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PRECINCT PROPERTIES NEW ZEALAND LIMITED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Precinct Properties New Zealand Limited

Interim financial statements

For the six months ended 31 December 2021

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 22 February 2022.

CRAIG STOBO
CHAIR

ANNE URLWIN
CHAIR AUDIT & RISK COMMITTEE

Contents

Consolidated statement of comprehensive income

For the six months ended 31 December 2021

Amounts in $millions unless otherwise stated	Notes	Unaudited six months ended 31 December 2021	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Revenue				
Gross operating revenue	8	**96.9**	97.1	**199.8**
Less direct operating expenses		**(34.9)**	(34.6)	**(72.1)**
Operating income before indirect expenses		**62.0**	62.5	**127.7**
Indirect expenses / (revenue)				
Interest expense		**11.0**	10.7	**27.2**
Other expenses	10	**5.5**	9.0	**17.5**
Total indirect expenses / (revenue)		**16.5**	19.7	**44.7**
Operating income before income tax		**45.5**	42.8	**83.0**
Non operating income / (expenses)				
Unrealised net gain / (loss) in value of investment and development properties	6	**-**	148.5	**282.9**
Unrealised net gain / (loss) on financial instruments		**8.9**	(22.4)	**19.7**
Depreciation - property, plant and equipment		**(0.9)**	(0.6)	**(1.4)**
Lease depreciation		**(2.0)**	(2.5)	**(5.0)**
Lease interest expense		**(1.6)**	(2.0)	**(3.9)**
Net realised gain / (loss) on sale of investment properties		**(0.2)**	-	**(2.4)**
Impairment of goodwill		**-**	-	**(9.8)**
Termination of management services agreement		**-**	-	**(217.1)**
Total non operating income / (expenses)		**4.2**	121.0	**63.0**
Net profit before taxation		**49.7**	163.8	**146.0**
Income tax expense / (benefit)				
Current tax expense		**(3.3)**	(6.5)	**(67.8)**
Depreciation recovered on sale		**-**	-	**10.5**
Deferred tax expense / (benefit) - financial instruments		**5.6**	(1.6)	**6.6**
Deferred tax expense / (benefit) - depreciation		**5.2**	8.7	**9.1**
Deferred tax expense / (benefit) - other		**-**	-	**(0.1)**
Total taxation expense / (benefit)		**7.5**	0.6	**(41.7)**
Net profit after income tax attributable to equity holders		**42.2**	163.2	**187.7**
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		**(2.1)**	6.6	**(10.8)**
Tax on items transferred directly to/(from) equity		**0.6**	(1.9)	**3.0**
Total other comprehensive income / (expense)		**(1.5)**	4.7	**(7.8)**
Total comprehensive income after tax attributable to equity holders		**40.7**	167.9	**179.9**
Earnings per share (cents per share)				
Basic and diluted earnings per share	12	**2.75**	12.42	**14.26**
Other amounts (cents per share)				
Funds from operations (FFO)	11	**3.41**	3.87	**7.34**
Adjusted funds from operations (AFFO)	11	**3.22**	3.34	**6.48**

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 2021

Amounts in $millions unless otherwise stated	*Cents per share*	*Shares (m)*	*Ordinary shares*	*Share-based payments reserve*	*Retained earnings*	*Total equity*
At 1 July 2020		1,313.7	1,195.9		712.5	1,908.4
Profit after income tax for the period					163.2	163.2
Other comprehensive income for the period					4.7	4.7
Distributions						
Q4 final (paid 25 Sep 2020)	1.575				(20.7)	(20.7)
Q1 interim (paid 10 Dec 2020)	1.625				(21.3)	(21.3)
Total distributions paid	3.200	-	-	-	(42.0)	(42.0)
At 31 December 2020		1,313.7	1,195.9	-	838.4	2,034.3
Profit after income tax for the period					24.5	24.5
Other comprehensive income for the period					(12.5)	(12.5)
Issue of new shares						
Placement		144.7	220.0			220.0
Issue costs incurred			(3.4)			(3.4)
Distributions						
Q2 interim (paid 26 Mar 2021)	1.625				(21.3)	(21.3)
Q3 interim (paid 11 Jun 2021)	1.625				(21.3)	(21.3)
Total distributions paid	3.250	-	-	-	(42.6)	(42.6)
Long-term incentive scheme				0.3		0.3
At 30 June 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		**19.7**	**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)**	**(26.6)**
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**

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 2021

Amounts in $millions	Notes	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2021
Current assets			
Cash		**8.7**	8.3
Fair value of derivative financial instruments	16	**0.2**	2.2
Debtors and other current assets		**10.5**	25.1
Provision for tax		**(0.1)**	-
Total current assets		**19.3**	35.6
Non current assets			
Fair value of derivative financial instruments	16	**32.2**	32.3
Other assets		**0.6**	14.4
Development properties	6	**438.2**	232.4
Investment properties	6	**3,086.8**	3,076.4
Property, plant and equipment		**41.1**	15.7
Right-of-use assets		**30.1**	33.2
Deferred tax asset		**0.5**	7.4
Intangible assets	7	**8.8**	9.0
Total non current assets		**3,638.3**	3,420.8
Total assets		**3,657.6**	3,456.4
Current liabilities			
Interest bearing liabilities	14	**210.0**	225.0
Fair value of derivative financial instruments	16	**0.3**	-
Lease liabilities	15	**2.6**	3.2
Accrued development capital expenditure		**15.2**	17.5
Other current liabilities	13	**26.6**	31.0
Total current liabilities		**254.7**	276.7
Non current liabilities			
Interest bearing liabilities	14	**919.4**	871.1
Fair value of derivative financial instruments	16	**28.3**	50.9
Lease liabilities	15	**35.2**	37.1
Deferred tax liability		**-**	-
Total non current liabilities		**982.9**	959.1
Total liabilities		**1,237.6**	1,235.8
Total equity		**2,420.0**	2,220.6
Total liabilities and equity		**3,657.6**	3,456.4

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 2021

Amounts in $millions	*Unaudited six months ended 31 December 2021*	*Unaudited six months ended 31 December 2020*	*Audited year ended 30 June 2021*
Cash flows from operating activities			
Gross rental income per statement of comprehensive income	**96.9**	97.1	**199.8**
Less: Current year incentives	**(0.9)**	(1.1)	**(9.9)**
Add: Amortisation of incentives and intangibles	**4.4**	3.3	**7.7**
Add: Depreciation of property, plant and equipment	**0.9**	0.6	**1.4**
Add: Working capital movements	**(1.8)**	(5.6)	**(4.1)**
Cash flow from gross rental income	**99.5**	94.3	**194.9**
Property expenses	**(32.5)**	(28.7)	**(64.1)**
Other expenses	**(3.1)**	(8.8)	**(14.6)**
Interest expense	**(11.6)**	(11.2)	**(30.9)**
Employment and administration expenses	**(1.6)**	-	**(3.4)**
Termination of management services agreement	**(0.0)**	-	**(217.1)**
Income tax	**-**	(0.8)	**(0.8)**
Net cash inflow / (outflow) from operating activities	**50.7**	44.8	**(136.0)**
Cash flows from investing activities			
Capital expenditure on investment properties	**(15.5)**	(34.4)	**(56.3)**
Capital expenditure on development properties	**(64.8)**	(99.7)	**(155.5)**
Capital expenditure on other assets	**-**	(2.3)	**(5.9)**
Acquisition of investment properties	**-**	-	**(20.3)**
Acquistion of development properties	**(132.8)**	-	**(9.2)**
Expenditure on property, plant and equipment	**(4.3)**	(0.4)	**(7.4)**
Disposal of investment properties	**(0.2)**	-	**176.7**
Capitalised interest on investment properties	**(0.7)**	(0.5)	**(1.1)**
Capitalised interest on development properties	**(8.3)**	(8.0)	**(14.2)**
Net cash inflow / (outflow) from investing activities	**(226.6)**	(145.5)	**(93.2)**
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure	**80.3**	136.4	**233.0**
Loan facility drawings to fund acquisitions	**132.8**	-	**29.5**
Loan facility drawings to fund management services termination	**0.0**	-	**217.1**
Loan facility drawings to fund repayment of senior secured bonds	**75.0**	-	**-**
Loan facility repayments from disposal of investment properties	**-**	-	**(176.7)**
Loan facility repayments from issue of senior secured bonds	**-**	-	**(150.0)**
Loan facility repayments from issue of new shares	**(29.4)**	-	**(216.6)**
Other loan facility drawings / (repayments)[1]	**15.3**	9.2	**14.5**
Repayment of leasing liabilities	**(1.5)**	(1.5)	**(3.0)**
Repayment of senior secured bonds	**(75.0)**	-	**-**
Issue of senior secured bonds	**-**	-	**150.0**
Issue of new shares[2]	**29.4**	-	**216.6**
Distributions paid to share holders	**(50.6)**	(42.0)	**(84.7)**
Net cash inflow / (outflow) from financing activities	**176.3**	102.1	**229.7**
Net increase / (decrease) in cash held	**0.4**	1.4	**0.5**
Cash at the beginning of the period	**8.3**	7.8	**7.8**
Cash at the end of the period	**8.7**	9.2	**8.3**

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 2021

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).

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 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 2021.

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. 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:

i. Investment and development properties

ii. Deferred tax assets and deferred tax liabilities

iii. Cross currency interest rate swaps and USPP notes

iv. Impairment test of intangible assets and goodwill

v. 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.

5. 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. Capital Raising

Following a retail offer in July 2021 Precinct issued 19,736,842 shares at $1.52 per share. Refer to the consolidated statement of changes in equity for details.

ii. Purchase of Freyberg Building

On 15 July 2021 Precinct purchased Freyberg Building for $49.0 million.

iii. Purchase of Bowen House

On 23 July 2021 Precinct purchased Bowen House for $92.0 million

iv. COVID-19 global pandemic

In response to the on-going COVID-19 global pandemic Auckland was in Alert Level 4 and 3 lockdown from 17 August 2021 before moving to the Red setting of the COVID protection framework on 3 December 2021. During this period the operation of some of

Precinct's clients were restricted to varying degrees. Precinct provided additional support to clients that have been impacted through a range of assistance measures including rent abatements ($4.1 million; June 2021: $1.1 million), rent deferrals ($0.1 million; June 2021: $0.4 million) and lease restructures.

Precinct did not claim any of the Government wage subsidy. Commercial Bay Hospitality claimed a further $0.5 million of subsidy during the period to enable hospitality staff to be retained. Generator did not claim any further subsidy.

v. Conversion of PCTHA Convertible Notes

On 27 September 2021 PCTHA Convertible Notes of $150.0 million were converted into 107,142,389 ordinary shares at $1.40 per share. Refer to the consolidated statement of changes in equity for details.

vi. PCT010 Maturity

On 17 December 2021 PCT010 senior secured fixed rate bonds matured.

vii. Wynyard Quarter Stage Three Development

On 21 December 2021 Precinct committed to the Wynyard Quarter Stage Three (124 Halsey Street and the Flowers Building) development.

6. Investment and development properties

Amounts in $millions	Valuer[1]	Capitalisation[2] rate	Valuation 30 June 2021	Capitalised incentives	Additions /[3] disposals	Revaluation gain / (loss)	Book value 31 December 2021
Investment properties[4]							
Auckland							
AON Centre - Akld[5]	JLL	5.0%	**234.0**	(0.2)	0.2	-	**234.0**
HSBC Tower	JLL	4.5%	**476.0**	0.1	3.1	-	**479.2**
Jarden House	Savills	4.9%	**140.0**	-	0.1	-	**140.1**
Mason Bros.[6]	JLL	4.5%	**56.4**	(0.1)	0.1	-	**56.4**
12 Madden Street[6]	JLL	4.8%	**100.0**	(0.1)	0.2	-	**100.1**
10 Madden Street[6]	Colliers	5.1%	**86.0**	0.9	(0.1)	-	**86.8**
204 Quay Street	JLL	6.8%	**22.7**	-	0.1	-	**22.8**
Commercial Bay Retail	JLL	5.3%	**405.0**	(0.6)	1.5	-	**405.9**
PwC Tower (Commercial Bay)	CBRE	4.1%	**665.0**	0.3	0.6	-	**665.9**
Wellington							
NTT Tower	Bayleys	5.5%	**151.0**	(0.3)	0.2	-	**150.9**
Mayfair House	Bayleys	5.4%	**86.7**	-	(0.1)	-	**86.6**
No.1 and 3 The Terrace	Colliers	5.1%	**142.0**	(0.1)	0.1	-	**142.0**
No. 3 The Terrace[7]	Colliers	0.0%	**14.2**	-	-	-	**14.2**
AON Centre - Wgtn[8]	Colliers	5.6%	**192.9**	(0.4)	5.0	-	**197.5**
Bowen Campus	CBRE	5.0%	**304.5**	(0.1)	-	-	**304.4**
Market value (fair value) of investment properties		4.8%	**3,076.4**	(0.6)	11.0	-	**3,086.8**
Development properties[4]							
Bowen Campus Stage Two	CBRE	N/A	**96.5**	-	33.6	-	**130.1**
One Queen Street	CBRE	N/A	**116.5**	(0.4)	22.3	-	**138.4**
30 Waring Taylor Street[9]	Colliers	N/A	**19.4**	-	(19.4)	-	**-**
Freyberg Building[10]	N/A	N/A	**-**	0.3	51.6	-	**51.9**
Bowen House[11]	N/A	N/A	**-**	-	102.0	-	**102.0**
Wynyard Quarter Stage 3[12]	N/A	N/A	**-**	-	15.8	-	**15.8**
Market value (fair value) of development properties			**232.4**	(0.1)	205.9	-	**438.2**

1 30 June 2021 valuer.
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 All properties are categorised as level 3 in the fair value hierarchy.
5 This property was previously known as AMP Centre.
6 Mason Bros., 12 Madden Street and 10 Madden Street are all subject to a pre-paid ground lease for 125 years.
7 No. 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.
8 Includes a gross up for the lease liability (December 2021: $2.9 million; June 2021: $2.9 million)
9 On completion of the project the value was transferred from development properties to property, plant and equipment as the building is fully leased to Generator.
10 On 15 July 2021 Precinct acquired Freyberg Building for $49.5 million.
11 On 23 July 2021 Precinct acquired Bowen House for $92.0 million.
12 On 21 December 2021 Precinct committed to the Wynyard Quarter Stage Three (124 Halsey Street and the Flowers Building) development and costs were transferred from other assets to development properties.

7. Intangible assets

Amounts in $ millions	*Customer relationships*	*Brands*	*Goodwill*	*Total*
Cost				
Balance at 30 June 2021	2.0	0.8	16.5	**19.3**
Acquisition through business combination	-	-	-	**-**
Balance at 31 December 2021	2.0	0.8	16.5	**19.3**
Accumulated amortisation				
Balance at 30 June 2021	0.7	-	9.7	**10.4**
Amortisation	0.1	-	-	**0.1**
Impairment loss	-	-	-	**-**
Balance at 31 December 2021	0.8	-	9.7	**10.5**
Carrying amounts at 31 December 2021	1.2	0.8	6.8	**8.8**

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.

8. Gross operating revenue

Amounts in $ millions	*Unaudited six months ended 31 December 2021*	*Unaudited six months ended 31 December 2020*	*Audited year ended 30 June 2021*
Gross property income from rentals	**74.6**	71.4	**148.4**
Gross property income from expense recoveries	**16.2**	15.3	**31.7**
Straight line rental adjustments	**2.1**	1.7	**4.0**
Amortisation of capitalised lease incentives	**(4.9)**	(3.7)	**(8.6)**
Generator operating revenue	**7.0**	7.2	**14.7**
Commercial Bay Hospitality operating revenue	**1.9**	5.2	**9.6**
Total gross operating revenue	**96.9**	97.1	**199.8**

9. 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 2021*				*Unaudited six months ended 31 December 2020*			
	Investment properties	*Flexible space*	*Hospitality*	*Total*	*Investment properties*	*Flexible space*	*Hospitality*	*Total*
Revenue								
Gross operating revenue	88.0	7.0	1.9	**96.9**	84.7	7.2	5.2	**97.1**
Intersegment revenue	1.3	(0.9)	(0.4)	**-**	0.5	0.3	(0.8)	**-**
Less direct operating expenses	(28.2)	(3.9)	(2.8)	**(34.9)**	(25.0)	(4.4)	(5.2)	**(34.6)**
Operating income before indirect expenses	61.1	2.2	(1.3)	**62.0**	60.2	3.1	(0.8)	**62.5**

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

Amounts in $ millions	*Unaudited six months ended 31 December 2021*	*Audited year ended 30 June 2021*
Segment operating income before indirect expenses	**62.0**	127.7
Interest expense	**(11.0)**	(27.2)
Other expenses	**(5.5)**	(17.5)
Unrealised net gain / (loss) in value of investment and development properties	**-**	282.9
Unrealised net gain / (loss) on financial instruments	**8.9**	19.7
Depreciation - property, plant and equipment	**(0.9)**	(1.4)
Lease depreciation	**(2.0)**	(5.0)
Lease interest expense	**(1.6)**	(3.9)
Net realised gain / (loss) on sale of investment properties	**(0.2)**	(2.4)
Impairment of goodwill	**-**	(9.8)
Termination of management services agreement	**-**	(217.1)
Net profit before taxation	**49.7**	146.0

10. Management expenses

Amounts in $millions	*Unaudited six months ended 31 December 2021*	*Unaudited six months ended 31 December 2020*	*Audited year ended 30 June 2021*
Other expenses			
Audit fees	**0.2**	0.1	**0.3**
Directors' fees and expenses	**0.6**	0.4	**0.9**
Manager's base fees	**-**	6.6	**10.2**
Management expenses[1]	**7.5**	-	**3.8**
Less: those recognised in direct operating expenses	**(2.8)**	-	**(1.2)**
Less: capitalised to properties being developed	**(1.4)**	-	**(0.5)**
Amortisation of intangible assets	**0.1**	0.1	**0.3**
Other[2]	**1.3**	1.8	**3.7**
Total other expenses	**5.5**	9.0	**17.5**

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.*

11. 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 2021*	*Unaudited six months ended 31 December 2020*	*Audited year ended 30 June 2021*
Net profit after taxation	**42.2**	163.2	**187.7**
Unrealised net (gain) / loss in value of investment and development properties	**-**	(148.5)	**(282.9)**
Unrealised net (gain) / loss on financial instruments	**(8.9)**	22.4	**(19.7)**
Net realised (gain) / loss on sale of investment properties	**0.2**	-	**2.4**
Termination of management services agreement	**-**	-	**217.1**
Impairment of goodwill	**-**	-	**9.8**
Depreciation - property, plant and equipment	**0.9**	0.6	**1.4**
Depreciation recovered on sale	**-**	-	**10.5**
Deferred tax (benefit) / expense	**10.8**	7.1	**15.7**
NZ IFRS 16 lease adjustments	**0.5**	1.0	**1.9**
Tax from management services termination payment	**-**	-	**(60.8)**
Swap closeout	**-**	0.4	**3.0**
One off items	**0.7**	-	**0.7**
Share-based payments scheme	**0.6**	-	**-**
Amortisation	**7.4**	6.3	**13.8**
Straightline rent	**(2.1)**	(1.7)	**(4.0)**
Funds from operations (FFO)	**52.3**	50.8	**96.6**
Funds from operations per share (cents)	**3.41**	3.87	**7.34**
Maintenance capex	**(0.9)**	(2.7)	**(4.0)**
Incentives and leasing costs	**(2.0)**	(4.3)	**(7.3)**
Adjusted funds from operations (AFFO)	**49.4**	43.8	**85.3**
Weighted average number of shares for net operating income per share (millions)	**1,533.4**	1,313.7	**1,316.5**
Adjusted funds from operations per share (cents)	**3.22**	3.34	**6.48**

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

12. Earnings per share

Amounts in $millions	*Unaudited six months ended 31 December 2021*	*Unaudited six months ended 31 December 2020*	*Audited year ended 30 June 2021*
Net profit after tax for basic and diluted earnings per share ($millions)	**42.2**	163.2	**187.7**
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,533.4**	1,313.7	**1,316.5**
Basic and diluted earnings per share (cents)	**2.75**	12.42	**14.26**

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

13. Other current liabilities

Amounts in $millions	Notes	Unaudited six months ended 31 December 2021	Audited year ended 30 June 2021
Other current liabilities			
Trade creditors		**2.7**	6.1
Accrued expenses		**23.9**	24.9
Total other current liabilities		**26.6**	31.0

14. Interest bearing liabilities

Amounts in $millions	31 December 2021	30 June 2021
Interest bearing liabilities		
Bank loans	**591.0**	317.0
US private placement	**260.7**	260.7
NZ senior secured bond	**250.0**	325.0
Convertible note	**-**	150.0
Total drawn debt	**1,101.7**	1052.7
US private placement - fair value adjustments	**33.2**	31.1
Convertible note - embedded financial derivative adjustment	**-**	17.8
Capitalised borrowing costs	**(5.6)**	(5.5)
Net interest bearing liabilities	**1,129.4**	1,096.1

Breakdown of borrowings:

Amounts in $ millions	Held at	Maturity[1]	Facility	Coupon[1]	31 December 2021	30 June 2021
Bank loans	Amortised cost	Jul-22	210.0	Floating[2]	**210.0**	210.0
Bank loans	Amortised cost	Jul-23	200.0	Floating[2]	**-**	-
Bank loans	Amortised cost	Feb-25	150.0	Floating[2]	**131.0**	-
Bank loans	Amortised cost	Mar-26	250.0	Floating[2]	**250.0**	107.0
Bank loans	Amortised cost	Dec-26	300.0	Floating	**-**	-
NZ senior secured bond (PCT010)	Amortised cost	Dec-21	-		**-**	75.0
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
Convertible note (PCTHA)	Amortised cost	Sep-21	-		**-**	150.0
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			1,620.7		**1,101.7**	1,052.7

	31 December 2021	30 June 2021
Weighted average term to maturity	**3.9 years**	3.5 years
Weighted average interest rate before swaps (including funding costs)	**2.60%**	2.43%

1 As at 31 December 2021
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 $1,620.7 million (June 2021: $1,595.7 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 it's 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.

15. Lease liabilities

Amounts in $ millions	*Unaudited six months ended 31 December 2021*			*Audited year ended 30 June 2021*		
	Investment properties	*Flexible space*	*Total*	*Investment properties*	*Flexible space*	*Total*
Current	-	2.6	**2.6**	-	3.2	**3.2**
Non-current	2.9	32.3	**35.2**	3.0	34.1	**37.1**
Total lease liabilities	2.9	34.9	**37.8**	3.0	37.3	**40.3**

16. Derivative financial instruments

Amounts in $millions	*31 December 2021*	*30 June 2021*
Current assets	**0.2**	2.2
Non-current assets[1]	**32.2**	32.3
Current liabilities	**(0.3)**	-
Non-current liabilities	**(28.3)**	(50.9)
Total fair value of derivative financial instruments	**3.8**	(16.4)
Notional contract cover (fixed payer)	**855.0**	905.0
Notional contract cover (fixed receiver)	**250.0**	475.0
Notional contract cover (cross currency swaps - fixed receiver)	**260.7**	260.7
Percentage of net drawn borrowings fixed	**54.0%**	54.1%
Weighted average term to maturity (fixed payer)	**3.68 years**	3.98 years
Weighted average interest rate after swaps (including funding costs)	**3.46%**	3.38%

1 *This includes the cross currency interest rate swap valuation of $29.5 million (June 2021: $25.1 million) and a net credit value adjustment of $0.03 million (June 2021: $1.0 million debit).*

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 $343.1 million of capital commitments as at 31 December 2021 (June 2021: $260.1 million; December 2020: $133.0 million) relating to construction contracts.

18. Contingencies

a) Contingent liabilities

There are no contingent liabilities as at 31 December 2021 (June 2021: $nil; December 2020: $nil).

b) Contingent assets

There are no contingent assets as at 31 December 2021 (June 2021: $nil; December 2020: $nil).

19. Related party transactions

Precinct internalised its management on 31 March 2021 and from this date no further fees were payable to the Manager (AMP Haumi Management Limited). Instead the costs of managing Precinct have been incurred directly. The information below relates to fees paid to the former Manager prior to internalisation.

Amounts in $ millions	*31 December 2021*		*31 December 2020*		*30 June 2021*	
	Fees charged	***Owing at 31 December***	*Fees charged*	*Owing at 31 December*	***Fees charged***	***Owing at 30 June***
Base management services fee	**-**	**-**	6.4	1.1	**9.9**	**-**
Leasing fees	**-**	**-**	1.1	0.2	**1.3**	**-**
Development manager fees	**-**	**-**	1.2	0.5	**5.8**	**-**
Acquisition and disposal fees	**-**	**-**	-	-	**0.2**	**-**
Generator management fee	**-**	**-**	0.2	-	**0.3**	**-**
Recoverable services fee	**-**	**-**	2.4	-	**4.4**	**-**
Total	**-**	**-**	11.3	1.8	**21.9**	**-**

For details of the historical fee structure please see the 30 June 2021 annual financial statements.

20. Key management personnel

Amounts in $ millions	*31 December 2021*	*31 December 2020*	*30 June 2021*
Directors' fees	**0.4**	0.3	**0.8**
Executive team remuneration	**1.4**	-	**0.7**
Total	**1.8**	0.3	**1.5**

21. Events after balance date

On 22 February 2022 the Board approved the financial statements for issue and approved the payment of a dividend of $26,555,117 (1.675 cents per share) to be paid on 25 March 2022.

On 22 February 2022 the Board approved the conditional establishment of a new strategic investment partnership with Singapore sovereign wealth fund GIC. The partnership will initially acquire five assets from Precinct's existing portfolio totalling around $590 million. Precinct will own a minority 24.9% interest in the partnership. The disposals to the partnership remain conditional at this stage on the completion of due diligence, Overseas Investment Office approval and certain subdivision consents in the initial portfolio.

Building a better working world

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") on pages 03 to 15, which comprise the consolidated statement of financial position as at 31 December 2021 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 2021, 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*.

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 and the Group have entered an agreement in respect of our future occupancy of a Group property. 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 Emma Winsloe.

Ernst + Young

Chartered Accountants

Auckland

22 February 2022

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Anne Urlwin - Independent Director
Graeme Wong – Independent Director
Chris Judd - Independent Director
Nicola Greer - Independent Director
Mohammed Al Nuaimi – 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.