



precinct™

*Enabling our
business to
grow*

ANNUAL REPORT 2022

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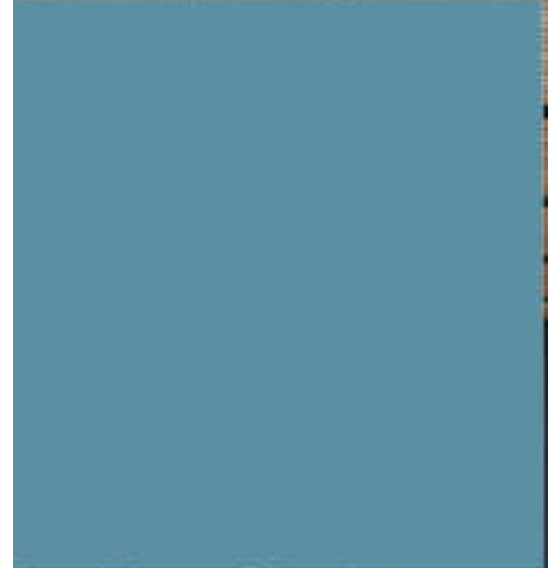
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Cover page image: PwC Tower (photo credit: Simon Devitt).
More information can be found at www.precinct.co.nz

All portfolio metrics are as at 30 June 2022 and include assets held for sale, unless otherwise stated.





The quality of our real estate is enabling our business to grow and create value for our shareholders and partners.







We are focused on the next stage in Precinct's strategic evolution, following the internalisation of Precinct's management last year.

We have completed our 2020 vision and delivered on our objectives. Our revised strategy will see Precinct participate in more opportunities and create value for our shareholders and partners.

Establishing partnerships with third parties will diversify our capital sources and enable our business to grow and to take advantage of future opportunities in the market as they arise.

***working
together.***

***capital
partnerships.***

2022 highlights.

+3.1%

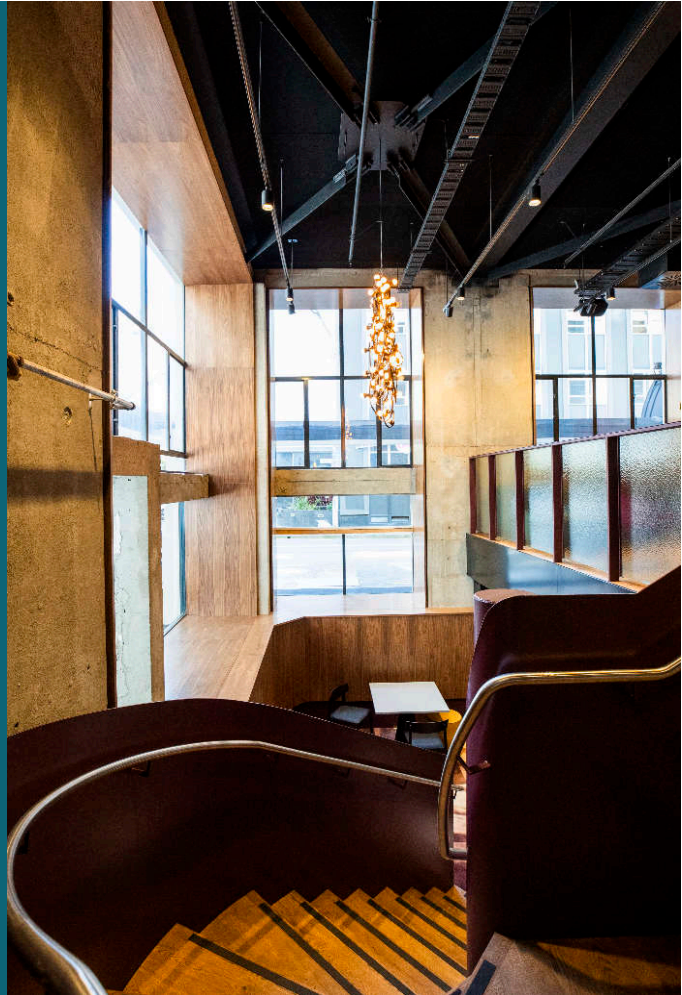
Increase in dividend
Year on year to shareholders

\$108.8M

Total comprehensive income after tax
For the 12 months ended 30 June 2022

\$175M

Green Bond Issued
6 year secured and fixed rate



GRESB
score
82/100

Global Real Estate Sustainability Benchmark (GRESB) score of 82, above the global average of 73.

Precinct received a public disclosure level 'A' demonstrating its high level of public disclosure.

ESTABLISHMENT
OF NEW
STRATEGIC
INVESTMENT
PARTNERSHIP

In February 2022, Precinct announced the conditional establishment of a new strategic investment partnership with Singapore sovereign wealth fund GIC.

2022 summary.

Operational excellence

- Achieved dividend of 6.70 cps
- 99% portfolio occupancy and WALT of 7.1 years
- \$175 million 6 year Green Bond issued
- New \$300 million bank facility secured
- Global Real Estate Sustainability Benchmark (GRESB) score of 82 (global average 73)
- Toitū carbonzero certification validated

\$8.3M

Rental support provided to our clients in FY22



Luciano Cantisani, Concierge Manager

Developing the future

- Wynyard Quarter Stage 3 in Auckland commenced
- One Queen Street in Auckland 86% committed
- Bowen Campus Stage Two in Wellington on programme and on budget
- Settling the two Wellington acquisitions, Bowen House and Freyberg Building with progress at both redevelopment opportunities
- Completed redevelopment of 30 Waring Taylor Street and opened Generator's first Wellington site
- Continue to off-set embodied carbons at development projects through carbon credits

Our people and partners

- Established strategic partnership providing access to capital with an aligned partner
- Establishment of dedicated Board ESG Committee
- Back to Business campaign activated in Auckland and Wellington
- Support of LGBTQI+ community during Pride 2022
- Generator now Rainbow Tick certified
- Continued focus on health, safety and wellbeing
- Client and staff surveys completed
- Supporting communities in which we operate

2022 summary. *(Continued)*

Strategic Partnership WITH SINGAPORE SOVEREIGN WEALTH FUND GIC

Overview

Ability for the fund to grow to:

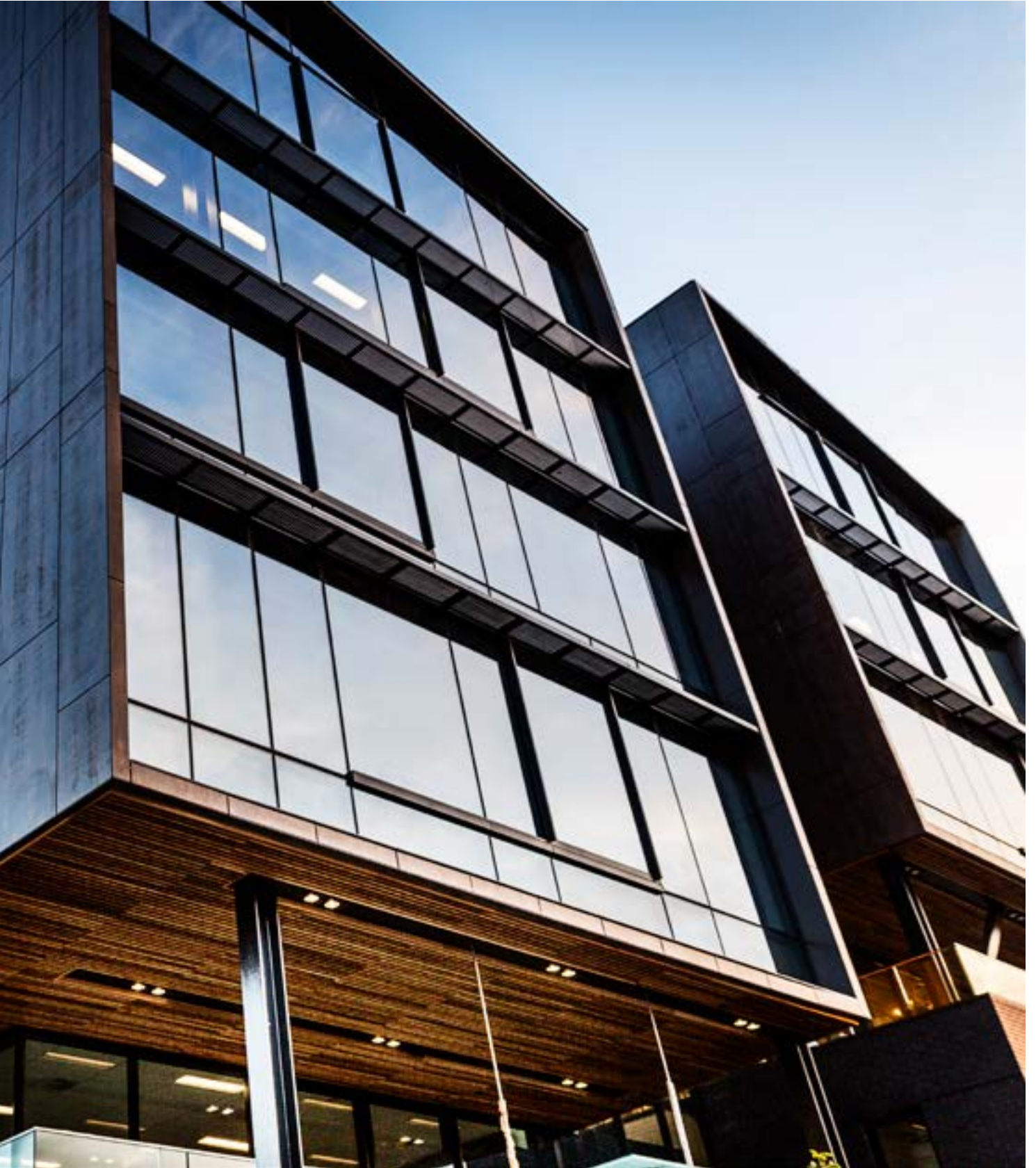
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- The Partnership will target stable, secure low risk returns through investment in well-leased, premium grade real estate
- Precinct Properties Management Limited (PPML), a new subsidiary of PPNZ, will act as investment manager with a market fee arrangement in place for the funds and property management of the assets
- Precinct will retain an ongoing 24.9% minority interest in the partnership

Benefits

- Supports advancement of Precinct's long-term strategy and enables Precinct to participate in a broader set of large scale opportunities, both on and off balance sheet
- Increases Precinct's liquidity and strengthens its balance sheet
- Provides diversification of capital sources
- Expected to enhance earnings to deliver further long-term value to Precinct's shareholders





Chair's report.



On behalf of the Board and management team, we are pleased to present Precinct's 2022 Annual Report.



FY22 performance

Precinct has delivered another pleasing result for its 2022 financial year. While the first half of the financial period was impacted by lockdowns, the performance of Precinct's core office portfolio has been very robust. This has been supported by our high quality occupiers and a resilient office market.

Net property income of \$126.1 million was achieved for the year. Notably, this level of NPI is after providing \$8.3 million of support predominantly through rental relief to our retailers and reflects the strong level of leasing performance throughout the year. This has contributed to net operating profit before tax of \$95.3 million, up 14.8% on the previous year (June 2021: \$83.0 million).

Total comprehensive income after tax was \$108.8 million compared to \$179.9 million in the previous year with the movement largely attributable to a significant revaluation gain recognised in the 2021 financial year. Precinct recorded an annual revaluation gain in FY22 of \$19.4 million. Acknowledging the extent of rental support provided to our retailers over the past 12 months, we are pleased with Precinct's strong 2022 financial year result. Being able to support not only those in our portfolio who are entitled to it, but also to those occupiers who we believe needed financial assistance has been the right thing to do for Precinct.

Adjusted funds from operations (AFFO) is 6.51 cents per share (cps). Our full-year dividend to shareholders is 6.70 cps, representing a 3.1% increase.

Establishment of new strategic investment partnership

Earlier this year in February 2022, Precinct announced the conditional establishment of a new strategic investment partnership with Singapore sovereign wealth fund GIC. Precinct will own a minority 24.9% interest in the partnership. The sales to the partnership remain conditional on Overseas Investment Office approval and certain consents in the Initial Portfolio.

Establishing a new collaborative and committed partnership with a global investor of this scale and quality represents a strategic step forward for our business, following the internalisation of Precinct last year. The partnership provides access to capital with an aligned partner and fully supports the execution of Precinct's future growth. This strategic decision to establish this platform increases Precinct's liquidity and strengthens its balance sheet, provides diversification of capital sources and is expected to enhance earnings to deliver further long-term value to Precinct's shareholders.

Sustainability – ESG responses

Our business continues to focus on our ESG responses at Precinct. Achieving another strong Global Real Estate Sustainability Benchmark (GRESB) score demonstrates the good progress we are making. During the period, Precinct achieved a 2021 GRESB score of 82, this was well above the global average of 73. Importantly, Precinct has been recognised by GRESB as having a high level of ESG public disclosure, receiving a public disclosure level 'A'. Our target for GRESB is to be in the top quartile of global peers. In addition, Precinct also improved its score to 'B' following its participation in the Carbon Disclosure Project (CDP). This was higher than both the Oceania regional and global averages of C and B-, respectively. We continue to target 'A leadership and strategic best practice'.

With the requirement for climate-related financial risk reporting for listed corporates and major financial institutions having now been passed by Parliament and the External Reporting Board (XRB) aiming to issue its first climate standard at the end of this year, Precinct has been actively monitoring this area of reporting ahead of mandatory disclosure requirements.

While there is currently no legislation in New Zealand which relates directly to modern slavery, in line with our broader sustainability objectives, Precinct wants to engage only ethical suppliers and expects our suppliers' support in the identification of modern slavery risks throughout our supply chain. Precinct is committed to respecting and supporting the dignity, well-being and human rights of our employees and all those who we engage with and whose lives we impact through our supply chain. Precinct has recently published a modern slavery policy. It can be found on Precinct's website.

This year, Precinct has prepared its 2022 Annual Report in accordance with the updated GRI Universal Standards. We welcome you to read our Sustainability Report on pages 21 to 33.



Precinct is fully supportive of a low-carbon future for New Zealand.

CRAIG STOBO, PRECINCT CHAIR

Governance

We continue to ensure Precinct maintains best practice governance structures and the highest ethical standards - this is a key objective for Precinct and the Board. Since we corporatised in 2011, we have significantly enhanced our corporate governance.

In recent years, the regulatory landscape in which our company operates has continued to change. Increased regulatory risk and obligations have resulted in increased demand on Directors' time and broadening their scope of responsibilities in monitoring and assessing legal and regulatory compliance. This is particularly true with respect to climate change and the establishment of Precinct's green bond programme. Establishing a dedicated Board Environmental, Social & Governance (ESG) Committee reflects the increased importance of ESG to our business and the long-term view we are taking in this area. We are committed to delivering on our business objectives and key priorities with a focus on improving our operational performance further.

During the year, we have also improved our approach to remuneration at Precinct since the internalisation. Additional disclosures are included in our Remuneration Report, ensuring that remuneration of both Directors and management personnel is transparent, fair and reasonable.

Precinct benefits from a strong and stable governance regime. We continue to focus on the Board's succession planning to ensure we have a Board of Directors comprising the right balance of skills, knowledge and perspectives.

Dividend guidance

The Board expects Precinct's dividend for the 2023 financial year to be no less than 6.70 cps in total cash dividends to be paid to shareholders.

Our business is in a strong position, and we are well placed to outperform. By utilising third party capital, we are confident Precinct can drive higher returns and create more value for our shareholders and our partners.

On behalf of the Precinct Board, management and Precinct team, we thank you, for your sustained investment in Precinct.

A handwritten signature in black ink, appearing to read 'C. Stobo'.

Craig Stobo, Independent Director and Chair

Management report.



From left to right: Scott Pritchard (CEO), Richard Hilder (CFO) and George Crawford (Deputy CEO).



The high quality and resilient nature of our portfolio is driving Precinct's operating and financial performance.

Establishing a third party platform and diversifying our capital sources is enabling our business to grow, providing flexibility for Precinct to take advantage of future opportunities in the market as they arise.

Following the internalisation last year, we have considered how our strategy might evolve in a way which is consistent with our focus on high quality assets and large scale developments. We want to leverage our strengths and apply our learnings of the past 6 years. We have achieved significant progress on this strategy during the year with the formation of a strategic investment partnership.

Reviewing our strategy and sourcing partners and capital is enabling our business to grow. Utilising third party capital was a logical next step in Precinct's strategy. We now have alternate forms of capital that we can access in order to participate in a wider range of market opportunities.

Development projects update

Auckland

Wynyard Quarter Stage 3

At the end of 2021, Precinct commenced the development of 124 Halsey Street and the Flowers Building, the third stage of the master-planned Wynyard Quarter Innovation Precinct. The project has an expected total project cost of around \$157 million and will generate a yield on cost of circa 5.75% once the building is fully leased.

Investment in sustainable design continues to follow the market leading sustainability outcomes achieved in delivering developments that reduce impacts on the environment and create social and economic value. The buildings are targeting 6-Star Green Star and 5-Star NABERSNZ ratings on completion. The design for Wynyard Quarter Stage 3 showcases the latest in sustainable timber construction innovation, a first for Precinct's development projects with the Flowers Building featuring a timber-frame structure. The overall development will be carbon neutral, with the remaining CO₂ emissions unable to be eliminated in design offset through carbon credits.

The development will be undertaken by Precinct in partnership with Eke Panuku Development Auckland. Market leading construction firm, Hawkins have been appointed the main contractor for this development which is expected to complete in late 2024.

Deloitte Centre (One Queen Street)

Construction continues to advance well at One Queen Street. While an extended Alert Level 4 lockdown during the first half of the year has caused disruptions on site, the project remains on track to complete in late 2023. The project is currently 86% pre-committed.

Wellington

Bowen Campus Stage Two

Both projects at 40 and 44 Bowen Street have continued to progress well. Pleasingly, Bowen Campus Stage Two remains on programme and on budget.

The project consists of around 20,000 square metres of office space with a combined entry lobby and large low rise floor plates. Following further leasing in the period, Stage Two is now 96% leased across both buildings.

Bowen House and Freyberg Building

Settling the two Wellington acquisitions, Bowen House and Freyberg Building during the period is a pleasing result. We are progressing both these redevelopment opportunities as we look to take advantage of the strong market conditions in Wellington which support these projects and offer future value accretion.

30 Waring Taylor Street, Wellington

During the period, the redevelopment of 30 Waring Taylor Street was completed, successfully launching Generator's first Wellington shared workspace.



Through our partnerships we will access alternate forms of capital which will allow Precinct to participate in more market opportunities. We continue to leverage our market position and capability. This is expected to result in enhanced returns on our capital invested.

SCOTT PRITCHARD, CEO

Outlook

Precinct has continued to be supported by the quality and resilience of its portfolio and its people during 2022. Our strategy is evolving but will continue to focus on our three key pillars, our people and partners, operational excellence and developing the future.

While the city centres are firmly in a recovery phase this is against a backdrop of expectations for a slowing economy. Our view is that it is critical to be adding value through this stage of the economic cycle by maintaining portfolio occupancy, leveraging our strong development capability, and partnering with direct investors.

We remain encouraged by the occupier market and the opportunities which are being presented to our business. Precinct is well positioned to create further value for our shareholders, and also our capital partners. We are committed to owning, managing and developing a high quality portfolio of assets.

Scott Pritchard,
CEO

George Crawford,
Deputy CEO

Richard Hilder,
CFO

Our markets.

Auckland city centre

After experiencing various lockdown restrictions over the past year, Aucklanders are now returning to the office. General sentiment remains cautiously optimistic with SMEs and larger occupiers taking a long-term view on their future and advancing renewal and/or relocation plans.

Office vacancies remain unevenly spread throughout the city centre on a building-by-building basis. However the dominant theme remains 'flight to quality' with continued demand observed for assets located on the waterfront and in Wynyard Quarter, at the same time as increased vacancy and rental declines recorded within precincts traditionally utilised by education or hospitality businesses. This is clearly shown in the vacancy statistics reported by JLL Research, which indicated a decrease in prime vacancies to 6.6% as at June 2022 (June 2021: 7.3%) while secondary vacancies increased to 16.6% (June 2021: 13.9%). The focus on quality is also demonstrated through market rental performance, with prime grade rentals recording a 3.3% increase year-on-year, compared to a 2.9% decline in secondary grade rentals over the same period.

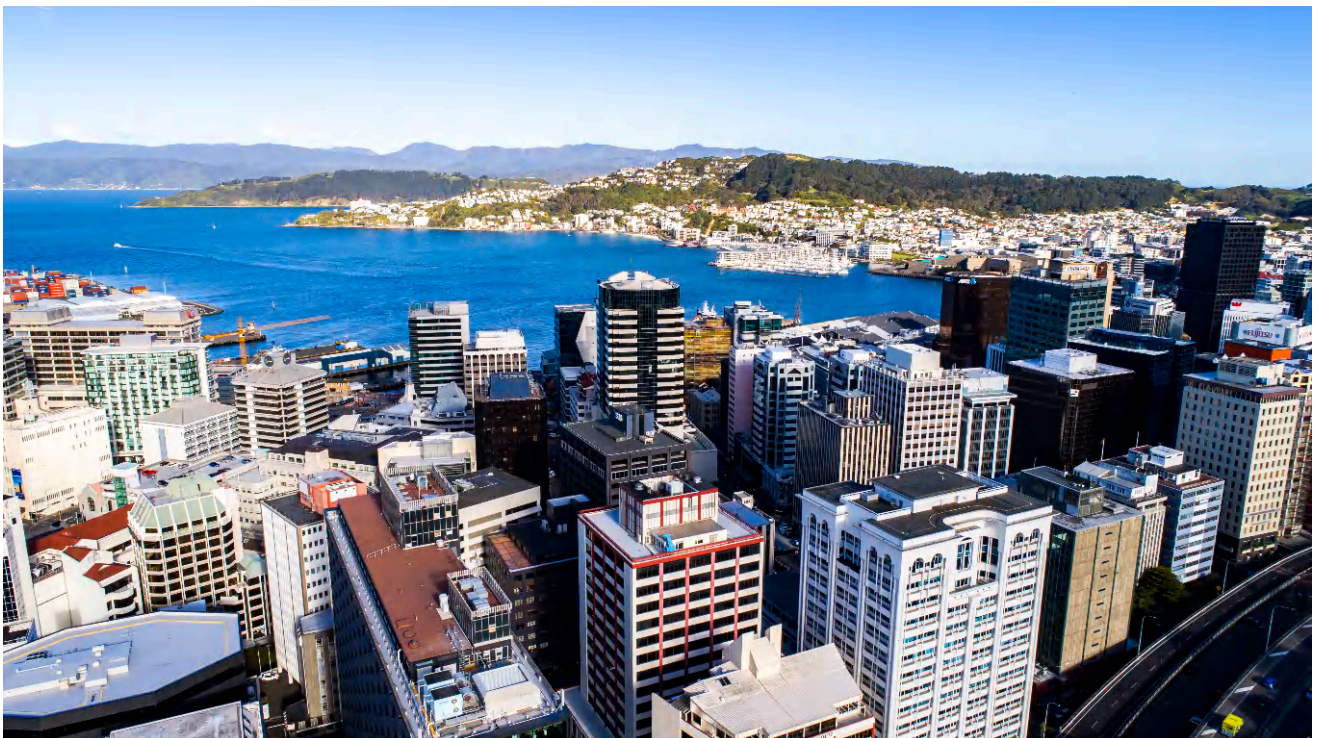
The future of the prime grade office occupier market remains strong albeit some challenges are present in the short term as the sector deals with economic headwinds and navigates changes in workplace behaviour. While prevalence of remote working continues to rise, effective hybrid workplace strategies are founded on best-in-class work environments with abundant amenities, providing enduring demand for accommodation in high quality, well-located assets.



Wellington city centre

Similar to Auckland, the city centre has in recent months seen a rebound in activity levels with businesses and Government agencies relaxing enforced work from home policies and encouraging staff to return to the office. Notwithstanding, some agencies are still encouraging staff to partly work from home due to capacity issues in their current premises. With local and central Government agencies accounting for approximately 40% of total occupied stock, their growth plans and accommodation mandates continue to have significant impact on the occupier market.

JLL Research reported prime vacancy as at June 2022 of 1.3% (June 2021: 0.9%) albeit this was driven predominantly by new supply, with some 14,800 square metres of new prime grade stock added during the past twelve months compared to net absorption of 13,258 square metres. Due to the low level of vacancies, market rentals have continued to grow with prime grade rentals notching a 2.9% uplift year-on-year. Overall, occupier market fundamentals remain strong with new developments having a high level of pre-leasing prior to completion and prevailing tailwinds from seismic obsolescence and focus on quality.



Results overview.

FY22 results

Precinct has performed well during the 2022 financial year. Our business has continued to be impacted by lockdowns during the first half of the financial year, particularly across our retailers, hospitality venues and event spaces. Pleasingly, Precinct's core office portfolio has delivered strong results, demonstrating the high quality occupiers we have in our spaces and the demand for Precinct's premium grade accommodation solutions.

Total comprehensive income after tax was \$108.8 million compared with \$179.9 million in the previous year with the movement largely attributable to a revaluation gain of \$282.9 million last year. Adjusted Funds from Operations (AFFO), which adjusts for several non-cash items remains consistent at \$101.5 million (June 2021: \$85.3 million) or 6.51cps. Full year dividends paid to shareholders and attributed to the 2022 financial year totalled 6.70 cps, representing a year on year increase of 3.1%.

Net property income was \$126.1 million (June 2021: \$124.4 million). Notably, this level of NPI is after providing \$8.3 million¹ of support predominantly through rental relief to our retailers (including turnover based rental adjustments) and reflects the solid level of leasing performance throughout the year. This has contributed to net operating income before tax of \$95.3 million, up 14.8% on the previous year (June 2021: \$83.0 million).

Net interest expense for the period was lower during the period at \$23.9 million (June 2021: \$27.2 million). Precinct has recorded a positive tax position for the financial year of \$7.0 million (June 2021: \$67.8 million). The tax position for the FY22 year is largely consistent to the prior period, after adjusting for the tax from the MSA termination payment which totalled \$60.8 million. The overall gain in financial instruments was \$33.1 million as at 30 June 2022 (June 2021: \$19.7 million gain).



Reconciliation of adjusted funds from operations

(Amounts in \$ millions)	2022	2021
Operating income before indirect expenses	129.4	127.7
Indirect expenses	(34.1)	(44.7)
Operating income before income tax	95.3	83.0
Current tax expense	7.0	67.8
Operating profit after tax	102.3	150.8
Non operating income / (expenses)	34.0	63.0
Deferred tax and depreciation recovered on sale	(26.3)	(26.1)
Net profit / (loss) after taxation attributable to equity holders	110.0	187.7
Operating profit after tax adjusted for		
Generator rent expense	(7.6)	(7.0)
Tax impact from MSA termination payment and liquidated damages	-	(60.8)
Swap closeout	-	3.0
One off item - project initialisation costs	0.7	0.7
Share-based payments scheme	1.2	-
Amortisations	14.7	13.8
Straightline rents	(3.8)	(4.0)
FFO	107.5	96.6
Maintenance capex	(2.3)	(4.0)
Incentives and leasing costs	(3.7)	(7.3)
AFFO	101.5	85.3

Note: AFFO is an alternative performance measure which adjust net profit after tax for a number of cash and non-cash items as detailed in the reconciliation above. Precinct has transitioned to a dividend policy based on AFFO. AFFO is an alternative performance measure provided to assist investors in assessing Precinct's performance for the year.

Precinct's annual revaluation recorded a gain of \$19.4 million (2021: \$282.9 million or 9.3%), equating to a 0.5% increase on the year end book values, driven mainly by development profit recognition. On a like-for-like basis, Auckland asset valuations increased by 0.6% while Wellington assets increased by 0.4%.

The revaluation gains for the period were predominantly attributed to market rental growth and positive leasing activity but partially offset by capitalisation rates remaining flat or slightly softening year-on-year. This outcome reflects greater confidence in the office market but is impacted by rising interest rates over recent months. While the portfolio continues to experience strong market rental growth driven by robust occupier demand, investment market sentiments are comparatively muted versus the prior period. Adjusted for assets held for sale, Precinct's weighted average market capitalisation rate has softened on a like-for-like basis from 4.8% to 4.9% over the past twelve months.

As at 30 June 2022, Precinct's portfolio, including assets held for sale, totalled \$3.7 billion (30 June 2021: \$3.3 billion), equating to a net asset value (NAV) per share of \$1.54 at the balance date (30 June 2021: \$1.52).

¹. Note 8 of the 2022 financial statements provides more details on the impact of COVID-19 on Precinct's business.

Adjusted Funds from Operations (AFFO)

FFO and 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 39.

FFO for the year increased to \$107.5 million (June 2021: \$96.6 million) or 6.89 cps. AFFO for the year was \$101.5 million, or 6.51 cps.

PRECINCT'S AFFO PAYOUT RATIO OVER THE PAST 5 YEARS HAS AVERAGED 101%.



Key financial information

(Amounts in \$ millions unless otherwise stated)

	2022	2021	Change (%)
Rental revenue	200.3	199.8	0.3
Funds from operations (FFO)	107.5	96.6	11.3
Adjusted funds from operations (AFFO) ¹	101.5	85.3	19.0
Total comprehensive income after tax attributable to equity holders	108.8	179.9	(39.5)
Funds from operations (FFO) (cents per share)	6.89	7.34	(6.1)
Adjusted funds from operations (AFFO) (cents per share)	6.51	6.48	0.5
Gross distribution (cents per share) ²	6.70	6.50	3.0
Net distribution (cents per share) ²	6.70	6.50	3.1
AFFO Payout ratio (%)	102.9	100.3	2.6
Total assets	3,839.2	3,456.4	11.1
Total liabilities	1,403.7	1,235.8	13.6
Total equity	2,435.5	2,220.6	9.7
Shares on issue (million shares)	1,585.4	1,458.5	8.7
NTA (cents per share)	154	152	1.3
NAV (cents per share)	154	152	1.3
Gearing ratio at balance date (%) ³	34.3	28.2	21.6

The information set out above has been extracted from the financial statements set out on pages 70 to 96.

¹ AFFO 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, fair value of swaps and subordinated debt are not included in the calculation of gearing ratio.

Results overview. *(Continued)*

Capital management

During the year, we have continued to reposition and strengthen Precinct's balance sheet, ensuring we are in a strong financial position to take our business forward. The establishment of the new investment partnership has improved our balance sheet utilisation and the transaction has provided the business with significant capital for future opportunities and growth.

At balance date Precinct's total borrowings had increased to \$1,246.7 million (30 June 2021: \$1,052.7 million). Gearing as measured under borrower covenants, is 34.3% (30 June 2021: 28.2%). Similarly, total assets at 30 June 2022 are \$3.8 billion (30 June 2021: \$3.5 billion).

During the 2022 financial year, we elected to convert all subordinated convertible notes under the NZX ticker code PCTHA issued by Precinct on 27 September 2017 to equity.

In December 2021, we committed to a new \$300 million bank debt facility. Precinct remains within its borrowing covenants with total debt facilities of around \$1.6 billion at 30 June 2022.

Precinct was 64% hedged through the use of interest rate swaps at 30 June 2022 (June 2021: 54%). Average hedging for the 2023 financial year will be around 65%. The weighted average interest rate including all fees was 4.0% at 30 June 2022 (30 June 2021: 3.4%).

In April 2022, Precinct successfully issued a six year secured, fixed rate green bond of \$175 million. The net proceeds of the offer are intended to be earmarked in accordance with Precinct's Sustainable Debt Framework dated 2020 to finance or refinance energy-efficient buildings.



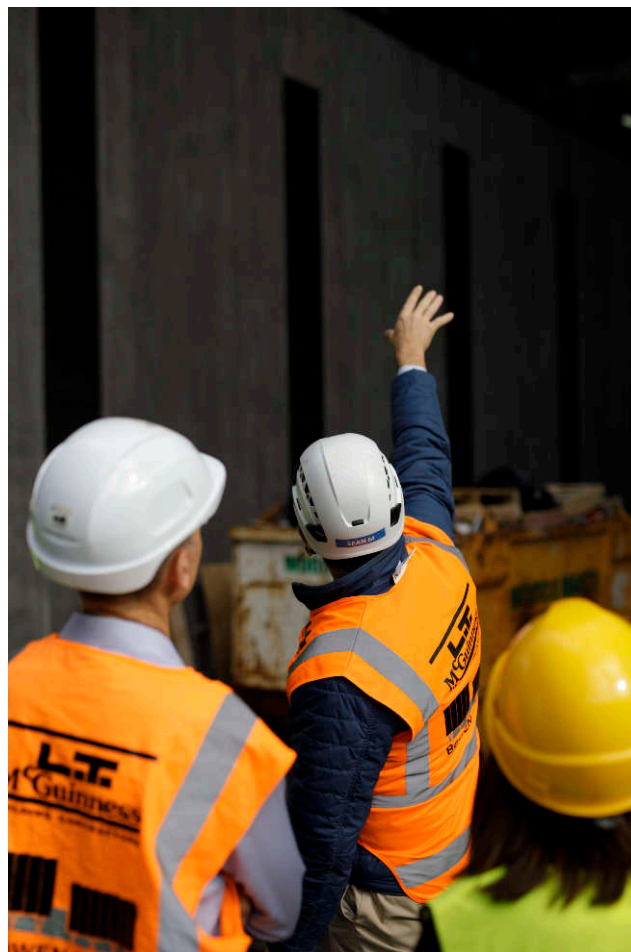
The establishment of the new strategic investment partnership has further repositioned Precinct's balance sheet. This provides our business with significant capital for future opportunities and growth.

RICHARD HILDER, CFO

Capital management metrics

	2022	2021
Debt drawn (\$ millions) ¹	1,247	1,053
Gearing - banking covenant (%)	34.3	28.2
Weighted average term to expiry (years)	4.0	3.5
Weighted average debt cost (incl fees) (%)	4.0	3.4
Percentage of debt hedged (%)	64.2	54.1
Weighted average hedging (years)	3.5	3.4
Interest coverage ratio (previous 12 months) (covenant 2.0 times)	2.5	2.4
Total debt facilities (\$ millions)	1,623	1,596

¹ Excludes the USPP note fair value adjustment of \$35.9 million (June 2021: \$31.1 million) and convertible note option valuation (June 2022: \$nil; June 2021: \$17.8 million). Interest bearing liabilities are detailed in Note 19 of the Financial Statements.



Operational update

Precinct's portfolio continues to perform well reflecting its quality occupiers, a long WALT and its high occupancy levels.

At balance date, overall portfolio occupancy was 99% (June 2021: 98%) and Precinct's WALT was 7.1 years (June 2021: 7.7 years).

In total, 60 leasing transactions were completed across 34,600 square metres of space. This includes welcoming several new clients to our portfolio as well as retaining a number of existing clients. Rentals achieved on new office leases were on average 4.8% higher than valuation rents at 30 June 2021.

In Auckland, key leasing includes a 9 year lease to AJ Park over levels 13 and 14 of the AON Centre and a 7 year extension to Jones Lang LaSalle over level 16 of the HSBC Tower. In Wellington, a new 9 year lease was agreed with the Electricity Authority on level 7, as well as a 4 year renewal with Chorus over levels 10 and 11 of the AON Centre.

Including structured rent reviews, Precinct completed a total of 183,973 square metres of reviews at a 3.0% premium to previous contract rental. There were 17,441 square metres of market rent reviews which were settled at a 5.9% premium to 30 June 2021 valuation rentals.

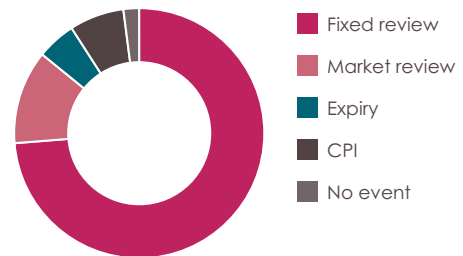
At 30 June 2022 Precinct's portfolio is under-rented by 6.3% (June 2021: 5.9% under-rented).



Operational metrics

	2022	2021
Precinct		
Occupancy (%)	99	98
WALT (years)	7.1	7.7
NLA (sqm)	268,102	266,248
Under-renting (%)	6.3	5.9
Leasing	34,600	15,800
Generator		
Occupancy (%)	77	71
Members	1,734	1,386
Sites	9	8
Sqm	15,770	13,600

FY23 key leasing events



Lease expiry profile by contracted revenue





Sustainability report.

Message from the ESG Committee

Dear Shareholders,

On behalf of the ESG Committee, I am pleased to present you with Precinct's Sustainability Report for the financial year ended 30 June 2022. The ESG Committee has been established by the Precinct Board to assist us in implementing and monitoring Precinct's strategic objectives in relation to ESG issues. Our Committee is guided by the ESG Committee Charter (available in Precinct's Corporate Governance Manual on Precinct's website). A majority of Committee members are Independent Directors who have a range of skills and experience. We continue to learn and deepen our knowledge and understanding across the ESG landscape. Over the last year, Precinct has undertaken a comprehensive ESG review. This includes a review of Precinct's material sustainability topics and performance targets. We have lifted our targets around climate-related disclosures (see our Task Force on Climate-Related Financial Disclosures (TCFD) framework on Precinct's website), with a focus on energy efficiency and meeting or exceeding New Zealand's excellence levels under NABERSNZ and Green Star Ratings. We now have a clear pathway for improvement.

This year, Precinct has prepared its 2022 Annual Report in accordance with the updated Global Reporting Initiative (GRI) Standards 2021. As part of this process, Precinct engaged an independent consultant to support us in undertaking a materiality assessment to review Precinct's ESG topics through the lens of impact on people and planet. This materiality assessment identified actual and potential impacts - both positive and negative - and prioritised them based on their relative significance for reporting.

This analysis considered our organisation's local operating environment, NZ legislation, industry standards, publicly available reporting of our peers in New Zealand and Australia and the opinions of sustainability experts. Our material ESG topics consider a wide range of information sources, including the opinion of our key stakeholders via interviews, research and surveys. We also reviewed the relevance of our current topics as well as potential gaps and new developments through several workshops. All current ESG topics remain material for Precinct, however some topics have been re-named and aggregated for conciseness. There were three topics which emerged, namely, depletion of natural resources and contribution to waste; biodiversity loss; and contribution to water stress and reduced water quality. The ESG Committee are responsible for reviewing and approving the Sustainability Report, including Precinct's material topics presented in this year's report.

Responding to our material ESG topics is an area of long-term strategic importance to Precinct. We are committed to enabling sustainable and successful business.



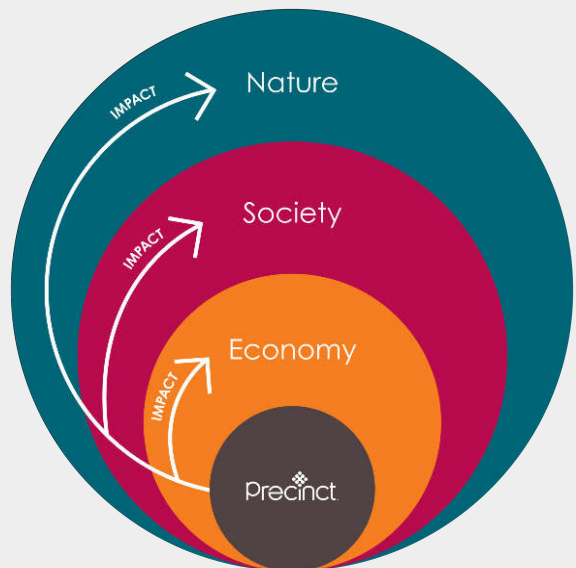
Nicola Greer

Independent Director and Chair of the ESG Committee



Nicola Greer, Independent Director and Chair of Precinct ESG Committee

Precinct's material topics capture the actual and potential, positive and negative impacts that Precinct has on people and the planet.



Post balance date, Precinct is pleased to have become a signatory to the Net Zero Carbon Buildings Commitment.

Read more: <https://www.worldgbc.org/thecommitment>

Sustainability report. *(Continued)*

Our sustainability framework



Precinct's material topics¹



¹ Precinct's material topics presented above (and outlined in more detail below) are based on the materiality assessment undertaken in 2022 and meets the requirements of the updated GRI Standards 2021. The analysis considered a wide array of information sources, including the opinion of our key stakeholders.

The following topics were identified as material to Precinct. Looking ahead, we plan to further evaluate the various sustainability-related impacts on Precinct's activities and business relationships to better understand the risks and opportunities to our business.

Material topic	How Precinct impacts people and planet	How we are responding to our impacts on people and planet
Climate change	<ul style="list-style-type: none"> Contributes to climate change through embodied carbon (CO₂ emissions from developing a building) and operational carbon (CO₂ emissions from running a building). 	<ul style="list-style-type: none"> Incorporating sustainable design into building developments (improving energy efficiency, reducing construction waste, employing low-carbon materials, evaluating HFC removals). Offsetting carbon.
Partnerships and community wellbeing and vitality	<ul style="list-style-type: none"> Helps to create desirable conditions for community and business interaction. Contributes to city-centre cultural vibrancy. Strengthens city-centre communities. 	<ul style="list-style-type: none"> Maintaining and developing high-quality space. Initiatives that facilitate cultural celebration. Supporting community projects through sponsorships, financial and in-kind donations. Partnering with Mana Whenua, local and central government, and council-controlled organisations.
Depletion of natural resources and contribution to waste	<ul style="list-style-type: none"> Procurement of non-renewable raw materials and finished goods via local and international supply chains. Disposing of materials and goods to landfill. 	<ul style="list-style-type: none"> Evaluating procurement decisions against sustainability-related criteria. Developing waste management infrastructure and systems that increase material recycling and re-use.
Economic activity and opportunity	<ul style="list-style-type: none"> Helps to create local jobs. Generating financial wealth through returns on investment. Contribution to GDP and paying tax. 	<ul style="list-style-type: none"> Fostering and maintaining good governance and ethical business practices. Sustainable financing.
Client, worker and staff wellbeing	<ul style="list-style-type: none"> Contributes to good health and wellbeing of people in the immediate value chain. 	<ul style="list-style-type: none"> Fostering diversity through internal policies and practices. Maintaining and improving health and safety. Providing modern and high-quality physical spaces that support people's wellness.

Precinct takes an active approach to climate action, as well as Climate-related disclosures.

Since 2021, Precinct has reported climate-related financial disclosures that align with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). This prepares us to meet the incoming mandatory Aotearoa New Zealand Climate Standards in subsequent reporting periods. Presently, we have identified physical and transition climate-related risks and incorporated them into Precinct's climate-related risk register, which is a component of the Risk Management Plan. Risks are evaluated according to three time horizons: short term (<2 years); medium term (2-10 years); and long term (10+ year). They include:

Physical risks: Rising sea levels, rising mean temperatures, and increased severity and frequency of extreme weather events.






Transition risks: Current and emerging regulation, changing customer behaviour, and lower-emissions product substitution.

While Precinct's business growth remains strong, ongoing monitoring and evaluation of our climate-related risks are essential to ensure Precinct remains resilient into the future.

Our full climate-related disclosures can be found here: www.precinct.co.nz/tcf-d-framework

Performance and benchmarks

To assess and manage our impacts and effectively communicate our performance, Precinct have established long-term targets and metrics, which involve a balanced approach to our ESG ambitions and are aligned with our material sustainability topics. Being able to measure, review and evaluate Precinct's ESG performance against industry peers and global benchmarks is key.

Participation in	Overview	Target	Current performance
	<p>The overarching measure Precinct have chosen to use as its core ESG indices performance benchmark is the Global Real Estate Sustainability Benchmark (GRESB). It is considered the global standard for ESG benchmarking and reporting for real estate entities.</p>	<p>Target to be in the top quartile of reporting global peers</p>	 <p>82 (global average 73)</p> <p>Public disclosure level A (global average C)</p> <p>2021 Top 25%: No (30%) 2020 Top 25%: Yes (20%) 2019 Top 25%: No (43%)</p>
	<p>Precinct have chosen to participate in Carbon Disclosure Project (CDP) which is the gold standard for corporate environmental reporting and is fully aligned with the TCFD recommendations.</p> <p>CDP runs the global environmental disclosure system and supports thousands of companies globally.</p>	<p>Target 'A leadership and strategic best practice'</p>	<p>B (oceania regional average C and global average B-)</p> <p>2020: B - 2019: Not scored 2018: F</p>
	<p>Morgan Stanley Capital International (MSCI) ESG Rating aims to measure a company's resilience to long-term, financially relevant ESG risk.</p>	<p>Target A or better</p>	<p>BBB (on a scale of AAA-CCC)</p> <p>2021: BBB 2020: BBB 2019: A</p>
	<p>Toitū carbonzero certifies Precinct is a carbon neutral organisation in accordance with internationally recognised ISO 14064-1:2006 standards.</p>	<p>Carbonzero certification</p>	<p>Achieved</p> <p>2021: Achieved 2020: Achieved</p>

Sustainability report. *(Continued)*

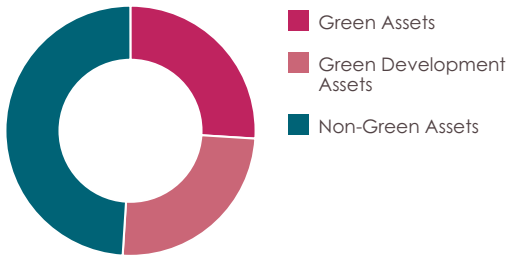


Climate change.

Our approach

We understand the impacts of climate change are felt globally and emissions from building and construction are nationally significant. Precinct recognise our role as a long-term owner and developer of real estate and are taking an active approach to climate action. Precinct’s greenhouse gas (GHG) emissions include the embodied carbon from the development of a building and the operational carbon from the energy a building uses. We are focused on improving the environmental performance across our buildings and incorporating sustainable design across our assets.

Green assets¹



Hydrofluorocarbons (HFCs)

With many commercial air conditioning systems using HFCs which have a high Global Warming Potential (GWP), New Zealand is looking to phase-out use of the high GWP HFC refrigerants and remove HFC’s under New Zealand’s commitments to the Kigali Agreement of 2016 and the Paris Agreement of 2015. Precinct is currently reviewing HFC use across our portfolio and considering what alternatives can be used. Precinct has committed to removing gas at Bowen House which is targeting a 5-Star NABERSNZ rating.

Knowledge for future success:

Precinct continues to partner with the New Zealand Green Building Council (NZGBC) on current and future carbon legislation to promote and lead industry-wide environmental practices. We see the value of engaging at a local level to influence and align with climate-related solutions.

We understand data collection is key. Precinct has recently implemented the use of a new ESG data management solution for commercial real estate entities, improving the accuracy in measuring our greenhouse gas emissions.

Toitū carbonzero certification

Since 2020, Precinct has achieved Toitū carbonzero certification. Precinct meets the requirements of Toitū carbonzero® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006. Toitū carbonzero certification is accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ). This provides assurance that our certification meets international best practice. Precinct continues to offset its emissions from our operations by buying high-impact carbon credits from a Gold Standard certified international project. Recent contributions have been made to the Gyapa Cook Stoves Project in Ghana and Amayo Phase II Wind Power Project in Nicaragua.

Net Zero Carbon Commitment

Precinct has recently announced our commitment to the World Green Building Council Net Zero Carbon Buildings Commitment. Under the agreement, Precinct has committed to achieving net zero carbon emissions for all buildings under its direct operational control. And to maximise reductions of embodied carbon emissions of new developments and major upgrades of existing assets, compensating for any remaining residual upfront embodied carbon emissions, by 2030.

Operational carbon

NABERSNZ

Target investment portfolio: 100% of buildings +4-Stars

Target development portfolio: 100% of projects +5-Stars

Development - embodied carbon

Green Star

Target: 5-Star Green Star rating for over 60% of the portfolio

Target: 5-Star Green Star Design and As built rating for all new projects

As buildings are becoming more operationally efficient, there will be a greater weighting on the embodied carbon of our assets. Embodied carbon is the emissions emitted in the production of a buildings materials, their transport and installation on site as well as their disposal at end of life. Precinct is taking a whole of life cycle assessment approach, and so far have measured and offset the embodied carbon across 11,320 square metres of projects.

We look forward to further development and disclosure of our embodied carbon assessment during FY23.

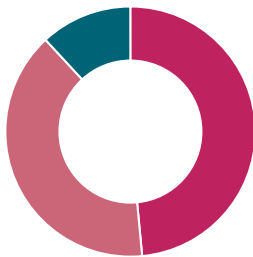
¹Green assets defined as per sustainable debt framework; as targeting or certified a minimum 5-Star Green Star Built Rating or 4-Star NABERSNZ Rating. The graph above excludes assets held for sale.

Total carbon emission intensity - office portfolio

Office Portfolio Carbon emission intensity*	Emissions (kgCO2e)/sqm			Variance (change %)	
	FY21	FY20	FY17 (base)	to FY20	to base year
Scope 1	9.1	8.9	10.4	2.2	(12.5)
Scope 2	6.5	6.4	7.7	1.6	(15.6)
Scope 3	1.5	1.8	0.0	(16.7)	N/A
Total Office	17.1	17.2	18.1	(0.6)	(5.5)

*Carbon emission intensity data excludes buildings that were under development, were transacted or that had insufficient data during the year.

Total operating carbon emissions¹



- Scope 1
- Scope 2
- Scope 3

¹Total carbon emissions for FY21 totalled 4,767 tCO2e..Emissions data has been verified by Toitū Envirocare and reflects data up to FY21 due to the timing of the annual Toitū audit process and excludes developments assets.

Sustainable timber construction

Targeting 6-Star Green Star and 5-Star NABERSNZ ratings on completion

The design for Wynyard Quarter Stage 3 showcases the latest in sustainable timber construction innovation, a first for Precinct's development projects with the Flowers Building featuring a timber-frame structure. The overall development will be carbon neutral, with any remaining CO₂ emissions offset through carbon credits. Precinct continues to focus its sustainability efforts on incorporating sustainable design across our assets.



Sustainability report. *(Continued)*



Partnerships and community wellbeing and vitality.

Our approach

Our business is well-positioned to strengthen communities in which we operate through positive contributions, engagement and support. There are a range of benefits to community wellbeing that result from Precinct's activities and providing high quality space where communities can interact. This includes the positive effect on mental health and wellbeing. We want to create environments in which people and businesses can thrive.

Performance

Creating Communities

Community is at the heart of Precinct. Creating community is taking the form of wellness spaces, client communication apps, partnerships, art shows, lobby events, running clubs, retailer activations and more. Feedback received on these initiatives have been positive to date.

Contribute positively to the city centre environments and wider community where we operate

During the last 12 months, we have continued our social investments to Auckland and Wellington City Mission, Mates in Construction, Keystone Trust and the Tania Dalton Foundation. Our current annual memberships include NZ Green Building Council, Property Council, GRESB, Council on Tall Buildings & Urban Habitats and Diversity Works.

Engage with key stakeholders

Precinct continues to engage regularly with all our key stakeholders which includes our people and partners, clients and people using our spaces, contractors and service providers, community based organisations, shareholders, industry bodies and Government. Our engagement process includes regular meetings, surveys and consultations and updates to ensure stakeholders are well informed. Recognising the importance of each of our stakeholders and understanding their requirements, expectations and opinions is important to us and to the overall success of our business. We continuously review the progress of our stakeholder engagement performance to identify how we can improve.

Knowledge for future success:

As a significant commercial real estate owner in Auckland and Wellington, the quality of our relationships with key partners and our communities are critical to the success of our business.

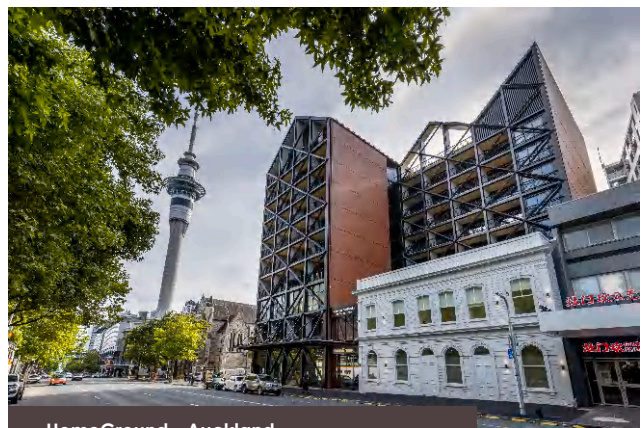
We are continually seeing the positive impact and contribution Precinct is making to community wellbeing through the creation of high quality spaces. Precinct aim to proactively communicate, engage and support our communities.

HomeGround

Since 2018, Precinct has been a significant partner of the Auckland City Mission's HomeGround project. Precinct has donated \$100,000 per annum with a total commitment of \$500,000 made to this project.

HomeGround, the new building of Auckland City Mission - Te Tāpui Atawhai, opened its doors early this year in February 2022. It is the new home of Tāmaki Makaurau - built for, by and with Aucklanders. HomeGround brings together permanent housing, expanded health and social services in a warm and welcoming space and includes 80 permanent apartment homes for people experiencing homelessness.

In partnership with the Auckland City Mission, Precinct are proud to have been able to support HomeGround from the beginning of the project. This purpose-built space is a thriving central city community hub and we are seeing first-hand how HomeGround is helping to strengthen our community.



HomeGround - Auckland

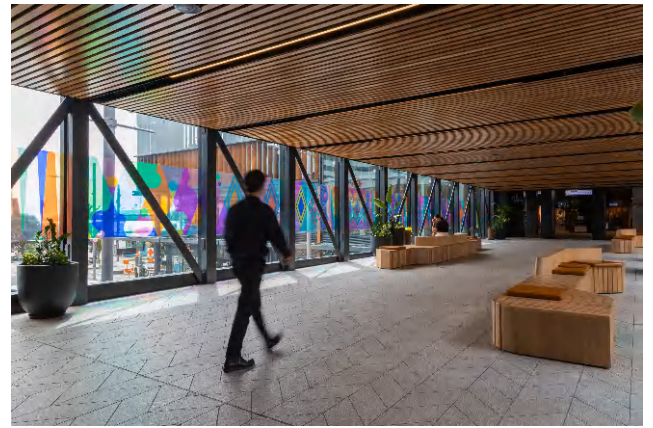
Back to Business

During May 2022, Precinct hosted over 25 events and activations across our Auckland and Wellington portfolios for clients and members of the public to enjoy as part of our Back to Business campaign. It included mini golf on the PwC Sky Terrace, giveaways, live music, Commercial Bay Retail & Hospitality offers, bootcamps, pilates, art and tower tours and a pub quiz night.



Celebrating Pride

Precinct acknowledge, celebrate, and support the LGBTQI+ community in Tāmaki Makaurau and wider Aotearoa. During Pride 2022, in collaboration with local LGBTQI+ artist, curator, and activist Shannon Novak and input from the local LGBTQI+ community, a multi-site art project was created. It included bright, bold, colourful interventions in public spaces. The project was titled *Bridge Between Worlds*, aiming to positively connect different communities in Auckland and beyond.

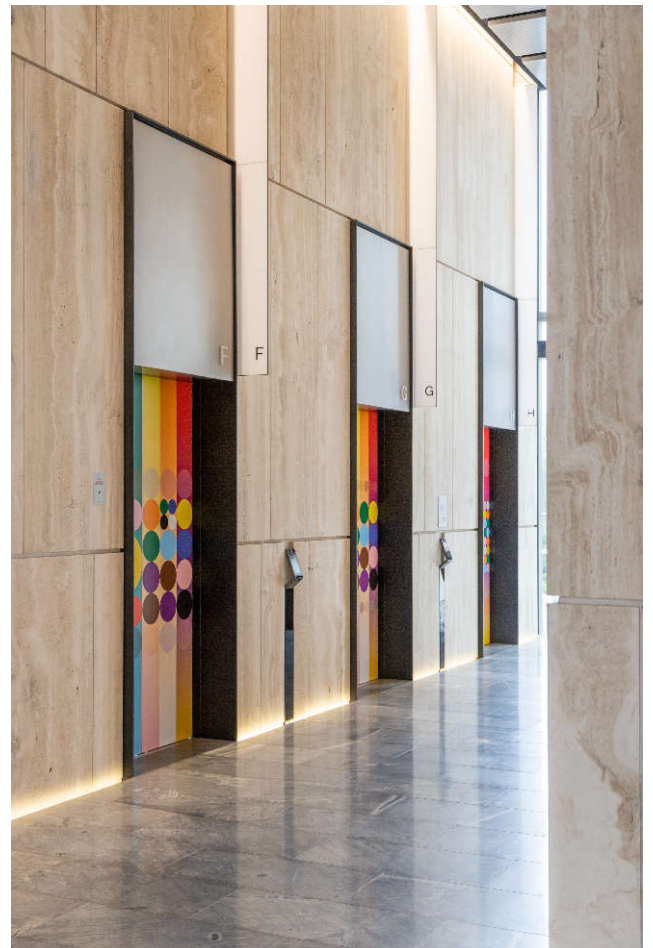


Embracing Matariki

Precinct, and Commercial Bay, are proud to have been able to support and celebrate Matariki, again this year.

Facilitated by artist Jade Townsend, *Whānau Mārama* celebrates the mātauranga associated with Matariki throughout common spaces and a selection of stores at Commercial Bay. *Whānau Mārama* gathers together Māori artists and researchers under the nine whetū of Matariki to deepen collective understanding of the Māori new year. Presented throughout the Commercial Bay precinct, the artworks reflect Indigenous ways of knowing and being, remembering histories, documenting the present, and re-imagining the world to come. As a cluster, as a map, the artists and works guide us towards an Indigenous Future.

Learn about all the artists at matariki.commercialbay.co.nz.



Sustainability report. *(Continued)*



Depletion of natural resources and contribution to waste.

Our approach

Precinct acknowledges the development and operation of buildings account for significant amounts of waste and material usage. In New Zealand, construction is a significant contributor to the build-up of waste so it is key for us to understand how we can manage to minimise potential negative impacts. Precinct contributes to the depletion of natural resources and the build-up of waste through its procurement and contracting decisions, as well as through how it manages waste infrastructure and systems. Our business develops new buildings in addition to undertaking significant refurbishment opportunities of existing buildings and completing fit outs within its portfolio. We are committed to managing our waste efficiently.

Sustainable procurement and waste minimalisation

In line with the Green Star guidance, Precinct will minimise waste to landfill. Our design team will apply various waste minimisation strategies that include:

- Dematerialisation – reduction in material use and recurrent maintenance
- Modularisation – more efficient use of resources
- Prefabrication - reduction in construction waste
- Design for disassembly – reduction in end-of-life waste and encouraging end-of-life re-use
- Low Damage Design (LDD) – identify earthquake damage mitigation and resilience options
- Material selection for eco-preferred content (EPDs) and reduced carbon footprint (local supply)
- Re-used or recycled material selection including cement, aggregates, steel and timber

Knowledge for future success:

Precinct aims to reduce, reuse and recycle our waste where feasible, minimising our contribution to landfill. This is a key priority for our business and stakeholders. We are extending our knowledge from the development projects we have undertaken to improve our waste management strategy and operational waste management plan for our future developments and operations, where possible.

We are currently reviewing our waste management strategy and will share more in due course.

Performance

CONSTRUCTION AND DEMOLITION WASTE MINIMALISATION IS A KEY PRIORITY FOR ANY PRECINCT DEVELOPMENT PROJECT

PwC Tower at Commercial Bay

A recent example of waste management practices was to minimise the amount of construction and demolition waste going to disposal at the PwC Tower at Commercial Bay. This was a key feature incorporated to support the targeted Green Star ratings and included a target of 80% of waste by weight to be re-used or recycled during demolition and construction.

Pleasingly, the project achieved a compliant percentage of 79%, above the 70% compliance criteria.

Mason Bro. Building

Precinct's Mason Bro. Building which achieved a 6-Star Green rating had 90% of demolition waste recycled during its construction. As well as setting a new benchmark in sustainable design, the building has delivered measurable environmental improvements and social benefits. The Mason Bro. Building uses 70% less water and 35% less energy than similar benchmark buildings. In addition, the building occupiers benefit from an 8% increase in occupant productivity and up to a 25% reduction in absenteeism. Over its lifespan, the building will reduce greenhouse gas emissions by over 3,000 tonnes when compared to an equivalent benchmark building.



Economic activity and opportunity.

Our approach

As the largest owner and developer of premium inner-city business space in Auckland and Wellington, Precinct generates economic activity and opportunity as a direct result of its investment and management decisions. This includes the contribution Precinct has on Gross Domestic Product (GDP), local spending of investment capital (foreign and domestic), employment in the labour market and contracting services through Precinct's day-to-day operations.

Disclosure of our financial performance can be found in the results overview section on page 16 and in Precinct's financial statements on pages 70 to 96.

Disclosure on our ethical business practices, including our Code of Ethics and Financial Products Dealing Policy is reported in the corporate governance section of this report. Our Code of Ethics includes a whistle-blowing clause for reporting unethical or unlawful behaviour and the full code can be found on our website at www.precinct.co.nz in the corporate governance section, along with our Financial Product Dealing Policy and other key governance documents.

Knowledge for future success:

Precinct continues to learn from the investment and management decisions it makes.

We are focused on improving our business practices and disclosures. The Board of Precinct are responsible for monitoring the effectiveness of the company's governance practices, making changes as needed and ensuring that the company has appropriate policies and procedures in place.

Performance

Economic Contribution:

Job creation for the local economy

Circa 150 FTE employees across Precinct, Generator and Commercial Bay Hospitality businesses

Construction person-hours

850,000 contractor hours during FY22

Financial Contribution:

Occupancy and secure income stream

99%

Target \geq 98% (FY21: 98%)

Annualised 5-year dividend growth

3.65%

Target long term sustainable returns to shareholders

Interest paid to Bondholders

Information on Precinct's website at:

<https://www.precinct.co.nz/investors/bondholder-information>

MSCI rating

BBB

Target A or better

FTSE EPRA Nareit Indexes

Precinct is a constituent of the FTSE EPRA Nareit Global Real Estate Index and FTSE EPRA Nareit Green Indexes, which represent general trends in eligible real estate equities worldwide.

Maintain best practice policies and culture of ethical business practice

Precinct constantly strives to act ethically and honestly in its business dealings and interactions. This is only possible when its people including directors, employees, contractors or consultants act in an ethical, fair and honest way. All of our employees have access to our code of ethics and when new employees join it forms part of their induction pack. Staff training is also delivered each year and includes ethics-related topics to promote awareness to the ethical practices in the company and ensure a positive culture at Precinct. No ethics related issues were reported via any whistle-blowing channels during the last financial year.

Sustainability report. *(Continued)*



Clients, workers and staff wellbeing.

Our approach

Client, worker and staff wellbeing is centred around quality space – a healthy environment where positive social outcomes and economic success is achieved. Precinct contributes to the wellbeing of its clients, clients' workers and its own staff through the design of its buildings and management of its relationships with clients. Precinct is also directly linked to the wellbeing of workers via procurement and contracting practices.

Health and safety is a key topic component here. It is one of Precinct's core corporate values. We are committed to complying with all relevant legislation, regulations and standards. Our business is actively embedding a positive health and safety culture. Precinct is working collaboratively with our contractors and stakeholders to implement market leading health and safety measures across all Precinct sites and offices

Achieving a diverse and highly inclusive workforce is also a key part of the overall wellbeing for our people. Precinct recognises that diversity includes, but is not limited to, gender, age, disability, ethnicity, marital or family status, socio-economic background, religious or cultural background, sexual orientation and gender identity. Our approach to managing diversity is guided by our Diversity and Inclusion Policy (available at www.precinct.co.nz in the corporate documents under the corporate governance section).

Knowledge for future success:

Our key measures of client wellbeing include the things we work to deliver to enhance client satisfaction, such as amenities, service levels and location; and the things that our clients tell us are important to their wellbeing. Based on client feedback we are continuing to learn and develop our understanding of the things our clients value.

With the ongoing effects of the Covid-19 pandemic present, more sustainable buildings with better air quality are attracting occupiers who are placing a greater importance on the health and wellbeing of employees. We are seeing first-hand the positive results of Precinct's high quality space in our leasing activity when attracting and retaining clients within our portfolio.

Throughout the Covid-19 pandemic, we have enhanced our health, safety and wellbeing programme and launched Precinct's Staff Health and Safety Program during the year. We understand the importance of supporting our people. This is a key focus for our business going forward.

Performance

Overall client satisfaction score

87%

Target ≥80% (FY20: 70%)

Portfolio value of Green Assets

\$1,699M

Eligible assets which meet the criteria as per the Green Asset table on page 57 of this report.

Improve diversity across the whole business, position (employee level) and Board, and also monitor and improve age, ethnicity and flexible working arrangements and parental leave by gender

Our diversity performance is reported in the corporate governance section of this report on page 42.

Client satisfaction survey

Client feedback from independently run client satisfaction surveys helps us understand and improve client wellbeing. Conducted every two years, the most recent survey was undertaken in August 2021.

Results from our survey show that overall satisfaction of working in a Precinct-owned and managed building is 87%, with the majority of clients indicating they are very satisfied.

- **The quality of light and air was rated the most valuable to health and wellbeing, as well as access to end of trip facilities.**
- **Motivation, collaboration and social interaction are the main reasons why clients work in the office.**
- **40% of clients think that being a low carbon emission organisation is very important to their business.**



Sustainability report. *(Continued)*

Health and safety

In addition to regular external audit and monitoring by health and safety specialists Construct Health Limited, Precinct also engages third party reviews of its health and safety processes every two years. During 2021, Precinct undertook a comprehensive review of its health and safety policy and processes with Beca and has implemented all of the high priority recommendations that were identified. This included recruiting a dedicated senior H&S professional, expanding the participation of Precinct employees through a programme of quarterly H&S informal check-ins and developing a three pillar strategy for an annual staff campaign.

In 2022 we engaged an external consultant, Pillar Consulting, to undertake a gap analysis of the Generator health and safety systems with a view to aligning them with Precinct. The recommendations from that review have now been received and we are working through the implementation of the high-priority actions.

Incident monitoring and reporting

We recorded 342 health and safety incidents in the year compared to 281 reported in FY21. This is an approximately 22% increase in reported incidents. Precinct's recorded incidents include observations, near misses, first aid injuries, medical treatment injuries and lost time injuries. Recorded incidents also include security and property damage incidents.

Two incidents met the threshold of WorkSafe notifiable incidents. The two incidents occurred at the 40 Bowen Street and One Queen Street development sites. These incidents were both immediately reported to WorkSafe by Precinct's appointed main contractor who has primary responsibility for the sites and WorkSafe has decided not to investigate further.

A total of 72 (21%) recorded incidents occurred on our stabilised property portfolio (office portfolio). Our development sites, which are managed by the Precinct-appointed main contractor recorded 156 incidents (46%). The rise in the development site incidents indicates the increased workflow in the construction phase of One Queen Street and Bowen Campus (Stage 2), in addition to Wynyard Quarter (Stage 3) and Bowen House starting significant construction work.

The Commercial Bay Retail precinct has recorded 103 (30%) incidents in this period. The majority of these retail incidents comprise security incidents (36%), property damage (27%) and observations (15%). The others are made up of minor incidents like near miss and first aid. Precinct continues to work with our retail stakeholders to mitigate any new risks and collaborates closely with authorities, our security provider and neighbouring business precincts (Britomart and Viaduct Harbour) to provide a safe and enjoyable experience in Commercial Bay.

Generator and Precinct staff recorded 11 incidents during the year. Over the next year Precinct will focus on creating awareness among staff to recognise and report near miss incidents, hazards and any early report of pain and discomfort.



We continue to support Mates in Construction and Precinct is part of the Private Sector Advisory Group for Construction Health and Safety New Zealand (CHASNZ).

Benchmarking our performance

Precinct's Total Recordable Injury Frequency Rate (TRIFR)

During the year Precinct has engaged with our contractors to achieve safer workplaces and safer methods of undertaking various tasks. As a part of that engagement, we worked with our contractors to record accurately and improve tracking of our frequency rates for all our fitout and development projects. For the year ended 30 June 2022, Precinct recorded 3.63 for its health and safety TRIFR performance, an improvement on the benchmark TRIFR of 4.51 from the Business Leaders' Health and Safety Forum benchmarking initiative. More details can be found at: <https://forum.org.nz/resources/benchmarking-project/>

Precinct has chosen to use the Business Leaders' Health and Safety Forum Benchmarking initiative to report its TRIFR against. The Forum's annual Benchmarking project enables participating members to compare their performance with that of peers and others outside their industry. Construction is one of the sectors included. In 2021, 79 members took part in the benchmarking compared with 74 in 2020. The hours worked (sample size) was 199 million hours worked for employees and 45 million hours worked for contractors.

The initiative uses internationally-recognised definitions developed by the US Occupational Safety and Health Administration (OSHA) for injuries, and all frequency rates are based on 200,000 hours worked. The TRIFR includes all recordable injuries/illnesses (Medical Treatment Injury, Restricted Work Injury or Illness and Lost Time Injury). In the absence of a readily available and publicly reported benchmark for non-residential construction in New Zealand, we believe the Business Leaders' Health and Safety Forum Benchmarking initiative is an appropriate measure to record Precinct's health and safety performance against and track our progress.

Onsite audit score**98% One Queen Street**

Target ≥90% (FY21: 99%)

96% Bowen Campus (Stage 2)

Target ≥90% (FY21: 95%)

97% Bowen House

Target ≥90% (FY21: N/A)

97% Wynyard Quarter (Stage 3)

Target ≥90% (FY21: N/A)

Over 80 principal audit and monitoring inspections were undertaken by Construct Health during FY22. All development sites scored over 95%. Any corrective actions identified in the audits were promptly rectified.

Precinct staff health and safety program

Earlier this year, Precinct launched its Staff Health and Safety Program. The program aims to provide a work environment that prioritises health and wellbeing with training, workshops and resources to make everyone in our offices feel connected and supported. This year these areas of focus are COVID, physical safety and mental wellbeing.

This is an extension to the monthly Health and Safety Committee meetings which are another opportunity to engage and hear from all our people in our business on the topic of health, safety and wellbeing. To encourage staff to actively engage on health and safety initiatives, we have also established a series of quarterly informal H&S catch-ups with all teams in the Generator and Precinct offices in both Auckland and Wellington. These sessions are a platform to discuss and develop initiatives that will have a significant impact on the quality of staff engagement with Precinct.

Precinct's Health and Safety Policy can be found on Precinct's website in the corporate governance section.

<https://www.precinct.co.nz/corporate-governance>

Focus on physical safety

We are increasing our focus on the physical wellbeing of our office staff to prevent and/or reduce incidents of musculoskeletal disorder due to excessive seating or repetitive tasks. Precinct has partnered with EAP to provide additional knowledge and workstation assessments to improve employee comfort.

Focus on mental wellbeing

A series of mental wellbeing initiatives have been planned to encourage and support meaningful connection between colleagues including the "Take a break, Take a mate" campaign where all staff were given a voucher for two hot drinks. This was to encourage staff to take a breather and enjoy a coffee with their colleagues.

Given the current rising cost of living, Precinct is exploring strategies to support staff by bringing in experts to provide guidance on budgeting, investments and general financial health.

Precinct continues to prioritise staff wellbeing by providing fresh fruit in the office, running bootcamps in Auckland and offering gym memberships to employees in the Wellington office.

To integrate wellbeing into all levels of Precinct operations, we have created a Wellbeing Policy that will provide guidance to develop strategic interventions to enhance the current suite of initiatives.

The Employee Assistance Programme ("EAP") is promoted within the businesses and is used on a regular basis. A review of the EAP annual data suggests that, of the 17 staff that availed the services, 22% reported work issues causing concern and 78% reported personal issues causing concern.

The Commercial Bay Club design their programmes with a focus on: wellbeing; professional networking; social activities; and services (such as retail discounts). All Precinct and Generator staff in Auckland are entitled to join the Commercial Bay Club at no cost, as are all workers in the Commercial Bay precinct (including HSBC Tower and AON Centre).

Some of the activities that fall under these different focus areas include weekly fitness, yoga, pilates classes, meditation and speakers with expertise in resilience. Professional networking opportunities included speakers such as Rob Campbell, Theresa Gattung and Dr. Michelle Dickinson.

Board of directors.



From left to right: Chris Judd, Graeme Wong, Nicola Greer, Mark Tume and Craig Stobo. Absent from image: Anne Urlwin and Mohammed Al Nuaimi.

Craig Stobo

Chair, Director, Independent, BA (Hons) First Class Economics, CFinStD, Associate Member CFA Society NZ

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) and NZ Windfarms Limited and a director of a number of private companies including Saturn Portfolio Management, Elevation Capital Management and Biomarine Limited. He was formerly a director of AIG Insurance New Zealand Limited. He was formerly a director of Fliway Group.

Anne Urlwin

Director, Independent, BCom, FCA, CFinStD, MAICD, ACIS, FNZIM

Anne is a professional director with experience in a range of sectors including construction, infrastructure, telecommunications, renewable energy, health and financial services.

She is a director of Summerset Group Holdings Limited, Queenstown Airport Corporation Limited, City Rail Link Limited, Ventia Services Group Limited and Vector Limited.

Anne is a chartered accountant and is a former Chair of national commercial construction group Naylor Love and of the New Zealand Blood Service, and a former director of Chorus Limited and Tilt Renewables Limited.

Graeme Wong

Director, Independent, BCA (HONS) Bus Admin, INFINZ (Fellow), CFinstD

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 Tourism Holdings Limited, 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 Chair of Harbour Asset Management Limited and director of Southern Capital Partners (NZ) Limited together with a number of other private companies. He is also a member of the Trust Board of Samuel Marsden Collegiate School.

Nicola Greer

Director, Independent, MCom (Hons)

Nicola is a professional company director. She has extensive experience in New Zealand, Australia and the UK in the banking and finance sectors, previously holding a range of roles within financial markets and asset and liability management at ANZ, Citibank and Goldman Sachs. She has a significant background in the New Zealand commercial property market, developing and owning commercial property across a variety of sectors. Nicola is currently a director of Airways Corporation, Fidelity Life Assurance Ltd, South Port NZ, New Zealand Railways Corporation, and is a member of the New Zealand Markets Disciplinary Tribunal.

Mark Tume

Director, Independent, BBS, Dip Bkg Stud

Mark has governance experience with both public and private companies across the infrastructure, energy, and investment sectors in Australia and New Zealand. He is the Chair of Te Atiawa Iwi Holdings, and a director of Infracore and Retire Australia Pty. He was previously Chair of Ngai Tahu Holdings Corporation and Infracore.

Christopher Judd

Director, Independent

Chris Judd has over 32 years' experience in the property industry including a 17 year association with property and property funds in New Zealand in both public and private markets. Chris has had various senior executive leadership roles including Head of Real Estate Funds Management for AMP Capital Australia with executive and governance responsibilities in Australia and New Zealand for a A\$20b+ platform. More recently Chris consulted to Blackstone Real Estate Australia. 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 was a member of the International and Capital Markets Division Committee.

Mohammed Al Nuaimi ²

Director, Shareholder Appointee, CFA

Mohammed Al Nuaimi has been appointed as a representative of Haumi Company Limited.

Mohammed is a Senior 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 in the AsiaPacific investment team covering Australia and New Zealand.

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

As Mohammed has been appointed under a provision in the constitution which allows a shareholder holding more than 15% of the Company's shares to appoint one director, he is not required to retire in accordance with Rule 2.7.1.

2. Aditya Bhargava is the alternate Director for Mohammed Al Nuaimi.

Executive team.



From left to right: George Crawford, Scott Pritchard, Nicola McArthur, Tim Woods, Richard Hilder and Anthony Randell. Absent from image: Emma de Vries.

Scott Pritchard

Chief Executive Officer

Scott has led the team since 2010 being responsible for the overall strategy and operations of Precinct. Scott has extensive 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 Master's degree in Management from Massey University. He is National Chair of Property Council New Zealand and a Trustee of the Tania Dalton Foundation.

George Crawford

Deputy Chief Executive Officer

George joined Precinct in 2010. Initially appointed as Chief Financial Officer, George then held the role of Chief Operating Officer for 5 years before taking on his current role. George plays a leading role in setting Precinct's strategy as well as development and major projects and leads Precinct's investment into shared workspace provider Generator. He has oversight of commercial transactions across the business, as well as responsibility for business growth.

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

George has a Bachelor of Science (Honours) degree from The University of Edinburgh and qualified as a Chartered Accountant in the United Kingdom. He is Chair of Keystone Trust.

Richard Hilder

Chief Financial Officer

Richard was appointed Chief Financial Officer in 2017. Prior to this he held the role of General Manager of Finance. He 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. Richard is also the Chair of Precinct's Sustainability Committee which encompasses ESG topics material to Precinct.

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.

Nicola McArthur

General Manager – Marketing, Communications and Experience

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 and communications strategies across Precinct's investment portfolio, including Commercial Bay Retail and Generator, and Precinct's development portfolio. Nicola also leads Precinct's brand and communication strategies, ensuring there is a positive presence and understanding in the market. Maintaining optimum levels of communication with our clients, key stakeholders and consumers is another key area for Nicola and her team. 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.

Tim Woods

General Manager – Development

As General Manager – Development Tim has overall responsibility for Precinct's development projects including One Queen Street and Wynyard Quarter in Auckland and Bowen Campus in Wellington. Tim also has a shared responsibility for progressing new development opportunities for Precinct. Tim has worked in the property industry for the past 25 years in both the UK and New Zealand. Tim has been with Precinct for over 5 years and previous roles include leading the development arm of a large New Zealand property consultancy firm. In the UK, Tim held senior roles with a number of leading UK property companies across consultancy and construction companies. Tim holds a Bachelor of Engineering (Hons) (Structural & Civil) degree and a Masters in Business Administration (Hons) from Auckland University.

Anthony Randell

General Manager – Property

As the General Manager – Property, Anthony leads the Auckland, Wellington, and retail property teams and has responsibility for the performance of the Precinct portfolio. Anthony joined Precinct in 2011 as an Investment and Development Analyst. In 2015, Anthony transitioned to the development team being appointed as the Development Manager responsible for the delivery of Commercial Bay's PwC office tower. Prior to being appointed to his current role, Anthony was the Auckland Portfolio Manager responsible for the investment performance of the Auckland Portfolio.

Anthony has a Bachelor of Business Studies (Valuation and Property Management) from Massey University. He is a Registered Valuer and began his career as a commercial valuer, working at Colliers International for 4 years.

Emma de Vries

General Manager – People and Culture

Emma joined Precinct Properties in July 2021 as the People and Culture Manager and was appointed the General Manager - People and Culture in July 2022. Emma has previously held HR positions in the media, construction, and the public service sectors.

Emma is responsible for developing and executing Precinct's people and culture strategy, with a particular focus on building culture, performance and development, diversity and inclusion and employee wellbeing.

Emma holds a Bachelor of Business from Auckland University of Technology and a Post Graduate Diploma in Business Administration from Auckland University.

5 year summary.

(Amounts in \$ millions unless otherwise stated)	2018	2019	2020	2021	2022
Financial performance					
Gross rental revenue	130.7	135.7	151.8	199.8	200.3
Less direct operating expenses	(35.4)	(40.4)	(46.0)	(72.1)	(70.9)
Operating profit before indirect expenses	95.3	95.3	105.8	127.7	129.4
Net interest expense	(2.2)	(1.7)	(5.0)	(27.2)	(23.9)
Other expenses	(10.2)	(15.8)	(13.3)	(17.5)	(10.2)
Operating income before income tax	82.9	77.8	87.5	83.0	95.3
Non operating income / (expense)					
Unrealised net gain in value of investment and development properties	208.7	161.7	(66.3)	282.9	19.4
Other non operating income	(11.1)	(37.7)	12.0	(219.9)	14.6
Net profit before taxation	280.5	201.8	33.2	146.0	129.3
Current tax expense	(6.3)	(0.1)	(5.0)	67.8	7.0
Depreciation recovered on sale expense	-	(10.7)	(1.4)	(10.5)	-
Deferred tax benefit / (expense)	(17.0)	0.3	3.4	(15.6)	(26.3)
Total taxation (expense) / benefit	(23.3)	(10.5)	(3.0)	41.7	(19.3)
Share of profit or (loss) of joint ventures	(2.3)	(1.1)	-	-	-
Net profit after taxation (NPAT)	254.9	190.2	30.2	187.7	110.0
Total other comprehensive income / (expense)		0.2	4.9	(7.8)	(1.2)
Total comprehensive income after tax attributable to equity holders	254.9	190.4	35.1	179.9	108.8
Dividends					
Net dividend (cents)	5.80	6.00	6.30	6.50	6.70
Reconciliation from NPAT to Adjusted funds from operations					
Net profit after taxation (NPAT)	254.9	190.2	30.2	187.7	110.0
Unrealised net (gain) / loss in value of investment and development properties	(208.7)	(161.7)	66.3	(282.9)	(19.4)
Unrealised net (gain) / loss on financial instruments	11.1	44.3	1.9	(19.7)	(33.1)
Net realised loss on sale of investment properties	-	1.7	2.5	2.4	0.2
Termination of management services agreement	-	-	-	217.1	-
Impairment of goodwill	-	-	-	9.8	6.8
Net realised (gain) on disposal of investment in joint venture	-	(6.6)	-	-	-
Depreciation - property, plant and equipment	-	0.3	1.1	1.4	2.2
Depreciation recovered on sale	-	10.7	1.4	10.5	-
Deferred tax (benefit) / expense	17.0	(0.3)	(3.4)	15.7	26.3
IFRS 16 lease adjustments	-	-	2.3	1.9	1.7
Share-based payments scheme	-	-	-	-	1.2
Generator (profit) / loss	2.3	1.1	-	-	-
Funds from operations (FFO)					
Less: Liquidated damages revenue (net of tax)	-	(1.4)	(19.2)	-	-
Tax from management services termination payment				(60.8)	-
Swap closeout relating to ANZ Centre Sale				3.0	-
One off item - project initialisation costs				0.7	0.7
Addback: Amortisations	7.2	7.1	7.9	13.8	14.7
Straightline rents	(0.4)	(0.3)	(0.5)	(4.0)	(3.8)
Funds from operations	83.4	85.1	90.5	96.6	107.5
Funds from operations (cents)	6.88	6.82	6.89	7.34	6.89
Dividend payout ratio based on FFO (%)	84.3	88.0	91.4	88.6	97.2
Adjusted funds from operations (AFFO)					

(Amounts in \$ millions unless otherwise stated)	2018	2019	2020	2021	2022
Less: Maintenance capex	(4.9)	(7.2)	(5.0)	(4.0)	(2.3)
Less: Incentives and leasing costs	(8.3)	(3.9)	(2.8)	(7.3)	(3.7)
Adjusted funds from operations	70.2	74.0	82.7	85.3	101.5
Adjusted funds from operations (cents)	5.80	5.94	6.29	6.48	6.51
Dividend payout ratio based on AFFO (%)	100.0	101.0	100.0	100.3	102.9
(Amounts in \$ millions unless otherwise stated)	2018	2019	2020	2021	2022
Financial position					
Total investment assets	1,678.8	1,870.5	2,800.1	3,076.4	3,126.2
Total development assets	838.1	923.2	190.6	232.4	544.0
Other assets	44.8	97.7	194.5	147.6	169.0
Total assets	2,561.7	2,891.4	3,185.2	3,456.4	3,839.2
Interest bearing liabilities	761.7	758.4	1,028.9	1,096.1	1,275.8
Other liabilities	109.3	177.8	247.9	139.7	127.9
Total liabilities	871.0	936.2	1,276.8	1,235.8	1,403.7
Total equity	1,690.7	1,955.2	1,908.4	2,220.6	2,435.5
Number of shares (m)	1,211.1	1,313.8	1,313.8	1,458.5	1,585.4
Weighted average number of shares (m)	1,211.1	1,246.7	1,313.8	1,316.5	1,559.2
Net tangible assets per share (cps)	1.40	1.47	1.44	1.52	1.54
Net asset value per security (cps)	1.40	1.49	1.45	1.52	1.54
Share price at 30 June (\$)	1.35	1.77	1.57	1.60	1.37
Covenants					
Loan to value ratio (%)	25.0	22.4	28.8	28.2	34.3
Interest coverage ratio	2.4	2.0	2.4	2.4	2.5
Key portfolio metrics					
Average portfolio cap rate (%)	5.8	5.7	5.3	4.8	4.9
Weighted average lease term (years)	8.7 ¹	9.0	8.0	7.7	7.1
Occupancy (% by NLA)	99	99	98	98	99
Net lettable area (sqm)	221,513	232,210	269,901	266,248	268,102
Number of investment properties	12	14	14	16	16

¹ Includes developments.

Definition - Funds from operations (FFO) and Adjusted funds from operations (AFFO) are a non-IFRS earnings measure developed for real estate entities.

Funds from operations (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) 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.

Precinct's dividend policy

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

GRI content index.

General disclosures

Disclosures Title	GRI No.	Location/Reference or Information
Organisational details	2-1	Directory, P100
Entities included in the organisation's sustainability reporting	2-2	Precinct Properties New Zealand Limited
Reporting period, frequency and contact point	2-3	Precinct reports on sustainability annually along with its financial reporting. This report covers the period 1 July 2021 – 30 June 2022. This report was published on 18 August 2022. Questions about this report can be directed to: hello@precinct.co.nz
Restatements of information	2-4	None
External assurance	2-5	External assurance is sought only for Precinct's GHG inventory on P25. The ESG Committee is responsible for advising the Board on questions of assurance pertaining to sustainability-related information.
Activities, value chain and other business relationships	2-6	https://www.precinct.co.nz/about-us
Employees	2-7	Corporate Governance, P44
Workers who are not employees	2-8	Information unavailable (not held).
Governance structure and composition	2-9	Corporate Governance, P46; Sustainability Report, P21
Nomination and selection of the highest governance body	2-10	https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2021.pdf
Chair of the highest governance body	2-11	Corporate Governance, P46
Role of the highest governance body in overseeing the management of impacts	2-12	Sustainability Report, P21; Corporate Governance, P46 https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2022.pdf (ESG Committee Charter)
Delegation of responsibility for impacts	2-13	Sustainability Report, P21; Corporate Governance, P46 https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2022.pdf (ESG Committee Charter)
Role of highest governance body in sustainability reporting	2-14	Sustainability Report, P21 https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2022.pdf (ESG Committee Charter)
Conflicts of interest	2-15	https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2022.pdf
Communication of critical concerns	2-16	Corporate Governance, P46
Collective knowledge of the highest governance body	2-17	Message from the ESG Committee, P21
Evaluation of the performance of the highest governance body	2-18	Corporate Governance, P46
Remuneration policies	2-19	Remuneration Report, P58
Process to determine remuneration	2-20	Remuneration Report, P58
Annual total compensation ratio	2-21	Remuneration Report, P65
Statement on sustainable development strategy	2-22	Message from the ESG Committee, P21
Policy commitments	2-23	Chair's Report, P11; Corporate Governance, P43; Modern Slavery Policy: https://www.precinct.co.nz/web/assets/general/Modern-Slavery-policy-May-2022.pdf
Embedding policy commitments	2-24	Corporate Governance, P43-P45
Processes to remediate negative impacts	2-25	Impact remediation and grievance processes not developed. Intention to review and develop within 2-3 years.
Mechanisms for seeking advice and raising concerns	2-26	Whistleblower Policy available at: https://www.precinct.co.nz/web/assets/general/PCT-Corporate-Governance-Manual-2022.pdf
Compliance with laws and regulations	2-27	Precinct had no instances of compliance breaches or fines in the reporting year.
Membership associations	2-28	Sustainability Report, P26
Approach to stakeholder engagement	2-29	Sustainability Report, P21, P26
Collective bargaining agreements	2-30	Inline with New Zealand legislation, Precinct's employees are not covered by collective bargaining agreements, and employee working conditions and terms of employment are not based on collective bargaining agreements.

Material Topics

Disclosures Title	GRI No.	Location/Reference or Information
Process to determine material topics	3-1	Message from the ESG Committee, P21
List of material topics	3-2	Sustainability Report, P22
Climate Change		
Management of material topics	3-3	Climate Change, P24
Direct (Scope 1) GHG emissions	305-1	Climate Change, P25
Energy indirect (Scope 2) GHG emissions	305-2	Climate Change, P25
Other indirect (Scope 3) GHG emissions	305-3	Climate Change, 25
GHG emissions intensity	305-4	Climate Change, P25
Partnerships, Community Wellbeing and Vitality		
Management of material topics	3-3	Partnerships, Community Wellbeing and Vitality, P26
Operations with local community engagement, impacts assessments, and development programs	413-1	Partnerships, Community Wellbeing and Vitality, P26, P27
Depletion of natural resources and contribution to waste		
Management of material topics	3-3	Depletion of natural resources and contribution to waste, P28
Waste generation and significant waste-related impacts	306-1	Depletion of natural resources and contribution to waste, P28
Economic activity and opportunity		
Management of material topics	3-3	Economic activity and opportunity, P29
Significant indirect economic impacts	203-2	Economic activity and opportunity, P29
Client, worker and staff wellbeing		
Management of material topics	3-3	Client, worker and staff wellbeing, P30
Occupational health and safety management system	403-1	Client, worker and staff wellbeing, P30, P32, P33
Work-related injuries	403-9	Client, worker and staff wellbeing, P32, P33

Precinct has chosen to prepare its 2021 Annual Report in accordance with the updated Global Reporting Initiative (GRI) Standards 2021. The GRI Standards are the world's most widely used sustainability reporting standard.

The GRI index above shows where in this report information can be found about the indicators that are relevant to our business operations.



Corporate governance.

Introduction

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

Precinct's Corporate Governance Manual guides both the directors and the representatives of Precinct. It includes a Code of Ethics, Board and Committee Charters and Policies on Securities Trading, Audit Independence, Diversity and Inclusion, Continuous Disclosure, Takeover and Shareholder Communications.

This section of the Annual Report reflects the company's compliance with the requirements of NZX Corporate Governance Code. Precinct's 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 comply with the NZX Corporate Governance Code as at 30 June 2022. 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.

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's Code of Ethics and Financial Products Dealing Policy are set out in the Corporate Governance Manual and are compliant in all respects with the NZX Corporate Governance Code recommendations.

Code of Ethics – The purpose and intent of Precinct's Code of Ethics is to guide directors, 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.

Whistleblower Policy – Precinct's Corporate Governance Manual (which is available on Precinct's website) includes a whistleblowing policy for reporting unethical or unlawful behaviour.

Financial Product Dealing Policy – The Financial Product Dealing Policy applies to all directors and officers of Precinct and employees. No director, officer or employee may use their position of knowledge of Precinct or its business to engage in dealing with any Precinct listed financial products for personal benefit or to provide benefit to any third party.

Principle 2 – Board Composition and Performance

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

Precinct currently has seven directors, the majority of whom are independent (as defined by the NZX Listing Rules). Precinct undertakes a regular review of Board composition to ensure Board membership comprises a range of appropriate skills and experience so that it has a proper understanding of and competence to deal with the current and emerging issues of the business, can effectively review and challenge the performance of management and can exercise independent judgement. The Chair meets regularly with directors of Precinct to discuss individual performance of directors. The Board regularly reviews its performance as a whole. When considering the appointment of the two new directors in 2021, the Board reviewed the skills of each director and believes the individual expertise and experience of all current directors as set out in the Board of directors section of this report meet the objectives of Precinct.

All Precinct directors are non-executive and the Board composition and performance is compliant in all respects with the NZX Corporate Governance Code recommendations.

Precinct will notify the market of a reclassification of a non-independent director to independent director (or vice versa).

Independent Directors – We are committed to ensuring that a majority of directors are independent of Precinct, and do not have any interests, positions, associations or relationships which might interfere, or might be seen to interfere, with their ability to bring independent judgement to the issues before the Board. Having regard to the factors set out in the NZX Corporate Governance Code, as at 30 June 2022, the Board determined that the following persons were independent directors of Precinct: Craig Stobo, Graeme Wong, Anne Urtwin, Nicola Greer, Mark Tume and Chris Judd. Each of these directors is subject to appointment by Precinct shareholders and is required to retire by rotation. Independent director Launa Inman retired from the Board on 31 July 2021.

Non-Independent Director – Mohammed Al Nuiami is non-independent. Mohammed was appointed in 2013 as a director by AMP Haumi Management Limited pursuant to a provision in the constitution which grants the manager the right to appoint up to two directors. Following the termination of the management agreement in March 2021, Mohammed retained his Board position as a representative of Haumi Company Limited under a provision in the constitution which allows a shareholder holding more than 15% of the Company's shares to appoint one director. Aditya Bhargava acts as alternate director for Mohammed. Mohammed is not required by Precinct's constitution (or by rule 2.7.1 of the NZX Listing Rules) to retire by rotation.

Subsidiary Company Directors – The directors for each of Precinct's subsidiary companies are all executive appointments and as at 30 June 2022 are Scott Pritchard, George Crawford, Richard Hilder and Louise Rooney.

Corporate governance. *(Continued)*

Board Charter – Precinct's Corporate Governance Manual includes the Board's Charter which sets out the roles and responsibilities of the Board and management.

Board Appointment – The People and Performance Committee (previously Remuneration and Nomination Committee) assists the Board in planning its composition and is responsible for managing the Board's succession requirements and for nominating new director appointments. All directors enter into a written agreement setting out the terms of their appointment.

Independent Advice – Each director has access to independent advice from specialists and/or executives within Precinct, as a means of receiving assurance information and the entire Executive Team attends board meetings in order to provide information directly to the board. The CFO, Company Secretary and other relevant Precinct staff members have unfettered access to Board members at any time and without reference to the CEO.

Diversity and Inclusion Policy – Precinct's Diversity and Inclusion Policy is included in Precinct's Corporate Governance Manual and includes measurable objectives which are assessed annually. The Board has developed this policy with management to encourage a diverse and inclusive working environment at all levels of the organisation to recruit and retain the best talent from the widest pool of candidates and build a culture where diversity of gender, age, ethnicity, orientation, background, experience, skills, thought, ideas, styles and perspective are leveraged and valued.

The gender composition of directors, officers and management employees is as follows:

	30 June 2022		30 June 2021	
	Female	Male	Female	Male
Directors	2 (29%)	5 (71%)	2 (29%)	5 (71%)
Officers*	1 (17%)	5 (83%)	1 (17%)	5 (83%)
Management employees	39 (52%)	36 (48%)	31 (48%)	33 (52%)

* For the purposes of measuring and reporting gender diversity, the term 'officers' is defined as the CEO and those who report to the CEO. Post balance date, Emma de Vries became a direct report of the CEO and, as at 1 July 2022, the proportion of female officers is now 2 (29%) to 5 (71%) male officers.

Supporting the efforts to increase diversity across the management team are secondary policies and practices including the Equal Opportunities, Recruitment and Selection, Study Assistance and Remuneration Policies together with a Culture Charter and biennial 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	30 June 2022	30 June 2021	30 Jun 2020	30 June 2019
Gender				
% of female staff	54% (39)	48% (31)	50% (32)	44% (25)
Age range	19- 66	23 - 65	21 - 64	22 - 63

Additional employee disclosures under the new GRI Standards 2021 is provided in the table below. The numbers reported are by head count at the end of the reporting period (as at 30 June 2022). Precinct does not have any non-guaranteed hours employees and temporary employees are employees who are on fixed term agreements.

	30 June 2022	
	Female	Male
Management employees (Auckland)	35	31
Management employees (Wellington)	4	5
Management employees (permanent, Auckland)	34	30
Management employees (permanent, Wellington)	4	5
Management employees (temporary, Auckland)	1	1
Management employees (temporary, Wellington)	0	0
Management employees (full-time, Auckland)	29	30
Management employees (full-time, Wellington)	3	5
Management employees (part-time, Auckland)	5	0
Management employees (part-time, Wellington)	1	0

Board Performance – The Board regularly reviews its performance including its collective skills, knowledge, experience and perspectives to identify any shortcomings and ensure that it effectively governs the company and monitors performance in the interests of shareholders. This includes reviewing director tenure to ensure the independence majority is maintained. Directors undertake appropriate training to remain current on how to best perform their duties.

Meetings – A schedule of directors and their Board meeting attendance record for the year to 30 June 2022 is set out below.

Board of directors and attendance

Director	Independent director	Status	Date of appointment	Board meetings	Audit and Risk Com. meetings	People and Perf Com. meetings	Environment, Social and Governance Com. meetings
Number of meetings				6	4	5	2
Craig Stobo	Yes	Board Chair	4 May 2010	6	4	4	1
Mohammed Al Nuaimi#		Director	30 October 2013	2	n/a	n/a	n/a
Aditya Bhargava		Alternate Director for Mohammed Al Nuaimi	18 November 2020	0	n/a	n/a	n/a
Rob Campbell*	Yes	Director	2 April 2012	1	0	0	0
Nicola Greer	Yes	Environmental, Social and Governance Committee Chair	16 July 2021	6	4	n/a	2
Launa Inman**	Yes	Director	18 November 2015	n/a	n/a	n/a	n/a
Chris Judd	Yes	Director	29 April 2013	6	n/a	5	2
Mark Tume	Yes	Director	11 August 2021	6	4	n/a	n/a
Anne Urlwin	Yes	Audit and Risk Committee Chair	16 September 2019	5	4	5	n/a
Graeme Wong	Yes	People & Performance Committee Chair	1 November 2010	6	n/a	5	2

#Mohammed Al Nuaimi has been appointed as a representative of Haumi Company Limited. Haumi Company Limited has also nominated Declan Walsh as an observer to attend Precinct Board meetings. Declan Walsh attended two Board meetings as an observer.

*Rob Campbell retired from the Board of directors with effect from 11 August 2021.

**Launa Inman retired from the Board of directors with effect from 31 July 2021.

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 2022 there were three standing committees of the Board, being the Audit and Risk Committee, the People and Performance Committee (previously Remuneration and Nominations Committee) and the Environmental, Social and Governance Committee. Our Board committees are compliant in all respects with the NZX Corporate Governance Code recommendations. The charters that exist for each committee can be found in the Precinct Governance Manual together with Precinct's Takeover Policy.

The Audit and Risk Committee at balance date comprised Anne Urlwin as Chair, Craig Stobo, Nicola Greer and Mark Tume. The committee has a majority of independent directors and complies with recommendation 3.1. The committee was established to assist the Board in discharging its duties with respect to financial reporting, compliance and risk management. Employees may attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee. The Audit and Risk Committee supervises the financial information flows of Precinct to ensure accuracy and objectivity of financial summaries.

The Environment, Social and Governance ("ESG") Committee was established in May 2021 and at balance date comprised Nicola Greer as Chair, Craig Stobo, Graeme Wong and Chris Judd. The committee has a majority of independent directors and complies with recommendation 3.5.

During FY22 the ESG Committee held two committee meetings. Precinct's CEO, Deputy CEO, CFO, and other key representatives across the business also attend the meetings to set objectives, review Precinct's Climate Risk register, track updates and discuss and approve current and future strategic initiatives which help manage Precinct's impacts on the economy, environment and people.

As outlined in the ESG Committee Charter, the Chair of each meeting of the ESG Committee is required to report back to the Board on key points of discussion and present the recommendations of the ESG Committee at the next scheduled meeting of the Board, not being less than once a year. The Board continually evaluates the performance and work of the ESG Committee with the Chair of the ESG Board in regular contact with all Board members between meetings as part of its evaluation process. As part of this process, the Board shall undertake an annual review of the Environmental, Social and Governance Committee's objectives and activities in terms of its responsibilities as set out in the ESG Committee Charter.

Precinct's CFO is the Chair of Precinct's Sustainability Committee. The Sustainability Committee acts as custodian for Precinct's sustainability strategy and comprises representatives from across the business. The Committee is responsible for assessing, actioning and driving ESG issues, reviewing performance and considering Precinct's long-term strategy on sustainable activities across the business and reporting on its progress. Precinct's CFO will report any material matters or critical concerns arising to the

CEO and Deputy CEO which in turn will be reported back to the Board ESG Committee. There were no critical concerns communicated to the ESG Committee during the reporting period.

The People and Performance Committee (previously the Remuneration and Nomination Committee) at balance date comprised Graeme Wong as Chair, Craig Stobo, Chris Judd and Anne Urlwin. The committee has a majority of independent directors and complies with recommendation 3.3 and 3.4. The committee's purpose is to:

- provide guidance to the Board when approving the remuneration of directors and key management personnel;
- assist the Board in planning the Board's composition, evaluating competencies required of prospective directors and to make relevant recommendations to the Board; and
- oversee the company's people policies, practices and procedures.

Management only attend meetings of the committee by invitation.

The Due Diligence Committee is an ad hoc committee that is established by the Board from time to time to provide guidance and recommendations to the Board on the due diligence for any transaction of a significant size and/or complexity. A Due Diligence Process Memorandum is agreed each time the Committee is established setting out its duties, responsibilities and scope.

One Due Diligence Committee was established during the year to consider the Senior Green Bond issue (PCT040). The Due Diligence Committee for the green bond issue met once during the year and comprised Anne Urlwin as Chair, Nicola Greer, Craig Stobo and Graeme Wong.

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 and is compliant in all respects with the NZX Corporate Governance Code recommendations. A copy of Precinct's Continuous Disclosure Policy can be found in the Precinct Governance Manual.

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
- Risk management
- Sustainability framework, and
- Remuneration framework.

Precinct reports against the updated Global Reporting Initiative (GRI) Standards 2021, shown in the Sustainability Report.

Precinct manages and oversees risks internally within our organisation based on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. An overview of our highest rated physical and transition climate related risks are presented in our Taskforce on Climate-related Financial Disclosures (TCFD) framework which can be found on our website. Climate-related risks are included in Precinct's Risk Register which forms part of the Audit & Risk papers, ensuring that Precinct's climate risks are appropriately reviewed and assessed and receive regular oversight via the Audit and Risk Committee.

Principle 5 – Remuneration

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

Following the internalisation of the management of Precinct in 2021, additional disclosures have been made in our Remuneration Report to ensure that remuneration of both directors and management personnel is transparent, fair and reasonable by aligning it with interests of the company and its shareholders.

Director remuneration was reviewed during 2021 by independent advisors, PwC. At the Company's AGM in November 2021, shareholders approved an increase in the People and Performance Committee fees to align these to the approved fees for the Audit and Risk Committee. Following the establishment of the Environment, Social & Governance Committee in 2021, the shareholders also approved Chair and Member fees for the Environmental, Social & Governance Committee consistent with the Audit and Risk and People and Performance Committee fees. In accordance with best practice, the Company also introduced at the 2021 AGM a cap on the aggregate ad hoc fees that can be paid in respect of Due Diligence Committees in any one year. Any Due Diligence Committee fees in excess of the proposed annual cap must be put to shareholders for approval.

Our remuneration practices are compliant with the NZX Corporate Governance Code recommendations.

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 business and complies with the NZX Governance Code recommendations in all respects.

Risk Register – A Risk Register is maintained 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 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 – Our Financial Risk Management Policy details our 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 – Insurance cover is in place for insurable liability and general business risk. The primary objective of our 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 – Ernst & Young (EY) are engaged during the year to audit and review our financial statements.

Health and Safety – Health and safety policies are embedded throughout the business and overseen by Management's Health and Safety Committee. Reporting and escalation processes are in place to the Audit and Risk Committee and the Board.

More detail on how Precinct manages its key business risks can be found under Risk Management in this 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. We do not have a dedicated internal audit resource but we do maintain an annual audit programme, which is overseen by the CFO and draws on the expertise of consultants and employees. 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 is compliant with the NZX Corporate Governance Code and 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 continued appointment of Precinct's external auditors is to be confirmed annually by the Audit and Risk Committee. Rotation of Precinct's client service partner and the lead and concurring audit partners of Precinct and its subsidiaries will be required every five years with suitable succession planning to ensure consistency.

Corporate governance. *(Continued)*

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand (CAANZ) to evidence their competence, as well as attend Precinct's annual meeting to answer questions from shareholders in relation to the audit.

Precinct's audit firm EY also provided other assurance services which include agreed upon procedures in respect of operating expense statement review and green bond assurance.

The first year of appointment of audit firm EY was 1997 and the first year of appointment of the current engagement partner, Emma Winsloe (EY), was 2018. Susan Jones (EY) will take over as engagement partner from 1 July 2022. Potential conflicts are resolved on a case by case basis between auditing and other accounting services provided by EY. Former partners of EY will not be appointed as directors of Precinct so long as EY continues to audit Precinct.

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. Financial and operational information and key corporate governance information (including Precinct's Shareholder Communications Policy) can be accessed at www.precinct.co.nz.

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 accurate continuous disclosure to the NZX.

Precinct shareholder approval of major decisions which may change the nature of Precinct is sought. In 2021 Precinct lodged a copy of its notice of annual meeting on its website at least 20 working days prior to its annual meeting of shareholders.

NZ RegCo Rulings and Waivers

Precinct did not rely on any NZ RegCo Rulings or Waivers during the year to 30 June 2022.

Non-standard Designation

Precinct's constitution previously contained a limited number of provisions not ordinarily contained in the constitution of an NZX listed company, arising from its previous external management structure. For the year to 30 June 2022, Precinct had a non-standard designation by NZ RegCo due to the inclusion of these provisions in its constitution. These non-standard provisions were removed in the revised constitution approved by shareholders at the 2021 AGM and Precinct has now asked NZ RegCo to remove this designation.

The 2022 Annual General Meeting (AGM) of shareholders is scheduled for: 3 November 2022

It will be a hybrid (physical and virtual) Shareholder Meeting with more details on the meeting to be provided in the coming months.

Risk Management

Our Approach

Precinct has carried out a robust risk assessment process and 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			<ul style="list-style-type: none"> 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			<ul style="list-style-type: none"> Delegated authority in assessing effectiveness of internal controls and risk management processes Delegated authority to regularly oversee and review the Risk Register
Executive			<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Implement and maintain risk management policies Create an environment that embraces risk management Audit and monitor all live sites
Contractors	Employees	Other	<ul style="list-style-type: none"> 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	Change	Movement in the period
<p>Economy and property market</p> <p>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 values and amount of income generated by them.</p> <p>Occupier market and client default</p> <p>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.</p>	<p>Maintain a proactive and strategic approach to manage property risks it can influence.</p> <p>Providing quality premises matched by high service levels and building strong relationships.</p> <p>Undertake annual business planning process to review the portfolio and help mitigate these risks.</p>	<p>▲</p>	<p>The New Zealand economy has continued to be impacted by COVID-19 disruptions over the past 12 months, with the expectation the economy will slow down over the medium term.</p> <p>Rising interest rates has resulted in market capitalisation rates remaining flat or softening during the year. While interest rate volatility has resulted in movements in the property sector, both the Auckland and Wellington property markets where Precinct operate in remain robust.</p> <p>Demand continues to be strong for accommodation in high quality, well-located assets.</p>

Corporate governance. *(Continued)*

Risks and impacts	How we manage the risk	Change	Movement in the period
<p>Insurance risk</p> <p>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.</p>	<p>Engage directly with a wide range of local and international insurers.</p> <p>Ensure the insurance market has a good understanding of the portfolio and its risks.</p>	▶	<p>Precinct continues to proactively engage with the insurance market on renewals and continues to secure coverage.</p>
<p>Climate risk</p> <p>Climate risk includes physical risks (acute and chronic) and transitional risks.</p> <p>Physical risks could include events such as flooding, severity and frequency of storms and sea level rise. These risks could reduce revenue, increase maintenance capex and reduce asset values.</p> <p>Transitional risks include risks of transitioning to a low carbon economy including regulatory change. These risks could reduce the demand for Precinct's products or increase compliance costs.</p>	<p>Precinct's Sustainability Committee acts as the custodian for Precinct's sustainability strategy and comprises representatives from various parts of our business. Precinct also has a Board ESG Committee.</p> <p>Both committees meets frequently during the year and are responsible for assessing, actioning and driving ESG issues, reviewing performance and considering Precinct's long-term strategy on sustainable activities across the business and reporting on its progress. An update is included in the Board papers on an ongoing basis including Precinct's climate risk register.</p>	▲	<p>Precinct recognises sustainability and climate risk is an important part of the ongoing operation of our business activities. We have continued to progress a number of sustainability initiatives during the period with a focus on improving Precinct's operational performance. The business also remains focused on its ongoing disclosure of its ESG topics material to Precinct.</p>
Internal			
Risks and impacts	How we manage the risk	Change	Movement in the period
Development			
<p>Development risk</p> <p>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.</p>	<p>Ensure expected returns from developments adequately compensate Precinct for the level of risk undertaken before approval. Through due diligence, Precinct understands the project risks before commitment. Before commitment, ensure funding is in place and committed gearing stays 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.</p>	▲	<p>An appropriate level of development activity is underway however the risk has been reduced through high levels of pre-commit leasing secured and fixed price contract agreements in place.</p> <p>Supply chain constraints, material shortages and high demand continues to drive significant cost escalation.</p>
Financial			
<p>Interest rate management</p> <p>Interest rate risk arises through changes in interest rate market conditions leading to earnings volatility or breach of interest cover covenant levels.</p>	<p>Manage by aligning the interest rate re-pricing profile with the re-pricing profile of Precinct's gross rental income.</p> <p>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.</p>	▲	<p>Interest rates have remained relatively low for the first half of the 2022 financial year with interest rates increasing more recently. The RBNZ has reaffirmed that they are planning to continue to raise the cash rate to a level where they are confident that inflation will settle within the 1% to 3% target range due to the current economic conditions.</p>

Risks and impacts	How we manage the risk	Change	Movement in the period
<p>Refinancing risk (liquidity) Having insufficient funds to refinance debt when it falls due and sustain the ongoing operations of the business.</p>	<p>Implemented a Financial Risk Management Policy in 2011 which is reviewed annually providing a clear framework 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.</p>	▼	<p>Precinct committed to a new \$300 million bank debt facility during the period and continues to maintain sufficient funding capacity to deliver our committed developments.</p>
<p>Gearing levels An increase in gearing levels outside suitable industry standards could increase the risk of breaching financing covenants and may increase borrowing costs.</p>	<p>Precincts Financial Risk Management Policy is reviewed annually. Ensure no capital commitment is entered into without funding in place. Maintain adequate headroom in relation to gearing covenants to withstand portfolio devaluations which may be anticipated through the property cycle.</p>	▶	<p>Gearing levels remain within internal policy parameters due to Precinct's proactive funding strategy.</p>
People			
<p>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.</p>	<p>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.</p>	▲	<p>As borders have opened, the New Zealand employment market is now experiencing a high movement of skills abroad with the COVID-19 pandemic seeming to have accelerated the movement. Our staff remain a key focus for the business with a number of promotions, training and development occurring during the year.</p>
<p>Health and safety Unsafe work environments may lead to accidents (employees, clients, contractors and visitors) resulting in harm to people, financial loss and/or business continuity.</p>	<p>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. Monitor any live sites to ensure oversight of Health and Safety matters. Ensure contractor pre-qualification. Provide training and KPIs for all Precinct staff. Dedicated Senior Health & Safety Adviser employed by Precinct.</p>	▲	<p>Appropriate monitoring and reporting continue to be implemented and refined to mitigate any potential risk. Further information on Health and Safety is included in the Sustainability Report.</p>
<p>Modern Slavery Precinct is committed to respecting and supporting the human rights of our employees and all those whose lives we impact through our supply chain. Given the complexity of the construction industry supply chain, Precinct may unknowingly be complicit in human rights abuses through the purchase of products or services.</p>	<p>Identifying areas with potential risk for forms of modern slavery in our supply chain. Engaging highly-reputable contractors with New Zealand-domiciled management teams.</p>	▶	<p>Published our Modern Slavery Policy in May 2022. Developing a supplier code of conduct to clearly communicate Precinct's expectations to all suppliers.</p>

Investor information.

As at 30 June 2022

Shareholder information

Twenty largest shareholders

Rank	Shareholder	Number of shares	% of shares
1.	HSBC NOMINEES (NEW ZEALAND) LIMITED	316,215,769	19.95
2.	ACCIDENT COMPENSATION CORPORATION	107,412,771	6.78
3.	CUSTODIAL SERVICES LIMITED	92,597,733	5.84
4.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	89,733,032	5.66
5.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET - NZCSD	68,110,104	4.30
6.	FNZ CUSTODIANS LIMITED	66,541,838	4.20
7.	FORSYTH BARR CUSTODIANS LIMITED	57,201,216	3.61
8.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT	55,627,251	3.51
9.	NATIONAL NOMINEES LIMITED	52,793,884	3.33
10.	ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND	48,453,019	3.06
11.	BNP PARIBAS NOMINEES (NZ) LIMITED	41,615,302	2.62
12.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	39,250,866	2.48
13.	HSBC NOMINEES A/C NZ SUPERANNUATION FUND NOMINEES LIMITED - NZCSD	37,609,162	2.37
14.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED	31,448,752	1.98
15.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT	29,533,826	1.86
16.	HOBSON WEALTH CUSTODIAN LIMITED	22,903,118	1.44
17.	JBWERE (NZ) NOMINEES LIMITED	20,315,155	1.28
18.	ANZ WHOLESALE PROPERTY SECURITIES - NZCSD	17,264,628	1.09
19.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	15,653,648	0.99
20.	MINT NOMINEES LIMITED - NZCSD	14,294,036	0.90
Total Top 20 holders of Ordinary Shares		1,224,575,110	77.24

Source: Computershare

Shareholder distribution

Range	Total holders	Shares	% of issued capital
1 - 499	108	25,011	0.00
500 - 999	129	83,586	0.01
1,000 - 1,999	236	325,136	0.02
2,000 - 4,999	817	2,723,289	0.17
5,000 - 9,999	1,420	9,997,384	0.63
10,000 - 49,999	3,802	85,968,107	5.42
50,000 - 99,999	654	43,966,820	2.77
100,000 - 499,999	383	67,066,798	4.23
500,000 - 999,999	28	18,466,191	1.16
1,000,000 and over	44	1,356,757,800	85.58
Total	7,621	1,585,380,122	100.00

Source: Computershare

Substantial Financial Product Holders

Quoted financial product holder	Number of ordinary shares held at date of notice	%	Date of notice
Jarden Securities Limited	40,215,711	2.537	14.10.2021
Habour Asset Management Limited	38,344,939	2.418	14.10.2021
AMP Capital Investors (New Zealand) Limited	236,071,201	14.89	28.09.2021
ANZ New Zealand Investments Limited	100,836,795	6.360	28.09.2021
ANZ Bank New Zealand Limited	32,221,568	2.032	28.09.2021
ANZ Custodial Services New Zealand Limited	32,954,244	2.079	28.09.2021
Accident Compensation Corporation	107,626,506	6.789	28.09.2021

Note the number of shares above are according to notices filed only if the total number of a shareholder changes by 1% or more since the last notice filed.
Source: NZX Substantial holding notices

Donations

The Group made donations of \$110,000 during the year to 30 June 2022 to Auckland City Mission and Wellington City Mission.

No political donations have been made during the year to 30 June 2022.

Investor information. *(Continued)*

Bondholder information

Twenty largest PCT020 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	FNZ CUSTODIANS LIMITED	19,840,000	19.84
2.	CUSTODIAL SERVICES LIMITED	16,082,000	16.08
3.	FORSYTH BARR CUSTODIANS LIMITED	15,047,000	15.05
4.	HOBSON WEALTH CUSTODIAN LIMITED	10,622,000	10.62
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	6,316,000	6.32
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	4,250,000	4.25
7.	NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD	3,000,000	3.00
8.	FORSYTH BARR CUSTODIANS LIMITED	2,436,000	2.44
9.	WESTPAC BANKING CORPORATE NZ FINANCIAL MARKETS GROUP -NZCSD	2,283,000	2.28
10.	INVESTMENT CUSTODIAL SERVICES LIMITED	2,026,000	2.03
11.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	1,118,000	1.12
12.	FNZ CUSTODIANS LIMITED	1,043,000	1.04
13.	JBWERE (NZ) NOMINEES LIMITED	980,000	0.98
14.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED - NZCSD	810,000	0.81
15.	FALSTAFF INVESTMENTS LIMITED	500,000	0.50
15.	INVESTMENT CUSTODIAL SERVICES LIMITED	500,000	0.50
17.	HOBSON WEALTH CUSTODIAN LIMITED	357,000	0.36
18.	HOBSON WEALTH CUSTODIAN LIMITED	355,000	0.36
19.	FORSYTH BARR CUSTODIANS LIMITED	350,000	0.35
20.	JBWERE (NZ) NOMINEES LIMITED	300,000	0.30
20.	KIWIGOLD.CO.NZ LIMITED	300,000	0.30
20.	LILI WANG	300,000	0.30
Total Top 20 holders of PCT020 bonds		88,815,000	88.82

Source: Computershare

Bondholder distribution - PCT020

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	40	225,000	0.23
10,000 - 49,999	279	5,516,000	5.52
50,000 - 99,999	47	2,682,000	2.68
100,000 - 499,999	26	4,724,000	4.72
500,000 - 999,999	4	2,790,000	2.79
1,000,000 and over	12	84,063,000	84.06
Total	408	100,000,000	100.00

Source: Computershare

Twenty largest PCT030 bondholders

Rank	Bondholder	Number of bonds	% of total
1.	ANZ FIXED INTEREST FUND - NZCSD	19,806,000	13.20
2.	FORSYTH BARR CUSTODIANS LIMITED	19,125,000	12.75
3.	CUSTODIAL SERVICES LIMITED	19,001,000	12.67
4.	FNZ CUSTODIANS LIMITED	15,671,000	10.45
5.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	13,605,000	9.07
6.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	9,300,000	6.20
7.	HOBSON WEALTH CUSTODIAN LIMITED	7,182,000	4.79
8.	MINT NOMINEES LIMITED - NZCSD	4,415,000	2.94
9.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	3,700,000	2.47
10.	NATIONAL NOMINEES LIMITED - NZCSD	3,700,000	2.47
11.	FORSYTH BARR CUSTODIANS LIMITED	3,189,000	2.13
12.	ANZ BANK NEW ZEALAND LIMITED - NZCSD	2,746,000	1.83
13.	PIN TWENTY LIMITED	2,400,000	1.60
14.	ANZ WHOLESALE NZ FIXED INTEREST FUND - NZCSD	2,000,000	1.33
15.	QUEEN STREET NOMINEES ACF PIE FUNDS - NZCSD	1,900,000	1.27
16.	NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD	1,600,000	1.07
17.	INVESTMENT CUSTODIAL SERVICES LIMITED	1,561,000	1.04
18.	FNZ CUSTODIANS LIMITED	1,127,000	0.75
19.	UNIVERSITY OF OTAGO FOUNDATION TRUST	1,000,000	0.67
20.	JBWERE (NZ) NOMINEES LIMITED	875,000	0.58
Total Top 20 holders of PCT030 bonds		133,903,000	89.27

Source: Computershare

Bondholder distribution - PCT030

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	82	613,000	0.41
10,000 - 49,999	285	6,065,000	4.04
50,000 - 99,999	30	1,871,000	1.25
100,000 - 499,999	24	4,266,000	2.84
500,000 - 999,999	6	4,157,000	2.77
1,000,000 Over	19	133,028,000	88.69
Total	446	150,000,000	100.00

Source: Computershare

Investor information. *(Continued)*

Bondholder distribution - PCT040

Rank	Bondholder	Number of bonds	% of total
1.	CUSTODIAL SERVICES LIMITED	44,875,000	25.64
2.	NATIONAL NOMINEES LIMITED - NZCSD	42,000,000	24.00
3.	FORSYTH BARR CUSTODIANS LIMITED	22,634,000	12.93
4.	GENERATE KIWISAVER PUBLIC TRUST NOMINEES LIMITED	12,970,000	7.41
5.	FNZ CUSTODIANS LIMITED	4,951,000	2.83
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	4,800,000	2.74
7.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	3,745,000	2.14
8.	TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	3,400,000	1.94
9.	ANZ FIXED INTEREST FUND - NZCSD	3,000,000	1.71
10.	HOBSON WEALTH CUSTODIAN LIMITED	2,986,000	1.71
11.	ANZ WHOLESALE NZ FIXED INTEREST FUND - NZCSD	2,550,000	1.46
12.	NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD	2,450,000	1.40
13.	INVESTMENT CUSTODIAL SERVICES LIMITED	2,167,000	1.24
14.	JBWERE (NZ) NOMINEES LIMITED	2,077,000	1.19
15.	FORSYTH BARR CUSTODIANS LIMITED	1,887,000	1.08
16.	PATHFINDER CARESAVER - NZCSD	740,000	0.42
17.	I J INVESTMENTS LIMITED	700,000	0.40
18.	PIN TWENTY LIMITED	495,000	0.28
19.	ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED - NZCSD	477,000	0.27
20.	FNZ CUSTODIANS LIMITED	347,000	0.20
Total Top 20 holders of PCT040 bonds		159,251,000	91.00

Source: Computershare

Bondholder distribution - PCT040

Range	Total holders	Number of bonds	% of total
5,000 - 9,999	77	443,000	0.25
10,000 - 49,999	364	7,715,000	4.41
50,000 - 99,999	63	3,698,000	2.11
100,000 - 499,999	30	5,212,000	2.98
500,000 - 999,999	2	1,440,000	0.82
1,000,000 Over	15	156,492,000	89.42
Total	551	175,000,000	100.00

Source: Computershare

Green Assets

Building Name	City	Address	Use	Last Assurance	NABERSNZ Rating	Green Star Rating	Asset Value ² (NZ\$m)	Allocation of proceeds per eligible asset (NZ\$m)
Jarden House	Auckland	21 Queen Street	Office	22 Jul 21	Targeting 4 Star Base Building Rating	5 Star Office As-Built	\$143.0	\$35.8
Mason Brothers	Auckland	139 Pakenham Street	Office	22 Jul 21	5.5 Star Base Build Rating	6 star Office Built rating	\$61.0	\$15.3
PwC Tower	Auckland	15 Customs Street	Office	22 Jul 21	Targeting 4 Star Base Building Rating	5 Star Office As-Built	\$675.0	\$168.8
Total existing green assets							\$879.0	\$219.9

Committed Green Development Assets

Building Name	City	Address	Use	Last Assurance	NABERSNZ Rating	Green Star Rating	Total project cost (NZ\$m)	Allocation of proceeds per eligible asset (NZ\$m)
40 & 44 Bowen Street	Wellington	40 & 44 Bowen Street	Office	22 Jul 21	Targeting 4 Star Base Building Rating	Targeting 5 Star Design/As Built	\$196.0	\$49.0
1 Queen Street	Auckland	1 Queen Street	Office	22 Jul 21	Targeting 4 Star Base Building Rating	Targeting 6 Star Design/As Built	\$312.0	\$78.0
Halsey & Flowers	Auckland	Wynyard Stage 3	Office	N/A	Targeting 5 Star Base Building Rating	Targeting 6 Star Design/As Built	\$157.0	\$39.3
Bowen House	Wellington	1 Bowen Street	Office	N/A	Targeting 5 Star Base Building Rating	Targeting 5 Star Design/As Built	\$155.0	\$38.8
Total committed green development assets							\$820.0	\$205.1

Total value of eligible assets¹ - based on last assurance

\$1,938.6

Total value of eligible assets - As at 30 June 2022

\$1,699.0 \$425.0

1. Eligible assets must have a minimum (or target) 5-star NZGBC Green Star Built rating or a minimum (or target) 4-Star NABERSNZ Energy Base Building Rating

2. Fair value as at 30 June 2022

Investor information. *(Continued)*

Director Interests

Details of Director interests in Precinct shares (as at 30 June 2022)

	2022	2021
Director	No. of shares	No. of shares
Robert Campbell*	-	457,002
Graeme Wong	118,498	69,642
Launa Inman*	45,522	39,100
Anne Urlwin	61,128	24,486

The following director interests were recorded since the last report.

Chris Judd - None

Craig Stobo

Appointed as a director of NZ Windfarms Limited
Shareholder in Millennium & Copthorne Hotels NZ Limited
Ceased to be a director of AIG Insurance New Zealand Limited

Anne Urlwin

Appointed as a director of Ventia Services Group Limited
Acquired 10,000 Precinct ordinary shares upon the conversion of 14,000 PCTHA convertible Notes
Appointed as a director of Vector Limited
Acquired 25,000 Precinct ordinary shares on market
Ceased to be a director of Cigna Life Insurance New Zealand Limited
Ceased to be a director of Southern Response Earthquake Services Limited

Nicola Greer

Appointed as a director of Fidelity Insurance Limited

Aditya Bhargava - None

Mohammed Al Nuaimi – None

Graeme Wong

Acquired 28,571 Precinct ordinary shares upon the conversion of 40,000 PCTHA convertible Notes
Ceased to be a Member of the Management Board of The Bible Society Development (New Zealand) Incorporated

Mark Tume

Ceased to be Chair of Ngai Tahu Holdings Corporate Limited

*Director Launa Inman and Non-Executive Director Robert Campbell retired from the Board on 31 July 2021 and 11 August 2021, respectively.



Remuneration report.

Message from the People and Performance Committee

Dear Shareholders,

On behalf of the People and Performance Committee, I am pleased to present you with Precinct's Remuneration Report for the financial year ended 30 June 2022. We continue to include additional disclosures in our Remuneration Report to ensure that remuneration of both Directors and management personnel is transparent, fair and reasonable. Aligning remuneration with the interests of the company and its shareholders remains a priority. We hope this year's report is informative to stakeholders.

During the year, we sought approval for Director remuneration adjustments at our last Annual General Meeting of shareholders in November 2021. The resolution put forward to shareholders was that the directors be authorised to fix the remuneration of the independent directors of the Company on the terms set out in the Notice of Meeting. Voting was conducted by poll and shareholders passed the resolution relating to director remuneration, with 99.69% of shareholders voting in favour.

We continue to provide full transparency of director fees including committee memberships. Importantly, the Company engaged independent advisors PwC to provide New Zealand listed company benchmark data in considering the proposed rates at last year's Annual General Meeting. In particular, PwC was requested to provide benchmark data for the newly established Environmental, Social & Governance Committee. The non-executive directors' fees benchmarking report can be found on Precinct's website.

Post balance date, Precinct established an Employee Share Scheme (Scheme or ESS) for employees of Precinct Properties New Zealand Limited (Precinct NZ). The ESS enables employees to acquire shares in Precinct (under the current NZ tax legislation). The Scheme recognises the important contribution that the Company's employees make to its future. The People and Performance Committee and the Board of Precinct considers the ESS aligns the interests of the employees with those of the Company and its shareholders and aims to assist the Company in retaining and motivating employees.

We continue to improve diversity and inclusion at all levels of our business by continuing to apply a diversity and inclusion lens when making hiring, promotion and advancement, training and development, retention and remuneration decisions.



Graeme Wong

Independent Director and Chair of the People and Performance Committee



Graeme Wong, Independent Director and Chair of Precinct People and Performance Committee

Our approach to remuneration governance

Precinct's remuneration governance framework is overseen by Precinct's People and Performance Committee which comprises a majority of independent directors at 30 June 2022. The People and Performance Committee's role is to assist the Board in establishing remuneration policies and practices.

The People and Performance Committee is guided by Precinct's Remuneration Policy. This Remuneration Policy aims to ensure that people are rewarded for performance that contributes to the achievement of Precinct's business goals. In addition, the People and Performance Committee follow a charter which is intended to guide Committee members in fulfilling their responsibilities to the Board.

On a regular basis, the People and Performance Committee will review performance objectives and remuneration packages of both Directors and key management personnel of Precinct. This includes monitoring performance that outlines the relative weightings of remuneration components and relevant performance criteria. They also consider remuneration benchmarking and succession planning.

External advisors

Remuneration benchmarking of Directors and key management personnel (such as CEO, Deputy CEO and CFO) is undertaken regularly by external advisors.

With regards to Precinct's performance hurdles, the Total Shareholder Return (TSR) achieved by Precinct, and the members of the TSR Peer Group will be calculated by a recognised independent party, being an investment bank, firm of chartered accountants or other person or body that the Board reasonably considers has the expertise, experience and access to the necessary data to carry out the calculation.

Remuneration framework

Our remuneration framework is designed to support the performance of Precinct's business and its strategy.

Our objective is to create sustainable value from city centre real estate, delivering exceptional spaces for our clients and communities, in which they can thrive, while maximising returns to our shareholders.

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.



	Purpose and direct link to Precinct's strategy	Direct link to performance measures
<p>Fixed remuneration This includes fixed based salary which is benchmarked annually and includes superannuation contribution</p>	<ul style="list-style-type: none"> Attract and retain Precinct's Key Management Personnel to deliver on its strategy 	<p>Benchmarked against NZX-listed property entities and NZX50 peers</p>
<p>Short term incentive (STI) Discretionary annual payment</p>	<ul style="list-style-type: none"> Compensates for achieving short term (annual targets) which are aligned to the delivery of Precinct's strategy 	<p>Various key operational objectives including</p> <ul style="list-style-type: none"> Earnings (AFFO) Occupancy and WALT Leasing Strategic goals Capital management
<p>Long term incentive (LTI) Long term share grant where a share is received in the future subject to meeting certain performance hurdles.</p>	<ul style="list-style-type: none"> Drive longer-term performance and ensures the alignment of incentives of key employees with the interests of the Company's shareholders Promote long term decision making and the creation of sustainable value for the Company's shareholders Promote the retention of key employees; and Facilitate and encourage employee share ownership. 	<p>Performance hurdles:</p> <ul style="list-style-type: none"> Absolute TSR Target Relative TSR Target FFO Growth Target

Remuneration report. *(Continued)*

Short term incentive (STI)

Precinct operates a short term incentive (STI) bonus scheme for eligible employees. The objective of the scheme is to compensate employees for achieving short term business strategy, high levels of performance and financial success over the financial year. In addition employees have individual performance goals which are considered when determining variable short term incentives. In June of each year the board will set annual goals for the CEO, Deputy CEO and CFO.

Feature	Description
Purpose	To compensate individuals for achieving annual targets which are aligned to the delivery of Precinct's strategy.
Business objectives and performance measures	Individual STI awards are dependent on achieving various business objectives including overall staff management. Individuals will have Key Performance Indicators (KPIs) which are set annually and aligned to the delivery of Precinct's strategy and key priorities for the financial year. Performance measures include: <ul style="list-style-type: none"> • Precinct earnings target (AFFO) • Precinct portfolio metrics i.e. occupancy, WALT • Successful completion of treasury and capital management initiatives • Delivery of major leasing and development projects • Advancing key strategic objectives
Performance assessment	The Board takes a robust approach to determining executive remuneration outcomes. The performance STI scheme is intended to reflect the performance of the business, and reward for achieving targets. Assessment of performance for a STI takes place in the form of an assessment of achievement against the objectives and targets. CEO, Deputy CEO and CFO STI awards are endorsed by the People and Performance Committee and approved by the Board at its absolute discretion.
STI awarded	This discretionary annual payment is 100% awarded in cash and rewards the CEO, Deputy CEO, CFO and other individuals for achieving short term annual company and individual performance targets, encouraging accountability for results. Payment of a STI/performance bonus is not guaranteed and will remain subject to Board approval at its discretion.

Long term incentive (LTI)

Legacy LTI Scheme

Prior to Precinct's management internalisation, the Manager (AMP Haumi Management Limited) operated a long term incentive bonus scheme for eligible employees which included the CEO, Deputy CEO, CFO and other senior executives. Due to the termination of the management services agreement, employees' employment contracts with the manager were terminated, resulting in previously granted shares vesting. Following management internalisation a new LTI scheme has been established and is set out below.

Restricted Share Rights (RSR)

Precinct's Restricted Share Right scheme entitles a Participant to receive a Share in the future depending on whether Service Conditions are achieved. The participant is entitled to receive one share upon the valid exercise of each vested share right they hold.

Purpose	To secure the CEO, Deputy CEO, CFO and other key management personnel for a transitional period following the internalisation of Precinct's management and for retention, noting that share rights don't vest for three years.
Service commencement	1 April 2021
Vesting tranches	30 June 2022, 30 June 2023 and 30 June 2024
Conditions	Restricted Share Rights (RSRs) will vest provided the participant remains employed by Precinct for the duration of the relevant vesting period. The RSR plan is made up of 3 tranches with different vesting periods from service commencement . There are no performance hurdles and provided each vesting period is satisfied, the RSRs will vest.

Performance Share Rights (PSR)

Precinct's Performance Share Right scheme entitles a Participant to receive a Share in the future depending on the degree to which certain Vesting Conditions are achieved or exceeded during the Assessment Period. The participant is entitled to receive one share upon the valid exercise of each vested share right they hold.

Feature	Description			
Purpose	Alignment of interests between the CEO, Deputy CEO, CFO and other key management personnel, and the long term returns to Precinct shareholders, which drives long term performance to deliver Precincts strategy while also providing an incentive for Key Management Personnel to remain in employment with Precinct prior to vesting.			
Performance period	A grant vests at the end of the performance period which is over a three year period. Due to the completion of the internalisation of Precinct's management taking place on 31 March 2021, the initial performance period is between 1 April 2021 and 30 June 2024. A share right vests on the vesting date subject to the participant's continuing employment with Precinct and performance hurdles being met. The vesting of the Performance share rights are endorsed by the People and Performance Committee and approved by the Board subject to the board determining that the performance hurdles set out have been met.			
Performance hurdles	Performance measure	LTI Weighting	Description	
	Total Shareholder Return (TSR)		TSR measures the total return received by shareholders from the increase in the market price of a share of Precinct and assumes reinvestment of cash dividends. The TSR will be calculated using the volume weighted average sale price of a Precinct share on the NZX over the 20 trading days prior to the vesting date.	
	Absolute TSR Target	33%	The Absolute TSR Rights will vest in full if Precinct's TSR exceeds the cost of equity for the subject performance rights as calculated by independent advisors, PwC. The cost of equity will be recalculated on an annual basis.	
	Relative TSR Target	33%	The Relative TSR Rights will vest in accordance with a progressive vesting scale, provided that Precinct's TSR over the performance period is greater than the median TSR of the TSR peer group.	
	Funds From Operation (FFO)		FFO is used to define the cash flow from operations and is a measure of operating performance over the performance period.	
	Funds from operations (FFO) Growth Target	33%	The FFO Growth Rights will vest in accordance with a progressive vesting scale, provided that Precinct's FFO growth per share is greater than or equal to 75% of CPI growth over the performance period.	
Vesting conditions	Precinct TSR over the performance period	% of Relative TSR Rights that would vest	Precinct FFO Growth Per Share over the performance period	% of FFO Growth Rights that would vest
	< TSR Peer Group Median TSR	0%	< 75% of CPI Growth	0%
	Equal to the TSR Peer Group Median TSR	50%	Equal to 75% of CPI Growth	50%
	> TSR Peer Group Median TSR, but < TSR of the 75th percentile of the TSR Peer Group	51% - 99% pro-rata vesting on a straight-line progression	> 75% of CPI Growth, but < 125% of CPI Growth	51% - 99% pro-rata vesting on a straight-line progression
	Equal to or > TSR of the 75th percentile of the TSR Peer Group	100%	Equal to or greater than 125% of CPI Growth	100%

Remuneration report. (Continued)

CEO Remuneration

Scott Pritchard was appointed Chief Executive Officer in September 2010. On 1 April 2021, he was retained as CEO, under a new employment agreement with Precinct post the internalisation of the management of Precinct.

The following illustrates the expected remuneration mix of Precinct's CEO. We believe the remuneration mix now provides strong alignment between remuneration and company performance to deliver on Precinct's strategy.

Fixed Pay 34%	Performance Based			Transition
	STI 34%	LTI 20%		LTI 12%
	Cash	Absolute TSR Target	Relative TSR Target	FFO Growth Target
				Tenor of 2 years to support and secure the retention of the CEO post internalisation of the Management of Precinct

Details of the nature and amount of each element of the remuneration of the CEO is set out below.

Scott Pritchard was appointed Chief Executive Officer in September 2010. His remuneration for the year ended 30 June 2022 comprises:

- A fixed base salary which is benchmarked annually;
- A discretionary short-term incentive payment; and
- Shares vested under the long-term incentive scheme.

All remuneration between 1 July 2020 and 31 March 2021, including the legacy long-term incentive was paid by AMP Haumi Management Limited (the Manager "AHML"), not Precinct. As a result of internalisation PwC was appointed by the Precinct Board as a recognised independent party in order to undertake remuneration benchmarking in respect to the CEO and other senior executive roles.

The CEO's remuneration is endorsed by the People and Performance Committee and approved by the Board.

Year	Short term remuneration for the year ended 30 June					Long term remuneration as at 30 June			
	Base salary	STI	Super	Total paid	Maximum achievable	Legacy scheme		Post internalisation	
						Granted	Vested	Granted	Vested
2022	780,000	576,875	40,706	1,397,581	1,606,800	-	-	-	260,952
2021	619,840	720,180	190,558	1,530,579	N/A	-	1,922,070	1,092,000	-

Performance and Restricted Share Rights that have been granted to Scott Pritchard as at 30 June 2022 are detailed in the table below.

Scheme	Grant date	Measurement date	Balance as at 30 June 2021	Granted during year		Vested and exercised			Balance as at 30 June 2022
				Number	Value \$	Number	Value \$	Lapsed	
Performance share right	1-4-2021	30-6-2024	730,272	-	-	-	-	-	730,272
Restricted share right	1-4-2021	30-6-2022	190,476	-	-	190,476	260,952	-	-
Restricted share right	1-4-2021	30-6-2023	190,476	-	-	-	-	-	190,476
Total			1,111,224	0	0	190,476	260,952	0	920,748

Employee remuneration

Employee remuneration comprises base salary, STI payments, LTI payments relating to internalisation and employer contributions to superannuation.

During the year ended 30 June 2022, the number of employees (including the CEO) who received remuneration with a combined total value exceeding \$100,000 is set out on the following table. Employer superannuation contributions are at the same rate for all employees.

The annual total compensation of the CEO to the median annual total compensation for all employees (excluding the CEO) is 14.8:1.

The annual fixed base salary of the CEO to the median annual fixed base salary for all employees (excluding the CEO) is 7.2:1.

Remuneration range	# employees
\$1,650,000 - \$1,660,000	1
\$1,250,000 - \$1,260,000	1
\$700,000 - \$710,000	1
\$400,000 - \$410,000	1
\$340,000 - \$350,000	1
\$330,000 - \$340,000	2
\$280,000 - \$290,000	1
\$270,000 - \$280,000	1
\$260,000 - \$270,000	1
\$220,000 - \$230,000	1
\$210,000 - \$220,000	1
\$200,000 - \$210,000	2
\$190,000 - \$200,000	1
\$180,000 - \$190,000	3
\$160,000 - \$170,000	1
\$140,000 - \$150,000	1
\$130,000 - \$140,000	2
\$120,000 - \$130,000	2
\$110,000 - \$120,000	2
\$100,000 - \$110,000	7
Total	33

Long term incentive scheme

Performance and restricted share rights that have been granted to key management personnel (excluding CEO) as at 30 June 2022 are detailed in the following table.

Scheme	Grant date	Measurement date	Balance as at 30 June 2020	Granted during year		Vested and exercised		Lapsed	Balance as at 30 June 2021
				Number	Value \$	Number	Value \$		
Performance share right	1-4-2021	30-6-2024	1,224,921	-	-	-	-	-	1,224,921
Restricted share right	1-4-2021	30-6-2022	213,370	-	-	213,370	292,317	-	-
Restricted share right	1-4-2021	30-6-2023	213,370	-	-	-	-	-	213,370
Restricted share right	1-4-2021	30-6-2024	73,260	-	-	-	-	-	73,260
Total			1,724,921	0	0	213,370	292,317	0	1,511,551

Remuneration report. (Continued)

Director remuneration

The current director fee rate is as follows:

Position	\$ per annum (plus GST, if any)
Chair	182,340
Independent Director	91,170
Audit and Risk Committee Chair	15,000
People and Performance Committee Chair	15,000
Environment, Social & Governance Committee Chair	15,000
Audit and Risk Committee Member	7,500
People and Performance Committee Member	7,500
Environment, Social & Governance Committee Member	7,500
Due Diligence Committee Chair (ad hoc hourly rate)	380/hr
Due Diligence Committee Member (ad hoc hourly rate)	350/hr
Annual Cap for Due Diligence Committee Fees	\$100,000

Following a director remuneration review by PwC, at the 2021 Annual General Meeting the shareholders approved an increase in the People and Performance Committee fees to align these to the approved fees for the Audit and Risk Committee. Following the establishment of the Environment, Social & Governance Committee in 2021, the shareholders also approved Chair and Member fees for the Environmental, Social & Governance Committee consistent with the Audit and Risk and People and Performance Committee fees.

Role	30 June 2022			30 June 2021		
	Due Diligence committee	Board committee	Board	Due Diligence committee	Board committee	Board
Craig Stobo Board Chair	3,500	19,083	182,340	79,083	12,500	182,340
Don Huse Audit and Risk Committee Chair ¹	-	-	-	-	5,375	34,949
Anne Urlwin Audit and Risk Committee Chair ²	3,800	21,646	91,170	32,065	17,500	91,170
Graeme Wong People and Performance Committee Chair	3,500	18,229	91,170	42,263	10,000	91,170
Launa Inman Independent Director ³	-	625	7,598	23,800	7,500	91,170
Chris Judd Independent Director	-	11,583	91,170	4,988	1,250	22,793
Nicola Greer ESG Committee Chair	3,500	17,073	87,494	-	-	-
Mark Tume Independent Director	-	6,673	81,122	-	-	-
Robert Campbell Non-Executive Director ⁴	-	1,411	10,293	2,625	3,125	22,793
Total	14,300	96,324	642,356	184,823	57,250	536,384

¹ Don Huse retired as Audit and Risk Committee Chair on 31 October 2020 and from the Precinct board on 18 November 2020.

² Anne Urlwin commenced as Audit and Risk Committee Chair from 1 November 2020.

³ Launa Inman retired from the Board on 31 July 2021.

⁴ Robert Campbell retired from the Board on 11 August 2021.

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 the rates in the table above. During the year ended 30 June 2022, \$14,300 in committee fees were paid to the due diligence committee (30 June 2021: \$184,823). One due diligence committee was established in relation to the issuance of the Green retail bond PCT040. No other remuneration or benefit was provided by the group during the period to any director or former director of any group member.

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

<i>Amounts in \$ millions (unless otherwise stated)</i>	2022	2021
Base Management Fee	-	10.2
Management expenses	6.0	2.1
Audit and Directors	1.5	1.2
Other expenses	2.5	3.7
Total management expenses	10.0	17.2
Average total property value	3,489.5	3,149.8
Management expense ratio - excluding performance fee	29 bps	55 bps
Management expense ratio	29 bps	55 bps

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

This annual report of Precinct Properties New Zealand Limited is dated 17 August 2022 and is signed on behalf of the board by:



CRAIG STOBO
CHAIR AND INDEPENDENT
DIRECTOR



ANNE URLWIN
CHAIR AUDIT AND RISK
COMMITTEE AND INDEPENDENT
DIRECTOR



The Numbers.

PRECINCT PROPERTIES
NEW ZEALAND LIMITED
FINANCIAL STATEMENTS 2022

Precinct Properties New Zealand Limited

Annual financial statements

For the year ended 30 June 2022

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 17 August 2022.



CRAIG STOBO
CHAIR



ANNE URLWIN
CHAIR AUDIT & RISK COMMITTEE

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

Amounts in \$ millions	Notes	30 June 2022	30 June 2021
Revenue			
Gross operating revenue	11	200.3	199.8
Less direct operating expenses		(70.9)	(72.1)
Operating income before indirect expenses		129.4	127.7
Indirect expenses / (revenue)			
Interest expense		23.9	27.2
Other expenses	13	10.2	17.5
Total indirect expenses / (revenue)		34.1	44.7
Operating income before income tax		95.3	83.0
Non operating income / (expenses)			
Unrealised net gain / (loss) in value of investment and development properties	9	19.4	282.9
Unrealised net gain / (loss) on financial instruments	21	33.1	19.7
Depreciation - property, plant and equipment		(2.2)	(1.4)
Lease depreciation		(5.1)	(5.0)
Lease interest expense		(4.2)	(3.9)
Net realised gain / (loss) on sale of investment properties		(0.2)	(2.4)
Impairment of goodwill	10	(6.8)	(9.8)
Termination of management services agreement		-	(217.1)
Total non operating income / (expenses)		34.0	63.0
Net profit / (loss) before taxation		129.3	146.0
Income tax expense / (benefit)			
Current tax expense	14	(7.0)	(67.8)
Depreciation recovered on sale	14	-	10.5
Deferred tax expense / (benefit) - financial instruments	14	12.4	6.6
Deferred tax expense / (benefit) - depreciation	14	14.2	9.1
Deferred tax expense / (benefit) - other	14	(0.3)	(0.1)
Total taxation expense / (benefit)		19.3	(41.7)
Net profit / (loss) after taxation attributable to equity holders	15,18	110.0	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	21	(1.7)	(10.8)
Deferred tax on items transferred directly to / (from) equity		0.5	3.0
Total other comprehensive income / (expense)		(1.2)	(7.8)
Total comprehensive income after tax attributable to equity holders		108.8	179.9
Earnings per share (cents per share)			
Basic and diluted earnings per share	16	7.06	14.26
Other amounts (cents per share)			
Funds from operations (FFO)	15	6.89	7.34
Adjusted funds from operations (AFFO)	15	6.51	6.48

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Amounts in \$ millions unless otherwise stated	Notes	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 year						187.7	187.7
Other comprehensive income for the year						(7.8)	(7.8)
Issue of shares							
Placement			144.7	220.0			220.0
Issue costs incurred				(3.4)			(3.4)
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)
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		6.450				(84.6)	(84.6)
Long-term incentive scheme	25				0.3		0.3
At 30 June 2021			1,458.4	1,412.5	0.3	807.8	2,220.6
Profit / (loss) after income tax for the year						110.0	110.0
Other comprehensive income for the year						(1.2)	(1.2)
Issue of shares							
Retail offer			19.8	30.0			30.0
Issue costs incurred				(0.6)			(0.6)
PCTHA Convertible Note conversion	8		107.2	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)
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		6.650				(103.8)	(103.8)
Long-term incentive scheme	25				1.2		1.2
At 30 June 2022			1,585.4	1,621.2	1.5	812.8	2,435.5

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 74 to 96 form part of these Financial Statements

Consolidated Statement of Financial Position

As at 30 June 2022

Amounts in \$ millions	Notes	30 June 2022	30 June 2021
Current assets			
Cash		11.5	8.3
Fair value of derivative financial instruments	21	3.5	2.2
Debtors and other current assets		23.1	25.1
Total current assets		38.1	35.6
Investment properties held for sale			
	9	577.2	-
Non-current assets			
Fair value of derivative financial instruments	21	48.2	32.3
Other assets		7.5	14.4
Development properties	9	544.0	232.4
Investment properties	9	2,549.0	3,076.4
Property, plant and equipment		44.4	15.7
Right-of-use assets	20	28.9	33.2
Deferred tax asset	14	-	7.4
Intangible assets	10	1.9	9.0
Total non-current assets		3,223.9	3,420.8
Total assets		3,839.2	3,456.4
Current liabilities			
Interest bearing liabilities	19	-	225.0
Lease liabilities	20	3.6	3.2
Accrued development capital expenditure		12.3	17.5
Other current liabilities	17	31.0	31.0
Total current liabilities		46.9	276.7
Non-current liabilities			
Interest bearing liabilities	19	1,275.8	871.1
Fair value of derivative financial instruments	21	20.5	50.9
Lease liabilities	20	49.1	37.1
Deferred tax liability	14	11.4	-
Total non-current liabilities		1,356.8	959.1
Total liabilities		1,403.7	1,235.8
Total equity		2,435.5	2,220.6
Total liabilities and equity		3,839.2	3,456.4

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

Amounts in \$ millions	Notes	30 June 2022	30 June 2021
Cash flows from operating activities			
Gross rental income per statement of comprehensive income		200.3	199.8
Less: Current year incentives		(5.8)	(9.9)
Add: Amortisation of incentives and intangibles		8.7	7.7
Add: Depreciation of property, plant and equipment		2.2	1.4
Add: Working capital movements		(5.1)	(4.1)
Cash flow from gross rental income		200.3	194.9
Property expenses		(73.5)	(64.1)
Other expenses		(9.7)	(14.6)
Interest expense		(26.4)	(30.9)
Employment and administration expenses		(2.8)	(3.4)
Termination of management services agreement		-	(217.1)
Income tax		-	(0.8)
Net cash inflow / (outflow) from operating activities	18	87.9	(136.0)
Cash flows from investing activities			
Capital expenditure on investment properties		(52.9)	(56.3)
Capital expenditure on development properties		(130.4)	(155.5)
Capital expenditure on other assets		(5.4)	(5.9)
Acquisition of investment properties		-	(20.3)
Acquisition of development properties		(132.8)	(9.2)
Expenditure on property, plant and equipment		(10.2)	(7.4)
Disposal of investment properties		(0.2)	176.7
Capitalised interest on investment properties		8.0	(1.1)
Capitalised interest on development properties		(27.0)	(14.2)
Net cash inflow / (outflow) from investing activities		(350.9)	(93.2)
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure		207.7	233.0
Loan facility drawings to fund acquisitions		132.8	29.5
Loan facility drawings to fund management services termination		-	217.1
Loan facility drawings to fund repayment of senior secured bonds		75.0	-
Loan facility repayments from disposal of investment properties		0.2	(176.7)
Loan facility repayments from issue of senior secured bonds		(175.0)	(150.0)
Loan facility repayments from issue of new shares		(208.7)	(216.6)
Other loan facility drawings / (repayments) ¹		32.6	14.5
Repayment of senior secured bonds		(75.0)	-
Repayment of leasing liabilities		(3.4)	(3.0)
Issue of senior secured bonds		175.0	150.0
Issue of new shares ²		208.7	216.6
Distributions paid to share holders		(103.7)	(84.7)
Net cash inflow / (outflow) from financing activities		266.2	229.7
Net increase / (decrease) in cash held		3.2	0.5
Cash at the beginning of the year		8.3	7.8
Cash at the end of the year		11.5	8.3

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

² Issue of new shares are net of issue costs.

The accompanying notes on pages 74 to 96 form part of these Financial Statements

Notes to the Financial Statements

For the year ended 30 June 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 audited 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 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, 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 and its subsidiary companies.

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

4. New Standards, Amendments and Interpretations

There were no new accounting standards impacting the consolidated financial statements for the year ended 30 June 2022.

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:

- Investment and development properties - refer note 9**
- Impairment test of intangible assets and goodwill - refer note 10**
- Deferred tax assets and deferred tax liabilities - refer note 14**
- Share-based payment scheme - refer note 25**

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. 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 \$49.5 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 (\$5.7 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 (June 2021: \$0.6 million) to enable hospitality staff to be retained. Generator did not claim any further subsidy.

v. Conversion of PCTHA Convertible Note

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.

viii. Investment Partnership

On 23 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 will retain an ongoing 24.9% minority interest, will initially acquire five assets from Precinct's existing portfolio. The transaction remains subject to Overseas Investment Office approval and other consents.

ix. Retail bond

On 9 May 2022, Precinct raised \$175.0 million through a New Zealand public bond issue. Refer note 19.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

9. Investment and Development Properties

30 June 2022

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
Auckland				
AON Centre - Akld ⁵	JLL	25,354	5.3%	5.0%
HSBC Tower	CBRE	31,590	4.3%	4.6%
Jarden House	Savills	13,762	4.2%	4.9%
Mason Bros. ⁶	JLL	4,704	4.4%	4.5%
204 Quay Street ⁷	JLL	5,456	6.1% ⁸	7.0%
Commercial Bay Retail	Colliers	16,830	5.0%	5.3%
PwC Tower (Commercial Bay)	CBRE	39,550	4.3%	4.3%
Wellington				
NTT Tower	Bayleys	16,633	5.5%	5.6%
No.1 and 3 The Terrace	Colliers	18,613	4.0%	5.1%
No.3 The Terrace ⁹	Colliers	N/A	N/A	N/A
AON Centre - Wgtn ¹⁰	CBRE	24,769	5.7% ⁸	5.9%
Market value (fair value) of investment properties			4.7%	4.9%
Investment properties held for sale¹¹				
12 Madden Street ⁶	N/A	8,202	N/A	N/A
10 Madden Street ⁶	N/A	8,238	N/A	N/A
Mayfair House	N/A	12,259	N/A	N/A
Bowen Campus	N/A	39,971	N/A	N/A
Market value (fair value) of investment properties held for sale				
Development properties⁴				
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
One Queen Street	CBRE	N/A	N/A	N/A
30 Waring Taylor Street ¹²	N/A	N/A	N/A	N/A
Freyberg Building ¹³	Colliers	N/A	N/A	N/A
Bowen House ¹⁴	Colliers	N/A	N/A	N/A
Wynyard Quarter Stage 3 ¹⁵	Colliers	N/A	N/A	N/A
Market value (fair value) of development properties				

1 Total weighted average by market value. Initial yields adjusted for rental voids/downtime to new lease commencement (if applicable).

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 and unconditional contracts for sale at year-end. Transfers occur when a property is transferred to another category 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, 10 Madden Street and Wynyard Quarter Stage 3 are all subject to a pre-paid ground lease for 125 years.

7 Includes a gross up for the right-of-use asset (June 2022: \$15.0 million, June 2021: \$nil). See Note 20 for more detail.

8 Initial yields adjusted to remove right-of-use asset from the carrying value.

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

10 Includes a gross up for the right-of-use asset (June 2022: \$2.8 million; June 2021: \$2.9 million). See Note 20 for more detail.

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

On 23 February 2022 Precinct announced the formation of a new investment partnership with Singaporean sovereign wealth fund GIC. The partnership, in which Precinct will retain an ongoing 24.9% minority interest, will initially acquire five assets from Precinct's existing portfolio and these assets have been transferred to investment properties held for sale.

12 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.

13 On 15 July 2021 Precinct acquired Freyberg Building for \$49.5 million.

14 On 23 July 2021 Precinct acquired Bowen House for \$92.0 million.

15 On 21 December 2021 Precinct committed to the Wynyard Quarter Stage 3 (124 Halsey Street and the Flowers Building) development and costs were transferred from other assets to development properties. Mason Bros., 12 Madden Street, 10 Madden Street and Wynyard Quarter Stage 3 are all subject to a pre-paid ground lease for 125 years.

Occupancy %	WALT years ²	Valuation 30 June 2021	Capitalised incentives	Additions / disposals / transfers ³	Revaluation gain / (loss)	Carrying value
98%	4.6	234.0	(0.3)	0.7	8.6	243.0
97%	5.5	476.0	(0.5)	6.2	(1.7)	480.0
93%	4.2	140.0	0.2	1.1	1.7	143.0
100%	3.3	56.4	(0.3)	0.3	4.6	61.0
85%	6.1	22.7	-	16.6	(1.5)	37.8
100%	4.9	405.0	(1.3)	3.6	(7.3)	400.0
100%	9.4	665.0	(0.9)	2.9	8.0	675.0
100%	2.9	151.0	(0.4)	0.7	0.2	151.5
100%	8.1	142.0	(0.2)	0.5	0.7	143.0
N/A	36.2	14.2	-	-	-	14.2
100%	4.3	192.9	(0.7)	16.3	(8.0)	200.5
98%	7.1	2,499.2	(4.4)	48.9	5.3	2,549.0
N/A	N/A	100.0	(0.2)	0.9	(0.7)	100.0
N/A	N/A	86.0	1.6	0.7	(2.3)	86.0
N/A	N/A	86.7	-	0.2	(0.2)	86.7
N/A	N/A	304.5	(0.3)	0.4	(0.1)	304.5
		577.2	1.1	2.2	(3.3)	577.2
N/A	N/A	96.5	-	66.8	11.0	174.3
N/A	N/A	116.5	(0.4)	53.0	6.9	176.0
N/A	N/A	19.4	-	(19.4)	-	-
N/A	N/A	-	0.3	53.7	(4.5)	49.5
N/A	N/A	-	-	116.6	5.6	122.2
N/A	N/A	-	-	23.6	(1.6)	22.0
		232.4	(0.1)	294.3	17.4	544.0

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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

30 June 2021

Amounts in \$ millions	Valuer	Net lettable area sqm	Initial yield % ¹	Capitalisation rate % ¹
Investment properties⁴				
Auckland				
AMP Centre	JLL	25,353	4.8%	5.0%
ANZ Centre (50%) ⁵	N/A	N/A	N/A	N/A
HSBC Tower ⁶	JLL	31,578	4.3%	4.5%
Jarden House	Savills	13,762	4.6%	4.9%
Mason Bros. ⁷	JLL	4,684	4.7%	4.5%
12 Madden Street ⁷	JLL	8,194	4.6%	4.8%
10 Madden Street ⁷	Colliers	8,238	4.8%	5.1%
204 Quay Street ⁸	JLL	5,469	6.8%	6.8%
Commercial Bay Retail	JLL	16,863	4.8%	5.3%
PwC Tower (Commercial Bay)	CBRE	39,550	4.0%	4.1%
Wellington				
NTT Tower	Bayleys	16,655	5.3%	5.5%
Mayfair House	Bayleys	12,548	4.7%	5.4%
No.1 and 3 The Terrace	Colliers	18,612	4.3%	5.1%
No.3 The Terrace ⁹	Colliers	N/A	N/A	N/A
Aon Centre ¹⁰	Colliers	24,770	5.8%	5.6%
Bowen Campus	CBRE	39,971	4.5%	5.0%
Market value (fair value) of investment properties			4.6%	4.8%
Development properties⁴				
Bowen Campus Stage Two	CBRE	N/A	N/A	N/A
10 Madden Street ⁷	N/A	N/A	N/A	N/A
One Queen Street ¹¹	CBRE	N/A	N/A	N/A
30 Waring Taylor Street	Colliers	N/A	N/A	N/A
Market value (fair value) of development properties				

¹ Total weighted average by market value. Initial yields adjusted for rental voids/downtime to new lease commencement (if applicable).

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 and unconditional contracts for sale at year-end.

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

⁴ All properties are categorised as level 3 in the fair value hierarchy.

⁵ On 12 May 2021 Precinct sold their 50% share in ANZ Centre for \$177.0 million resulting in a loss on sale of \$2.2 million.

⁶ This property was previously known as 188 Quay Street.

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

⁸ On 17 February 2021 Precinct acquired 204 Quay Street for \$20.0 million.

⁹ No. 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

¹⁰ Includes a gross up for the lease liability (June 2021: \$2.9 million; June 2020: \$2.9 million).

¹¹ This property was previously known as HSBC House.

Occupancy %	WALT years ²	Valuation 30 June 2020	Capitalised incentives	Additions / disposals / transfers ²	Revaluation gain / (loss)	Carrying value
95%	4.7	205.0	1.3	0.6	27.1	234.0
N/A	N/A	177.8	-	(177.8)	-	-
98%	5.8	409.0	2.8	21.3	42.9	476.0
96%	4.2	124.0	0.8	5.9	9.3	140.0
100%	4.2	46.6	(0.3)	1.4	8.7	56.4
97%	8.0	86.0	(0.1)	1.1	13.0	100.0
92%	12.8	-	1.0	77.7	7.3	86.0
100%	5.9	-	-	20.2	2.5	22.7
99%	5.8	425.0	0.4	12.1	(32.5)	405.0
98%	10.5	580.0	(0.2)	19.4	65.8	665.0
100%	3.1	124.0	(0.4)	0.4	27.0	151.0
100%	14.9	60.2	(0.1)	18.3	8.3	86.7
100%	8.9	107.5	(0.1)	0.8	33.8	142.0
N/A	37.2	14.0	-	-	0.2	14.2
100%	4.0	172.9	(1.0)	5.3	15.7	192.9
100%	14.4	268.1	0.8	2.5	33.1	304.5
98%	7.7	2,800.1	4.9	9.2	262.2	3,076.4
N/A	N/A	28.6	(0.1)	44.7	23.3	96.5
N/A	N/A	53.1	-	(53.1)	-	-
N/A	N/A	102.0	(0.2)	19.1	(4.4)	116.5
N/A	N/A	6.9	-	10.7	1.8	19.4
		190.6	(0.3)	21.4	20.7	232.4

Accounting policies (continued)

Investment property held for sale

In accordance with IFRS 5, if the Group decides to dispose of an asset or group of assets, it should be classified as held for sale if:

- the asset or group of assets is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- it is highly likely to be sold within one year.

Consequently, this asset or group of assets is shown separately as "assets held for sale" on the balance sheet.

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.

Owner-occupied properties

Where a property becomes owner-occupied the property is transferred from investment or development properties to property, plant and equipment. The cost for subsequent accounting for owner-occupied property is the property's fair value at the date of change in use.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

Fair value measurement, valuation techniques and inputs

Precinct's properties were valued as at 30 June 2022 by independent registered valuers Colliers International, Bayleys, JLL, CBRE and Savills.

As at 30 June 2021, due to COVID-19, the valuers included a 'material valuation uncertainty' clause within the Commercial Bay Retail valuation. This clause was removed from the 30 June 2022 valuation.

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:

<i>Class of property</i>	<i>Valuation techniques used</i>	<i>Inputs used to measure fair value</i>
CBD office and retail	Income capitalisation approach, discounted cash flow analysis and residual approach	<ul style="list-style-type: none"> - 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 - Forecast development costs

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

<i>Inputs used to measure fair value</i>	<i>Range of significant unobservable inputs:</i>		<i>Fair value measurement sensitivity:</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>to increase in input</i>	<i>to decrease in input</i>
Office gross market rent per sqm	\$472 - \$1,101	\$427 - \$1,081	Increase	Decrease
Retail gross market rent per sqm	\$300 - \$5,300	\$411 - \$7,175	Increase	Decrease
Core capitalisation rate	4.3% - 7.0%	4.1% - 6.8%	Decrease	Increase
Discount rate	5.6% - 8.0%	5.5% - 7.4%	Decrease	Increase
Terminal capitalisation rate	4.6% - 7.3%	4.5% - 7.0%	Decrease	Increase
Rental growth rate per annum	2.4% - 2.9%	1.9% - 3.4%	Increase	Decrease
Profit and risk allowance	5% - 15%	10% - 13%	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.

Additional 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.
Forecast development costs	All costs associated with the development of the property. These costs typically include letting and sale costs, construction costs and finance costs.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

10. Intangible Assets

a) Reconciliation of carrying amount

Amounts in \$ millions	Customer relationships	Brands	Goodwill	Total
Cost				
Balance at 1 July 2021	2.0	0.8	16.5	19.3
Acquisition through business combination	-	-	-	-
Balance at 30 June 2022	2.0	0.8	16.5	19.3
Accumulated amortisation				
Balance at 1 July 2021	0.7	-	9.7	10.4
Amortisation	0.2	-	-	0.2
Impairment loss	-	-	6.8	6.8
Balance at 30 June 2022	0.9	-	16.5	17.4
Carrying amounts at 30 June 2022	1.1	0.8	-	1.9

b) Amortisation

The amortisation of customer relationships is included in other expenses.

c) Impairment testing

For the purposes of impairment testing, goodwill has been fully allocated to the Flexible Space operating segment (Generator). Generator's operations involve the operation of co-working and shared space.

The recoverable amount of Generator was based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of Generator. Due to impacts of COVID-19 on the operations of Generator the carrying amount of Generator was determined to be higher than its recoverable amount of \$22.0 million and an impairment loss of \$6.8 million was recognised (June 2021: recoverable amount \$22.2 million; impairment loss \$9.7 million). The impairment loss was fully allocated to goodwill.

The key assumptions used in the estimation of value in use were as follows:

Amounts in \$ millions	30 June 2022	30 June 2021
Average annual discount rate (%)	11.5	11.3
Terminal value growth rate (%)	2.5	2.0
Membership revenue CAGR (%) ¹	2.8	2.8
Terminal annual events revenue (\$ million)	6.4	7.6

¹ CAGR: compound annual growth rate

The discounted cash flow model included 10 years of cash flows.

Accounting policies

Recognition and measurement

Customer relationships and brands acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair value. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment testing

External, independent valuers, having appropriate recognised professional qualifications and experience, value the Generator business at least every 12 months. This independent valuation is used to assess whether there has been any impairment to the value of goodwill recognised in Precinct's accounts.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as it is incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Intangible assets	Useful life
Customer relationships	7 years
Brands	Indefinite
Goodwill	Indefinite

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

11. Gross Operating Revenue

<i>Amounts in \$ millions</i>	30 June 2022	30 June 2021
Gross property income from rentals	152.7	148.4
Gross property income from expense recoveries	34.5	31.7
Straight line rental adjustments	3.8	4.0
Amortisation of capitalised lease incentives	(9.8)	(8.6)
Generator operating revenue	15.8	14.7
Commercial Bay Hospitality operating revenue	3.3	9.6
Total gross operating revenue	200.3	199.8

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

Accounting policies

Recognition of revenue from investment properties

Rental income from investment property leased to clients under operating leases is recognised in the statement of consolidated income on a straight-line basis over the term of the lease to the extent that future rental increases are known with certainty. Fixed rental adjustments are accounted for to achieve straight line revenue recognition.

Rental abatements provided to clients as additional support during the COVID-19 pandemic have been recognised as a reduction to revenue in the statement of consolidated income in the period in which the abatement was provided.

Precinct capitalises lease incentives provided to clients 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.

The share of property operating expenses which are recoverable from clients is recognised as gross property income from expense recoveries. This is associated with the provision of services relating to the operations of Precinct's buildings (eg, cleaning, repairs and maintenance, utilities). Precinct have assessed the performance obligations associated with these as being satisfied each month as the services are undertaken within each building. Revenue from our clients for the recovery of operating expenses is billed monthly and recognised in the financial statements in the same manner reflecting that recovery revenue from clients is received at the same time that the performance obligation is satisfied.

Recognition of revenue from operating segments

Operating revenue from Generator is recognised when it transfers services to a member. It is measured based on the consideration specified in a contract with the member.

Operating revenue from Commercial Bay Hospitality venues is recognised at the point of sale, measured at the fair value of the consideration received.

12. 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	30 June 2022				30 June 2021			
	Investment properties	Flexible space	Hospitality	Total	Investment properties	Flexible space	Hospitality	Total
Revenue								
Gross operating revenue	181.2	15.8	3.3	200.3	175.5	14.7	9.6	199.8
Intersegment revenue	2.8	(2.3)	(0.5)	-	1.8	-	(1.8)	-
Less direct operating expenses	(57.9)	(8.2)	(4.8)	(70.9)	(52.9)	(8.6)	(10.6)	(72.1)
Operating income before indirect expenses	126.1	5.3	(2.0)	129.4	124.4	6.1	(2.8)	127.7

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

Amounts in \$ millions	30 June 2022	30 June 2021
Segment operating income before indirect expenses	129.4	127.7
Interest expense	(23.9)	(27.2)
Interest income	-	-
Other expenses	(10.2)	(17.5)
Unrealised net gain / (loss) in value of investment and development properties	19.4	282.9
Unrealised net gain / (loss) on financial instruments	33.1	19.7
Other revenue	-	-
Depreciation - property, plant and equipment	(2.2)	(1.4)
Lease depreciation	(5.1)	(5.0)
Lease interest expense	(4.2)	(3.9)
Net realised gain / (loss) on sale of investment properties	(0.2)	(2.4)
Impairment of goodwill	(6.8)	(9.8)
Termination of management services agreement	-	(217.1)
Net profit before taxation	129.3	146.0

13. Management Expenses

Amounts in \$ millions	30 June 2022	30 June 2021
Management expenses		
Audit fees ¹	0.3	0.3
Directors' fees and expenses	1.2	0.9
Manager's base fees	-	10.2
Management expenses ²	15.7	3.8
Less: those recognised in direct operating expenses	(5.6)	(1.2)
Less: capitalised to properties being developed	(4.1)	(0.5)
Amortisation of intangible assets	0.2	0.3
Other ³	2.5	3.7
Total other expenses	10.2	17.5

¹ Fees paid or payable to the Group's auditor comprise \$272,800 for audit and review of financial statements (2021: \$234,000) and \$53,200 for other assurance services (2021: \$51,000). Other assurance services include operating expense statement audit (2022: \$25,200; 2021: \$22,000) and green bond assurance (2022: \$28,000; 2021: \$19,000). In 2021 other assurance services also included \$10,000 for agreed upon procedures in respect of review of performance fee calculation.

² Management expenses includes employee remuneration, share-based payments expense, travel, training and occupancy costs.

³ Other includes valuation fees, NZX listing fees, share registry costs, annual and interim report publication and property investigations and feasibility costs.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

14. Taxation

Amounts in \$ millions	30 June 2022	30 June 2021
Net profit before taxation	129.3	146.0
At the statutory income tax rate of 28.0%	36.2	40.9
Unrealised (gain) on value of investment and development properties	(5.4)	(79.2)
Unrealised (gain) / loss on financial instruments	(9.3)	(5.5)
Impairment of goodwill	1.9	2.8
Disposal of depreciable assets	(5.0)	(0.2)
Capitalised interest	(5.4)	(4.5)
Prior period adjustments	(1.0)	(3.8)
Other adjustments	(2.7)	(2.4)
Depreciation	(16.3)	(15.9)
Deductible capital expenditure	-	-
Current tax expense / (benefit)	(7.0)	(67.8)
Depreciation recovered on sale of depreciable assets	0.0	10.5
Fair value of financial instruments	12.4	6.6
Depreciation - current year	14.2	9.1
Deferred tax - other	(0.3)	(0.1)
Total deferred tax expense / (benefit)	26.3	15.6
Total taxation expense	19.3	(41.7)
Effective tax rate	15%	-29%

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

The group has tax losses of \$237.3 million available to carry forward as at 30 June 2022 (2021: \$212.2 million)

Amounts in \$ millions	30 June 2022	30 June 2021
Deferred tax asset - tax losses	(66.4)	(59.4)
Deferred tax asset - fair value of financial instruments	(1.3)	(13.3)
Deferred tax asset - share based payments	(0.4)	(0.1)
Deferred tax liability - intangible assets on acquisition	0.5	0.6
Deferred tax liability - depreciation	79.0	64.8
Net deferred tax (asset) / liability	11.4	(7.4)

Deferred tax assets

Precinct has recognised deferred tax assets relating to the fair value of financial instruments, share-based payments and accumulated tax losses of the group.

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 improvements. For 30 June 2022, Precinct has then relied on insurance replacement cost reports to split the value of improvements (being the building structure and the fixtures and fittings), identified in the independent valuer's assessments.

Imputation credit account

Imputation credits available for use as at 30 June 2022 are \$nil (2021: \$nil).

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.

15. 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 REIT. This is determined by adjusting statutory net profit (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	30 June 2022	30 June 2021
Net profit after taxation	110.0	187.7
Unrealised net (gain) / loss in value of investment and development properties	(19.4)	(282.9)
Unrealised net (gain) / loss on financial instruments	(33.1)	(19.7)
Net realised loss / (gain) on sale of investment properties	0.2	2.4
Termination of management services agreement	-	217.1
Impairment of goodwill	6.8	9.8
Depreciation - property, plant and equipment	2.2	1.4
Depreciation recovered on sale	-	10.5
Deferred tax (benefit) / expense	26.3	15.7
IFRS 16 lease adjustments	1.7	1.9
Share-based payments scheme	1.2	-
Tax from management services termination payment	-	(60.8)
Swap closeout	-	3.0
One off item - project initialisation costs	0.7	0.7
Amortisations	14.7	13.8
Straightline rents	(3.8)	(4.0)
Funds from operations (FFO)	107.5	96.6
Maintenance capex	(2.3)	(4.0)
Incentives and leasing costs	(3.7)	(7.3)
Adjusted funds from operations (AFFO)	101.5	85.3
Weighted average number of shares for net operating income per share (millions)	1,559.2	1,316.5
Adjusted funds from operations per share (cents)	6.51	6.48

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

16. Earnings per Share

Amounts in \$ millions	30 June 2022	30 June 2021
Net profit after tax for basic and diluted earnings per share (\$millions)	110.0	187.7
Weighted average number of shares for basic and diluted earnings per share (millions)	1,559.2	1,316.5
Basic and diluted earnings per share (cents)	7.06	14.26

There were 403,846 shares issued on 1 July 2022 in relation to share based payments scheme grants vesting on 30 June 2022 that would affect the above calculations (June 2021: nil).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

17. Other Current Liabilities

<i>Amounts in \$ millions</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Trade creditors	3.7	6.1
Accrued expenses	27.3	24.9
Total other current liabilities	31.0	31.0

18. Reconciliation of Net Profit after Taxation with Cash Inflow from Operating Activities

<i>Amounts in \$ millions</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Net profit after taxation	110.0	187.7
Add / (less) non-cash items and non operating items		
Unrealised net (gain) / loss in value of investment and development properties	(19.4)	(282.9)
Unrealised net (gain) / loss on financial instruments	(33.1)	(19.7)
Net realised (gain) / loss on sale of investment properties	0.2	2.4
Deferred tax (benefit) / expense	26.3	15.7
Amortisation of leasing costs and incentives	13.3	12.4
Deferred tax expense	(7.4)	(56.2)
Impairment of goodwill	6.8	9.9
Movement in working capital		
Increase / (decrease) in creditors	(9.1)	(1.6)
Income tax payable	-	(0.8)
(Increase) / decrease in debtors	0.3	(2.9)
Net cash inflow / (outflow) from operating activities	87.9	(136.0)

19. Interest Bearing Liabilities

<i>Amounts in \$ millions</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Interest bearing liabilities		
Bank loans	561.0	317.0
US private placement	260.7	260.7
NZ senior secured bond	425.0	325.0
Convertible note	-	150.0
Total drawn debt	1,246.7	1,052.7
US private placement - fair value adjustments	35.9	31.1
Convertible note - embedded financial derivative and amortisation adjustment	-	17.8
Capitalised borrowing costs	(6.8)	(5.5)
Net interest bearing liabilities	1,275.8	1,096.1

Breakdown of borrowings:

Amounts in \$ millions	Held at	Maturity ¹	Facility	Coupon ¹	30 June 2022	30 June 2021
Bank loans	Amortised cost	Feb-25	150.0	Floating ²	150.0	-
Bank loans	Amortised cost	Jul-22	37.0	Floating ²	-	210.0
Bank loans	Amortised cost	Jul-23	200.0	Floating ²	82.0	-
Bank loans	Amortised cost	Mar-26	250.0	Floating	237.0	107.0
Bank loans	Amortised cost	Dec-26	300.0	Floating	92.0	-
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
NZ senior secured bond (PCT040)	Amortised cost	May-28	175.0	5.25%	175.0	-
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			1,622.7		1,246.7	1,052.7
Weighted average term to maturity					4.0 years	3.5 years
Weighted average interest rate before swaps (including funding costs)					4.01%	2.43%

¹ As at 30 June 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 \$1,622.7 million (2021: \$1,595.7 million) including the NZ retail bonds and US private placements.

All lenders (excluding convertible noteholders) 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 placements are 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. 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 year ended 30 June 2022

20. Leases

a) Lease liabilities

Precinct has entered into ground leases (as lessee) and property leases (Generator as lessee). Ground leases have remaining non-cancellable lease terms of between one and 51 years. Generator property leases have remaining non-cancellable lease terms of between one and 12 years.

Amounts in \$ millions	30 June 2022			30 June 2021		
	Investment properties	Flexible space	Total	Investment properties	Flexible space	Total
Current	0.7	2.9	3.6	-	3.2	3.2
Non-current	17.8	31.3	49.1	3.0	34.1	37.1
Total lease liabilities	18.5	34.2	52.7	3.0	37.3	40.3

Set out below are the movements in the carrying values of the lease liabilities during the period.

Amounts in \$ millions	Investment properties	Flexible space	Total
Balance at 1 July 2020	3.0	40.4	43.4
Additions	-	-	-
Disposals	-	-	-
Accretion of interest	0.1	3.8	3.9
Payments	(0.1)	(6.9)	(7.0)
Balance at 30 June 2021	3.0	37.3	40.3
Balance at 1 July 2021	3.0	37.3	40.3
Additions	16.2	0.7	16.9
Disposals	-	(1.1)	(1.1)
Accretion of interest	0.9	3.3	4.2
Payments	(1.6)	(6.0)	(7.6)
Balance at 30 June 2022	18.5	34.2	52.7

b) Right-of-use assets

Amounts in \$ millions	30 June 2022			30 June 2021		
	Investment properties	Flexible space	Total	Investment properties	Flexible space	Total
Total right-of-use assets	17.9¹	28.9	46.8	2.9	33.2	36.1

¹ Right-of-use assets for investment properties are included within investment properties value in the Consolidated Statement of Financial Position.

Set out below are the movements in carrying amounts of right-of-use assets during the period.

Amounts in \$ millions	Investment properties	Flexible space	Total
Balance at 1 July 2020	3.0	38.1	41.1
Additions	-	-	-
Depreciation expense	(0.1)	(4.9)	(5.0)
Disposals	-	-	-
Balance at 30 June 2021	2.9	33.2	36.1
Balance at 1 July 2021	2.9	33.2	36.1
Additions	16.2	0.7	16.9
Depreciation expense	(1.2)	(3.9)	(5.1)
Disposals	-	(1.1)	(1.1)
Balance at 30 June 2022	17.9 ¹	28.9	46.8

¹ Right-of-use assets for investment properties are included within investment properties value in the Consolidated Statement of Financial Position.

Accounting policy

Leases

At contract inception Precinct assesses whether a contract is, or contains, a lease. Where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is considered a lease.

Precinct as a lessee

Precinct applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets where IFRS 16 recognition exemptions are applied. Precinct recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Precinct recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term certain life of the lease.

Lease liabilities

At the commencement date of the lease Precinct recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Precinct and payments of penalties for terminating the lease if the lease term reflects Precinct exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments Precinct uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amounts of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

21. Derivative Financial Instruments

<i>Amounts in \$ millions</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Fair value of derivative financial instruments		
Current assets	3.5	2.2
Non-current assets ¹	48.2	32.3
Current liabilities	-	-
Non-current liabilities	(20.5)	(50.9)
Total	31.2	(16.4)
Notional contract cover (fixed payer)	900.0	905.0
Notional contract cover (fixed receiver)	425.0	475.0
Notional contract cover (cross currency swaps - fixed receiver)	260.7	260.7
Percentage of net drawn borrowings fixed	64.2%	54.1%
Weighted average term to maturity (fixed payer)	3.5 years	4.0 years
Weighted average interest rate after swaps (including funding costs)	4.02%	3.38%

¹ This includes the cross currency interest rate swap valuation of \$25.1 million (June 2021: \$25.1 million) and a net credit value adjustment of \$0.9 million (June 2021: \$1.0 million debit).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

Amounts in \$ millions	30 June 2022	30 June 2021
Unrealised net gain / (loss) on financial instruments		
Interest rate swaps	42.9	23.8
US private placement ¹	1.4	(0.1)
Convertible note option	(11.2)	(4.0)
Subtotal unrealised net gain / (loss) on financial instruments	33.1	19.7
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	(1.7)	(10.8)
Total unrealised net gain / (loss) on financial instruments	31.4	8.9

¹ This is the net impact, excluding the credit risk adjustment, of the movement in value of the cross currency interest rate swap and the US private placement notes.

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.

22. Capital Commitments

Precinct has \$298.0 million of capital commitments as at 30 June 2022 (2021: \$260.1 million) relating to construction contracts.

23. Operating Lease Commitments

Precinct has entered into investment property leases (as lessor) which have remaining non-cancellable lease terms of between one and 36 years.

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

Amounts in \$ millions	Commitments as lessor (receivable)	
	30 June 2022	30 June 2021
Within one year	186.6	179.7
After one year but not more than five years	611.2	611.6
More than five years	530.8	629.2
Total	1,328.6	1,420.5

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.

24. Contingencies

a. Contingent liabilities

There are no contingent liabilities as at 30 June 2022 (June 2021: \$nil).

b. Contingent assets

There are no contingent assets as at 30 June 2022 (June 2021: \$nil).

25. Share-Based Payments

a) Description of share-based payment arrangements

On 1 April 2021, Precinct introduced a long-term incentive scheme ('scheme') for key management personnel and senior executives. Under this scheme, share rights were issued which entitles participants to receive ordinary shares in Precinct. The original tranche of rights vest within the period of 15-39 months from 1 April 2021. All rights issued after the original tranche vest over a period of 36 months. Vesting of share rights are subject to achieving service and/or performance conditions and is classified as equity-settled. These are at-risk payments designed to align the reward for senior management personnel and senior executives with the enhancement of shareholder value over a multi-year period.

The key terms and conditions related to the grants under this scheme are as follows:

Restricted share rights (granted to senior management personnel and senior executives)	Vest over service periods of 36 months provided the participant remains employed by Precinct.
Performance share rights (granted to senior executives)	Vest over 36 months (assessment period) if the related performance hurdle is met and participant remains employed by Precinct. These will vest as follows: <ul style="list-style-type: none"> Absolute TSR rights (one-third of performance share rights) If Precinct's TSR exceeds a specified annualised compounding rate. Relative TSR rights (one-third of performance share rights) Over the assessment period on a progressive vesting scale based on Precinct's TSR relative to the TSR of property group comprising other listed property issuers. FFO growth rights (one-third of performance share rights) Over the assessment period on a progressive vesting scale based on Precinct's FFO growth per share relative to CPI growth rate.

TSR - Total shareholder's return; FFO - Funds from operations

On vesting date, subject to meeting the service and performance conditions as above, each share right converts to one ordinary share. Key management personnel and senior executives are liable for tax on the shares received at this point.

b) Reconciliation of outstanding share rights

	30 June 2022		30 June 2021	
	Number	WAEP	Number	WAEP
Outstanding at 1 July	2,836,145	\$0.95	-	-
Exercised during the year ¹	(403,846)	\$1.37	-	-
Granted during the year	-	-	2,836,145	\$0.95
Outstanding at 30 June	2,432,299	\$0.88	2,836,145	\$0.95

¹ Share rights vested 30 June 2022 with shares issued on 1 July 2022.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

c) Fair value measurement of share rights

The fair value of the employee share rights awarded has been measured using a binomial model and Monte Carlo simulation. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of fair values at grant date of the award share rights were as follows:

	Grant date 1 April 2021					
	Restricted share rights 1	Restricted share rights 2	Restricted share rights 3	Absolute TSR rights	Relative TSR rights	FFO growth
Fair value (\$)	1.638	1.638	1.638	0.510	0.630	1.410
Share price (\$)	1.630	1.630	1.630	1.630	1.630	1.630
Expected volatility (%)	N/A	N/A	N/A	19.70	19.70	19.70
Expected life	1 yr 3 mths	2 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths	3 yrs 3 mths
Risk free rate (%)	N/A	N/A	N/A	0.57	0.57	0.57

There were no share rights granted during the year ended 30 June 2022.

Expected volatility has been based on an evaluation of the historical volatility of the Precinct's share price, particularly over the historical period commensurate with the expected term. The expected term of the share rights has been based on historical experience and general option holder behaviour. The risk-free rate reflects the interpolated rate for the period of 3 years and 3 months based on data sourced from the Reserve Bank of New Zealand.

The management expense relating to the LTI scheme for the year ended 30 June 2022 is \$1.2 million (2021: \$0.3 million) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining share rights at 30 June 2022 is \$1.1 million (2021: \$2.4 million).

Accounting Policy

Recognition and measurement

The grant-date fair value of share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting periods of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Key estimates and assumptions

It has been assumed that the key management personnel and senior executives will remain employed with Precinct on each of the vesting dates and that the non-market performance conditions will be met.

26. Related Party Transactions

Precinct internalised its management on 31 March 2021. From this date no further fees were payable to the manager. 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	30 June 2022		30 June 2021	
	Fees charged	Owing at 30 June	Fees charged	Owing at 30 June
Base management services fee	-	-	9.9	-
Leasing fees	-	-	1.3	-
Development manager fees	-	-	5.8	-
Acquisition and disposal fees	-	-	0.2	-
Generator management fee	-	-	0.3	-
Recoverable services fee	-	-	4.4	0.0
Total	-	-	21.9	-

27. Key Management Personnel

Amounts in \$ millions	30 June 2022	30 June 2021
Directors' fees ¹	0.8	0.8
Executive team remuneration ²	4.7	0.7 ³
Total	5.5	1.5

¹ Includes due diligence committee (DDC) fees that may be capitalised depending on the nature of the DDC.

² Total remuneration comprising base salary, STI payments, market value of LTI shares vesting and employer contributions to superannuation.

³ Remuneration of the executive team post internalisation of management on 31 March 2021.

28. 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 shareholders 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, developments, dividend policy, share buy backs and issuance of new shares.

Precinct's banking covenants require total liabilities (excluding deferred tax, derivative financial instruments 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.

29. 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 2022			30 June 2021		
	At amortised cost	Fair value through profit or loss	Total	At amortised cost	Fair value through profit or loss	Total
Financial assets						
Cash	11.5	-	11.5	8.3	-	8.3
Debtors	6.9	-	6.9	6.4	-	6.4
Derivative financial instruments	-	51.7	51.7	-	36.7	36.7
Total	18.4	51.7	70.1	14.7	36.7	51.4
Financial liabilities						
Other current liabilities	31.0	-	31.0	31.0	-	31.0
Interest bearing liabilities	986.0	296.6	1,282.6	792.0	291.8	1,083.8
Derivative financial instruments	-	20.5	20.5	-	50.9	50.9
Total	1,017.0	317.1	1,334.1	823.0	342.7	1,165.7

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% (based on a one year horizon) 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2022

Amounts in \$ millions	30 June 2022	30 June 2021
	Effect on profit or equity	Effect on profit or equity
25 basis point increase	(1.1)	(1.2)
25 basis point decrease	1.1	1.2

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 2022						
Interest bearing liabilities	1,282.6	30.7	110.8	881.1	355.2	1,377.8
Net derivative financial instruments	(31.2)	11.9	14.3	33.6	13.4	73.2
Other current liabilities	31.0	31.0	-	-	-	31.0
Total	1,282.4	73.6	125.1	914.7	368.6	1,482.0
30 June 2021						
Interest bearing liabilities	1,083.8	255.0	234.8	328.9	374.2	1,192.9
Net derivative financial instruments	16.4	5.8	7.2	18.4	10.5	41.9
Other current liabilities	31.0	31.0	-	-	-	31.0
Total	1,131.2	291.8	242.0	347.3	384.7	1,265.8

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.

30. Events After Balance Date

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

Post balance date, Precinct established an Employee Share Scheme (Scheme or ESS) for employees of Precinct Properties New Zealand Limited (Precinct NZ).

On 17 August 2022 the Board approved the financial statements for issue and approved the payment of a dividend of 1.675 cents per share to be paid on 23 September 2022.

Independent auditor's report to the Shareholders of Precinct Properties New Zealand Limited

Opinion

We have audited the financial statements of Precinct Properties New Zealand Limited ("the company") and its subsidiaries (together "the group") on pages 70 to 96, which comprise the consolidated statement of financial position of the group as at 30 June 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements on pages 70 to 96 present fairly, in all material respects, the financial position of the group as at 30 June 2022 and its consolidated financial performance and consolidated 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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 related 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Investment and Development Property Valuations

Why significant

The group's investment and development properties have an assessed fair value of \$2,549 million and \$544 million respectively, and account for 81% of the group's total assets.

The group engaged third-party registered valuers to determine the fair value of each investment and development property at 30 June 2022.

The property valuations require the use of judgments specific to the properties, as well as consideration of the prevailing market conditions. Significant assumptions used in the valuations are inherently subjective and a small difference in any one of the key assumptions, when aggregated, could result in a significant change to the property valuations. As a result, we consider the valuation of investment and development properties and the related disclosures in the financial statements to be significant to our audit.

For investment properties key assumptions are made in respect of:

- market rent; and
- estimated capitalisation or discount rates.

For development properties additional key assumptions are made in respect of:

- forecast development costs; and
- profit and risk allowance.

Disclosures relating to investment and development properties and the associated significant judgments are included in Note 9 'Investment and Development Properties' to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Held discussions with management to understand:
 - changes in the condition of each property; and
 - the impact market conditions had on the group's investment and development properties.
- Evaluated the group's internal review of the third-party valuation reports.
- Involved our real estate valuation specialists to assist with our assessment of whether significant valuation assumptions fell within reasonable ranges and the valuation methodologies adopted were appropriate.
- Assessed key inputs supplied to the third-party valuers by the group, including comparing the tenancy schedule and specific provisions in the lease agreements to the underlying records held by the group.
- Assessed the significant assumptions applied by the third-party valuers for reasonableness compared to previous period assumptions, the changing state of the properties and other market changes.
- Assessed the competence, qualifications and objectivity of the third party-valuers.
- Agreed the carrying value of each property to the relevant third-party valuation report.
- Considered the adequacy of the disclosures in relation to investment and development property.

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.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

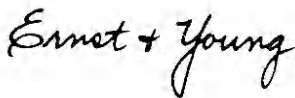
In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 at External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>. This description forms part of our auditor's report.

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



Chartered Accountants

Auckland

17 August 2022

Directory.

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

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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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Anne Urlwin – Independent Director
Graeme Wong – Independent Director
Nicola Greer – Independent Director
Mark Tume – Independent Director
Chris Judd – Independent Director
Mohammed Al Nuaimi – Director

Manager

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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.