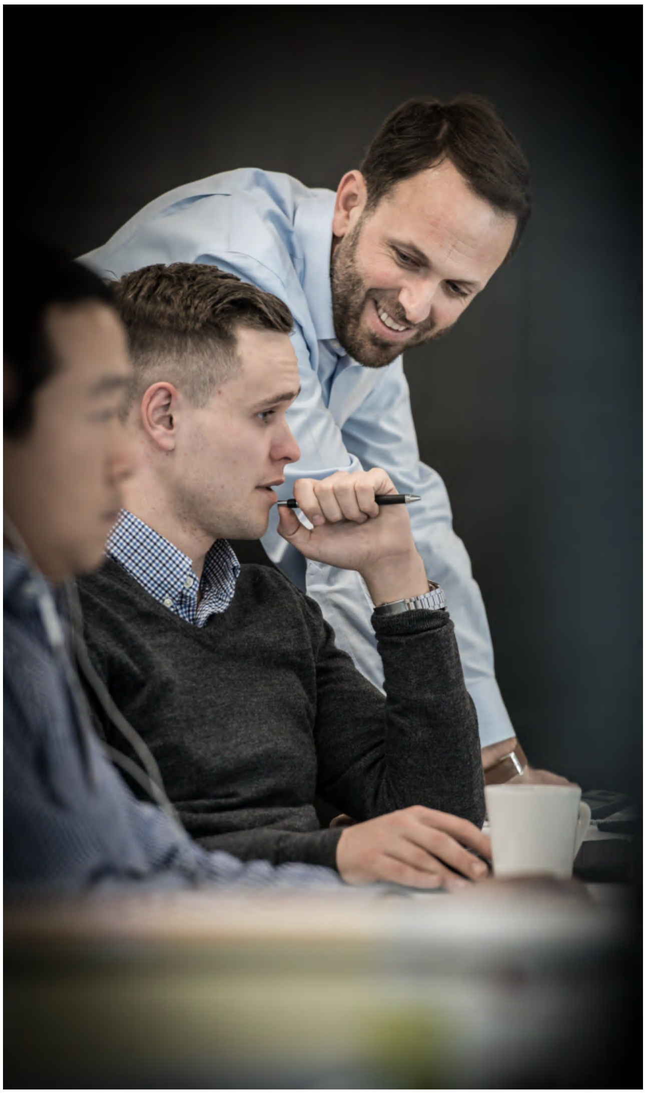
Total debt facilities

As at 30 June 2017, Precinct was 65% hedged through the use of interest rate swaps (June 2016: 90%). Average hedging for the 2018 financial year will be around 80% as forward swaps commence in the period. The weighted average interest rate including all fees was 5.6% at 30 June 2017 (June 2016: 5.4%).

CAPITAL MANAGEMENT METRICS

	2017	2016
Debt drawn ($m)[1]	**452.1**	221
Gearing - banking covenant (%)	**25.1**	14.4
Weighted average term to expiry (years)	**4.0**	5.1
Weighted average debt cost (incl fees) (%)	**5.6**	5.4
% of debt hedged (%)	**65.3**	90.0
Weighted average hedging (years)	**2.7**	2.7
Interest coverage ratio (previous 12 months)	**3.9 x**	6.9 x
Total debt facilities ($m)	**1,033**	1,033

1 Excludes the USPP note fair value adjustment of $8.9 million (June 2016: $17.0 million). Interest bearing liabilities are detailed in Note 15 of the Financial Statements.



RICHARD HILDER, CHIEF FINANCIAL OFFICER (RHS)

OPERATIONAL UPDATE

Investment portfolio metrics have remained strong. Occupancy increased to 100% (June 2016: 98%) and the WALT increased to 8.7 years (June 2016: 6.3 years).

100%

Investment portfolio year end occupancy

In total 56 leasing transactions across 37,500 sqm of space were secured during the period on a WALT of 6.9 years. Significant leasing success at Dimension Data House (formally 157 Lambton Quay) and State insurance Tower saw a total of 12,500 sqm secured during the period on a WALT of around 7.9 years. This success increased occupancy across the two buildings to 100% (June 2016: 89%) and extended the WALT to 4.7 years (June 2016:4.3 years).

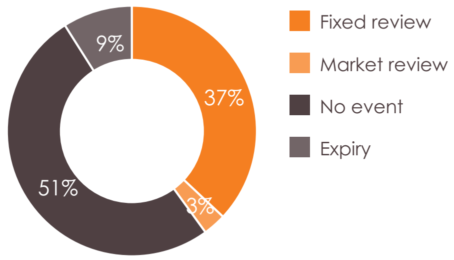
Included in this leasing was the first cross portfolio agreed lease with Buddle Findlay committing to 6,700 sqm across the Wellington and Auckland portfolio for a further 12 years. Other leasing highlights included securing 6,000 sqm at AMP Centre through a new lease to AMP Services across 5 floors.

In the period, 8,900 sqm of market reviews were settled at 10.3% above 2016 valuation rentals. Pleasingly, this largely comprised 7,000 sqm of Wellington market reviews settled at 8.2% above market valuation rentals.

Including structured rent reviews, Precinct settled 82,000 sqm of reviews at a 3.2% premium to previous contract rental and 3.8% premium to 2016 valuations.

The portfolio is now under-rented by 4.7% (June 2016: 3.6% under-rented) and continues to be positioned to capture market rental growth.

2017 LEASING EVENTS BY INCOME

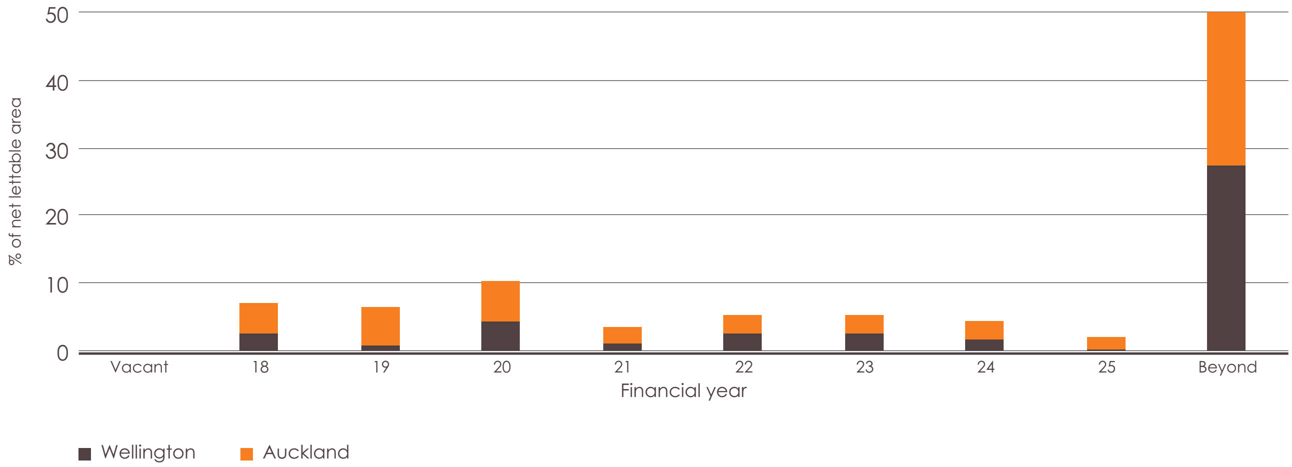


As announced, Precinct advanced strategic focus on high levels of client services with the acquisition of a 50% interest in co-working space operator Generator. Generator offers the opportunity to expand the market in which Precinct operates and to enhance the amenity and service levels that Precinct can offer its clients. Generator was successfully appointed to operate GRID AKL in the Wynyard Innovation Precinct and now manages over 9,000 sqm in Auckland's CBD. GRID AKL provides the space, support, inspiration and community needed for a strong and vibrant innovation culture.

"GENERATOR IS WELL ALIGNED WITH PRECINCT'S VALUES AND ITS STRATEGY OF BEING A CITY CENTRE SPECIALIST. IT HAS A STRONG MANAGEMENT TEAM AND ENABLES PRECINCT TO EXPAND, HELPING TO GROW OCCUPANCY, DEMAND AND BETTER MEET CLIENT NEEDS"

>> **George Crawford**, COO.

LEASE EXPIRY PROFILE BY OFFICE NLA



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

MANAGEMENT REPORT (CONTINUED)

OUR MARKETS

AUCKLAND CBD

CBD Office
The strength of the Auckland economy continues to support the Auckland CBD office market through sustained employment growth, business expansion and continued transport infrastructure investment. The latest JLL Research (JLL) prime grade vacancy rate increased to 4.8% as at June 2017 (June 2016: 2.4%) primarily a result of the completion of several new builds and refurbishment programs. While prime grade vacancy has increased, the premium grade sector remains extremely tight with vacancy at June 2017 recorded at just 0.5%.

Given the continuation of a strong economic environment, the current low levels of vacancy and limited uncommitted new supply forecast, most research houses are forecasting a continuation in market rental growth.

CBD Retail
The Auckland CBD retail market remains extremely tight at 2.9% vacancy (June 2016: 2.1%) according to JLL. The majority of this vacancy is situated to the southern periphery of the CBD with a clear shortage of available prime retail with proximity to the waterfront and Britomart precincts.

Moderate levels of rental growth are forecast to continue. This results from limited new supply until the completion of the Commercial Bay retail centre in early 2019, increased retail spend, CBD population growth and a strengthening tourism sector.

The retail market generally is being impacted by the arrival of new international retailers and online retail trends which are impacting on traditional retailers and their ability to pay rental levels. However, to date, this is not impacting on CBD retail which benefits from high levels of foot traffic and is sought after by new market entrants. Retailers value CBD bricks and mortar stores. High foot traffic, tourism and large catchments creates an advertising tool that drives web traffic and online sales.

WELLINGTON CBD

CBD Office
The dynamics of the Wellington CBD office market changed considerably as a result of the Kaikoura earthquake. While a number of buildings have now reopened, many buildings remain closed.

According to JLL, Wellington CBD's office stock reduced to 1.09 million sqm as at June 2017 (June 2016: 1.15 million sqm), through the removal of stock from the market. Prime grade stock currently totals around 290,000 sqm of which 1.2% was vacant. This was a decrease on the June 2016 prime vacancy rate of 3.9%. Demand is expected to continue, particularly for seismically resilient stock. With limited vacant stock and increased occupier demand for quality premises, rental growth over the short term is being forecast across all the research houses.

BEN TWIGDEN, PROPERTY MANAGER


pwc
ZURICH
CUSTOMS
ALBERT ST

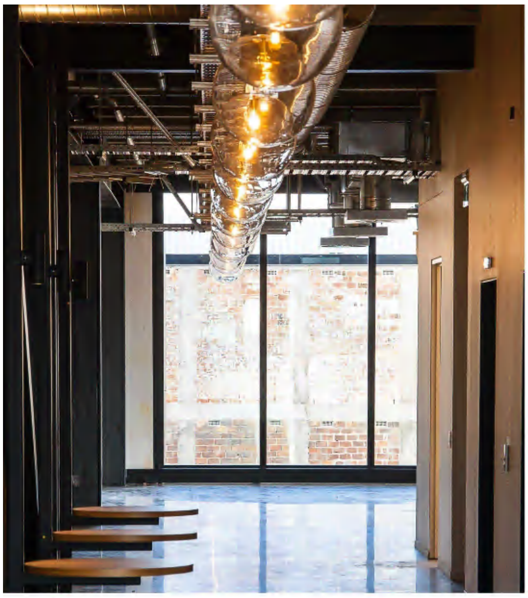
DEVELOPMENT PORTFOLIO

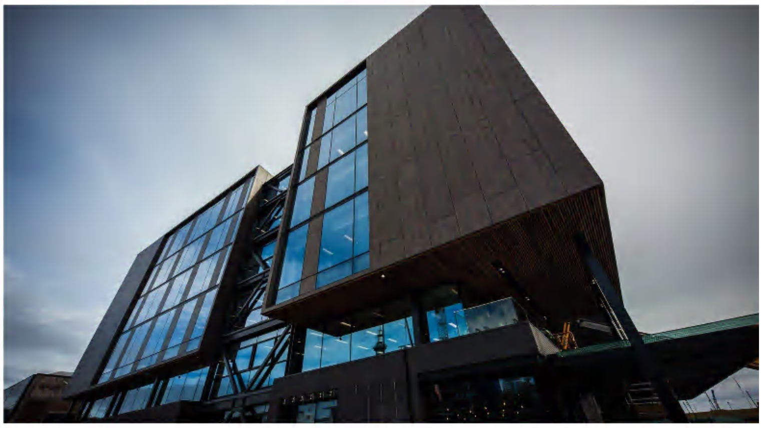
WYNYARD QUARTER

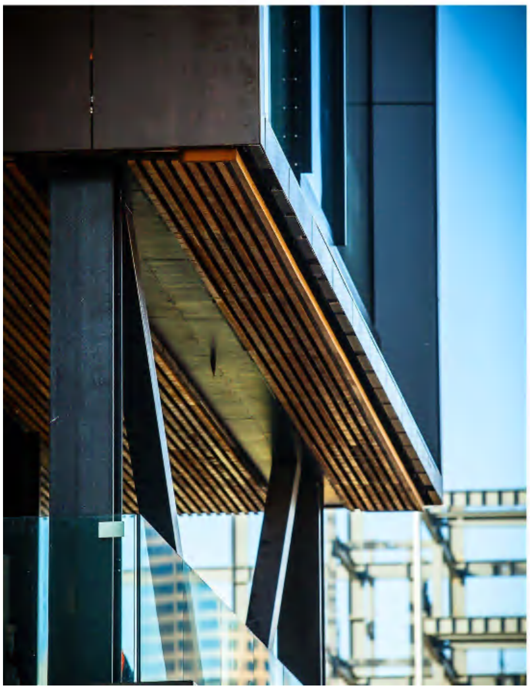
Completed during the period, Stage One of the of the Innovation Precinct included the 4,900 sqm Mason Brothers building redevelopment and the 8,100 sqm 12 Madden Street. Designed and developed with sustainability (5 Green Star) and innovation at the forefront, Stage One comprises Precinct's first completed buildings within the Wynyard Quarter Innovation Precinct. Both buildings have been completed on time and were 100% pre-committed prior to construction start. We were very pleased with the performance of our contractors, Hawkins and NZ Strong, in delivering these buildings.

KEY METRICS

Net lettable area	13,000 sqm
Occupancy	100%
Net passing income	$6.9 million
Value on completion	$107 million
Project cost	$91 million
Yield on cost	7.5%
Return on cost	18%







WYNYARD QUARTER STAGE ONE

BOWEN CAMPUS

At Bowen Campus we commenced work onsite in November last year with the demolition of fixtures and fittings and removal of the old facade. There has been significant progress throughout the year. New facade installation at Charles Fergusson Tower has been completed to level 6 and the eastern floor extension at the Bowen State Building has been erected. The project remains on programme. We are very pleased with the performance of our contractor, LT McGuinness and its progress made to date on site.

Cabinet has approved a lead agency at Bowen State and has exercised its option to take the remaining 4,700 sqm of space across levels 7 - 10. This is a great outcome for the project and brings it to 100% pre-committed.

Future development potential is retained over the balance of the Bowen Campus site with a further 4,000 sqm of development land available.

100 %

Office pre-committed

$203 M

Expected project cost

NEW FACADE AT CHARLES FERGUSSON TOWER, BOWEN CAMPUS

DEVELOPMENT PORTFOLIO (CONTINUED)

COMMERCIAL BAY

It has been another successful leasing year at Commercial Bay. Retail leasing is well underway with a further 10 leasing transactions completed during the year including two key food and beverage operators and two flagship retail stores. This brings the total area committed for the retail centre to 46% (June 2016: 21%). Interest in the retail centre remains elevated. We foresee leasing momentum continuing.

Leasing of the top two floors of the Commercial Bay tower was secured in the period in addition to DLA Piper committing to 2,700 sqm across two floors. The tower is 66% pre-committed with 2 years until practical completion.

During the period the project has recorded an $88 million increase to the value on completion to $941 million following the 30 June 2017 valuation update (June 2016: $853 million). There still remains around $140 million of development profit expected to be recognised in future years.

Construction is progressing well with bulk excavation expected to be completed this month and the construction of the City Rail Link Tunnel now underway. Following the installation of three of the four tower cranes office tower steel has been erected to level 10 and the first of the floor slabs is being poured.

Full access has been achieved for works to now commence on the lower levels of 1 Queen Street.

PROJECT INFORMATION

	Announcement	Current Projections	Variance
Retail committed	0%	46%	46%
Office committed	52%	66%	14%
Total project cost	$681 million	$685 million	$4 million
Value on completion	$853 million	$941 million	$88 million
Yield on cost	7.5%	7.5%	-

$941M

Value on completion

46%

Retail committed by net lettable area

ROBYN MCGREGOR, FINANCE MANAGER

Food and beverage

Precinct will be fully developing both levels 1 and 2 of HSBC House. It will be repurposed from a carpark into a hospitality precinct.

The food and beverage offering within HSBC House combined with the new development at Commercial Bay will integrate into the newly created retail centre providing a full hospitality experience.

The ground level of Commercial Bay will encompass an after hours food and beverage offering on the North West Laneway and an urban bistro on the North West Queen Street courtyard.

There will be a focus on fast casual food offerings on the upper level, complementing the express Food Hall to the South and premium social dining on the North East and North West Terraces. There has also been a number of 'pop out' seating areas incorporated into the design at this level, providing connectivity to Quay Street. This will showcase the northern aspect and views of the harbour.


pwc
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AMP
ZURICH
ZURICH


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OUR STRATEGY

BUSINESS OVERVIEW

Precinct is a city centre specialist real estate investment company. It invests in high quality strategically located city centre real estate.

Precinct invests predominately in city centre office and retail real estate which thrives through co-location with office assets. We may also invest in other city centre real estate including land, hotels, and lower quality properties where value can be created through active management or development.

Precinct has an ambition to control or own strategic city centre precincts enabling us to create vibrant environments with a broad retail, leisure and food and beverage offering.

Precinct's aim is for its office buildings to be the preferred accommodation in the Auckland and Wellington city centres. It aims to achieve this by providing excellent client service, by owning real estate in prime locations and by providing rich external environments.

Precinct treats its office occupiers as valued clients, and provides a level of service which significantly exceeds that provided in similar office buildings. This focused approach applies through the full range of client interactions, from parking and concierge services, presentation of lobbies through to dealings in lease negotiations.

Precinct makes the most of its management team. It utilises its skills in leasing, property and development management, development origination and capital management.

Dependent on opportunities and conscious of market cycles, Precinct's ambition is to have an active development book leveraging its scale, financial strength and management skill. The replenishment of the long term development pipeline in areas requiring private and public investment is essential to deliver our outperformance objectives.

Recycling capital out of buildings which will perform sub-optimally and acquiring or upgrading buildings is part of our business model.

"OUR FOUNDATIONS ARE BUILT AROUND PROACTIVE OFFICE ACCOMMODATION SOLUTIONS, APPLIED FRESH AND CREATIVE THINKING, WITH A SOLID SENSE OF PARTNERSHIP IN ALL THINGS. WE BUILD RESPECTFUL AND TRANSPARENT RELATIONSHIPS THAT ENCOURAGE GROWTH AND SUCCESS."

>> Scott Pritchard, CEO.

Our strategy

Precinct creates sustainable value from city centre real estate.

Sustainable value

At the heart of Precinct is a business model that is designed to generate, and regenerate sustainable value. This results from the seamless interplay between three essential elements.

Empowering people

Working together in a great team culture, providing excellent client service, valuing our occupiers, supporting our community and focussing on their well-being are all core principles to what makes Precinct successful.

Operational excellence

Operational excellence involves superior performance of both our people and assets. Our people strive to perform. By investing in high quality assets we get the best operational performance out of them, whilst proactive maintenance helps provide sustainable returns.

Developing the future

Through our projects we are helping to regenerate Auckland and Wellington's city centres. We are driving growth through powerful partnerships and joint ventures. Whether it is creating new environments, or transforming existing places, our people are inspired every day by realising the possibilities our cities hold.

Principles of success

Precinct's sustainable value is fuelled by four business principles.

1. Concentrated ownership in strategic locations

Precinct invests in high quality concentrated ownership of city centre real estate in strategic locations.

Our foundations are built around proactive office accommodation solutions, whilst also venturing into retail and food and beverage offerings. Adapting to meet market demand and opportunity, we may also look into investing in hotels, land and lower quality assets with development potential.

2. Great client relationships

We pride ourselves in knowing and understanding our clients' needs. This understanding is the foundation of respectful and transparent relationships that encourage growth and success.

Owning City Centre precincts enables us to create vibrant environments that attract some of New Zealand's best businesses as clients.

Precinct treats its office occupiers as valued clients, providing a level of service that exceeds that provided in similar office buildings. This client-focused approach applies through the full range of client interactions, from parking and concierge services, presentation of lobbies through to dealings in lease negotiations.

3. Investing in quality

Precinct has an ambition to control or own strategic City Centre properties, enabling us to create high quality, vibrant office environments supported by a broad retail, leisure and food and beverage offering.

Precinct's people are highly skilled in retail and office leasing, property and development management, development origination and structuring and capital management.

By aiming high we provide environments that allow our clients to be their best.

4. A long-term view

Precinct manages its portfolio both with a high level of performance excellence and careful planning for each phase of market cycles. This requires the effective leverage of Precinct's scale, financial strength and management capability.

Precinct maintains a long-term pipeline of opportunities in order to deliver sustainable value. Recycling capital out of buildings that perform sub-optimally and acquiring or upgrading buildings is part of our business model and ensuring positive returns to our shareholders.


Empowering people
Operational excellence
Developing the future

Empowering people

Relationship focus

Treating occupiers as valued clients, and providing a level of service which significantly exceeds the market is key to maintaining strong, healthy relationships.

Capitalise on our people

We aim to have a diverse and high performing team and to fully utilise their skills to add value and create a competitive advantage, whilst providing rewarding career pathways.

Great culture

To work well as a team it is crucial to create an environment that supports good culture and is a great place to work. This involves great team communication, involvement, and bonding.

Health and safety

Taking care of the well-being of staff, clients, and visitors. This involves monitoring any incidents and being proactive to mitigate risks.

Our community

The success of the city centre depends on a well functioning society with a strong and cohesive community. We aim to have strong community engagement including Mana Whenua, Auckland Council and other community groups.

Developing the future

Partnering and joint venture

Forming partnerships and entering joint ventures enables Precinct to access new opportunities and increase its scale and influence over the environments we operate in. We value our partnerships with Panuku Development Auckland, Auckland Council and our joint venture in Generator.

Broadening mixed-use projects

Restricting projects to just office use limits the value creation potential, particularly for high land cost contract locations. This drives us to consider a broader range of uses that maximise value and that best reflect how people use our precincts.

Operational excellence

Spaces to thrive

The needs of our clients are constantly evolving. We continually evolve the spaces we manage, with the goal of helping our clients increase both well-being and productivity.

Sustainable returns

Generating sustainable returns requires proactive lease management to ensure steady and predictable income. This is important to meet the targeted 90% payout ratio for dividends.

Capital management

Recycling capital to fund developments means we free capital for better use, and improve its return. This involves selling non-performing assets to fund better performing ones.

Environmental awareness

We care about the impact of our business on the environment. Reducing our impact is measured by tracking the consumption of energy and the output of carbon emissions.

Active investment

Active investment involves actively searching for new opportunities, and investing capital where necessary to get the maximum performance from the assets.

Be a city centre specialist

Precincts origins are as a city centre office specialist, but with several developments in progress, a shift in focus from office to a whole city centre specialist to maximise the value potential of these opportunities. We aim to create world class real estate linked to the success of vibrant and prosperous cities.

Expand with growing cities

Auckland investment is viewed as highly desirable. With the city rail link underway, and just under half of New Zealand's net migration settling in Auckland, growth in the Auckland city centre is well underway. To increase the value captured by this growth, we have increased our weighting to the Auckland market.

Focus on regeneration and growth precincts

Focusing on regeneration precincts such as Wynyard Quarter and well connected properties such as Commercial Bay and Bowen Campus. These areas can be transformed more easily, adding value driven by demand.

Measuring our performance

Developing the future

Key Performance Indicator	How is it measured, and what does it show?	How have we gone?
Development pipeline $1.2b	This shows the amount of committed developments underway. It is measured by value on completion.	This Includes Bowen Campus and Commercial Bay. With the recent completion of Wynyard Quarter Stage One this has reduced, however is offset by the valuation gains from both Bowen Campus and Commercial Bay.
Green Star build rating 5 stars	The Green Star building rating system tells the quality of the build and how it performs in relation to its sustainability aspects.	With the Bowen Campus rating currently in progress, the 5 stars rating is based off the Green Star rating of Commercial Bay,
Public transport 5 city hubs	This is the number of public transport hubs around the developments that are currently underway.	Bowen Campus and Commercial Bay are the focal point to several public transport hubs within their respective city centre's. Either the ferry terminal, train and bus station are all within close proximity to these developments.
Weighting to Auckland 72%	This is the weighting of investment properties located in Auckland as a proportion of the whole investment portfolio.	The weighting to Auckland continues to increase following the completion of Wynyard Quarter Stage One. This has increased from 69% in June 2016.

Operational excellence

Key Performance Indicator	What does this mean?	How have we gone?
WALT 8.7 years	The weighted average lease term illustrates the average remaining term for all leases to expire in the portfolio, and weighted by contracted income.	The WALT of the portfolio has increased to 8.7 years in the period. The increase is mainly attributable to client retention and existing lease extensions.
Occupancy 100%	This measures the percentage of lettable area leased within the total investment portfolio.	Occupancy has remained strong through the period increasing to 100% (June 2016: 98%). 37,500 sqm of leasing transactions were secured in the period.
GRESB/ NABERS NZ Pending	This is a measure using a global standard which collects information and compares relative performance across global real estate portfolios. It is a benchmark for international reporting standards.	A submission was made during the year with results expected in September 2017.
AFFO PAYOUT RATIO 103%	Adjusted Funds From Operations ratio is a measure used by real estate entities to describe the underlying performance from their operations. A payout ratio of 100% indicates neither over or under paying of dividend.	We strive to target an AFFO payout ratio as close to 100% as possible to maintain consistent sustainable dividend payments.
Gearing 25.1%	A company's gearing measures the portion of borrowed funds to its total equity. It illustrates the firm's capabilities to meet short term debt obligations.	Gearing has increased to 25% within the period (June 2016: 14%) and remains well within acceptable industry standards.

Empowering people

Key Performance Indicator	What does this mean?	How have we gone?
Client retention 74%	This illustrates the percentage of expiring clients (by net lettable area) retained within the portfolio through lease extensions, right of renewals or lease restructures.	Client retention is a key focus in providing consistent investment cash-flow for the company. In the period, we successfully retained 73% of expiring clients within the portfolio.

BOARD OF DIRECTORS

CRAIG HAMILTON STOBO

CHAIRMAN, DIRECTOR, INDEPENDENT BA (HONS) FIRST CLASS ECONOMICS

Educated at the University of Otago and Wharton Business School, Craig Stobo has worked as a diplomat, economist, investment banker, and as CEO. He has authored reports for the Government on "The Taxation of Investment Income", chaired the Government's International Financial Services Development group in 2010, and chaired the Establishment Board of the Local Government Funding Agency in 2011.

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

LAUNA INMAN

DIRECTOR, INDEPENDENT

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

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

GRAEME HENRY WONG

DIRECTOR, INDEPENDENT BCA (HONS) BUS ADMIN, INFINZ (FELLOW)

Graeme Wong has a background in stock broking, capital markets and investment. He was founder and executive chairman of Southern Capital Limited which listed on the NZX Main Board and evolved into Hirequip New Zealand Limited. The business was sold to private equity interests in 2006.

Previous directorships include New Zealand Farming Systems Uruguay Limited, Sealord Group Limited, Tasman Agriculture Limited, Magnum Corporation Limited and At Work Insurance Limited and alternate director of Air New Zealand Limited.

Graeme is currently chairman of Harbour Asset Management Limited, director of Areograph Limited, Tourism Holdings Limited and shareholder and director of Southern Capital Partners (NZ) Limited, member of the Trust Board of Samuel Marsden Collegiate School and member of the Management Board of The Bible Society Development (New Zealand) Incorporated.

DONALD WILLIAM HUSE

DIRECTOR, INDEPENDENT BCA, CA

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

He is chair of OTPP New Zealand Forest Investments Limited and deputy chair of Transpower New Zealand Limited. He was also chair and director of Crown Irrigation Investments Limited until 30 June 2017. A chartered accountant, Don holds a degree in economics from Victoria University of Wellington, and is also a member of the Institute of Directors in New Zealand and of the Australian Institute of Company Directors.

CHRISTOPHER JAMES JUDD

DIRECTOR, MANAGER APPOINTEE

Chris Judd has over 28 years' experience in the property industry including a 14 year association with property and property funds in New Zealand. Chris is the Head of Property Funds Management for AMP Capital Australia with executive and governance responsibilities in Australia, New Zealand and Singapore. He is a registered valuer being an Associate of the Australian Property Institute. Chris was the inaugural chairman of the Property Council of Australia's Unlisted Property Roundtable and is a member of the International and Capital Markets Division Committee.

ROBERT JAMES CAMPBELL

DIRECTOR, SHAREHOLDER APPOINTEE

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

Rob is currently chairman of Summerset Group Holdings Limited and Tourism Holdings Limited and a director of SKYCITY Entertainment Group Limited. He is a director of substantial private companies based in Australia and New Zealand. In addition he is a director of or advisor to a number of hedge and private equity funds in a number of countries. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

MOHAMMED AL NUAIMI [3]

DIRECTOR, MANAGER APPOINTEE, CFA

Mohammed is an Investment Manager in the Real Estate and Infrastructure Department at Abu Dhabi Investment Authority (ADIA). He joined ADIA in January 2008 and moved to the Real Estate department in early 2012. He is now in the AsiaPacific investment team covering Australia, New Zealand and specific investments in China.

Mohammed has a Bachelor of IT Security from the United Arab Emirates University and he is a CFA charter holder since September 2011.

3 ANTHONY BERTOLDI IS THE ALTERNATE DIRECTOR FOR MOHAMMED AL NUAIMI. ANTHONY IS THE PORTFOLIO MANAGER – ASIA PACIFIC AT ADIA.

EXECUTIVE TEAM

SCOTT PRITCHARD

CHIEF EXECUTIVE OFFICER

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

Scott has more than 15 years experience in property funds management, development and asset management.

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

Scott holds a Masters degree in Management from Massey University. He is a member of the Property Council's national council.

GEORGE CRAWFORD

CHIEF OPERATING OFFICER

George joined Precinct in late 2010 as Chief Financial Officer and in 2015 was appointed as Precinct's Chief Operating Officer. George leads the property team with responsibility for the performance of the investment portfolio, as well as taking a leading role in strategy, development and major projects. He also retains responsibility for risk and compliance, human resources and provides input to financial and capital management strategy.

After gaining experience with a large accountancy firm in the United Kingdom, George moved to New Zealand and worked for Fonterra and PwC before joining Goodman Property Trust, where he was Chief Financial Officer.

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

RICHARD HILDER

CHIEF FINANCIAL OFFICER

Richard was appointed Chief Financial Officer in 2017 and is responsible for investor relations, financial planning and analysis, the execution of capital management initiatives and treasury management alongside leadership of the finance and analyst teams. He has been instrumental in developing and implementing Precinct's long-term strategy. Prior to becoming Chief Financial Officer, Richard held the role of General Manager of Finance.

Prior to joining Precinct in 2010 Richard worked in the United Kingdom for Goodman Group's European Funds Management business where he gained experience in capital structuring, fund management and developments in both continental Europe and the United Kingdom.

Richard has worked for Goodman Property Trust and Trust Investment Management Limited in New Zealand. Richard holds a Bachelor of Commerce (Hons) (Finance and Economics) degree from University of Auckland.

KYM BUNTING

GENERAL MANAGER - TRANSACTIONS

Prior to joining Precinct in 2014, Kym worked for Brookfield Office Properties, a global owner, developer and manager of premier real estate. Kym was responsible for management of all aspects of the company's New Zealand operating platform.

With 25 years of institutional property knowledge Kym is highly experienced in portfolio strategy, and all aspects of asset/property management, facilities management, and development.

DAVIDA DUNPHY

GENERAL COUNSEL AND COMPANY SECRETARY

Davida joined Precinct in 2014 and has more than 17 years legal experience in all aspects of commercial property both in New Zealand and the United Kingdom. Davida is responsible for the provision of legal and compliance support to the business.

Prior to joining Precinct, Davida worked for Bell Gully (Auckland) and international firm Squire Patton Boggs (in its European offices).

Davida is a New Zealand and England & Wales qualified solicitor holding a Bachelor of Laws (Hons) and a Legal Practice (Post Dip). She is also a Chartered Company Secretary (ACIS) and a member of the Institute of Directors.

ANDREW BUCKINGHAM

GENERAL MANAGER - DEVELOPMENT

Andrew has worked in the commercial property industry for the past 32 years both in Australia and New Zealand. He joined Precinct in 2014 and is responsible for leading Precinct's development projects. Andrew has held previous senior roles at Kiwi Income Property Trust, Westfield, St Lukes Group, CB Richard Ellis and Legal & General.

He was responsible for the development and delivery of the highly successful $400 million Sylvia Park shopping centre project and more recently Andrew led the development of the award winning $134 million ASB North Wharf project on the Auckland waterfront. Andrew is an Associate of the Australian Property Institute and a member of the Royal Institution of Chartered Surveyors.

NICOLA MCARTHUR

GENERAL MANAGER - MARKETING AND COMMUNICATIONS

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

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

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

5 YEAR SUMMARY

($ millions unless otherwise stated)	2013	2014	2015	2016	2017
Financial performance					
Gross rental revenue	147.7	165.4	170.5	146.0	**126.2**
Less direct operating expenses	(43.7)	(47.1)	(48.9)	(41.5)	**(35.8)**
Operating profit before indirect expenses	**104.0**	**118.3**	**121.6**	**104.5**	**90.4**
Net interest expense	(28.0)	(33.2)	(31.4)	(11.0)	**(3.4)**
Other expenses	(12.8)	(12.6)	(10.4)	(10.1)	**(9.8)**
Operating income before income tax	**63.2**	**72.5**	**79.8**	**83.4**	**77.2**
Non operating income / (expense)					
Unrealised net gain in value of investment properties	46.3	47.5	64.8	81.2	**77.5**
Other non operating income	13.2	10.9	(13.5)	(19.1)	**11.8**
Net profit before taxation	**122.7**	**130.9**	**131.1**	**145.5**	**166.5**
Current tax expense	(4.9)	(8.7)	(11.5)	(10.6)	**(2.5)**
Depreciation recovered on sale expense			(3.8)	(10.0)	
Deferred tax benefit / (expense)	39.7	(5.0)	6.6	13.3	**(1.9)**
Net profit after taxation	**157.5**	**117.2**	**122.4**	**138.2**	**162.1**
Dividends					
Net dividend (cents)	**5.12**	**5.40**	**5.40**	**5.40**	**5.60**
Net operating income					
Operating income before income tax	63.2	72.5	79.8	83.4	**77.2**
Less: Current tax expense	(4.9)	(8.7)	(11.5)	(10.6)	**(2.5)**
Net operating income after tax	**58.3**	**63.8**	**68.3**	**72.8**	**74.7**
Net operating income after tax per share (cents)	5.85	6.10	6.19	6.01	**6.17**
Dividend payout ratio to net operating income after tax (%)	87.5	88.5	87.2	89.9	**90.8**
Funds from operations (FFO)					
Net operating income after tax	58.3	63.8	68.3	72.8	**74.7**
Adjusted for:					
Amortisations	3.1	6.2	7.3	6.4	**6.4**
Straightline rents	(1.5)	(0.5)	(1.1)	(0.5)	**(0.2)**
Funds from operations	**59.9**	**69.5**	**74.5**	**78.7**	**80.9**
Funds from operations (cents)	6.00	6.64	6.75	6.50	**6.68**
Dividend payout ratio based on FFO (%)	85.3	81.3	80.0	83.1	**83.8**
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	-	(6.3)	(6.6)	(11.1)	**(5.8)**
Less: Incentives and leasing costs	-	(8.7)	(7.1)	(3.0)	**(9.3)**
Swap close outs	-	-	1.6	-	**-**
Adjusted funds from operations	**-**	**54.5**	**62.4**	**64.6**	**65.8**
Adjusted funds from operations (cents)	-	5.21	5.66	5.33	**5.43**
Dividend payout ratio based on AFFO (%)	-	104	95	101	**103**

($ millions unless otherwise stated)	2013	2014	2015	2016	2017
Financial position					
Total investment assets	1,640.4	1,728.1	1,687.8	1,513.7	**1,535.4**
Total development assets				190.4	**509.2**
Other assets	18.1	19.4	65.4	34.5	**34.6**
Total assets	**1,658.5**	**1,747.5**	**1,753.2**	**1,738.6**	**2,079.2**
Interest bearing liabilities	603.0	572.0	340.0	234.1	**456.9**
Other liabilities	71.7	68.7	74.9	93.6	**116.7**
Total liabilities	**674.7**	**640.7**	**414.9**	**327.7**	**573.6**
Total equity	983.8	1,106.8	1,338.3	1,410.9	**1,505.6**
Number of shares (m)	997.1	1059.7	1211.1	1211.1	**1211.1**
Weighted average number of shares (m)	997.1	1046.6	1103.1	1211.1	**1211.1**
Net tangible assets per share (cps)	**0.99**	**1.04**	**1.11**	**1.17**	**1.24**
Share price at 30 June ($)	1.02	1.07	1.14	1.25	**1.24**
Covenants					
Loan to value ratio (%)	37.3	33.8	20.1	14.4	**25.1**
Interest coverage ratio	3.0 x	3.2 x	3.5 x	6.9 x	**3.9 x**
Key portfolio metrics					
Average portfolio cap rate (%)	7.5	7.3	7.0	6.5	**6.2**
Weighted average lease term (years)	5.7	5.4	5.0	6.3	**8.7**[1]
Occupancy (% by NLA)	97	98	98	98	**100**
Net lettable area (sqm)	322,115	322,115	304,485	225,613	**224,430**
Number of investment properties	17.0	17.0	15.0	13.0	**12.0**

1 *Includes developments.*

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

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

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

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

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

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

Our dividend policy

Precinct's dividend policy is to pay out approximately 90% of net operating income after tax as dividends, with the retained earnings being used to fund the capital expenditure required to maintain the quality of Precinct's property portfolio.

The payment of dividends is not guaranteed by Precinct and Precinct's dividend policy may change from time to time.

CORPORATE GOVERNANCE

INTRODUCTION

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

The board's commitment to corporate governance best practice is set out in the Corporate Governance Manual that guides the directors, the manager of Precinct and Precinct's representatives. The Corporate Governance Manual includes a Code of Ethics, Board and Committee Charters, a Securities Trading Policy, a Policy on Audit Independence and a Diversity Policy and is materially consistent with the NZX Corporate Governance Best Practice Code and the recently released NZX Corporate Governance Code 2017.

This section of the Annual Report reflects the company's compliance with the requirements of NZX Corporate Governance Best Practice Code updated to the new NZX Corporate Governance Code 2017 where applicable. The Corporate Governance Manual is available on Precinct's website (www.precinct.co.nz) in the News and Investor Information section together with a statement of how Precinct's corporate governance policies, practices and processes differ from the NZX Corporate Governance Best Practice Code. Precinct will update this statement against the 2017 Code going forward. If any investor would like a copy sent to them, please contact Precinct investor relations.

PRINCIPLE 1 – ETHICAL STANDARDS

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

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

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

Security Trading Policy

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

The Security Trading Policy, set out in the Corporate Governance Manual, applies to all directors and officers of Precinct and management employees who intend to trade in Precinct listed securities.

PRINCIPLE 2 - BOARD COMPOSITION AND PERFORMANCE

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

As at 30 June 2017 there were seven directors of Precinct and one alternate director. All directors are non-executive. Further details of each director are set out below.

Independent Directors - A majority (four) of the directors are independent (as defined by the NZX Listing Rules) being Craig Stobo, Don Huse, Graeme Wong and Launa Inman. 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 2017, investors will have the opportunity to elect/re-elect two independent directors, as well as vote on various other matters.

Non-Independent Directors – Robert Campbell was appointed as a director by Haumi Company Limited in 2012 pursuant to a provision in Precinct's constitution which grants any security holder, holding more than 15% of Precinct shares, the right to appoint one director. Mohammed Al Nuaimi and Chris Judd were appointed in 2013 as directors by AMP Haumi Management Limited pursuant to a provision in Precinct's constitution which grants the manager the right to appoint up to two directors. Anthony Bertoldi acts as alternate director for Mohammed Al Nuaimi. The non-independent directors are not required by Precinct's constitution or by rule 3.3.11 of the NZX Listing Rules to retire by rotation.

Board Charter - The Governance Manual includes the Board's Charter which sets out the roles and responsibilies of the board and board committees. A copy of the Governance Manual is available on Precinct's website www.precinct.co.nz.

Diversity Policy - A copy of Precinct 's diversity policy is included in Precinct's Corporate Governance Manual. The board has developed this policy with management to encourage a diverse working environment at all levels of the organisation to build a culture where diversity of gender, age, ethnicity, background, experience, skills, thought, ideas, styles and perspective are leveraged and valued. As at the date of this annual report the board is evaluating the performance of the company against the diversity policy. The gender composition of directors and officers is as follows:

	30 June 2017		30 June 2016	
Gender	**Female**	**Male**	**Female**	**Male**
Directors	**1 (16.7%)**	**6 (83.3%)**	1 (16.7%)	6 (83.3%))
Independent directors	**1 (25%)**	**3 (75%)**	1 (25%)	3 (75%)
Officers	**1 (33.3%)**	**2 (66.7%)**	1 (33.3%)	2 (66.7%)
Management employees	**21 (38%)**	**34 (62%)**	16 (38%)	26 (62%)

Further internal management policies include the Equal Opportunities Policy, Health and Wellbeing Policy, Recruitment and Selection Policy and Remuneration Policy. The manager further developed and adopted a Culture Charter during the year. Precinct, through its manager, is committed to providing a diverse and inclusive working environment to attract, recruit and retain the best talent from the widest pool of candidates.

Supporting the efforts to increase diversity across the management team are secondary policies and practices including a Study Assistance Policy to promote and support growth within the team and diversity of thought and biannual anonymous staff surveys. To ensure workplace diversity continues to evolve and be built upon a matrix of key objectives and monitoring is undertaken on an on-going basis.

Measurable Objectives	July 2017	July 2015
Ethnicity % not NZ born European	**25% (14)**	16% (6)
Gender % of female staff	**38% (21)**	41% (15)
Age range	**22 - 61**	24 - 59

Meetings - A schedule of directors and their board meeting attendance record for the year to 30 June 2017 is set out in the table below.

Subsidiary Company Directors – As at 30 June 2017 Precinct had two subsidiary companies which hold all of the individual Precinct properties. The directors for the Precinct subsidiary companies as at 30 June 2017 remain Scott Pritchard, George Crawford and Davida Dunphy.

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

BOARD OF DIRECTORS AND ATTENDANCE

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

CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 3 – BOARD COMMITTEES

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

For the year to 30 June 2017 there were two committees of the board, being the Audit and Risk Committee and the Remuneration and Nominations Committee. The charters that exist for each committee can be found in the Corporate Governance Manual available on Precinct's website (www.precinct.co.nz).

The Audit and Risk Committee comprised Don Huse as Chairman, Launa Inman, Craig Stobo and Robert Campbell. This committee met four times during the year and all directors attended all meetings. The committee was established to assist the board in discharging its duties with respect to financial reporting, compliance and risk management.

The Remuneration and Nominations Committee comprised Graeme Wong as Chairman, Craig Stobo and Robert Campbell. This committee met once during the year and all members attended this meeting. The committee's purpose is to:

- provide guidance to the board when approving directors' remuneration; and

- 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 is an ad hoc committee that is established by the board from time to time to provide guidance and recommendations on the due diligence for any transaction of a significant size and/or complexity. The Due Diligence Committee was not established this year.

PRINCIPLE 4 – REPORTING AND DISCLOSURES

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

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

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

Precinct has moved toward integrated reporting and the annual report includes information on Precinct's;

- Business model
- Strategy and key performance indicators, and
- Sustainability framework

Precinct, for the first time, has reported against the Global Reporting initiative guidelines, shown in the Sustainability Section. Precinct will evolve its disclosure against these guidelines and general non-financial reporting moving forward.

PRINCIPLE 5 – REMUNERATION

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

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

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

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

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

PRINCIPLE 6 – RISK MANAGEMENT

The board has a sound understanding of the material risks faced by the business and how to manage them. The board regularly verifies that the company has appropriate processes that identify and manage potential and material risks.

The board has a risk management and reporting framework in place that identifies and manages risk that may impact the company's business.

Risk Register - Precinct maintains a Risk Register which identifies key risks to the business, records the likelihood and impact of each risk and steps to mitigate the same. The Audit and Risk Committee of the board oversees the risk register and reviews it regularly with management to track existing risks and the emergence of new risks. The results of each review are reported to and reviewed by the Board. The Risk Register is further reviewed when required in the event the Due Diligence Committee is formed.

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

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

Audit - Precinct has engaged Ernst & Young during the year to audit and review its financial statements.

Heath and Safety - Precinct's health and safety policies are embedded throughout the business and overseen by the Health and Safety Committee. Reporting and escalation processes are in place to the Audit and Risk Committee and the board.

More detail on Precinct's key business risks, including Health and Safety, are included with the Risk section.

PRINCIPLE 7 – AUDITORS

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

Oversight of Precinct's external audit arrangements is the responsibility of the Audit and Risk Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. The Policy on Audit Independence, detailed in the Corporate Governance Manual, has been adopted by the committee. This policy covers the following areas:

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

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

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand (CA ANZ) to evidence their competence.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

The board respects the rights of shareholders and fosters constructive relationships with shareholders that encourage them to engage with the company.

The board is committed to achieving best practice investor relations. An annual investor relations plan has been established and is reviewed annually. This plan details the investor relations approach to e-communications, roadshows, investor briefings, site visits, blackout periods, financial reporting and other items. Enquiries from shareholders can be voiced at the Annual General Meeting, or emailed through using the contact details on our website.

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

PRINCIPLE 9 – STAKEHOLDER INTERESTS

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

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

CORPORATE GOVERNANCE *(CONTINUED)*

MANAGEMENT FEE STRUCTURE

MANAGEMENT SERVICES AGREEMENT

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

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

MANAGEMENT SERVICES FEE

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

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

BASE MANAGEMENT SERVICES FEE

The base management services fee is calculated as follows:

- 0.55% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property is less than or equal to $1,000,000,000; plus
- 0.45% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property is between $1,000,000,001 and $1,500,000,000; plus
- 0.35% per annum, plus GST (if any) of the Value of Investment Property to the extent that the Value of Investment Property exceeds $1,500,000,001.

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

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

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

PERFORMANCE FEE

The performance fee is based on Precinct's relative outperformance over other NZX listed property entities. Key features of the performance fee are, in broad terms, as follows:

- The performance fee is payable quarterly in arrears and in cash.
- Precinct's quarterly performance (expressed as a percentage return) is determined, based on the 5 day volume weighted average Precinct share price movement on NZSX at the open and close of that quarter plus gross distributions paid in the quarter ("Shareholder Return").
- Precinct's quarterly performance is then benchmarked against an NZX Property Index (excluding Precinct) return (calculated including the value of imputation credits of constituent members of that index), also expressed as a percentage return ("Benchmark Return").
- "Outperformance" (or "underperformance") is determined, being the difference between the Shareholder Return and the Benchmark Return.

An "Initial Amount" (or "Deficit") is then determined, being 10% of that Outperformance (or underperformance) multiplied by an amount reflecting Precinct's market capitalisation for that quarter. The Initial Amount (or Deficit) is then credited to the "Carrying Account".

- The performance fee for any quarter is then equal to the credit balance (if any) in the Carrying Account at that time, subject to two limitations:
  - the performance fee in any quarter is limited to the "Performance Cap", which is, effectively, 0.125% of an amount reflecting Precinct's market capitalisation for that quarter. The extent to which the performance fee would otherwise have exceeded the Performance Cap will remain in the Carrying Account and be carried forward to the following quarter; and
  - no performance fee is payable in respect of a quarter if Precinct's absolute Shareholder Return in that quarter is negative, even if it is above the Benchmark Return. Rather, the Initial Amount (calculated by reference to the Outperformance in that quarter) will be credited to the Carrying Account and carried forward to the following quarter. Any Initial Amount credited to the Carrying Account which is not used up in paying performance fees or in off-setting subsequent Deficits will effectively expire two years after it is credited to the Carrying Account. Similarly, any Deficit debited against the Carrying Account which is not used up in off-setting subsequent Initial Amounts will also effectively expire two years after it is debited against the Carrying Account.

SERVICES

BASE MANAGEMENT SERVICES

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

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

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

ADDITIONAL SERVICES

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

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

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

Precinct and the manager agreed the 2014 market review of the additional services fees in 2016. The Management Agreement was amended during the year to record this agreement and clarify the scope and interpretation of certain additional services provided by the manager. Given this recent agreement, the 2016 market review was waived by Precinct and the manager.

REIMBURSEMENT OF COSTS

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

RESOURCING

Precinct does not employ any staff, including senior executives. Instead, all personnel, including Precinct's Chief Executive Officer, Chief Operating 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, Chief Operating 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 may be terminated in the following ways:

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

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

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

If requested by Precinct, the manager will provide disengagement services to Precinct following termination in

CORPORATE GOVERNANCE (CONTINUED)

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)

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

BOARD APPOINTMENT RIGHTS

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

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

TAKEOVER CODE EXEMPTIONS

INTRODUCTION

This section contains information required by the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010. Unless otherwise stated, the information provided in this section of the report is as at 30 June 2017.

Any term capitalised in this section but undefined has the meaning given to it in the Takeovers Code (AMP NZ Office Limited) Exemption Notice 2010.

PRE-EMPTIVE ACQUISITIONS

AMP Capital Investors International Holdings Limited (AMPCI) and Haumi Company Limited (as general partner of the Haumi (NZ) Limited Partnership (HNZLP)) are the current parties to a deed dated 27 September 2010, which records certain pre-emptive rights arrangements in respect of Precinct voting securities held by HNZLP and AMPCI (in its own right – not in its capacity as manager of a fund) (the *Pre-emptive Arrangements*). The Pre-emptive Arrangements are described as follows:

- If HNZLP wishes to sell, transfer or dispose of all or any of its Precinct voting securities (or any interest (whether legal or beneficial) in them) held by it to any third person, or AMPCI wishes to sell, transfer or dispose of all or any of its Precinct voting securities held by it in its own right, and not in its capacity as a manager of a fund, (or any interest (whether legal or beneficial) in them) to any third person, then HNZLP or AMPCI (as the case may be) must first offer to sell those Precinct voting securities to the other party at a price specified by the offeror. The offeree has 15 working days to decide whether to accept the offer.
- If the other party does not accept the offer or give notice within the 15 working day period, then the party wishing to sell, transfer or otherwise dispose of its Precinct voting securities can sell the relevant Precinct voting securities to a third party within 90 working days, provided that such sale must be for a price and on terms no more favourable than those offered to AMPCI or HNZLP (as the case may be).
- In addition, in the event of a "change of control", or if a "relevant event" occurs in respect of either HNZLP or AMPCI, then that party is deemed to have offered to sell its Precinct shares to the other at either an agreed price, or, if no such agreement can be reached, such amount, per Precinct voting security, as is equal to the volume weighted average price of Precinct voting securities traded on the NZSX during the period of five trading days immediately preceding the date on which the relevant sale notice is given. In the case of AMPCI, it will only be deemed to have offered to sell its Precinct shares held by it in its own right, and not in its capacity as manager of a fund.
- These Pre-emptive Arrangements cease to apply if AMP Haumi Management Limited ceases to be manager of Precinct.

Information on the number of voting securities that have been acquired by the Combined AMPCI Parties under the Pre-emptive Acquisitions, the percentage of all voting securities on issue that are held or controlled by the AMPCI Parties, and the maximum number and percentages of voting securities after the Pre-emptive Acquisitions is set out below. Further information on the maximum number and percentages of voting securities that may be held by the AMPCI Parties (and their Associates) after the acquisition of voting securities under the Combined Transactions is set out on the following page.

FUNDS MANAGEMENT ACQUISITIONS

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

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

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

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

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

EMPLOYEE SHARE SCHEME ACQUISITIONS

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

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

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

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

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

CORPORATE GOVERNANCE *(CONTINUED)*

DISCLOSURE OF NUMBERS AND PERCENTAGES OF VOTING SECURITIES

Pre-emptive arrangements

The number of voting securities that have been acquired by the AMPCI Parties under the Pre-emptive Arrangements as at 16 August 2017, the percentage of voting securities on issue that are held or controlled by the AMPCI Parties as at 16 August 2017, and the potential maximum numbers and percentages of voting securities that could be held or controlled by the AMPCI Parties after the Pre-emptive Acquisitions are as follows:

Exempted person	Number of voting securities that have been acquired under the Pre-emptive Acquisitions	% of voting securities on issue that are held or controlled	% of all voting securities on issue that are held or controlled with Associates	Maximum % of all voting securities on issue that could be held or controlled after the Pre-emptive Acquisitions	Maximum % of all voting securities on issue that could be held or controlled with Associates after the Pre-emptive Acquisitions
AMPCI Parties	Zero[1]	2.05[2]	21.00[2]	21.35	21.411

These figures are calculated on the basis that only the Corporatisation Transfer and the Pre-emptive Acquisitions occur, and that there is no change in the number of voting securities on issue after 16 August 2017.

1 *The figure is calculated on the basis that no voting securities in Precinct have been acquired under the Pre-emptive arrangements.*
2 *These figures are calculated on the basis of the total holdings of voting securities in Precinct by the AMPCI Parties (and their Associates, as applicable) as at 16 August 2017 and that there is no change in the number of voting securities on issue after 16 August 2017.*

Fund management acquisitions

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

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

The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Fund Management Acquisitions occur, and that there is no change in the number of voting securities on issue after 16 August 2017.

Employee share scheme acquisitions

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

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

*The figures in this table are calculated on the basis that only the Corporatisation Transfer and the Employee Share Scheme Acquisitions occur, and that there is no change in the number of voting securities on issue after 16 August 2017. The figures marked * are made on the basis that the Employee Share Scheme Administrator and the manager are not Associates of each other.*

Combined transactions

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

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

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

The maximum % shown in the above tables are calculated on the basis of the Takeovers Code exemption including that there is no change to the total number of voting securities on issue after 16 August 2017. Details of which can be fund in Precinct's Corporation Proposal Information Pack dated 5 October 2010.

NZX RULINGS AND WAIVERS

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

2010 CORPORATISATION

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

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

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

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

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

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

This waiver is conditional on the following:

- the ability of the manager to appoint two directors being approved by unit holders of ANZO (at the meeting to approve the trust converting to a corporate structure);
- Precinct's constitution containing certain provisions, and these remaining in effect and materially unaltered. These included provisions to the effect that:
  a. a majority of the directors must be independent of the manager and persons who control the manager;
  b. if a 15%+ Shareholder appoints a director, the board must have a minimum of seven directors;
  c. no 15%+ Shareholder who has exercised a right to appoint a director shall have the right to vote on the election of other directors (which was itself a separate condition);
  d. any director appointed by a 15%+ Shareholder must be included in the number of directors upon which is based the calculation of the number of directors required to retire under Listing Rule 3.3.11.
- the waiver, its effects and conditions are set out in each annual report and offer document of Precinct;
- each director appointed by the manager is identified in Precinct's annual report as having been so appointed, and as not being subject to retirement by rotation;
- if the manager elects not to appoint two directors (and removes, or procures the resignation of, any directors appointed by it), the conditions as to election of directors independent of the manager shall not apply.

NON-STANDARD DESIGNATION

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

Mason Brothers Building

RISK MANAGEMENT

OUR APPROACH

Precinct is committed to providing a clear risk management and reporting framework for the business to operate under to achieve its objectives, whilst ensuring all risks are understood and managed.

REPORTING FRAMEWORK

Responsible group			Description of responsibility
	Precinct board		• Determine the nature and extent of the risks it is willing to take to achieve the business strategy • Establish the parameters for each risk
	Audit and risk committee		• Delegated authority in assessing effectiveness of internal controls and risk management processes • Delegated authority to regularly oversee and review the Risk Register
	Executive		• Input into Board's process for setting risk parameters • Lead management's approach to risk • Oversee reporting and identification of emerging risks
Development control group	**Operational management**	**Health and safety committee**	• Implement and maintain risk management policies • Create an environment that embraces risk management • Actively audit and monitor all live sites
Contractors	**Employees**	**Other**	• Day-to-day responsibility of managing risk • Report and maintain internal risk and hazard registers

KEY BUSINESS RISKS

EXTERNAL

Risks and impacts	How we manage the risk	Movement in the period	
Economy and property market Market risk arises from adverse changes in the New Zealand economic environment, regulatory environment and the broader investment market. Changes may result in an impact in property value and amount of income generated from them. **Occupier market and client default** A weakening occupier market through lack of business activity and investment, as well as unanticipated client default, can directly impact the income and value of each individual asset.	Maintain a proactive and strategic approach to manage property risks it can influence. Providing quality premises matched by high service levels and building strong relationships. Undertake annual business planning process to review the portfolio and help mitigate these risks.	►	The New Zealand economy and property market remains in a strong position. Contributing factors that impact the market remain positive for Precinct with the expectation they will continue for the near term.

RISK MANAGEMENT (CONTINUED)

Risks and impacts	How we manage the risk		Movement in the period
Insurance risk The risk of being unable to continue to obtain insurance cover, or following an event, not having sufficient cover in place to repay creditors. This could result in significant business interruption.	Engage directly with a wide range of local and international insurers. Ensure the insurance market has a good understanding of the portfolio and its risks.	▲	The NZ insurance market was significantly impacted by Kaikoura earthquake.

INTERNAL

Risks and impacts	How we manage the risk	Change	Movement in the period
Development			
Development risk Development projects are inherently subject to uncertainties. They are entered into on the basis of assumed future costs, values and income levels. An increased level of development risk has the potential to make meeting covenant obligations and overall solvency challenging.	Ensure expected returns from developments adequately compensate Precinct for the level of risk undertaken before each project is approved. Through due diligence, we understand the project risks before commitment. Before commitment, ensure sufficient funding is in place and committed gearing is maintained within acceptable levels. Establishing a procurement plan and engaging contractors early to mitigate cost escalation or contractor default. Undertake substantial pre-leasing prior to commencement of development.	▼	The exposure to developments has reduced over 2017 with the completion of Wynyard Quarter Stage One. Furthermore, the risk profile of the remaining developments continues to reduce as pre-commit leasing progresses through the period. Fixed cost construction contracts have been agreed on both remaining developments reducing any exposure to construction escalation in the current market.
Financial			
Interest rate management Interest rate risk arises through changes in interest rate market conditions leading to earnings volatility or breach of interest cover covenant levels.	Manage by aligning the interest rate re-pricing profile with the re-pricing profile of Precinct's gross rental income. Establish interest rate swaps to manage exposure within a band reviewed by the Board annually and monitored by the audit and risk committee and board quarterly.	▲	Floating interest rates have remained low however during the year longer term swap rates increased. This implies the market is anticipating an increase in short term rates in the medium term.

Risks and impacts	How we manage the risk	Change	Movement in the period
Refinancing risk (liquidity) Having insufficient funds to refinance debt when it falls due and sustain the ongoing operations of the business.	Implemented a Financial Risk Management Policy in 2011 which is reviewed annually providing a clear framework in which to operate under whilst ensuring risks are managed and understood. Diversified funding away from sole reliance on bank funding through alternative sources. Staggering the maturity profile of facilities providing adequate time to pursue alternatives to refinancing.	▶	No change over the 2017 period with committed facilities already in place to fund the ongoing operations of the business.
Gearing levels An increase in gearing levels outside suitable industry standards could increase the risk of breaching financing covenants and may increase borrowing costs.	Implemented a Financial Risk Management Policy in 2011 which is reviewed annually. Ensure no capital commitment is entered into without sufficient funding in place. Maintain adequate headroom in relation to gearing covenants to withstand portfolio devaluations which may be anticipated through the property cycle.	▲	Gearing levels continue to increase as existing developments progress throughout the year. The current levels remains within nternal policy parameters.
People			
Staff Staff are critical to ongoing success and execution of strategy. Failure to maintain a high level of experience and skill could impact business performance.	Ensure a strong focus on team engagement and enhancement. Maintain ongoing succession planning and retention structures within the company. Regularly review performance appraisals of employees and directors and benchmark remuneration packages with the wider market.	▶	Recognising the quality of the team at Precinct is critical to the on-going success of the company, there remains a strong focus on the human resource functions of the business.
Health and safety Unsafe work environments may lead to accidents (employees, clients, contractors and visitors) resulting in financial loss and/or business continuity.	Provide ongoing individual, group and industry training. Maintain a hazard register that identifies hazards where contractors are required to take precaution. Registers are subject to annual review. Actively monitor any live sites to ensure oversight of Health and Safety matters. Ensure contractor pre-qualification. Recognise training and KPI's for all Precinct staff.	▲	Increasing due to the number and scale of developments currently in progress. Proactive management continues through addressing any arising risks. Health and safety remains a high priority for the business for which appropriate monitoring and reporting policies are in place to mitigate any potential risk.

RISK MANAGEMENT (CONTINUED)

HEALTH AND SAFETY

OUR APPROACH

Health and safety is a corporate value for the business and is principally about looking after people and ensuring all workers go home healthy and safe. Precinct believes health and safety needs to be embedded into all parts of the business and it is everybody's responsibility to improve practices throughout the industry. Precinct strives to entrench this into the culture of Precinct and all workers under its control and recognises its influence to the wider industry and public who work and visit its portfolio and active developments.

REPORTING STRUCTURE

	1		2		3		4
Reporting process	OSH committee	▶	Portfolio management meeting	▶	Audit and risk	▶	Precinct board

On-line reporting - Precinct use MangoLive, an online live reporting and incident management system to report all incidents and observations on all Precinct controlled workplaces. This includes client fit out and development sites under the control of a Precinct contractor. The system allocates all incidents to the appropriate party for close out and has an escalation process in place with all priority incidents reported directly to the CEO. The MangoLive system also has the following further capabilities:

- repository for all health and safety documentation
- management system for all health and safety related training
- risk assessment data base
- staff emergency contact register
- audit and monitoring register and results

Audit and monitoring- Precinct actively audit and monitor live sites both through management staff and third party consultants Work Safety Limited and Construct Health Limited. Any issues are allocated to the appropriate party for close out with priority items escalated directly to the CEO.

Internal review - Precinct's Health and Safety (H&S) Committee meets monthly and provides oversight on all H&S matters. The H&S Committee has representation from all parts of the business including the senior executive team and management employee representatives from both the property and development portfolios. Workplace Safety Limited, an independent third party consultant, also sits on the H&S Committee to provide external input and advice. The H&S Committee review all incidents, observations, audit and monitoring reports and ensure annual H&S compliance, policies and processes are delivered, reviewed and improved where relevant.

Management and oversight - The H&S Committee reports directly to the monthly portfolio management meetings who in turn report through to Precinct's Audit and Risk Committee and the board.

External review - Alongside the regular internal and external audit and monitoring by Workplace Safety Limited and Construct Health Limited, Precinct also instigates annual third party reviews of its processes by Aon and ICSafety Solutions. Precinct is pleased that it was re-awarded tertiary status (the highest level of accreditation) as part of its ACC Workplace Safety Management Practices audit in 2017, commending the strong health and safety policies in place and recognising Precinct's commitment to continued improvement.

HEALTH AND SAFETY POLICIES

- **Training** - All Precinct management staff receive regular training including external accreditation where relevant to their role.
- **KPI's** - All Precinct management staff have health and safety objectives included in all performance reviews.
- **Contractor pre-qualification** - Each contractor engaged by Precinct is required to be pre-qualified by Workplace Safety Limited or Construct Health Limited.
- **Hazard and asbestos registers** - Registers identify the observed hazards at each site, these are live registers subject to constant internal review and reviewed annually by independent experts.
- **Audit and monitoring** - Precinct actively monitors live sites to ensure oversight of health and safety matters.

TRENDS

75% of all incidents reported during the year occurred in Auckland and 67% of all incidents occurred on Precinct's development sites. The construction industry remains one of the four industry sectors with the worst injury rates in New Zealand. The sector remains a key area of focus for Precinct with development activity and the numbers of workers on site steadily increasing. Precinct works alongside its main contractors on development sites to champion the importance of health and safety. Given the increase of activity in this area for

Precinct significant focus and investment has been applied during the year on induction processes, workers facilities and wellness, rewarding observations leading to improved methods and practices and further entrenching the importance of health and safety into the culture of each of Precinct's development sites.

PERFORMANCE

242 incidents were reported in the year. Although a relatively high number of incidents, there were no significant medical injuries during the period and the reporting reflects Precinct's commitment to health and safety oversight by including all sites under the control of a Precinct contractor. Precinct is pleased that the culture within the business results in observations being reported and included in these numbers to allow them to be reviewed and improvements made where relevant. Precinct does not support a reporting practice which encourages incidents and observations to not be reported to reduce numbers.

Precinct has introduced further trend identification metrics during the year in relation to its audit and monitoring functions which it will be able to report on going forward. For the period from 1 January 2017 to 30 June 2017 over 150 additional principal audit and monitoring inspections were undertaken (outsider regular contractor health and safety monitoring).

SUSTAINABILITY

CEO STATEMENT

Precinct conducts its business as a responsible corporate citizen.

The operational aspects of Precincts business, as a developer and manager of property, have an external impact on the environment, the community and the economy. Precinct places great importance on operating in the most sustainable way possible it can. The initiatives and policies outlined in the section below relate to the impact the business has and the measures it takes to reduce this impact and better the communities in which it operates.

"A SUSTAINABLE APPROACH TO US MEANS PROVIDING OUR CLIENTS AN EFFICIENT, HEALTHY AND PRODUCTIVE WORKING ENVIRONMENT IN WHICH THEY CAN THRIVE"

>> **Scott Pritchard**, CEO.

OUR APPROACH

Precinct encourages innovation to deliver a quality product for its clients. Since Precinct re-branded in 2011, it has grown its management function through its manager which now employs 55 staff to deliver its high levels of service and manage its assets.

Precinct's approach reflects the goal of a more environmentally sustainable management model. This approach recognises the drive to a more environmentally sustainable portfolio. Our objective is to deliver improvements in environmental performance and operational costs, and meet the trend from occupiers to prefer more environmentally sustainable office accommodation. Our sustainability approach incorporates elements from international best practice models.

Precinct uses a series of internal and external measurements to report performance. One of the key external measurements is GRESB[4]. GRESB conduct annual assessments of real estate portfolios capturing critical information regarding environmental, social and governance (ESG) performance and sustainability best practices. Precinct believe that GRESB is the most appropriate assessment for our business and intend on reporting against this measure going forward.

Precinct has adopted a sustainability framework illustrating Precinct's sustainability context, approach and priorities.

This framework will be implemented and managed to provide benefits within the next financial year and beyond.

PRECINCTS SUSTAINABILITY FRAMEWORK

City centre specialists dedicated to enabling sustainable and successful business		
Developing the future	***Operational excellence***	***Empowering people***
Creating an iconic world class city centre	Spaces to thrive	Strengthening communities
Build smarter	Minimal environmental footprint	Health, safety and wellbeing
Resilience to climate change and economic trends	Enabling business continuity	One team
Vibrant and prosperous cities	Sustainable and predictable returns	City partners and relationships

4 Global Real Estate Sustainability Benchmark. For more information see www.gresb.com

SUSTAINABILITY (CONTINUED)

OUR FRAMEWORK

Developing the future

Creating an iconic world class city centre:
This involves creating visionary designs across a mixed portfolio of office and retail areas. By incorporating world class occupiers in world class space, Precinct aims to create iconic city centres.

Build smarter:
This is achieved by incorporating environmental efficiency into the builds, and achieving high ratings in regards to NABERS NZ[5], GRESB, and NBS scores.

Resilience to climate change and economic trends:
Future proofing the assets is key to being resilient to change. By keeping ahead of technological, environmental and work habit changes, Precinct can mitigate risks associated with these.

Vibrant and prosperous cities:
By creating vibrant and prosperous areas, Precinct aims to tie the success of the assets to the success of the city. Growing with it to create a location in high demand.

Operational excellence

Spaces to thrive:
This is achieved by offering exceptional end of trip facilities, environmental quality with fair operating costs. These three categories being market driven, are key to maintaining sustainable spaces to thrive.

Minimal environmental footprint:
Precinct maintain a conscious effort to reduce water and energy usage, as well as reducing the amount of carbon emissions. These are reduced through high quality maintenance of the assets, and the eco efficient builds of developments and redevelopments.

Enabling business continuity:
To enable business continuity it is essential to have focus on cyber security and seismic performance amongst other things. Although not all situations can be predicted, risks can be mitigated by increasing building reliability with a structured capital expenditure plan.

Sustainable and predictable returns:
Building reliability aided by high occupancy rates, long weighted average lease terms, and a well-managed earnings outlook will result in sustainable earnings.

Empowering people

Strengthening communities:
It is important to have regard to the sustainability of all stakeholders of the business. Precinct believe in strengthening the community by giving both direct contributions and indirect social and economic benefits.

Health, safety and wellbeing:
Precinct also deem the health, safety and wellbeing of clients, staff, contractors, and visitors as highly important. Maintaining good relationships is also a key part of long term sustainability, be it with government, council, contractors or clients.

One team:
Working as a team requires a degree of internal sustainability, and Precinct views the key aspects to the continuity of the team as; maintaining a diverse and inclusive environment, creating a place to learn and develop, having a positive culture, and having regards for staff wellbeing. Combining these factors provides an optimal environment in which exceptional service can be provided to clients.

City partners and relationships:
One of the keys to successful sustainability is the successfulness of the relationships and partnerships involved. Focusing on positive relationship management, Precinct strive to create a mutually beneficial environment, in which both parties can thrive.

5 National Australian Built Environment Rating System New Zealand. For more information see www.nabersnz.govt.nz

OUR PERFORMANCE

The goal is to report annually how effective we have been in delivering on our sustainaiblity aspirations, in an effort to see where and how it can be improved.

DEVELOPING THE FUTURE

2017 achievements:

- Recycled 83.5% of the materials from the old Downtown Shopping Centre
- The Mason Brothers redevelopment involved the adaptive reuse of a character warehouse into a three story commercial development as part of the Wynyard Quarter Innovation Precinct.
- Incorporation of celestial and waka narratives from a mana whenua artist.

SUSTAINABILITY CASE STUDY - MASON BROTHERS

The retention and adaptive reuse of the Mason Brothers building demonstrates the commitment Precinct and Panuku Development Auckland, our development partner at Wynyard, have to sustainable development.

The recycling of the such a large portion of the building demonstrates a commitment to environmental responsibility. Furthermore, not only have Precinct looked to reuse as much of the building as possible, we have also incorporated market leading sustainable design and construction fundamentals. This is evidenced by the 5 Green Star design and as-built targets as well as the NABERS NZ aspirations.

Some of the key sustainability achievements for the project include;

- **Use of low maintenance/sustainable materials** - In line with the project's targeted 5 Green Star ratings the development was required to minimise material use and waste in design, construction and operation.
- **Energy conservation measures (heating and ventilation)** - The building incorporates passive design features such as exposed thermal mass, natural ventilation, large southlight glazing and a balanced window to wall ratio to maximise daylight availability.
- **Energy conservation measures (lighting**) - The low-energy LED intelligent lighting control system uses occupancy and daylight sensors throughout office areas to reduce operational energy use.
- **Use of monitoring and control equipment** - Overall energy use is monitored by the energy management system connected to electrical meters, thermal meters and water meters.

HERITAGE AND ADAPTIVE REUSE

The Mason Brothers redevelopment involved the adaptive reuse of a character warehouse into a three story commercial development as part of the Wynyard Quarter Innovation Precinct. The former character of the warehouse is retained with the dramatic saw tooth roof form dropping south light into a major 60 metre long internal lane which acts as the circulatory system of the building and provides an internal pedestrian link.

SUSTAINABILITY *(CONTINUED)*

OPERATIONAL EXCELLENCE

SPACES TO THRIVE

2017 achievements and statistics:

- We have 2 electric car charging stations in the ANZ Centre, and will be adding more in the future
- Implemented an in-house concierge team
- Upgraded the end of trip facilities in State Insurance Tower
- Upgraded the State Insurance Tower lobby
- Clients are usually looking for low risk buildings which have a score higher than 67% of New Build Standard (NBS). 96% of Precinct's investment buildings, by market value, score greater than 67% NBS. Across Precinct's investment portfolio Precinct's average NBS, weighted by value, is 94%

SUSTAINABLE AND PREDICTABLE RETURNS

Some of the key ways to obtain sustainable returns is to create targets which relate to the income the assets generate, and meet those targets. The key targets we have for this are;

- Occupancy - 100%
- WALT - 7.2 years
- Pay-out ratio - 90.8%

MINIMAL ENVIRONMENTAL FOOTPRINT

This has involved creating a base year and reporting year-on-year consumption comparisons allowing management to assess improvements and consider further improvements. The base year will be consistently used and relates to the 2016 financial year. The information on the following table is reported to 30 June 2017.

Total Energy Consumption	KWH/m² Base Year (2016)	KWH/m² 2017	% Change
Auckland portfolio average	135.5	139.4	2.9%
Wellington portfolio average	132.2	120.8	- 8.6%
Total portfolio average	**133.7**	**130.1**	**- 2.7%**

Total Carbon Emissions	$C0_2$KG/m² Base Year (2016)	$C0_2$KG/m² 2017	% Change
Auckland portfolio average	21.3	22.1	3.7%
Wellington portfolio average	22.0	20.3	- 8.0%
Total portfolio average	**21.7**	**21.2**	**- 2.3%**

*Excludes Wynyard Quarter Stage One and Deloitte House

EMPOWERING PEOPLE

STRENGTHENING COMMUNITIES:

- **Charitable donations** - Precinct is a city centre specialist and is one of the largest real estate investors in Auckland and Wellington city centres. Being part of these communities we acknowledge the impact they will have on Precinct's overall strategic success. Precinct have, since 2013, donated to the Auckland City Mission and the Wellington City Mission. Precinct also helps, where possible, in fundraising campaigns throughout the year.

ONE TEAM

AHML, as Precinct's manager, has over the last 12 months undertaken a range of initiatives including;

- **Focus on team engagement:** Staff undertook the IBM Kenexa Staff Survey in February 2017.
- **Focus on health and safety:** Management has a strong focus on health and safety in order to be a best practice employer.
- **Succession plans**: On-going monitoring of broader succession planning for all roles throughout the business.

During 2018 AHML, as Precinct's manager, will focus on

- **Health and wellbeing:** A robust 'wellness programme' is being developed and implemented across the team .
- **Continuation of intern and graduate programme:**
  - **TupuToa -** This programme was launched in 2016 by the Maori and Pacifika corporate pathways project in conjunction with support by Global Women. Precinct through its manager AHML, supports TupuToa by providing space in Regus offices in Zurich House. In 2016 AHML recruited an intern through this programme which was successful. In November 2017 AHML plans to source one intern through the TupuToa Programme.
  - **Keystone Trust -** Keystone Trust is a charitable trust that for over 20 years has been providing scholarships and experience opportunities to property related tertiary students in need. Precinct is a sponsor of the Keystone Trust and in 2016 Precinct's CEO was appointed as a Trustee. In 2016 AHML recruited an intern through this programme which was successful. In November 2017 AHML plans to source one intern through the Keystone Trust.

CITY PARTNERS AND RELATIONSHIPS

Mana Whenua - At Commercial Bay, Precinct engaged early on with Mana Whenua working together to develop a cultural framework for the project. The key objective of the Te Aranga Māori Design Values and Principles is to enhance the protection, reinstatement, development and articulation of Mana Whenua cultural landscapes and to enable all of us to connect with and to deepen our collective appreciation and 'sense of place'.

Sponsorship and membership

- **Keystone:** Keystone is a trust who's goal is to support and enable students, who are affected by financial need or adverse circumstances, to take up tertiary studies with the view of entering the property sector.
- **Green Building Council:** The New Zealand Green Building Council is a not-for-profit industry organisation who's vision is that New Zealanders live, work and play in healthy, efficienct and productive buildings in a sustainable built environment.
- **Corenet:** The mission of the New Zealand Chapter is to connect groups of professionals, end users and service providers in order to advance knowledge, promote personal excellence and add value to each individual and their respective enterprises.
- **Property Council:** The Property Council New Zealand is a member-led, not-for-profit organisation offering a collective voice for the commercial property industry. Their priorities are to build better cities, build better buildings, and create better markets.

HEALTH AND WELLBEING

- **Client satisfaction:** Key clients undertook a client satisfaction survey in May 2017. This survey which is generally undertaken every 3 years provides management with insights on service levels, relationships, office space and amenity. The information gained has helped to inform key initiatives and projects throughout the portfolio.

SUSTAINABILITY (CONTINUED)

GRI CONTENT INDEX

As worldwide focus on integrated annual reporting grows Precinct has chosen to incorporate Global Reporting Initiative (GRI) G4 guidelines when preparing this annual report. The GRI reference table below shows where in this report information can be found about the indicators that are relevant to our business operations.

As this is the first year Precinct has moved towards integrated reporting the material aspects that reflect the organisations significant economic, environmental and social impacts, or that substantively influence the assesments and decisions of stakeholders are still being reviewed. This area of reporting will continue to develop in future years.

GENERAL STANDARD DISCLOSURES

Disclosure	Description	Page / Chapter	Further Information	External assurance
Strategy and analysis				
G4-1	Statement from most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	CEO Statement		No
Organisational profile				
G4-3	Name of the organisation	Notes to the Financial Statements		Yes
G4-4	Primary brands, products and services	Notes to the Financial Statements		Yes
G4-5	Location of the organisation's headquarters	Directory		No
G4-6	Number of countries where the organisation operates		Precinct operates in New Zealand	No
G4-7	Nature of ownership and legal form	Shareholder and Bondholder Information		No
G4-8	Markets served	Our markets		No
G4-9	Scale of the organisation	5 Year Summary		No
G4-10	Workforce composition			No
G4-11	Percentage of employees covered by collective bargaining agreements		Nil	No
G4-12	Organisation's supply chain	Not currently provided		No
G4-13	Significant changes during the reporting period: size, structure, ownership, chain	Corporate Governance		No
G4-14	Precautionary principle	Corporate Governance		No
G4-15	Externally developed economic, environmental, and social charters, principles, or other intiatives	Our Strategy; Sustainability		No
G4-16	Membership of associations and/or national or international interest organisations	Empowering people		No
Identified material aspects and boundaries				
G4-17	Entities included in the consolidated financial statements	Notes to the Financial Statements		No
G4-18	Process for defining report content and scope	Not currently provided		No
G4-19	Overview of material topics to determine report content and scope	Not currently provided		No
G4-20	Topic boundary within the organisation for each material subject	Not currently provided		No
G4-21	Topic boundary outside the organisation for each material subject	Not currently provided		No
G4-22	Re-statements of information provided in previous annual reports	Not currently provided		No
G4-23	Significant changes in scope relative to the previous reporting period	Not currently provided		No
Stakeholder engagement				
G4-24	List of stakeholder groups engaged by the organisation	Not currently provided		No
G4-25	Basis for identifying and selecting stakeholders with whom to engage		All shareholders are invited to attend the Annual General Meeting and are sent investor relation reports/updates	No

Disclosure	Description	Page / Chapter	Further Information	External assurance
G4-26	Approach taken to engaging stakeholders	Corporate Governance	Annual General Meeting, enquiries, interim reports, quarterly updates, investor presentations	No
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns		NZX corporate governance guidelines (https://www.nzx.com/regulators/NZXR/announcements/300888) Precinct holds an Annual General Meeting with shareholders where they can ask any questions they may have, they can also make enquiries using contact details provided on investor reports	No
Report profile				
G4-28	Reporting period	Notes to the Financial Statements		No
G4-29	Date of most recent previous report (if any)		30 June 2016	No
G4-30	Reporting cycle		Annually	No
G4-31	Contact information	Directory		No
G4-32	GRI table of contents	GRI content index	GRI G4 Core	No
G4-33	Assurance report	Not currently provided		No
Governance				
G4-34	Organisational governance structure	Corporate Governance		No
Ethics and integrity				
G4-56	Organisational values, principles, standards and codes of conduct	Corporate Governance		No

AS AT 30 JUNE 2017
SHAREHOLDER AND BONDHOLDER INFORMATION

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder	Number of shares	% of shares
1.	HSBC NOMINEES (NEW ZEALAND) LIMITED	263,224,994	21.73
2.	ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND	67,548,243	5.58
3.	FNZ CUSTODIANS LIMITED	62,713,367	5.18
4.	ACCIDENT COMPENSATION CORPORATION	60,378,905	4.99
5.	FORSYTH BARR CUSTODIANS LIMITED	59,101,540	4.88
6.	GUARDIAN NOMINEES NO 2 A/C WESTPAC W/S ENHANCED CASH TRUST	46,002,404	3.80
7.	INVESTMENT CUSTODIAL SERVICES LIMITED	41,193,743	3.40
8.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	40,027,428	3.30
9.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED	38,485,047	3.18
10.	BNP PARIBAS NOMINEES (NZ) LIMITED	32,252,434	2.66
11.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET	29,569,017	2.44
12.	ANZ WHOLESALE PROPERTY SECURITIES	28,985,521	2.39
13.	CUSTODIAL SERVICES LIMITED	24,228,323	2.00
14.	MFL MUTUAL FUND LIMITED	24,046,821	1.99
15.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT	22,123,088	1.83
16.	BNP PARIBAS NOMINEES (NZ) LIMITED	14,249,027	1.18
17.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT	12,033,159	0.99
18.	CUSTODIAL SERVICES LIMITED	10,572,532	0.87
19.	CUSTODIAL SERVICES LIMITED	8,783,303	0.73
20.	PT (BOOSTER INVESTMENTS) NOMINEES LIMITED	7,639,773	0.63
	Totals: Top 20 holders of Ordinary Shares	**893,158,669**	**73.75**

Source: Computershare

SHAREHOLDER DISTRIBUTION

Range	Total holders	Shares	% of issued capital
1 - 99	1	80	0.00
100 - 199	2	235	0.00
200 - 499	39	11,775	0.00
500 - 999	81	54,851	0.00
1,000 - 1,999	186	252,269	0.02
2,000 - 4,999	678	2,326,069	0.19
5,000 - 9,999	1,299	9,319,490	0.77
10,000 - 49,999	4,026	91,413,967	7.55
50,000 - 99,999	720	48,010,114	3.96
100,000 - 499,999	379	66,707,491	5.51
500,000 - 999,999	24	15,476,778	1.28
1,000,000 and over	27	977,547,546	80.71
Total	**7,462**	**1,211,120,665**	**100.00**

Source: Computershare

SUBSTANTIAL SECURITY HOLDERS

Security holder	No. of shares held at date of notice	%	Date of notice
AMP Capital Investors International Holdings Limited (ACIIHL)[1]	198,943,261	18.773	01.12.2014
ANZ New Zealand Investments Limited	118,916,047	9.819	8.06.2017
ANZ Bank New Zealand Limited	38,164,690	3.151	8.06.2017
Accident Compensation Corporation[2]	80,947,737	6.684	20.08.2015

Source: NZX Substantial shareholder notices

1 *AMP Capital Investors International Holdings Limited substantial security holder notice includes the Precinct shares of Haumi Company Limited.*
2 *On 7 July 2017 Accident Compensation Corporation (ACC) ceased to have a substantial holding. As at 7 July 2017 ACC held 60,438,750 shares or 4.99% of total shares on issue.*

The total number of ordinary shares on issue as at 30 June 2017 was 1,211,120,665. Precinct has only ordinary shares on issue. Precinct's website (www.precinct.co.nz) contains a summary of all NZX waivers granted and published by NZX within or relied on by Precinct within the 12 month period preceeding 30 June 2017.

The Group made donations of $20,000 during the year to 30 June 2017 to Auckland City Mission and Wellington City Mission.

BONDHOLDER INFORMATION

BONDHOLDER DISTRIBUTION

Range	Total holders	Units	% of Issued Capital
5,000 - 9,999	39	219,000	0.29
10,000 - 49,999	265	5,407,000	7.21
50,000 - 99,999	72	4,326,000	5.77
100,000 - 499,999	70	12,676,000	16.90
500,000 - 999,999	1	500,000	0.67
1,000,000 and over	10	51,872,000	69.16
Total	**457**	**75,000,000**	**100.00**

Source: Computershare

DIRECTOR INTERESTS

DETAILS OF DIRECTOR INTERESTS IN PRECINCT SHARES

	2017	2016
Director	**No. of shares**	**No. of shares**
Robert Campbell	**941,602**	141,602
Don Huse	**571,428**	571,428
Graeme Wong	**67,427**	67,427

The following director interests were recorded in the interests register for the year to 30 June 2017.

Robert Campbell
Purchased 800,000 ordinary Precinct shares

Ceased as director of SAL Limited

Anthony Bertoldi
Chairman of AMP Haumi Management Limited

Launa Inman
Ceased as director of Bellamy's Organic

Don Huse
Ceased as director and chairman of Crown Irrigation Investments Limited (as from 30 June 2017)

Graeme Wong
Ceased as director of SAL Limited

Director of CMT Industries Limited

Craig Stobo
Director of Bureau Limited

Chris Judd
Ceased as chairman of AMP Haumi Management Limited

REMUNERATION REPORT

REMUNERATION OF PRECINCT DIRECTORS

The remuneration of Precinct directors was established by the Remuneration Committee having reference to remuneration paid to directors of comparable New Zealand listed entities. There is a cap on director remuneration of $580,000 per annum beginning 1 November. The actual fees paid for the year ending 31 October 2016 were $537,467 which is below this cap. The fees paid vary according to the responsibilities and committee participation of each independent director.

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

Only independent directors have received board remuneration from the company for their services as directors. Robert Campbell was paid $8,000 for his services on sub committees during the prior year.

	Role	30 June 2017[1]		30 June 2016	
		Sub committee	Board	Sub committee	Board
Craig Stobo	Board Chair	125	161,387	8,000	160,000
Don Huse	Audit and Risk Committee Chair	(505)	100,867	9,120	100,000
Graeme Horsley[2]	Independent Director	-	-	-	34,500
Graeme Wong	Independent Director	125	90,780	8,000	90,000
Launa Inman[2]	Independent Director	8,125	90,780	-	75,185
Robert Campbell	Director	125	-	8,000	-
Total		**7,995**	**443,813**	**33,120**	**459,685**

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

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

From time to time the board may establish further subcommittees to consider specific issues or transactions. Membership of these committees may result in additional fees being payable at a rate ranging from $250 – $285 per hour. During the year ended 30 June 2017, $7,995 in committee fees were paid to the due diligence committee (30 June 2016: $33,120).

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

REMUNERATION OF THE MANAGER

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

Fee	Fee basis	Service provided	June 2017 ($m)	June 2016 ($m)
Base management services fee	In accordance with clause 9.2 of the MSA: 0.55% on the Value of Investment Property to $1 billion. 0.45% on the Value of Investment Property between $1 billion and $1.5 billion. 0.35% on the Value of Investment Property above $1.5 billion. Development properties, including land, are excluded from the Value of Investment Property.	Overall management of Precinct to deliver on the Board approved business plans, budgets and strategies.	7.74	8.07

Fee	Fee basis	Service provided	June 2017 ($m)	June 2016 ($m)
Performance fee	In accordance with clause 9.4c of the MSA: 10% of quarterly outperformance of Precinct against the NZX/S&P Property Index (excluding Precinct). Limited to a cap of 0.125% of Precinct's opening market capitalisation.	Investment outperformance. The performance fee provides strong alignment between the interests of Precinct shareholders and the manager by rewarding superior performance and linking the returns of the manager and Precinct shareholders.	Nil	Nil
Surrender fees	In accordance with Clause 4 of Schedule 3 of the MSA: A fee of up to 10% of the surrender payments.	Surrender payments made during the period totalling $0.01 million (2015: $0.02m).	0.01	0.02
Development management fees	In accordance with Clause 6 of Schedule 3 of the MSA. A fee of 3% of the total development cost excluding land cost, incentives, marketing, and finance costs. A maximum fee (balance fee) of 1% of the total development cost excluding land cost, incentives, marketing and finance costs for successful delivery of a project.	Development management fees paid in the period relate to the development of Commercial Bay, Bowen Campus and Wynyard Quarter Stages One and Two. This includes a $0.75m balance fee for the successful delivery of Wynyard Quarter Stage One. As detailed in Part C of Schedule 3 of the MSA, overall management of the development includes making recommendations covering the development and redevelopment of property, consultant management, co-ordination of design, procurement of consents, development financing, co-ordination and cost management, construction contract tendering, management of risks and ongoing monitoring and reporting of the project.	3.34	9.68
Acquisition and sale of properties	In accordance with Clause 5 of Schedule 3 of the MSA. Where no external agent has been engaged, a fee of up to 1% of the purchase price or other consideration to be provided by the purchaser. Where an external agent has been engaged, the amount of the fee will be reflective of the manager's contribution and the external agent's scale of fees provided that the total fee payable will not exceed 1% of the purchase price or other consideration.	During the year Precinct purchased a 50% share of Generator New Zealand Limited for $4.0m. Managing the sale or purchase including negotiation of the commercial terms with the vendor or purchaser, instruction of agents, valuers and lawyers, financing and coordination and conduct of due diligence.	0.04	0.13
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.	2.74	2.60

REMUNERATION REPORT (CONTINUED)

Fee	Fee basis	Service provided	June 2017 ($m)	June 2016 ($m)
Leasing fees – new leases	In accordance with Clause 1 of Schedule 3 of the MSA: a) A minimum fee of $2,500 per lease. b) For leases with a term of less than 3 years, 11% of the annual rental. c) For leases with a 3 year term, 12% of the rental. d) For leases with a term exceeding three years, 12% of the annual rental plus 1% for each year or part thereof , up to a maximum of 20% of annual rental.	Leasing of vacant space comprising annual rental of $58.7 million (2016: $17.9 million) for a weighted average term of 11.1 years (2016: 6.7 years). Precinct engages the manager and external agents to lease vacant space. The scale of leasing fees paid to the manager is below the scale of leasing fees paid to external agents. Fees paid by Precinct to external agents during the year totalled $2.7 million (2016:$1.9 million). Where both the manager and an external agent are involved, the manager's contribution is paid according to the manager's agreed scale of fees and the total fee paid by Precinct is no greater than the external agent's scale of fees. If the fee payable to an external agent is equal to or exceeds the manager scale of fees, no fee is payable to the Manager.	8.71	2.64
Leasing fees – renewals	In accordance with Clause 2 of Schedule 3 of the MSA. A fee of 25% to 75% of the leasing fee for new leases on the following basis: a) 25%: where the lessee exercises a renewal with no material engagement from the manager. b) 50%: where a lessee exercises a right of renewal and the rental outcome is negotiated between the parties. c) 75%: where a lessee seeks market responses and the manager secures the lessee to renew.	Lease renewals were secured over space comprising annual rental of $10.7 million (2016: $25.9m) for a weighted average term of 2.8 years (2016: 3.6 years).	1.09	(0.03)
Rent review fees	In accordance with Clause 3 of Schedule 3 of the MSA. a) For structured (non-market) reviews and for any market review which does not result in a rental increase an administration fee of $1,000 will be payable. b) Open market reviews: 10% of the rental increase achieved in Year 1 of the review, subject to a minimum fee of $1,000.	The manager managed the rent review process for reviews totalling annual rental of $12.7 million (2016:$23.6 million). The balance of rent reviews were managed by external agents.	0.14	(0.43)

INSURANCE AND INDEMNITY

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

MANAGEMENT EXPENSE RATIO

Amounts in $ millions (unless otherwise stated)	*2017*	*2016*
Base management fee	7.7	8.1
Performance fee	-	-
Audit and Directors	0.7	0.8
Other expenses	1.4	1.2
Total management expenses	**9.8**	**10.1**
Average total property value	**1,874.4**	**1,696.0**
Management expense ratio - excluding performance fee	52 bps	60 bps
Management expense ratio	52 bps	60 bps

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

MANAGEMENT REMUNERATION

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

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

Remuneration of the CEO and COO comprises base salary, short term incentive payments ("STI") and long term incentive payments ("LTI").

SHORT TERM REMUNERATION

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

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

During the year ended 30 June 2017, the number of employees of the manager (including the CEO, COO 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 unter the LTI scheme.

Remuneration range	# employees
$1,000,001 - $1,050,000	**1**
$750,001 - $800,000	**1**
$500,001 - $550,000	**1**
$400,001 - $450,000	**2**
$250,001 - $300,000	**6**
$200,001 - $250,000	**3**
$150,001 - $200,000	**6**
$100,001 - $150,000	**8**
Total	**28**

REMUNERATION REPORT *(CONTINUED)*

LTI SCHEME

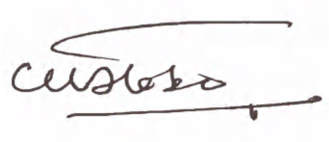
The manager operates an LTI scheme under which the CEO, COO, CFO and other senior executives are granted shares in Precinct, which are held in trust and vest on the third anniversary of the grant subject to their continuing employment. The value of the grants made under the LTI scheme are determined at the discretion of the board of the manager and are generally based on the performance fee earned by the manager.

The board of Precinct considers that the LTI scheme strongly aligns management with the interests of shareholders through the performance fee mechanism and through the LTI scheme grants being of shares in Precinct.

			Allocation $	Allocation shares
Scott Pritchard	CEO	30 June 2017	630,000	TBD[1]
		30 June 2016	510,000	393,125
		30 June 2015	306,000	265,556
George Crawford	COO	30 June 2017	420,000	TBD[1]
		30 June 2016	340,000	262,083
		30 June 2015	204,000	177,037
Richard Hilder	CFO	30 June 2017	150,000	TBD[1]
		30 June 2016	120,000	92,500
		30 June 2015	56,666	49,176

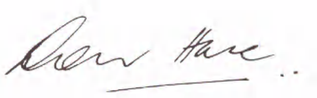
1 *For 30 June 2017 the value of the LTI allocation has been determined by the AHML board however the shares have not yet been acquired due to restrictions under Precinct's Securities Trading Policy.*

This annual report of Precinct Properties New Zealand Limited is dated 16 August 2017 and is signed on behalf of the board by:



CRAIG STOBO

CHAIRMAN AND INDEPENDENT DIRECTOR

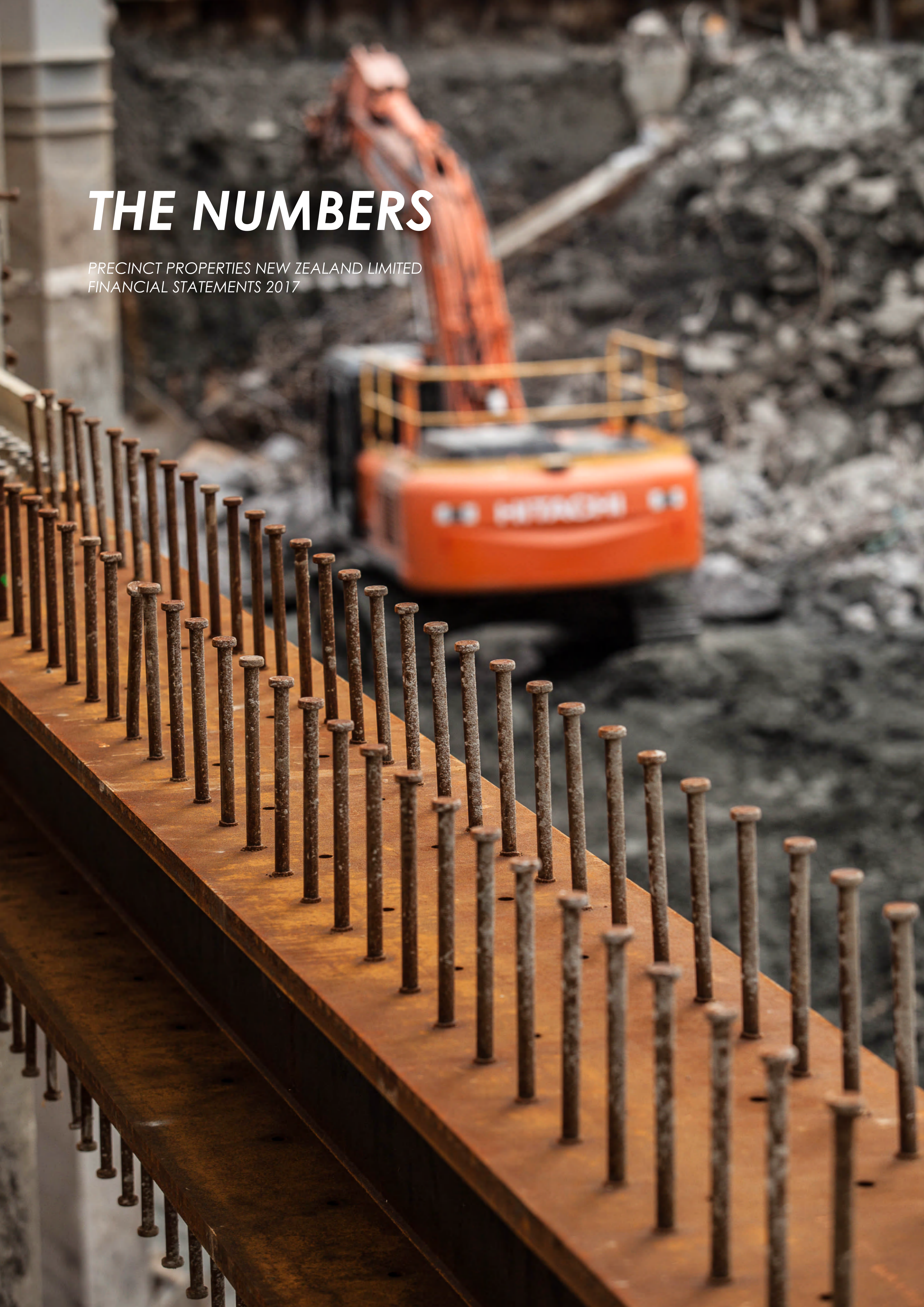


DON HUSE

CHAIRMAN AUDIT AND RISK COMMITTEE AND INDEPENDENT DIRECTOR

THE NUMBERS

PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS 2017



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

Amounts in $ millions	Notes	30 June 2017	30 June 2016
Revenue			
Gross rental income		**126.2**	146.0
Less direct operating expenses		**(35.8)**	(41.5)
Operating income before indirect expenses		**90.4**	104.5
Indirect expenses / (revenue)			
Interest expense		**3.5**	11.2
Interest income		**(0.1)**	(0.2)
Other expenses	10	**9.8**	10.1
Total indirect expenses / (revenue)		**13.2**	21.1
Operating income before income tax		**77.2**	83.4
Non operating income / (expenses)			
Unrealised net gain / (loss) in value of investment properties	9	**77.5**	81.2
Unrealised net gain / (loss) on financial instruments		**11.8**	(16.4)
Net realised gain / (loss) on sale of investment properties	9	**-**	(2.7)
Total non operating income / (expenses)		**89.3**	62.1
Net profit before taxation		**166.5**	145.5
Income tax expense / (benefit)			
Current tax expense	11	**2.5**	10.6
Depreciation recovered on sale	11	**-**	10.0
Deferred tax expense / (benefit) - financial instruments	11	**3.3**	(4.6)
Deferred tax expense / (benefit) - depreciation	11	**(1.4)**	(8.7)
Total taxation expense / (benefit)		**4.4**	7.3
Net profit and total comprehensive income after taxation attributable to equity holders	12,14	**162.1**	138.2
Earnings per share (cents per share)			
Basic and diluted earnings per share	13	**13.38**	11.41
Other amounts (cents per share)			
Operating income before income tax per share		**6.37**	6.89
Net operating income per share	12	**6.17**	6.01

The accompanying notes on pages 66 to 81 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

Amounts in $ millions unless otherwise stated	*Cents per share*	*Shares (m)*	*Ordinary shares*	*Retained earnings*	*Total equity*
At 1 July 2015		**1,211.1**	**1,046.7**	**291.6**	**1,338.3**
Total comprehensive income for the year				138.2	138.2
Distributions					
Q4 final distribution (paid 24 Sep 2015)	1.35			(16.4)	(16.4)
Q1 interim distribution (paid 10 Dec 2015)	1.35			(16.4)	(16.4)
Q2 interim distribution (paid 16 Mar 2016)	1.35			(16.4)	(16.4)
Q3 interim distribution (paid 10 Jun 2016)	1.35			(16.4)	(16.4)
At 30 June 2016		**1,211.1**	**1,046.7**	**364.2**	**1,410.9**
Total comprehensive income for the year				**162.1**	**162.1**
Distributions					
Q4 final distribution (paid 29 Sep 2016)	**1.35**			**(16.4)**	**(16.4)**
Q1 interim distribution (paid 8 Dec 2016)	**1.40**			**(17.0)**	**(17.0)**
Q2 interim distribution (paid 16 Mar 2017)	**1.40**			**(17.0)**	**(17.0)**
Q3 interim distribution (paid 8 Jun 2017)	**1.40**			**(17.0)**	**(17.0)**
At 30 June 2017		**1,211.1**	**1,046.7**	**458.9**	**1,505.6**

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

The accompanying notes on pages 66 to 81 form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

Amounts in $ millions	Notes	30 June 2017	30 June 2016
Current assets			
Cash		**4.3**	2.6
Fair value of derivative financial instruments	16	**-**	-
Debtors and other current assets		**8.9**	6.8
Provision for tax		**1.9**	-
Total current assets		**15.1**	9.4
Non-current assets			
Fair value of derivative financial instruments	16	**12.8**	24.5
Other assets		**2.1**	0.6
Investment in joint venture		**4.6**	-
Development properties	9	**509.2**	190.4
Investment properties	9	**1,535.4**	1,513.7
Total non-current assets		**2,064.1**	1,729.2
Total assets		**2,079.2**	1,738.6
Current liabilities			
Fair value of derivative financial instruments	16	**2.9**	-
Provision for tax		**-**	13.0
Accrued development capital expenditure		**34.5**	10.0
Acquisition settlement obligation		**26.7**	-
Other current liabilities		**8.4**	10.2
Total current liabilities		**72.5**	33.2
Non-current liabilities			
Interest bearing liabilities	15	**456.9**	234.1
Fair value of derivative financial instruments	16	**20.9**	39.0
Deferred tax liability	11	**23.3**	21.4
Total non-current liabilities		**501.1**	294.5
Total liabilities		**573.6**	327.7
Total equity		**1,505.6**	1,410.9
Total liabilities and equity		**2,079.2**	1,738.6

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 16 August 2017.

CRAIG STOBO
CHAIRMAN

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

The accompanying notes on pages 66 to 81 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

Amounts in $ millions	Notes	30 June 2017	30 June 2016
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		**126.2**	146.0
Less: Current year incentives		**(2.2)**	(1.3)
Add: Amortisation of incentives		**3.6**	3.4
Add: Working capital movements		**(1.4)**	(0.4)
Cash flow from gross rental income		**126.2**	147.7
Interest income		**0.1**	0.2
Property expenses		**(43.8)**	(41.6)
Other expenses		**(9.9)**	(9.7)
Interest expense		**(2.4)**	(13.6)
Income tax		**(17.5)**	(13.5)
Net cash inflow / (outflow) from operating activities	14	**52.7**	69.5
Cash flows from investing activities			
Capital expenditure on investment properties		**(18.2)**	(26.6)
Capital expenditure on development properties		**(172.8)**	(40.3)
Capital expenditure on other assets		**(1.5)**	(0.2)
Investment in and advances to joint ventures		**(4.6)**	-
Disposal of investment properties		**-**	170.3
Capitalised interest on development properties		**(17.5)**	(2.7)
Net cash inflow / (outflow) from investing activities		**(214.6)**	100.5
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		**192.5**	67.1
Other loan facility drawings / (repayments)[1]		**38.3**	(18.8)
Loan facility cancellations		**-**	(153.0)
Distributions paid to share holders		**(67.2)**	(65.4)
Net cash inflow / (outflow) from financing activities		**163.6**	(170.1)
Net increase / (decrease) in cash held		**1.7**	(0.1)
Cash at the beginning of the year		**2.6**	2.7
Cash at the end of the year		**4.3**	2.6

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

The accompanying notes on pages 66 to 81 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. REPORTING ENTITY

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

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

These audited financial statements are those of Precinct, its two 100% owned subsidiaries and its joint venture (the Group). Precinct's investment in Generator New Zealand Limited is accounted for using the equity method.

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

2. BASIS OF PREPARATION

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

The financial statements have been prepared:

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

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise Precinct, its subsidiary companies and its joint venture.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Precinct has chosen not to early adopt the following standards that have been issued but are not yet effective:

- NZ IFRS 9 - Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). This standard replaces the current guidance in NZ IAS 39 Financial Instruments - Recognition and Measurement. NZ IFRS 9 addresses the clasification, measurement and recognition of financial assets and financial liabilities.
  Precinct has assessed the impact of this standard on the group and no significant changes are expected to the recognition and reporting of financial instruments compared with existing accounting policies.
- NZ IFRS 15 - Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
  Precinct has assessed the impact of this standard on the group and no significant changes are expected to the recognition of revenue compared with existing accounting policies.
- NZ IFRS 16 - Leases (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in NZ IAS 17. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts.
  Precinct has assessed the impact of this standard on the group and no significant changes are expected for reporting as a lessor (i.e. the owner of buildings) compared with existing accounting policies.
  Precinct is currently assessing the impact of NZ IFRS 16 on it's occupational ground leases but it is not expected to be material.

5. CHANGES TO ACCOUNTING POLICIES AND DISCLOSURE OF SIGNIFICANT ACCOUNTING POLICIES

No changes to accounting policy have been made during the year and policies have been consistently applied to all years presented.

Significant accounting policies have been included throughout the notes to the financial statements.

6. FAIR VALUE ESTIMATION

Precinct classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (by price) or indirectly (derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing Precinct's financial statements, management continually makes judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on Precinct.

All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made by management.

The significant judgements, estimates and assumptions made in the preparation of these financial statements are in relation to:

i. Investment and development properties - refer note 9

ii. Deferred tax assets and deferred tax liabilities - refer note 11

8. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

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

i. Kaikoura earthquake

The Kaikoura earthquake on 14 November 2016 affected Deloitte House, Wellington with building defects identified post earthquake resulting in a $26.1 million revaluation loss being recorded for the year ending 30 June 2017.

ii. Bowen Campus

On 1 November 2016 construction commenced on the Bowen Campus redevelopment project and the value was transferred from investment properties to development properties with development expenditure of $50.0 million during the period.

iii. Commercial Bay

On 20 December 2016 the agreement to purchase Queen Elizabeth Square from Auckland Council became unconditional with settlement due in February 2018.During the year the value of the portions of HSBC House and Zurich House which are being incorporated into the Commercial Bay development were transferred from investment properties to development properties. During the period construction progressed with demolition of the existing structure completed and total development expenditure of $132.3 million during the period.

iv. Wynyard Quarter

On 2 December 2016 construction of the Mason Brothers building was completed and the value transferred from development properties to investment properties. On 15 June 2017 construction of the 12 Madden Street building was completed and the value transferred from development properties to investment properties. Total development expenditure during the period was $55.6 million.

v. Generator New Zealand Limited

On 10 May 2017 Precinct acquired a 50% interest in Generator New Zealand Limited.

9. INVESTMENT AND DEVELOPMENT PROPERTIES

30 June 2017

Amounts in $ millions	Valuer	Net lettable area sqm	Initial yield %[1]	Capitalisation rate %[1]
Investment properties[4]				
Auckland				
AMP Centre	CBRE	25,265	6.1%	6.3%
ANZ Centre - Auckland	JLL	33,574	5.8%	5.9%
HSBC House[5]	JLL	18,199	6.9%	6.4%
PricewaterhouseCoopers Tower	CBRE	31,296	5.9%	5.8%
Zurich House[5]	JLL	13,692	5.9%	6.1%
Mason Brothers[6]	Colliers	4,911	6.5%	6.0%
12 Madden Street[6]	Colliers	8,004	6.4%	6.0%
Wellington				
Dimension Data House[7]	Colliers	16,756	7.1%	6.9%
Bowen Campus	N/A	N/A	N/A	N/A
Deloitte House[8]	N/A	N/A	N/A	N/A
Mayfair House	Colliers	12,332	8.3%	6.6%
No.1 and 3 The Terrace	Bayleys	18,462	7.9%	7.0%
No.3 The Terrace[9]	CBRE	N/A	N/A	N/A
Pastoral House	Colliers	15,522	9.9%	6.6%
State Insurance Tower	Bayleys	26,641	7.4%	7.0%
Market value (fair value) of investment properties			6.5%	6.2%
Development properties[4]				
Wynyard Quarter Stage One	N/A	N/A	N/A	N/A
Commercial Bay[10]	JLL	N/A	N/A	5.4%
Bowen Campus Stage One[11]	Colliers	N/A	N/A	6.5%
Bowen Campus Stage Two	Colliers	N/A	N/A	N/A
Deloitte House[8]	CBRE	N/A	N/A	8.3%
Market value (fair value) of development properties			0.0%	0.0%

1 Total weighted average by market value. Capitalisation rate reflects new long term lease commitments to those assets subject to the Government RFP.
2 Total weighted average lease term is weighted by income.
3 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales, unconditional contracts for sale at year-end and transfers to other categories of property.
4 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay, Bowen Campus and Deloitte House which are under development.
5 The valuation of HSBC House and Zurich House exlcudes the value transferred from the retail (and carpark) levels which are to be incorporated into the proposed Commercial Bay retail complex.
6 Subsequent to practical completion of the Mason Brothers building and 12 Madden Street buidling on 2 December 2016 and 15 June 2017 respectively the values were transferred from development properties to investment properties.
7 This property was previously known as 157 Lambton Quay.
8 Deloitte House has been transferred from an investment property to a development property as a result of the works required to seismically upgrade and refurbish the building. Leasehold property on a perpetually renewable lease.
9 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
10 The valuation of Commercial Bay includes the value transferred from retail (and carpark) levels within HSBC House and Zurich House which are to be incorporated into the proposed Commercial Bay retail complex. Additions include $26.7m for the recognition of the present value of the unconditional agreement to purchase Queen Elizabeth Square from Auckland Council.
11 Additions include the transfer of Bowen Campus from investment properties and capitalised development costs relating to the redevelopment and refurbishment of Bowen State Building and Charles Fergusson House. Precinct has entered into a Development Agreement with the New Zealand Government for a new 15 year lease commitment as part of a full redevelopment of Bowen Campus.

Occupancy %	WALT years[2]	Valuation 30 June 2016	Capitalised incentives	Additions / disposals[3]	Revaluation gain / (loss)	Carrying value
100%	3.9	148.0	0.3	3.9	**11.2**	**163.4**
100%	8.6	305.0	0.2	0.5	**18.3**	**324.0**
100%	2.7	121.5	(0.3)	1.7	**(29.1)**	**93.8**
100%	6.1	313.0	(0.4)	1.8	**14.6**	**329.0**
100%	3.7	110.5	(0.4)	(0.2)	**(14.4)**	**95.5**
100%	7.9	-	1.7	34.3	**1.2**	**37.2**
100%	12.0	-	0.1	64.7	**3.0**	**67.8**
100%	5.6	109.0	1.5	3.7	**0.1**	**114.3**
N/A	N/A	58.0	-	(58.0)	**-**	**0.0**
N/A	N/A	45.0	-	(45.0)	**-**	**-**
100%	17.0	38.5	0.9	0.5	**0.9**	**40.8**
100%	8.7	72.3	1.0	0.4	**(3.2)**	**70.5**
N/A	41.7	10.9	-	-	**0.8**	**11.7**
100%	15.1	41.0	1.1	2.0	**(1.2)**	**42.9**
99%	4.1	141.0	1.0	3.3	**(0.8)**	**144.5**
100%	7.2	1,513.7	6.7	13.6	**1.4**	**1,535.4**
N/A	N/A	43.4	-	(43.4)	**-**	**-**
N/A	N/A	147.0	(0.5)	132.3	**91.2**	**370.0**
N/A	N/A	-	-	96.9	**11.6**	**108.5**
N/A	N/A	-	-	11.1	**(0.6)**	**10.5**
N/A	N/A	-	-	46.3	**(26.1)**	**20.2**
0%	-	190.4	(0.5)	243.2	**76.1**	**509.2**

Accounting policies

Investment properties

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

Development properties

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

Valuation of investment and development properties

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

30 June 2016

Amounts in $ millions	Valuer	Net lettable area sqm	Initial yield %[1]	Capitalisation rate %[1]
Investment properties[4]				
Auckland				
AMP Centre	CBRE	25,265	6.8%	6.5%
ANZ Centre - Auckland	JLL	33,351	5.8%	6.0%
Downtown Shopping Centre[5]	N/A	N/A	N/A	N/A
HSBC House	Colliers	19,224	6.5%	6.6%
PricewaterhouseCoopers Tower	CBRE	31,296	5.8%	6.1%
Zurich House	Colliers	14,445	5.2%	6.4%
Wellington				
125 The Terrace[6]	N/A	N/A	N/A	N/A
157 Lambton Quay	Bayleys	16,756	6.2%	7.0%
Bowen Campus[7]	Colliers	30,167	10.6%	6.6%
Deloitte House[8]	CBRE	12,972	8.9%	8.0%
Mayfair House[7]	Colliers	12,332	8.5%	6.8%
No.1 and 3 The Terrace[7]	Colliers	18,462	8.2%	7.4%
No.3 The Terrace[9]	CBRE	N/A	N/A	N/A
Pastoral House[7]	Colliers	15,522	10.9%	6.8%
State Insurance Tower	Bayleys	26,641	7.1%	7.2%
Market value (fair value) of investment properties			6.7%	6.5%
Investment properties held for sale[10]				
ANZ Centre - Wellington[11]	N/A	N/A	N/A	N/A
Market value (fair value) of investment properties held for sale			N/A	N/A
Development properties[4]				
Wynyard Quarter Stage One[12]	Colliers	12,903	6.6%	6.3%
Commercial Bay[13]	JLL	N/A	N/A	N/A
Market value (fair value) of development properties			6.6%	6.3%

1 Total weighted average by market value. Capitalisation rate reflects new long term lease commitments to those assets subject to the Government RFP.
2 Total weighted average lease term is weighted by income.
3 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales, unconditional contracts for sale at year-end and transfers to other categories of property.
4 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay and Wynyard Quarter Stage One which are development sites.
5 Subsequent to the closure of Downtown Shopping Centre on 28 May 2016 and commencement of demolition works, Downtown Shopping Centre has been transferred from investment properties to development properties and renamed Commercial Bay.
6 125 The Terrace was sold on 16 September 2015 for $65.0 million resulting in a loss on sale of $1.0 million.
7 Precinct has agreed terms with the New Zealand Government for a full refurbishment/redevelopment of the property.
8 Leasehold property on a perpetually renewable lease.
9 No.3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
10 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Downtown Shopping Centre which is a retail property.
11 ANZ Centre - Wellington was sold on 30 July 2015 for $76.0 million resulting in a loss on sale of $1.7 million.
12 Subsequent to entering into a Development Agreement with Panuku Development Auckland at Wynyard Quarter the costs relating to Wynyard Quarter Stage 1 have been transferred from other assets to development properties. Wynyard Quarter Stage One is currently under construction with core data provided reflecting the "as if complete" assessed rates.
13 Additions include the transfer of Downtown Shopping Centre from investment properties and capitalised development costs relating to the proposed Commercial Bay tower and retail complex.

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

Accounting policies (continued)

Investment property held for sale

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

Derecognition of investment properties

Investment properties are derecognised when they have been either sold or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in profit or loss in the year of derecognition.

Recognition of revenue from investment properties

Rental income from investment properties is recognised in the Statement of Consolidated Income on a straight-line basis over the term of the lease.

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

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2017 by independent registered valuers Colliers International, Bayleys, JLL and CBRE.

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

Class of property	*Valuation techniques used*	*Inputs used to measure fair value*
CBD office and retail	Income capitalisation approach, discounted cash flow analysis, sales comparison approach, and residual approach	- Office gross market rent per sqm - Retail gross market rent per sqm - Core capitalisation rate - Discount rate - Terminal capitalisation rate - Rental growth rate per annum - Profit and risk allowance

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

	Range of significant unobservable inputs:		*Fair value measurement sensitivity:*	
Inputs used to measure fair value	*30 June 2017*	*30 June 2016*	*to increase in input*	*to decrease in input*
Office gross market rent per sqm	**$180 - $722**	$270 - $707	Increase	Decrease
Retail gross market rent per sqm	**$225 - $1950**	$225 - $2,817	Increase	Decrease
Core capitalisation rate	**5.8% - 8.3%**	6.0% - 8.0%	Decrease	Increase
Discount rate	**7.4% - 9.5%**	7.8% - 9.3%	Decrease	Increase
Terminal capitalisation rate	**6.1% - 8.5%**	6.3% - 8.3%	Decrease	Increase
Rental growth rate per annum	**0.0% - 3.8%**	0.0% - 5.0%	Increase	Decrease
Profit and risk allowance	**5%-17%**	5%-17%	Decrease	Increase

Valuations reflect, where appropriate:

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

Valuation methodologies	
Income capitalisation approach	Determines fair value by capitalising the net income at a capitalisation rate reflecting the nature, location and tenancy profile of the asset. Subsequent near term capital adjustments are then made which typically include letting-up allowances for vacancy and pending expiries, capital expenditure allowances and under/over renting reversions.
Discounted cash flow analysis	A financial modelling methodology assessing the long-term return that is likely to be derived from an asset. Explicit assumptions are required for rental income growth, leasing up metrics on expiries along with terminal value at the end of the cash flow period, typically a 10 year horizon. A market-derived discount rate is then applied to the assessed cash flows and discounted to a present value to determine fair value.
Sales comparison approach	Fair value is determined by applying positive and negative adjustments to recently transacted assets of a similar nature.
Residual approach	A methodology normally used for property which is undergoing, or is expected to undergo, redevelopment. Fair value is determined by firstly calculating a gross realisation which forecasts what a property is worth on completion and deducts all costs associated with the development of the property. These costs typically include letting and sale costs, a market required profit and risk margin, construction costs and finance costs.

Unobservable inputs within the income capitalisation approach	
Gross market rent	The estimated rental amount which a tenancy within a property is expected to achieve under a new arm's length transaction including a share of the property operating expenses.
Core capitalisation rate	The income return produced by an investment expressed as a percentage of the capital value. The capitalisation rate which is applied to a property's net market income is determined through analysis of comparable sales transactions.

Unobservable inputs within the discounted cash flow analysis	
Discount rate	The rate of return used to convert a property's future cash flows to present value. The discount rate is determined through analysis of comparable sales.
Terminal capitalisation rate	The rate used to convert income into an indication of the anticipated value of the property at the end of the cash flow period.
Rental growth rate	The growth rate applied to the market rental over the cash flow period.

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

10. OTHER EXPENSES

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Other expenses		
Audit fees[1]	**0.2**	0.2
Directors' fees and expenses	**0.5**	0.6
Manager's base fees	**7.7**	8.1
Manager's performance fees	**-**	-
Other[2]	**1.4**	1.2
Total other expenses	**9.8**	10.1

1 *Fees paid to the Group's auditor comprise $143,500 for audit and review of financial statements (2016: 136,500) and $89,190 for other assurance services (2016: $40,800). Other assurance services include trustee reporting ($4,000) and agreed upon procedures in respect of review of performance fee calculation ($16,000), operating expense statement review ($20,800) and climate change and sustainability services ($48,390).*
2 *Other includes valuation fees, share registry costs and annual report design and publication.*

11. TAXATION

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Net profit before taxation	**166.5**	145.5
At the statutory income tax rate of 28.0%	**46.6**	40.7
Unrealised (gain) on value of investment properties	**(21.7)**	(22.7)
Disposal of depreciable assets	**(4.0)**	(4.2)
Capitalised interest	**(4.9)**	(2.7)
Other adjustments	**(8.3)**	5.2
Depreciation	**(5.2)**	(5.7)
Current tax expense / (benefit)	**2.5**	10.6
Depreciation recovered on sale of depreciable assets	**0.0**	10.0
Fair value of financial instruments	**3.3**	(4.6)
Depreciation - current year	**(1.4)**	(8.7)
Total deferred tax expense / (benefit)	**1.9**	(13.3)
Total taxation expense	**4.4**	7.3
Effective tax rate	**3%**	5%

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

Precinct has no tax losses available to carry forward as at 30 June 2017 (2016: $nil)

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Deferred tax asset - fair value of financial instruments	**(5.5)**	(8.8)
Deferred tax liability - depreciation	**28.8**	30.2
Net deferred tax liability	**23.3**	21.4

Deferred tax assets

Precinct has recognised deferred tax assets relating to the fair value of financial instruments.

Deferred tax liabilities

Precinct has recognised deferred tax liabilities relating to the depreciation claw-back which would arise on the sale of investment properties at carrying value.

In estimating this deferred tax liability, Precinct has relied on independent valuers' assessments of the market value of the land and buildings components and an internal assessment of the market value of fixtures and fittings having regard to the useful lives of each category of fixtures and fittings. Generally, Precinct has assessed that the market value of fixtures and fittings will be equal to their tax book value.

Inputation credit account

Imputation credits available for use as at 30 June 2017 are $1,943,448 (2016: $14,486,163).

Accounting policy

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale.

12. RECONCILIATION OF NET PROFIT AFTER TAX TO NET OPERATING INCOME

Net operating income is net profit after tax, before revaluations on investment properties, revaluations of derivative financial instruments, realised gain or loss on sale of investment property, tax on disposal of depreciable assets and deferred tax.

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Net profit after taxation	**162.1**	138.2
Unrealised net (gain) / loss in value of investment properties	**(77.5)**	(81.2)
Unrealised net (gain) / loss on financial instruments	**(11.8)**	16.4
Net realised loss / (gain) on sale of investment properties	**0.0**	2.7
Depreciation recovered on sale	**0.0**	10.0
Deferred tax (benefit) / expense	**1.9**	(13.3)
Net operating income	**74.7**	72.8
Weighted average number of shares for net operating income per share (millions)	**1,211.1**	1,211.1
Net operating income per share (cents)	**6.17**	6.01

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

13. EARNINGS PER SHARE

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Net profit after tax for basic and diluted earnings per share ($millions)	**162.1**	138.2
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,211.1**	1,211.1
Basic and diluted earnings per share (cents)	**13.38**	11.41

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

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

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Net profit after taxation	**162.1**	138.2
Add / (less) non-cash items and non operating items		
Unrealised net (gain) / loss in value of investment properties	**(77.5)**	(81.2)
Unrealised net (gain) / loss on financial instruments	**(11.8)**	16.4
Net realised (gain) / loss on sale of investment properties	**-**	2.7
Deferred tax (benefit) / expense	**1.9**	(13.3)
Amortisation of leasing costs and incentives	**6.2**	6.2
Movement in working capital		
Increase / (decrease) in creditors	**(12.4)**	(0.6)
Income tax payable	**(14.9)**	-
(Increase) / decrease in debtors	**(0.9)**	1.0
Net cash inflow / (outflow) from operating activities	**52.7**	69.4

15. INTEREST BEARING LIABILITIES

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Interest bearing liabilities		
Bank loans	**279.2**	48.3
US private placement	**97.9**	97.9
NZ retail bond	**75.0**	75.0
Total drawn debt	**452.1**	221.2
US private placement - fair value adjustments	**8.8**	17.0
Capitalised borrowing costs	**(4.0)**	(4.1)
Net interest bearing liabilities	**456.9**	234.1

Breakdown of borrowings:

Amounts in $ millions	*Held at*	*Maturity*[1]	*Coupon*[1]	*30 June 2017*	*30 June 2016*
Bank loans	Amortised cost	Nov-20	Floating[2]	**279.2**	48.3
NZ retail bond	Amortised cost	Dec-21	5.54%	**75.0**	75.0
US private placement	Fair value	Jan-25	4.13%	**71.4**	76.8
US private placement	Fair value	Jan-27	4.23%	**35.3**	38.1
Total				**460.9**	238.2

Weighted average term to maturity	**4.0 years**	5.1 years
Weighted average interest rate before swaps (including funding costs)	**3.58%**	3.88%

1 As at 30 June 2017.

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

Precinct has committed funding of $1,032.9 million (2016: $1,032.9 million) including the NZ retail bond and US private placement.

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

To substantially remove currency risk, US private placement proceeds have been fully swapped back to New Zealand dollars.

Accounting policy

Interest bearing liabilities

Bank loans and the NZ retail bond are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost using the effective interest method.

The US private placement is recognised at fair value including translation to NZD with any gains or losses recognised in the profit or loss as they arise. This fair value is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. This measurement falls into level 2 of the fair value hierarchy.

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

Amounts in $ millions	*30 June 2017*	*30 June 2016*
Fair value of derivative financial instruments		
Current assets	**-**	-
Non-current assets[1]	**12.8**	24.5
Current liabilities	**(2.9)**	-
Non-current liabilities	**(20.9)**	(39.0)
Total	**(11.0)**	(14.5)
Notional contract cover (fixed payer)	**990.0**	730.0
Notional contract cover (fixed receiver)	**75.0**	75.0
Notional contract cover (cross currency swaps - fixed receiver)	**97.9**	97.9
Percentage of net drawn borrowings fixed	**65.3%**	90.5%
Weighted average term to maturity (fixed payer)	**3.98 years**	4.84 years
Weighted average interest rate after swaps (including funding costs)	**5.59%**	5.36%

1 *This includes the cross currency interest rate swap valuation of $8.3 million (June 2016: $20.3 million) and a net credit value adjustment of $0.4 million (June 2016: $2.8 million).*

Accounting policy

Derivative financial instruments

Precinct uses derivative financial instruments (interest rate and cross currency swaps) to manage its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and subsequently re-measured and carried at fair value. They are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on re-measurement to fair value is recognised directly in profit or loss.

The fair value is the estimated amount that Precinct would receive or pay to terminate the swap at the balance date, taking into account current rates and creditworthiness of the swap counterparties. This is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. The fair value of derivatives fall into level 2 of the fair value hierarchy.

17. CAPITAL COMMITMENTS

Precinct has $405.3m of capital commitments as at 30 June 2017 (2016: $446.7m) relating to construction contracts.

18. OPERATING LEASE COMMITMENTS

Precinct has entered into investment property leases (as lessor) and ground leases (as lessee). Investment property leases have remaining non-cancellable lease terms of between one and 42 years. Ground leases have remaining non-cancellable lease terms of between one and 55 years.

Future minimum rentals receivable and payable under non-cancellable operating leases are as follows:

	Commitments as lessor (receivable)		Commitments as lessee (payable)	
Amounts in $ millions	*30 June 2017*	*30 June 2016*	*30 June 2017*	*30 June 2016*
Within one year	**120.2**	121.8	**1.2**	0.8
After one year but not more than five years	**358.9**	273.2	**4.9**	3.0
More than five years	**439.4**	199.6	**34.7**	18.9

The commitments above are calculated based on contract rates using the term certain expiry dates of lease contracts. Actual rental amounts in future may differ due to rent review provisions within the lease agreements.

19. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2017 (2016: $nil).

20. RELATED PARTY TRANSACTIONS

Fees paid and owing to the manager:

Amounts in $ millions	*30 June 2017*		*30 June 2016*	
	Fees paid	***Owing at 30 June***	*Fees paid*	*Owing at 30 June*
Base management services fee	**7.7**	**0.6**	8.1	0.6
Performance fee	**-**	**-**	-	-
Leasing fees	**9.9**	**1.2**	2.2	0.5
Development manager fees	**3.3**	**0.8**	9.7	2.8
Acquisition and disposal fees	**-**	**-**	0.1	-
Property and facilities management fee	**2.7**	**(0.1)**	2.6	(0.1)

a) Base management services fee

The base management services fee structure is as follows:

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

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

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance in excess of a benchmark index, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters. No performance fee is payable in quarters where equity total returns are negative. As at 30 June 2017 there is a notional performance fee deficit of $11,388,088 to be carried forward to the calculation of performance fees in future quarters (2016: $17,569,378 deficit).

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

c) Leasing fees

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

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

d) Development manager fees

Precinct pays development manager fees where the manager acts as development manager on Precinct developments.

These fees are capitalised to the respective investment or development property in the Statement of Financial Position.

e) Acquisition and disposal fees

Precinct pays fees to the manager for managing the sale or purchase of properties instead of or alongside a real estate agent.

Acquisition fees are capitalised to the respective investment or development property in the Statement of Financial Position.

Disposal fees are expensed through net realised gain or loss on sale of investement properties in the year in which they arise.

f) Property and facilities management fee

Precinct pays a property and facilities management fee on a cost recovery basis to the manager.

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

g) Other transactions with the manager

Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager is appointed to manage and administer Precinct. The manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's Directors are considered to be the key management personnel and received Directors' fees of $443,813 in 2017 (2016: $459,685).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia Ltd and AMP Services (NZ) Limited, being the Manager or companies related to the Manager for premises leased in PWC Tower, AMP Centre and 157 Lambton Quay. Total rent received by Precinct from these parties during the year was $3,223,101 (2016: $3,018,857). As at 30 June 2017 an amount of $208 (2016: $781) was owing to Precinct from AMP Services (NZ) Limited.

h) Related party debts

No related party debts have been written off or forgiven during the year (2016: $nil).

21. CAPITAL MANAGEMENT

The Group's capital includes ordinary shares, retained earnings and interest bearing liabilities. When managing capital, management's objective is to ensure Precinct continues as a going concern as well as to maintain optimal returns to share holders and benefits for other creditors. Management also aims to maintain a capital structure that ensures the lowest cost of capital is available to Precinct.

Precinct meets its objectives for managing capital through its investment decisions on the acquisition and disposal of assets, dividend policy, share buy backs and issuance of new shares.

Precinct's banking covenants require total liabilities (excluding deferred tax, swaps and sub-ordinated debt liability) to not exceed 50% of total assets. Precinct has complied with this requirement during this year and the previous year.

Precinct's policy in respect of capital management is reviewed regularly.

22. FINANCIAL RISK MANAGEMENT

In the normal course of business through the use of financial instruments, Precinct is exposed to interest rate risk, credit risk and liquidity risk. The Board agrees and reviews policies for managing each of these risks.

Financial instruments held:

Amounts in $ millions	30 June 2017			30 June 2016		
	At amortised cost	**Fair value through profit or loss**	**Total**	At amortised cost	Fair value through profit or loss	Total
Financial assets						
Cash	**4.3**	**-**	**4.3**	2.6	-	2.6
Debtors	**5.1**	**-**	**5.1**	3.8	-	3.8
Property sale proceeds to be settled	**-**	**-**	**-**	-	-	-
Derivative financial instruments	**-**	**12.8**	**12.8**	-	24.5	24.5
Total	**9.4**	**12.8**	**22.2**	6.4	24.5	30.9
Financial liabilities						
Other current liabilities	**8.4**	**-**	**8.4**	20.2	-	20.2
Interest bearing liabilities	**354.2**	**97.9**	**452.1**	123.3	97.9	221.2
Derivative financial instruments	**-**	**23.8**	**23.8**	-	39.0	39.0
Total	**362.6**	**121.7**	**484.3**	143.5	136.9	280.4

a) Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance, future cash flows or the fair value of its financial instruments.

Precinct's policy is to manage its interest rates using a mix of fixed and variable rate debt. Precinct's policy is to keep at least 60% of its interest bearing liabilities at fixed rates of interest. To manage this mix Precinct enters into interest rate swaps, in which Precinct agrees to exchange, at specified intervals, the difference between fixed and variable rates for interest calculated by reference to an agreed-upon notional principal amount. These swaps are designed to economically hedge underlying debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest bearing liabilities, after the impact of hedging with all other variables held constant.

Amounts in $ millions	30 June 2017	30 June 2016
	Effect on profit or equity	Effect on profit or equity
25 basis point increase	**(0.4)**	(0.1)
25 basis point decrease	**0.4**	0.1

b) Credit risk

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

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

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

c) Liquidity risk

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

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

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

Amounts in $ millions	Carrying amount	0 - 1 yr	1-2 yrs	2-5 yrs	>5 yrs	Total contractual cash flows
30 June 2017						
Interest bearing liabilities	**452.1**	**15.1**	**15.1**	**387.0**	**112.2**	**529.4**
Net derivative financial instruments	**11.0**	**2.4**	**2.5**	**7.4**	**2.4**	**14.7**
Other current liabilities	**8.4**	**8.4**	**-**	**-**	**-**	**8.4**
Total	**471.5**	**25.9**	**17.6**	**394.4**	**114.6**	**552.5**
30 June 2016						
Interest bearing liabilities	221.2	12.4	12.4	83.2	193.5	301.5
Net derivative financial instruments	14.5	2.0	5.0	10.7	10.7	28.5
Other current liabilities	20.2	20.2	-	-	-	20.2
Total	**255.9**	**34.6**	**17.4**	**93.9**	**204.2**	**350.2**

Accounting policy

Derecognition of financial instruments

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or when the entity transfers substantially all the risks and rewards of the financial asset. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset. Financial liabilities are derecognised when the obligation has expired or been transferred.

23. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. Precinct is internally reported as a single operating segment to the chief operating decision-maker hence no further segments have been reported.

24. EVENTS AFTER BALANCE DATE

On 16 August 2017 the Board approved the financial statements for issue and approved the payment of a dividend of $16,955,689 (1.40 cents per share) to be paid on 28 September 2017.

Chartered Accountants

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group") on pages 62 to 81, which comprises the statement of financial position of the group as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the group, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 62 to 81 present fairly, in all material respects, the financial position of the group as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides other assurance services to the group including performing a half year review and providing limited assurance opinions in respect of individual property expenses. We provide an agreed upon procedures engagement recalculating the performance fee paid to the group's manager. We also provide a certificate to the Trustee commenting on certain matters in relation to the group's secured fixed rate bonds as required by the Trust Deed. We provide consultancy services in respect of a sustainability framework and a Health, Safety and Wellbeing framework. Other than the provision of those services, and in our capacity as auditor, we have no relationship with, or interest in, the group. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Key audit matters

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

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

Why significant	EY Audit response
1. Valuation of investment property	
The valuation of the investment property carried at $1,535.4 million is important to our audit as it represents a significant judgment area and a significant percentage of the total assets of the group. The valuation of the investment property is highly dependent on forecasts and estimates. We therefore identified the valuation of investment properties as a significant audit risk. The group policy is that property valuations are performed by external experts at least once a year. Amongst other matters, these valuations are based on assumptions such as forecast rental revenues, occupancy rates, estimated capitalisation rates and other market transactions. Disclosures surrounding this item are included in note 9 to the financial statements.	In obtaining sufficient audit evidence we: • evaluated the objectivity, independence and expertise of the external appraisers. • applied a sampling methodology to assess the accuracy of the property related data (including schedules of forecast rental income) and other key assumptions used as the input to the valuations. • involved our real estate valuation specialists to assist us in analysing a sample of the valuations and the underlying valuation methodology. This included examining consistency with publically available market reports and assessing whether key assumptions such as capitalisation rates, rental growth rates and discount rates fell within a reasonable range. • assessed the adequacy of the disclosures made in respect of the valuation of investment property.
2. Development Properties	
The valuation of development properties carried at $509.2 million is important to our audit as it represents a significant area of judgment. The valuation of development property is highly dependent on forecasts and estimates. We therefore identified the valuation of this item as a significant audit risk. The group policy is that property valuations are performed by external experts at least once a year. The valuation of development property applies similar principles as the valuation of investment property. In the case of development property, forecast development cost is a further important assumption and there is a greater level of estimation required in respect of future rental amounts because there is a greater percentage of tenancy area not yet subject to rental agreements. Disclosures surrounding this item are included in note 9 to the financial statements.	In obtaining sufficient audit evidence we: • evaluated the objectivity, independence and expertise of the external appraisers. • applied a sampling methodology to assess the accuracy of the property related data (including schedules of forecast rental income, including where tenancy agreements have already been signed, and forecast development costs) and other key assumptions, such as forecast development margins, used as the inputs to the valuation. • involved our real estate valuation specialists to assist us in analysing the valuations and the underlying valuation methodology. This included examining consistency with publically available market reports and assessing whether key assumptions such as capitalisation rates, rental growth rates, leasing up periods, development costs, development margins and discount rates fell within a reasonable range. • assessed the adequacy of the disclosures made in respect of the valuation of development property.
3. Property Revenue	
The group recognised $126.2 million of gross rental income for the year ended 30 June 2017. The group's property revenue is derived from a significant number of leases with tenants. Recognition of property revenue, including extracting, interpreting and accounting for the various obligations and commitments between the group and its tenants, is considered a key audit matter given the materiality of revenue to the overall financial statements. Disclosures surrounding this item are included in note 9 to the financial statements.	In obtaining sufficient audit evidence we: • performed substantive analytics based on prior year rental income received and adjust for changes such as vacancy and trends in market rent. • performed data analytics examining a correlation of revenues with debtors. • assessed the accounting for lease incentives and rental income resulted in rental income being recognised in accordance with the group's accounting policies as outlined in note 9.

Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

We have nothing to report in this regard.

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located as External Reporting Board's webiste: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditors report.

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

Ernst + Young

Auckland

16 August 2017

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Don Huse – Independent Director
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Graeme Wong – Independent Director
Chris Judd – Director
Mohammed Al Nuaimi – Director
Robert Campbell – Director

Officers of Precinct
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Please contact our registrar;

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