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**PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

Precinct Properties New Zealand Limited

Interim financial statements

For the six months ended 31 December 2022

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 22 February 2023.



CRAIG STOBO
CHAIR



ANNE URLWIN
CHAIR AUDIT & RISK COMMITTEE

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Consolidated statement of comprehensive income

For the six months ended 31 December 2022

Amounts in \$millions unless otherwise stated		Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
	Notes			
Revenue				
Gross operating revenue	9	110.2	96.9	200.3
Less direct operating expenses		(39.1)	(34.9)	(70.9)
Operating income before indirect expenses		71.1	62.0	129.4
Management fee income				
	20	1.6	-	-
Indirect expenses / (revenue)				
Interest expense		15.3	11.0	23.9
Other expenses	11	6.1	5.5	10.2
Total indirect expenses / (revenue)		21.4	16.5	34.1
Operating income before income tax		51.3	45.5	95.3
Non operating income / (expenses)				
Unrealised net gain / (loss) in value of investment and development properties	7	(53.6)	-	19.4
Unrealised net gain / (loss) on financial instruments		11.8	8.9	33.1
Share of (loss)/profit in equity-accounted investments		(0.4)	-	-
Depreciation - property, plant and equipment		(1.5)	(0.9)	(2.2)
Lease depreciation		(2.6)	(2.0)	(5.1)
Lease interest expense		(2.3)	(1.6)	(4.2)
Net realised gain / (loss) on sale of investment properties		-	(0.2)	(0.2)
Impairment of goodwill		-	-	(6.8)
Total non operating income / (expenses)		(48.6)	4.2	34.0
Net profit before taxation		2.7	49.7	129.3
Income tax expense / (benefit)				
Current tax expense		(4.2)	(3.3)	(7.0)
Depreciation recovered on sale		5.4	-	-
Deferred tax expense / (benefit) - financial instruments		3.3	5.6	12.4
Deferred tax expense / (benefit) - depreciation		-	5.2	14.2
Deferred tax expense / (benefit) - other		-	-	(0.3)
Total taxation expense / (benefit)		4.5	7.5	19.3
Net profit after income tax attributable to equity holders		(1.8)	42.2	110.0
Other comprehensive income / (expense)				
Items that will not be reclassified to profit or loss				
Credit risk adjustments on financial liabilities designated at fair value through profit or loss		3.4	(2.1)	(1.7)
Tax on items transferred directly to/(from) equity		(1.0)	0.6	0.5
Total other comprehensive income / (expense)		2.4	(1.5)	(1.2)
Total comprehensive income after tax attributable to equity holders		0.6	40.7	108.8
Earnings per share (cents per share)				
Basic and diluted earnings per share	13	(0.11)	2.75	7.06
Other amounts (cents per share)				
Funds from operations (FFO)	12	3.66	3.41	6.89
Adjusted funds from operations (AFFO)	12	3.42	3.22	6.51

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

Consolidated statement of changes in equity

For the six months ended 31 December 2022

Amounts in \$millions unless otherwise stated	Cents per share	Shares (m)	Ordinary shares	Share-based payments reserve	Retained earnings	Total equity
At 1 July 2021		1,458.4	1,412.5	0.3	807.8	2,220.6
Profit after income tax for the period					42.2	42.2
Other comprehensive income for the period					(1.5)	(1.5)
Issue of new shares						
Retail offer		19.8	30.0			30.0
Issue costs incurred			(0.6)			(0.6)
PCTHA convertible note conversion		107.1	179.3			179.3
Distributions						
Q4 final (paid 24 Sep 2021)	1.625				(24.0)	(24.0)
Q1 interim (paid 10 Dec 2021)	1.675				(26.6)	(26.6)
Total distributions paid	3.300	-	-	-	(50.6)	(50.6)
Long-term incentive scheme				0.6		0.6
At 31 December 2021		1,585.3	1,621.2	0.9	797.9	2,420.0
Profit after income tax for the period					67.8	67.8
Other comprehensive income for the period					0.3	0.3
Distributions						
Q2 interim (paid 25 Mar 2022)	1.675				(26.6)	(26.6)
Q3 interim (paid 10 Jun 2022)	1.675				(26.6)	(26.6)
Total distributions paid	3.350	-	-	-	(53.2)	(53.2)
Long-term incentive scheme				0.6		0.6
At 30 June 2022		1,585.3	1,621.2	1.5	812.8	2,435.5
Profit after income tax for the period					(1.8)	(1.8)
Other comprehensive income for the period					2.4	2.4
Distributions						
Q4 final (paid 24 Sep 2022)	1.675				(26.6)	(26.6)
Q1 interim (paid 16 Dec 2022)	1.675				(26.6)	(26.6)
Total distributions paid	3.350	-	-	-	(53.2)	(26.6)
Long-term incentive scheme		-	-	0.7		0.7
Long-term incentive scheme vesting		0.4	0.7	(0.7)		-
Employee share scheme		0.1	0.1			0.1
At 31 December 2022		1,585.8	1,622.0	1.5	760.2	2,383.7

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

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

Consolidated statement of financial position

As at 31 December 2022

Amounts in \$millions	Notes	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2022
Current assets			
Cash		16.4	11.5
Fair value of derivative financial instruments	17	4.6	3.5
Debtors and other current assets		17.2	23.1
Total current assets		38.2	38.1
Investment properties held for sale			
	7	364.1	577.2
Non current assets			
Fair value of derivative financial instruments	17	51.4	48.2
Other assets		1.7	7.5
Investment properties deposit paid	6	38.1	-
Equity-accounted investments	6	41.2	-
Development properties	7	418.2	544.0
Investment properties	7	2,746.0	2,549.0
Property, plant and equipment		48.2	44.4
Right-of-use assets		26.9	28.9
Intangible assets	8	1.8	1.9
Total non current assets		3,373.5	3,223.9
Total assets		3,775.8	3,839.2
Current liabilities			
Lease liabilities	16	4.2	3.6
Accrued development capital expenditure		7.5	12.3
Other current liabilities	14	30.3	31.0
Total current liabilities		42.0	46.9
Non current liabilities			
Interest bearing liabilities	15	1,244.7	1,275.8
Fair value of derivative financial instruments	17	32.5	20.5
Lease liabilities	16	56.0	49.1
Deferred tax liability		16.8	11.4
Total non current liabilities		1,350.0	1,356.8
Total liabilities		1,392.0	1,403.7
Total equity		2,383.7	2,435.5
Total liabilities and equity		3,775.7	3,839.2

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

Consolidated statement of cash flows

For the six months ended 31 December 2022

Amounts in \$millions	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
Cash flows from operating activities			
Gross rental income per statement of comprehensive income	110.2	96.9	200.3
Less: Current year incentives	(0.4)	(0.9)	(5.8)
Add: Amortisation of incentives and intangibles	4.9	4.4	8.7
Add: Depreciation of property, plant and equipment	1.5	0.9	2.2
Add: Working capital movements	(2.0)	(1.8)	(5.1)
Cash flow from gross rental income	114.2	99.5	200.3
Interest income	0.1	-	-
Management fee income	1.6	-	-
Property expenses	(29.8)	(32.5)	(73.5)
Other expenses	(4.6)	(3.1)	(9.7)
Interest expense	(14.1)	(11.6)	(26.4)
Employment and administration expenses	(3.2)	(1.6)	(2.8)
Net cash inflow / (outflow) from operating activities	64.2	50.7	87.9
Cash flows from investing activities			
Capital expenditure on investment properties	(28.0)	(15.5)	(52.9)
Capital expenditure on development properties	(119.4)	(64.8)	(130.4)
Investment properties deposit paid	(38.1)	-	(5.4)
Acquisition of investment properties	(21.4)	-	-
Acquisition of development properties	-	(132.8)	(132.8)
Investment in and advances to equity-accounted investments	(41.6)	-	-
Expenditure on property, plant and equipment	(5.3)	(4.3)	(10.2)
Disposal of investment properties	273.1	(0.2)	(0.2)
Capitalised interest on investment properties	(0.7)	(0.7)	8.0
Capitalised interest on development properties	(13.9)	(8.3)	(27.0)
Net cash inflow / (outflow) from investing activities	4.7	(226.6)	(350.9)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure	185.5	80.3	207.7
Loan facility drawings to fund acquisitions	21.4	132.8	132.8
Loan facility drawings to fund equity-accounted investments	41.6	0.0	-
Loan facility drawings to fund repayment of senior secured bonds	-	75.0	75.0
Loan facility repayments from disposal of investment properties	(273.1)	-	0.2
Loan facility repayments from issue of senior secured bonds	-	-	(175.0)
Loan facility repayments from issue of new shares	-	(29.4)	(208.7)
Other loan facility drawings / (repayments) ¹	15.7	15.3	32.6
Repayment of leasing liabilities	(1.9)	(1.5)	-
Repayment of senior secured bonds	-	(75.0)	(3.4)
Issue of senior secured bonds	-	-	175.0
Issue of new shares ²	-	29.4	208.7
Distributions paid to share holders	(53.1)	(50.6)	(103.7)
Net cash inflow / (outflow) from financing activities	(63.9)	176.3	341.2
Net increase / (decrease) in cash held	5.0	0.4	78.2
Cash at the beginning of the period	11.5	8.3	8.3
Cash at the end of the period	16.5	8.7	86.5

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

² Issue of new shares are net of issue costs.

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

Notes to the financial statements

For the six months ended 31 December 2022

1. Reporting entity

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

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

These interim financial statements are those of Precinct and its wholly-owned subsidiaries (the Group) and its equity-accounted investments. Precinct's investment in Precinct Pacific Investment Limited Partnership (PPILP) is accounted for using the equity method. The Group's principal activity is investment in predominantly prime CBD properties in New Zealand.

2. Basis of preparation

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

The financial statements have been prepared:

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

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

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

These interim financial statements should be read in conjunction with the financial statements and related notes included in Precinct's Annual Report for the year ended 30 June 2022.

3. Fair value estimation

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

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

4. New standards, amendments and interpretations

There have been no new accounting standards that are applicable to these financial statements.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (FSCD) has established a climate-related disclosure framework for New Zealand and makes climate-related disclosures mandatory for climate reporting entities. Precinct qualifies as a climate reporting entity under this framework.

The FSCD provided the mandate for the External Reporting Board (XRB) to issue a climate-related disclosure framework. On 31 December 2022 the XRB issued climate standards and guidance documents. Precinct will be required to make climate-related disclosures in the annual report for the accounting period commencing 1 July 2023.

5. Significant accounting judgements, estimates and assumptions

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

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

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

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

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

Notes to the financial statements (Continued)

For the six months ended 31 December 2022

6. Significant events and transactions during the period

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

i. Purchase of Viaduct Carpark

On 29th July 2022, Precinct purchased Viaduct Car Park for \$23.6 million.

ii. Sale of Mayfair House, 10 Madden Street and 12 Madden Street

On 13th October 2022, Precinct sold Mayfair House, 10 Madden Street and 12 Madden Street for \$272.7 million to Precinct Pacific Investment Limited Partnership. Precinct has a 24.9% cornerstone holding of Precinct Pacific Investment Limited Partnership.

iii. Held for Sale - Charles Fergusson Building

Charles Fergusson Building is being held for sale, and will be sold to Precinct Pacific Investment Limited Partnership for \$104.5 million, this sale is pending subdivision approval from Wellington Council.

iv. Held for sale of 40 and 44 Bowen Street

Precinct entered into an agreement on 29th November to sell 40 & 44 Bowen Street into a new joint investment partnership with global investment firm, PAG. Precinct will have a 20% investment in the new investment partnership with PAG and hold the investment management agreement for this partnership.

v. Held for sale of Wynyard Quarter Stage 3

On 28th November 2022 Precinct entered into an agreement with Precinct Pacific Investment Limited Partnership to sell Wynyard Quarter Stage 3. Precinct has a 24.9% cornerstone holding of Precinct Pacific Investment Limited Partnership.

vi. Investment in residential development partnership

On 20th December 2022 Precinct entered into an agreement with Lamont & Co to create a new partnership focusing on multi-unit residential development market. Precinct will have a 50% holding of Precinct Properties Residential Limited.

vii. Purchase of 61 Molesworth Street

On 30th November 2022 Precinct entered into an agreement to purchase 61 Molesworth Street, Wellington. A deposit of \$33 million has been paid on 13th December 2022.

viii. Investment Partnership

On 23rd February 2022 Precinct announced the formation of a new investment partnership (Precinct Pacific Investment Limited Partnership ("PPILP")) with Singaporean sovereign wealth fund GIC. The partnership, in which Precinct has retained an ongoing 24.9% minority interest, has acquired three assets, 10 Madden Street, 12 Madden Street and Mayfair House on the 13th October 2022. As at 31 December 2022 Precinct's equity share of PPILP is \$41.2 million.

7. Investment and development properties

Amounts in \$millions	Valuer ¹	Capitalisation ² rate	Valuation 30 June 2022	Capitalised incentives	Additions / ³ disposals	Transfers ⁴	Revaluation gain / (loss)	Book value 31 December 2022
Investment properties⁵								
Auckland								
AON Centre - Akld ⁶	JLL	5.0%	243.0	(0.1)	1.0	-	-	243.9
HSBC Tower	CBRE	4.5%	480.0	(0.5)	0.7	-	-	480.2
Jarden House	Savills	4.9%	143.0	0.2	0.3	-	-	143.5
Mason Bros. ⁷	JLL	4.5%	61.0	(0.1)	-	-	-	60.9
204 Quay Street ⁸	JLL	6.8%	37.8	0.3	(0.2)	-	-	37.9
Commercial Bay Retail	Colliers	5.6%	400.0	(0.7)	1.4	-	(34.7)	366.0
PwC Tower (Commercial Bay)	CBRE	4.1%	675.0	(1.4)	1.8	-	-	675.4
Viaduct Car Park ⁹	N/A	N/A	-	-	32.9	-	-	32.9
Wellington								
NTT Tower	Bayleys	5.5%	151.5	(0.2)	0.2	-	-	151.5
No.1 and 3 The Terrace	Colliers	5.1%	143.0	(0.1)	-	-	-	142.9
No. 3 The Terrace ¹⁰	Colliers	N/A	14.2	-	-	-	-	14.2
AON Centre - Wgtn ¹¹	CBRE	5.6%	200.5	(0.2)	15.3	-	-	215.6
Defence House	CBRE	5.6%	-	-	-	200.0	(18.9)	181.1
Market value (fair value) of investment properties		4.8%	2,549.0	(2.8)	53.4	200.0	(53.6)	2,746.0
Properties held for sale⁵								
12 Madden Street	N/A	N/A	100.0	-	(100.0)	-	-	-
10 Madden Street	N/A	N/A	86.0	-	(86.0)	-	-	-
Mayfair House	N/A	N/A	86.7	-	(86.7)	-	-	-
Bowen Campus ¹²	N/A	N/A	304.5	-	-	(304.5)	-	-
Charles Fergusson Building	N/A	N/A	-	-	-	104.5	-	104.5
Bowen Campus Stage Two	CBRE	N/A	-	-	26.5	174.3	-	200.8
Wynyard Quarter Stage 3	N/A	N/A	-	-	36.8	22.0	-	58.8
Market value (fair value) of properties held for sale			577.2	-	(209.4)	(3.7)	-	364.1
Development properties⁵								
Bowen Campus Stage Two	CBRE	N/A	174.3	-	-	(174.3)	-	-
One Queen Street	CBRE	N/A	176.0	-	49.6	-	-	225.6
Wynyard Quarter Stage 3	N/A	N/A	22.0	-	-	(22.0)	-	-
Freyberg Building	Colliers	N/A	49.5	-	2.2	-	-	51.7
Bowen House	Colliers	N/A	122.2	-	18.7	-	-	140.9
Market value (fair value) of development properties			544.0	-	70.5	(196.3)	-	418.2

1 Defence House & Commercial Bay Retail externally valued at 31 Decemeber 2022. All other assets are held at 30 June 2022 valuation.

2 Total weighted average by market value.

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

4 Transfers occur when a property is transferred to another category of property.

5 All properties are categorised as level 3 in the fair value hierarchy.

6 This property was previously known as AMP Centre.

7 Mason Bros., 12 Madden Street and 10 Madden Street are all subject to a pre-paid ground lease for 125 years.

8 Includes a gross up for the lease liability (December 2022: \$14.7 million; June 2022: \$15.0 million)

9 Includes a gross up for the lease liability (December 2022: \$9.1 million; June 2022 \$nil)

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

11 Includes a gross up for the lease liability (December 2022: \$2.8 million; June 2022: \$2.8 million)

12 Bowen Campus split between Defence House \$200.0 million and Charles Fergusson Building \$104.5 million.

Notes to the financial statements (Continued)

For the six months ended 31 December 2022

8. Intangible assets

Amounts in \$ millions	Customer relationships	Brands	Goodwill	Total
Cost				
Balance at 30 June 2022	2.0	0.8	16.5	19.3
Acquisition through business combination	-	-	-	-
Balance at 31 December 2022	2.0	0.8	16.5	19.3
Accumulated amortisation				
Balance at 30 June 2022	0.9	-	16.5	17.4
Amortisation	0.1	-	-	0.1
Balance at 31 December 2022	1.0	-	16.5	17.5
Carrying amounts at 31 December 2022	1.0	0.8	-	1.8

The amortisation of customer relationships is included in other expenses.

Accounting policy - impairment test of intangible assets and goodwill

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

9. Gross operating revenue

Amounts in \$ millions	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
Gross property income from rentals	81.6	74.6	152.7
Gross property income from expense recoveries	18.3	16.2	34.5
Straight line rental adjustments	1.2	2.1	3.8
Amortisation of capitalised lease incentives	(4.6)	(4.9)	(9.8)
Generator operating revenue	11.1	7.0	15.8
Commercial Bay Hospitality operating revenue	2.6	1.9	3.3
Total gross operating revenue	110.2	96.9	200.3

10. Segment information

a) Basis for segmentation

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

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

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

b) Information about reportable segments

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

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

Amounts in \$ millions	Unaudited six months ended 31 December 2022				Unaudited six months ended 31 December 2021			
	Investment properties	Flexible space	Hospitality	Total	Investment properties	Flexible space	Hospitality	Total
Revenue								
Gross operating revenue	96.5	11.1	2.6	110.2	88.0	7.0	1.9	96.9
Intersegment revenue	1.0	(0.8)	(0.2)	-	1.3	(0.9)	(0.4)	-
Less direct operating expenses	(30.9)	(5.9)	(2.3)	(39.1)	(28.2)	(3.9)	(2.8)	(34.9)
Operating income before indirect expenses	66.6	4.4	0.1	71.1	61.1	2.2	(1.3)	62.0

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

Amounts in \$ millions	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2022
Segment operating income before indirect expenses	71.1	129.4
Interest expense	(15.4)	(23.9)
Interest income	0.1	-
Other expenses	(6.1)	(10.2)
Unrealised net gain / (loss) in value of investment and development properties	(53.6)	19.4
Unrealised net gain / (loss) on financial instruments	11.8	33.1
Management fee income	1.6	-
Depreciation - property, plant and equipment	(1.5)	(2.2)
Lease depreciation	(2.6)	(5.1)
Lease interest expense	(2.3)	(4.2)
Net realised gain / (loss) on sale of investment properties	-	(0.2)
Share of (loss)/profit in equity-accounted investments	(0.4)	-
Impairment of goodwill	-	(6.8)
Net profit before taxation	2.7	129.3

11. Other expenses

Amounts in \$ millions	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
Audit fees	0.1	0.2	0.3
Directors' fees and expenses	0.6	0.6	1.2
Management expenses ¹	9.6	7.5	15.7
Less: those recognised in direct operating expenses	(3.4)	(2.8)	(5.6)
Less: capitalised to properties being developed	(2.6)	(1.4)	(4.1)
Amortisation of intangible assets	0.1	0.1	0.2
Other ²	1.7	1.3	2.5
Total other expenses	6.1	5.5	10.2

¹ Management expenses includes employee remuneration, share-based payments expense, travel, training and occupancy costs.

² Other expenses includes valuation fees, NZX listing fees, share registry costs, annual and interim report publication and property investigations and project initialisation costs.

Notes to the financial statements (Continued)

For the six months ended 31 December 2022

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

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

Amounts in \$millions unless otherwise stated	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
Net profit after taxation	(1.8)	42.2	110.0
Unrealised net (gain) / loss in value of investment and development properties	53.6	-	(19.4)
Unrealised net (gain) / loss in value of JV investment and development properties	0.7	-	-
Unrealised net (gain) / loss on financial instruments	(11.8)	(8.9)	(33.1)
Net realised (gain) / loss on sale of investment properties	-	0.2	0.2
Impairment of goodwill	-	-	6.8
Depreciation - property, plant and equipment	1.5	0.9	2.2
Depreciation recovered on sale	5.4	-	-
Deferred tax (benefit) / expense	3.3	10.8	26.3
NZ IFRS 16 lease adjustments	0.7	0.5	1.7
One off items	-	0.7	0.7
Share-based payments scheme	0.7	0.6	1.2
Amortisation	6.9	7.4	14.7
Straightline rent	(1.2)	(2.1)	(3.8)
Funds from operations (FFO)	58.0	52.3	107.5
Funds from operations per share (cents)	3.66	3.41	6.89
Maintenance capex	(1.3)	(0.9)	(2.3)
Incentives and leasing costs	(2.5)	(2.0)	(3.7)
Adjusted funds from operations (AFFO)	54.2	49.4	101.5
Weighted average number of shares for net operating income per share (millions)	1,585.8	1,533.4	1,559.2
Adjusted funds from operations per share (cents)	3.42	3.22	6.51

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

Dividend policy

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

13. Earnings per share

Amounts in \$millions	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2022
Net profit after tax for basic and diluted earnings per share (\$millions)	(1.8)	42.2	110.0
Weighted average number of shares for basic and diluted earnings per share (millions)	1,585.8	1,533.4	1,559.2
Basic and diluted earnings per share (cents)	(0.11)	2.75	7.05

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

14. Other current liabilities

Amounts in \$millions	Notes	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2022
Other current liabilities			
Trade creditors		4.2	3.7
Accrued expenses		26.1	27.3
Total other current liabilities		30.3	31.0

15. Interest bearing liabilities

Amounts in \$millions	31 December 2022	30 June 2022
Interest bearing liabilities		
Bank loans	552.0	561.0
US private placement	260.7	260.7
NZ senior secured bond	425.0	425.0
Total drawn debt	1,237.7	1246.7
US private placement - fair value adjustments	13.0	35.9
Capitalised borrowing costs	(6.0)	(6.8)
Net interest bearing liabilities	1,244.7	1,275.8

Breakdown of borrowings:

Amounts in \$ millions	Held at	Maturity ¹	Facility	Coupon ¹	31 December 2022	30 June 2022
Bank loans	Amortised cost	Jul-22	-	Floating ²	-	150.0
Bank loans	Amortised cost	Jul-23	100.0	Floating ²	-	-
Bank loans	Amortised cost	Feb-25	150.0	Floating ²	125.0	82.0
Bank loans	Amortised cost	Mar-26	250.0	Floating ²	154.0	237.0
Bank loans	Amortised cost	Dec-26	300.0	Floating	273.0	92.0
NZ senior secured bond (PCT020)	Amortised cost	Nov-24	100.0	4.42%	100.0	100.0
NZ senior secured bond (PCT030)	Amortised cost	May-27	150.0	2.85%	150.0	150.0
NZ senior secured bond (PCT040)	Amortised cost	May-28	175.0	5.25%	175.0	175.0
US private placement	Fair value	Jan-25	65.3	4.13%	65.3	65.3
US private placement	Fair value	Jan-27	32.6	4.23%	32.6	32.6
US private placement	Fair value	Jul-29	118.4	4.28%	118.4	118.4
US private placement	Fair value	Jul-31	44.4	4.38%	44.4	44.4
Total			1,485.7		1,237.7	1,246.7

Weighted average term to maturity **3.8 years** 4.0 years

Weighted average interest rate before swaps (including funding costs) **6.05%** 4.01%

¹ As at 31 December 2022

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 \$1,485.7 million (June 2022: \$1,622.7 million) including the NZ senior secured bonds and US private placements.

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

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

Accounting policy - interest bearing liabilities

Bank loans and the NZ senior secured bonds are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost using the effective interest method. The US private placement is recognised at fair value including translation to NZD with any gains or losses recognised in the profit or loss as they arise. This fair value is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. This measurement falls into level 2 of the fair value hierarchy.

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

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

Notes to the financial statements (Continued)

For the six months ended 31 December 2022

16. Lease liabilities

Amounts in \$ millions	Unaudited six months ended 31 December 2022			Audited year ended 30 June 2022		
	Investment properties	Flexible space	Total	Investment properties	Flexible space	Total
Current	1.1	3.1	4.2	0.7	2.9	3.6
Non-current	26.3	29.7	56.0	17.8	31.3	49.1
Total lease liabilities	27.4	32.8	60.2	18.5	34.2	52.7

17. Derivative financial instruments

Amounts in \$ millions	31 December 2022	30 June 2022
Current assets	4.6	3.5
Non-current assets ¹	51.4	48.2
Non-current liabilities	(32.5)	(20.5)
Total fair value of derivative financial instruments	23.5	31.2
Notional contract cover (fixed payer)	1,200.0	900.0
Notional contract cover (fixed receiver)	425.0	425.0
Notional contract cover (cross currency swaps - fixed receiver)	260.7	260.7
Percentage of net drawn borrowings fixed	60.6%	64.2%
Weighted average term to maturity (fixed payer)	3.25 years	3.54 years
Weighted average interest rate after swaps (including funding costs)	4.94%	4.02%

¹ This includes the cross currency interest rate swap valuation of \$13.9 million (June 2022: \$25.1 million) and a net debit value adjustment of \$0.2 million (June 2022: \$0.9 million credit).

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.

18. Capital commitments

Precinct has \$250.6 million of capital commitments as at 31 December 2022 (June 2022: \$298.0 million; December 2021: \$343.1 million) relating to construction contracts.

19. Contingencies

a) Contingent liabilities

There are no contingent liabilities as at 31 December 2022 (June 2022: \$nil; December 2021: \$nil).

b) Contingent assets

There are no contingent assets as at 31 December 2022 (June 2022: \$nil; December 2022: \$nil).

20. Related party transactions

Precinct has entered management agreements with the third-party capital investment funds it invests in and earns management fee income from these. This income includes transaction fees, base management fees, property and facilities management fees and additional services fees.

Amounts in \$ millions	31 December 2022		31 December 2021		30-Jun-22
	Fees charged	Owing at 31 December	Fees charged	Owing at 31 December	Fees charged
Precinct Properties Investments Limited Partnership (PPILP)	1.6	0.1	-	-	-
Total	1.6	0.1	-	-	-

21. Key management personnel

Amounts in \$ millions	31 December 2022	31 December 2021	30-Jun-22
Directors' fees	0.4	0.4	0.8
Executive team remuneration	1.6	1.4	4.7
Total	2.0	1.8	5.5

22. Events after balance date

On 22 February 2023 the Board approved the financial statements for issue and approved the payment of a dividend of \$26,563,128 (1.675 cents per share) to be paid on 24 March 2023.

The sale of Wynyard Quarter Stage 3 to Precinct Property Investment Limited Partnership has been deemed unconditional as at 15th February 2023, with full settlement contracted to occur by 15th March 2023.



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

Conclusion

We have reviewed the interim financial statements of Precinct Properties New Zealand Limited ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

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

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides other assurance services to the Group. Ernst & Young leases office space from 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. We have no other relationship with, or interest in, the Group.

Directors' Responsibilities for the Interim Financial Statements

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

Auditor's Responsibilities for the Review of the Interim Financial Statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Susan Jones.

Chartered Accountants

Auckland

22 February 2023

Directory.

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George Crawford, Deputy Chief Executive Officer
Richard Hilder, Chief Financial Officer

Bankers

ANZ New Zealand Bank
Bank of New Zealand
ASB Institutional Bank
Westpac New Zealand
The Hong Kong and Shanghai Banking Corporation

Bond Trustee

The New Zealand Guardian
Trust Company Limited
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Directors of Precinct

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Anne Urlwin - Independent Director
Graeme Wong – Independent Director
Chris Judd - Independent Director
Nicola Greer - Independent Director
Mark Tume - Independent Director

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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.