Argosy

ANNUAL REPORT 2015

PROPERTIES

68

TENANTS

192

"Argosy is, and will remain, invested in a portfolio that is diversified by primary sector, grade, location and tenant mix."

- Positive property revaluation of $38.6 million
- Acquisition of five quality industrial buildings in Wellington
- Divestment of non Core properties including the Waitakere Mega Centre in Auckland

NET DISTRIBUTABLE INCOME

6.02cents

Net distributable income of 6.02 cents per share

DIVIDEND

6.00cents

Dividend of 6.00 cents per share for the 12 months to 31 March 2015

NET PROPERTY INCOME

$90.9m

Net property income increased to $90.9 million

OCCUPANCY

99.2%

Occupancy (by rental) increased to 99.2%

WALT

5.54yrs

Weighted average lease term remains well over five years

PORTFOLIO

$1.3b

Total portfolio value of $1.3 billion

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Cover image: 19 Nesdale Avenue AUCKLAND

MICHAEL SMITH CHAIRMAN

"Through a combination of strategic asset management and prudent capital management, Argosy has continued to deliver on its strategy and produced another strong operating result."

CONSISTENCY

On behalf of the Board of Directors, I am pleased to present Argosy's 2015 Annual Report.

The 2015 financial year has been another successful one for Argosy. Through a combination of strategic asset management and prudent capital management, Argosy has continued to deliver on its strategy and produced another strong operating result.

Total Shareholder Return was 34.5% for the 12 months to 31 March 2015 and ranked among the top three New Zealand-listed property vehicles over the past year. Argosy outperformed both the NZX Property Gross Index and the NZX 50 Gross Index over the same time period.

Operating results have improved with increases in both net property income and gross distributable income. Portfolio metrics have been maintained at high levels with occupancy by rental at 99.2% and the weighted average lease term at 5.54 years, while the leasing profile continues to be well managed.

This year we reported net property income of $90.9 million, an increase of 10.5% on the prior year and gross distributable income[1] of $56.3 million, an increase of 13.6%. The main driver of growth in 2015 was the extra income generated from acquisitions over the last two years as well as the commencement of the lease at 15-21 Stout Street, Wellington from July 2014.

Net distributable income decreased to $48.0 million (2014: $50.0 million) as Argosy has returned to a tax-paying position for the first time since the 2011 financial year.

The Board is pleased to make a full-year cash distribution of 6 cents per share which is in line with guidance. The final quarter dividend of 1.50 cents per share, with imputation credits of 0.2274 cents per share attached, will be paid to shareholders on 26 June 2015. The record date will be 12 June 2015. The dividend reinvestment plan (DRP) will continue with a discount of 1% applied to the price at which shares will be issued under the DRP.

Based on current projections for the portfolio, the Board is pleased to confirm that a dividend of 6 cents per share is expected to continue for the year to 31 March 2016. It is expected that this will be marginally below net distributable income per share. While projections beyond March 2016 are heavily dependent on the market and legislative environment, based on current conditions, it is expected that the dividend will increase from the 2017 financial year.

STRATEGY

Our portfolio investment strategy remains unchanged. Argosy's portfolio will consist of Core and Value Add properties. Core properties are well constructed, well-located assets which are intended to be long-term investments (>10 years). Core properties will make up 75 to 85% of the portfolio by value.

Core properties enjoy strong long-term demand (well located and generic), a leasing profile that provides for rental growth of at least CPI and good structural integrity with minimal maintenance capital expenditure required.

Value Add properties are assets which, through skilled asset management, can increase future earnings and provide capital growth. Value Add properties will already be well located with the potential for strong long-term tenant demand. These properties are available for near-to-medium-term repositioning or development, with the view to moving into the Core category.

Page 21 shows the proportion of Core and Value Add properties in the portfolio. The remaining properties will be divested as market conditions allow.

GOVERNANCE

At the Annual Meeting in August 2014, Andrew Evans and Mark Cross were re-elected as independent Directors and Trevor Scott, one of the Company's original directors, retired from the Board. At the date of this report, the Board comprised six Directors who are all independent.

LONG TERM INCENTIVE SCHEME

Subsequent to year end, the Board approved the implementation of a long term incentive scheme for its senior executives. The incentive scheme aligns closely with the Company's strategic objectives, which aim to provide an above average relative return to shareholders. Initially, the Chief Executive Officer and Chief Financial Officer have been invited, and have elected, to participate in the scheme. More detail about the scheme can be found in the Corporate Governance section on page 65.

OUTLOOK

As we head into the 2016 financial year, the New Zealand economy is still reasonably robust, with forecasts of continuing good economic growth.

▼ Albany Mega Centre AUCKLAND

▲ 107 Carlton Gore Road AUCKLAND

"As we head into the 2016 financial year, the New Zealand economy is still reasonably robust, with forecasts of continuing good economic growth. The outlook for the New Zealand property market is similarly positive."

1. Distributable income is a non-GAAP alternative performance measure used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution to shareholders. Please refer to Note 23 of the financial statements for a full reconciliation between profit before income tax and distributable income.

The outlook for the New Zealand property market is similarly positive with rental growth being achieved along with good levels of enquiry for space.

The Company has a well-diversified portfolio of good quality and well located properties and a clear investment strategy that enables us to make the most of current economic conditions.

The management team will continue to focus on the leasing fundamentals as well as positioning the portfolio for the future. Along with the continued focus on leasing, Management and the Board will continue to actively monitor the market and will pursue growth opportunities where these are consistent with the Company's investment strategy.

I am confident that our team, led by an experienced and committed management team of property professionals and guided by your Board of Directors, will continue to execute Argosy's strategy to ensure sustainable and growing returns for its investors.

On behalf of the Board, I would like to thank all shareholders for their support over the past 12 months and we look forward to continuing to work with you in the year ahead.

P MICHAEL SMITH
Chairman

▲ 15-21 Stout Street WELLINGTON

FINANCIAL SUMMARY

	2011 $000s	2012 $000s	2013 $000s	2014 $000s	2015 $000s
Net property income	72,260	71,210	69,866	82,218	90,878
Profit before financial income/(expenses) and other gains/(losses) and tax	63,168	35,123	63,110	74,817	83,029
Revaluation gains on investment property	2,126	3,658	9,344	33,488	38,633
Profit/(loss) for the year (before taxation)	28,718	(2,958)	38,650	98,803	68,553
Profit for the year (after taxation)	26,686	1,949	39,155	85,550	64,370
Earnings per share – cents per share	4.85	0.35	6.69	11.45	8.08
Net distributable income	33,519	33,371	42,213	49,961	47,971
Investment properties	960,607	905,249	976,862	1,226,266	1,306,395
Total assets	975,171	929,265	992,749	1,232,388	1,313,186
Debt-to-total-assets ratio	42.3%	41.4%	33.1%	36.5%	37.8%
Cash dividend – cents per share	7.00	6.00	6.00	6.00	6.00
Securities on issue at year end – shares	549,186	558,517	680,932	790,912	802,629
Net assets backing per share – cents per share	93	87	88	94	96
Total equity	511,732	488,446	601,337	739,522	768,726

PROPERTY METRICS

	2011	2012	2013	2014	2015
Occupancy factor (rent)	96.3%	94.1%	96.2%	98.7%	99.2%
Occupancy factor (sqm)	96.8%	92.5%	94.5%	98.7%	99.3%
Weighted average lease term (years)	4.92	4.77	5.24	5.68	5.54
Number of tenants	294	232	221	224	192
Number of properties*	74	65	63	66	68
Average property size ($m)	$12.82	$13.93	$15.51	$18.58	$19.21
Net lettable area (sqm)	547,483	463,656	485,531	590,991	607,799

* Certain titles have been consolidated and treated as one. The total number of buildings excludes properties held for sale.

PETER MENCE CHIEF EXECUTIVE OFFICER

Argosy has continued to make significant progress to once again deliver a strong operating result as well as providing an excellent return for shareholders.

PROGRESS

Two years ago we confirmed Argosy's strategy. We stated that Argosy will remain invested in a portfolio that is diversified by sector, grade, location and tenant mix. Our investment policy articulates what and where we will buy.

2015 has been a year in which we have continued to make progress executing this strategy. We have continued to grow the industrial and office portfolios and reduce the weighting of our retail sector, so that all three are now within our investment policy ranges. We have also continued to divest non Core assets and have acquired quality properties that fit within our investment criteria.

Highlights of the past financial year include the acquisition of five quality industrial buildings in Wellington, the divestment of non Core assets in Auckland, most notably the Waitakere Mega Centre in Henderson, and the official opening of 15-21 Stout Street, Wellington.

GROSS DISTRIBUTABLE INCOME

$56.3m

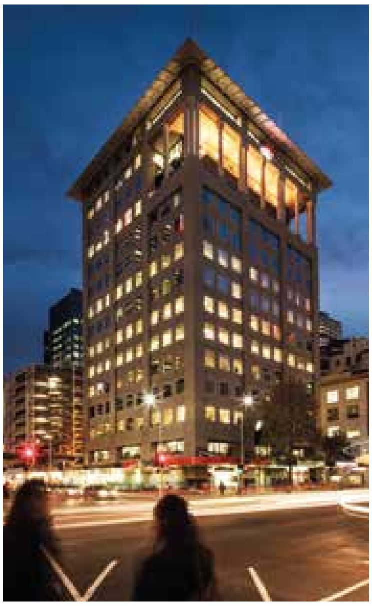
POSITIVE PROPERTY REVALUATION

$38.6m

DEBT TO TOTAL ASSETS WITHIN TARGET RANGE

37.8%

▲ 19 Barnes Street WELLINGTON



▲ Citigroup Centre AUCKLAND

OPERATING PERFORMANCE

Net property income for the year was $90.9 million (2014: $82.2 million), an increase of 10.5% primarily due to the extra income generated from acquisitions that took place over the last two years and the July commencement of a 12 year lease to the Ministry of Business, Innovation and Employment at Stout Street, Wellington.

Earnings before finance costs, property revaluations and tax was $83.0 million, an 11% increase on $74.8 million in 2014.

Interest expense has increased by $1.5 million compared to the previous period. However, after adjusting for capitalised interest of $1.3 million (2014: $2.3 million) relating to the development at Stout Street, gross interest expense was only $0.5 million more than it was in the previous period. This increase reflects increased debt levels, partly offset by margin savings following the restructure of the Company's banking facilities in June 2014 and February 2015.

Profit before tax, after allowing for the non-cash impact of interest rate swaps and property revaluations, was $68.6 million, compared to $98.8 million for the previous period. The decrease was due primarily to the revaluation loss on interest rate swaps of $24.9 million which reflects the lowering of the interest rate curve during the period.

Gross distributable income for the year to 31 March 2015 was $56.3 million, a 13.6% increase on the prior year. However, while gross distributable income has increased, net distributable income has decreased from 6.69 cents per share to 6.02 cents per share as Argosy has returned to a tax paying position. It is particularly pleasing that Argosy has been able to earn above the 6 cents per share that is being paid out in dividends; this is a better result than we had forecast at the commencement of the year.

PORTFOLIO ACTIVITY

Leasing environment

Expectations of rental growth remain in 2015 and this is being underpinned by strong leasing activity and low vacancy rates, especially in Auckland. Occupancy enquiry from potential tenants has continued to be solid and incentive levels have reduced.

Rental growth in Wellington has been constrained as the growth in net effective rents in high demand areas is being offset by stagnating or falling rents for similar stock in less desirable areas. Where net effective rents have increased, it has been more to do with falling insurance costs than an increase in achievable market rents.

Leasing

The management team has continued to focus on occupancy and near-term lease expiries with excellent results. Occupancy (by rental) has improved to 99.2% from 98.7% at 31 March 2014. Outstanding lease expiries for the period to 31 March 2016 were 11.8% at 31 March 2015.

During the year, 41 lease transactions were completed, including 19 new leases and 22 lease renewals and extensions. The weighted average lease term remains at a high level at 5.54 years at 31 March 2015, compared with 5.68 years at 31 March 2014.

Acquisitions

The property investment market is strong and there remains a large volume of capital seeking investment opportunities in an environment of limited supply and low interest rates.

As mentioned above, the office and industrial portfolios are a focus for the Company and key parts of Argosy's strategy. During the year we were successful in acquiring five industrial properties in Lower Hutt for $59 million in February 2015. The five properties were purchased at an initial passing yield of 8.18% and had a combined weighted average lease term of 5.19 years. This strategic acquisition has given Argosy its first presence in the Wellington industrial market which hasn't reached the price levels of the Auckland market but still has good prospects for growth ahead.

Divestments

Another of Argosy's key strategies continues to be to divest vacant land and under-yielding assets in the near-term. We have continued to make steady progress on this strategy during the 2015 financial year.

In August 2014, Argosy announced the sale of the Waitakere Mega Centre in Henderson, Auckland, for $45.8 million. The sale settled in March 2015 and has helped Argosy reduce its retail weighting to 24% of the portfolio at year end, in line with strategy.

Subsequent to financial year end, Argosy sold the property at 1 Allens Road, East Tamaki, Auckland for $3.3 million, which represented a 10.7% premium to book value.

Following these disposals, 6% of the portfolio is considered neither Core nor Value Add and will be divested in the future as market conditions allow.

Major projects

The redevelopment of the Stout Street building was successfully completed on time and was opened officially by the Honorable Steven Joyce in July 2014. The property was purchased for $33.2 million in July 2013 and had an upgrade cost of $46.6 million.

New Zealand Post House, Wellington continues to be redeveloped by Argosy. This building was purchased in March 2013 for $60 million and has an upgrade cost of $40 million. New Zealand Post and its subsidiary, Kiwibank, currently lease the building and will continue to do so throughout the course of the project. Argosy receives a return of 8% (quarterly in arrears) of its share of the development cost until completion, which is now expected to be in late 2017.

Valuations

For the fifth year in succession, the revaluation of the property portfolio has resulted in an increase in property values. The year end increase was $13.7 million. This, combined with the half year revaluation gain of $24.9 million, has given a total revaluation gain of 3%, or $38.6 million (2014: $33.5 million). The Company's portfolio, following the revaluation and including vacant land, shows a passing yield on values of 7.58% and a yield on fully let market rentals of 7.55%.

Prospects of continued rental growth in the year ahead remain and this is expected to result in further value improvements.

BANK FACILITY

Argosy restructured its syndicated bank facility in June 2014 and February 2015. Following the restructures the expiry date of the first tranche ($275 million) is 30 November 2017 and of the second tranche ($275 million) is 30 November 2019. As a result of these restructures, Argosy is receiving further margin and line fee savings (after including upfront fees) of $0.9 million per annum.

Argosy continues to maintain strong relationships with its banking partners and remains well within all bank covenants.

> "The New Zealand economy is well into an economic expansion and growth rates are set to continue for the near future. Likewise, the property market is in a similarly strong position with low vacancy rates and increased demand for good quality space."

OUTLOOK

The New Zealand economy is well into an economic expansion and growth rates are set to continue for the near future. Likewise, the property market is in a similarly strong position with low vacancy rates and increased demand for good quality space. At this point we do not have any evidence of significant speculative activity or overbuilding, and net occupancy demand remains positive. Argosy is well situated to continue to deliver to shareholders good results for the year ahead.

I thank the Board of Directors for its governance and oversight and the team at Argosy for their dedication and commitment to the Argosy vision and values over the past 12 months. I look forward to continued success in the year ahead.

PETER MENCE
Chief Executive Officer

▲ 82 Wyndham Street AUCKLAND

Argosy strives to deliver reliable and sustainable returns to shareholders.

We have a clearly defined investment strategy and acquisition policy which guide our commercial decision making. We take a considered approach to development, acquisition, divestment, leasing and capital management decisions, reflecting our position in the market as a dividend yield stock.

Argosy is, and will remain, invested in a portfolio that is diversified by primary sector, grade, location and tenant mix.

The portfolio will consist of Core and Value Add properties. Core properties are well constructed, well located assets, intended to be long-term investments (>10 years), making up 75-85% of the portfolio by value.

The key features of Core properties are:

— strong long term demand (well located and generic)
— a leasing profile that provides for rental growth of at least CPI
— excellent structural integrity with minimal maintenance capital expenditure required.

Value Add properties are assets which, through skilled asset management, can increase future earnings and provide capital growth. Value Add properties will already be well located with the potential for strong long term tenant demand. These properties are available for near-to-medium-term repositioning or development with the view to moving into the Core category.

Properties that are considered neither Core nor Value Add are divested as market conditions allow.

INVESTMENT POLICY

Our Investment Policy clearly defines what properties we will seek to own, i.e, it sets the boundaries within which we will operate and invest. The investment policy delivers a clear acquisition checklist and every potential acquisition (and portfolio asset) can be measured against that checklist.

WHERE WILL WE BUY?

INDUSTRIAL
35-45%

OFFICE
35-45%

RETAIL
15-25%

Target "off-market" acquisitions and avoid competitive processes

Target Value Add properties where we can leverage internal expertise within overall Core/Value Add targets

Target contiguous properties with potential

Focus on good quality Office (A- to C+), Industrial and Large Format Retail

Concentrate on Auckland (65-75%) and Wellington (20-30%). Provincial North Island or South Island tenant-driven only (<10%)

No leasehold

No international properties

VALUE PARAMETERS

Greater than $10 million unless strategically imperative ($6 million for Industrial)	✓
No more than 10% of overall portfolio value	✓

DUE DILIGENCE

Apply Argosy due diligence checklist	✓
Structural integrity ≥ 70% (unless this represents a Value Add opportunity)	✓

DEVELOPMENT

Developments only for tenants who provide strategic value to Argosy	✓
Joint ventures will be undertaken only where the counterparty is of sufficient financial standing to carry their share of risk	✓
No third party management of external portfolios	✓

In some cases a portfolio of assets may be considered. The strategy for the acquired portfolio must be consistent with the overall Argosy Portfolio Investment Strategy (i.e, the majority by value of the properties are either Core or offer potential to move to Core in the medium term).

In certain circumstances exceptions to the Investment Policy may be considered where an acquisition is made to meet the requirements of a valued tenant.

Argosy has a diversified portfolio of quality properties with an average value of $19.2 million. This allows the Company to be nimble and to react quickly to changing market conditions. Liquid properties (which are properties that could potentially be under contract within a short period) currently represent 22% of the portfolio.

DELIVERING ON STRATEGY

Argosy has successfully delivered on its strategy since it was redeveloped in 2013. A strong property market and excellent relationships with key individuals in the industry have allowed the Company to divest non Core properties, with those proceeds reinvested into properties which meet the investment criteria outlined above.

Alongside this realignment of the portfolio, the team has focused on improving the operating performance of the portfolio by managing tenant relationships to ensure that any opportunities to add value or security of income from a lease are acted on.

The Company will continue to focus on the leasing metrics of the portfolio as well as continuing to reposition the portfolio in line with the overall Investment Strategy. Adding value through developments with existing tenants and managing Argosy's risk profile remain important focus areas for the Company.

CAPITAL MANAGEMENT

The optimal capital structure for Argosy should be one that enables the Company to maximise its earnings yield through the property cycle within the following parameters:

- Properties can be acquired when they meet the approved investment policy criteria, or sold when they are non Core
- There is no requirement to issue equity at a price that is dilutive to shareholders
- Sustainable dividend growth.

Argosy's capital structure policy is to retain the debt-to-total-assets ratio at between 35% and 40% in the medium term.

This ratio is monitored on an ongoing basis. Any movement beyond pre-set parameters requires an action plan and time frame to move debt levels to within the prescribed range. The strategy should address the key capital management levers available to Argosy.

RISK MANAGEMENT

Argosy has a risk management framework for identifying, managing and reporting to the Board on key risks. The risk management framework covers occupational, operational and financial risks. The framework is presently under review, particularly in light of the Health and Safety Reform Bill.

Argosy has successfully delivered on its strategy since it was redeveloped in 2013. A strong property market and excellent relationships with key individuals in the industry has allowed the Company to divest non Core properties, with those proceeds reinvested into properties which meet the investment criteria.

The Board of Directors (the Board) has overall responsibility for the management of Argosy.

The Board reviews all aspects of portfolio, asset and financial management strategy, formulates and reviews compliance programmes, and approves transactions and capital expenditures.

The Board currently comprises six members, each of whom bring a significant level of expertise to Argosy. Their experience includes property investment, management and development, finance, property law and corporate management. The Board has determined that all Board members are independent Directors under the NZX Main Board Listing Rules. All Board members are non-executive Directors.

MICHAEL SMITH Chairman

Director since December 2002

Mr Smith was employed by Lion Nathan Limited for 29 years. During that time, he held a number of senior executive positions with the Lion Nathan Group and was a director of the parent company for 16 years. Mr Smith is a director of a number of companies, including Greymouth Petroleum Limited, Maui Capital Indigo Fund Limited and Maui Capital Aqua Fund Limited. His previous directorships/trusteeships include Lion Nathan Limited, The Lion Foundation, Fonterra Co-operative Group Limited, Auckland International Airport Limited, OnePath Holdings (NZ) Limited and Fisher & Paykel Healthcare Corporation Limited.

Mr Smith holds a Master of Commerce degree from The University of Auckland and is a Graduate of the Program for Management at Harvard Business School. He is also a member of the Institute of Directors in New Zealand.

PETER BROOK

Director since December 2002

Mr Brook has 20 years' experience in the investment banking industry, retiring in 2000 to pursue his own business and consultancy activities. He is presently Chairman of BurgerFuel Worldwide Limited, Trust Investments Management Limited and Generate Investment Management Limited. Mr Brook is also a trustee of the Melanesian Mission Trust Board, a member of the Institute of Finance Professionals New Zealand Inc. and a director of several private companies.

Mr Brook holds a Bachelor of Commerce degree from The University of Auckland and is a member of the New Zealand Institute of Chartered Accountants.

IMAGE FROM LEFT

Chris Hunter
Peter Brook
Michael Smith
Andrew Evans
Mark Cross
Jeff Morrison

MARK CROSS

Director since March 2012

Mr Cross has more than 20 years' experience in investment banking, holding senior positions in New Zealand, Australia and, more recently, the United Kingdom. Alongside consulting and private investment activities, he is currently also a director of Genesis Energy Limited, Milford Asset Management Limited, Triathlon New Zealand Inc. and other private companies, and chairman of MFL Mutual Fund Limited and Superannuation Investments Limited.

Mr Cross holds a Bachelor of Business Studies degree from Massey University. He is a member of the New Zealand Institute of Chartered Accountants and the Institute of Directors in New Zealand.

ANDREW EVANS

Director since August 2003

Mr Evans has more than 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. Andrew is a director of Vital Healthcare Management Limited, Holmes Group Limited, Holmes GP Fire Limited, Trust Investments Management Limited, Hughes and Cossar Group Holdings Limited and Westbrooke Capital Partners Limited. In addition, Mr Evans is a past national president of the Property Council of New Zealand, a foundation member of the Property Institute of New Zealand, a government appointee to the Land Valuation Tribunal (Waikato No.1) and sits on the board of Marist Brothers Old Boys Rugby Club.

Andrew is a member of the Institute of Directors and is on the Auckland Branch Committee. He has Bachelor of Business Studies and Master of Business Administration (with distinction) degrees from Massey University and a Diploma in Finance from The University of Auckland.

CHRIS HUNTER

Director since June 2013

Mr Hunter has extensive commercial property experience including more than 25 years in New Zealand's construction industry, most recently as the Chief Executive Officer of Hawkins Construction and he has recently invested in NZ Strong Group. Over the past 20 years he has been associated with more than $10 billion of developments across industrial, commercial, retail, residential and infrastructure sectors. Mr Hunter currently has a portfolio of business investments and is active in the property development sector. He is advising a number of publicly listed companies in their property and construction ventures.

Chris is an associate member of the New Zealand Institute of Quantity Surveyors, a fellow of the Royal Institute of Chartered Surveyors and holds a Master of Business Administration degree from Massey University.

JEFF MORRISON

Director since July 2013

Mr Morrison has 35 years of experience as a property lawyer, 29 of them as a commercial property partner at Russell McVeagh, and now practises on his own account. Mr Morrison is a trustee of the Spirit of Adventure and other charitable trusts and holds a number of private company directorships.

Mr Morrison is a qualified lawyer with a Bachelor of Laws degree from The University of Auckland.

On 1 March 2012 Argosy Property Trust converted from a unit trust into a company, Argosy Property Limited, through a corporatisation process. On incorporation, the board of Argosy Property Limited comprised the same directors as the board of Argosy Property Management Limited, the manager of Argosy Property Trust. Prior to 1 March 2012, Michael Smith, Peter Brook and Andrew Evans were directors of the manager of the former Trust and began their tenures in December 2002, December 2002 and August 2003 respectively.

Our people are an integral part of our business.

The Argosy team is made up of 15 well-qualified and experienced property professionals who perform at the highest level in the industry. They are supported by an equally committed and competent finance, legal and administration staff of 10.

IMAGE FROM LEFT

Warren Cate
Anna Hamill
Scott Lunny
Peter Mence
Dave Fraser
David Snelling
Saatyesh Bhana
Marilyn Storey
Wade Allen
Joanna Sharpe
Tony Frost

PETER MENCE
Chief Executive Officer

Peter's property career spans more than 30 years working with firms like Progressive Enterprises, Challenge Properties, Green & McCahill and CBRE. An engineer by background, he joined OnePath (NZ) Limited in 1994 and was appointed General Manager of Argosy Property in 2007. Peter has been an integral part of the management of Argosy Property since 2003 and is responsible for overall performance.

Peter is the current National President of Property Council New Zealand, a fellow of the Property Institute of New Zealand and a past lecturer in Advanced Property Management at The University of Auckland, where he was presented with the Stuart McIntosh Award for his contribution to the university.

DAVE FRASER
Chief Financial Officer

Dave joined the team in 2011 and originally was responsible for the planning and execution of the management internalisation and Argosy's corporatisation. He now oversees the financial and corporate activities of the Company.

Dave has spent over 27 years in senior financial and general management roles both in New Zealand and overseas, including six years in Japan as a senior vice president with the Jupiter Group. He has broad experience in strategic and operational planning, business development, debt restructures, equity raisings, and mergers and acquisitions.

In addition to being a qualified Chartered Accountant, Dave has Bachelor of Commerce and Master of Business Administration degrees from The University of Auckland.

DAVID SNELLING
General Counsel

David joined Argosy in 2011 to manage day-to-day corporate compliance. He also provides legal assistance to the property team and general in-house legal support.

Prior to joining Argosy, David's experience included working in the tax practices of large New Zealand firms; he has been involved in a broad range of transactions across the property, primary, energy, petroleum, telecommunications, banking and finance sectors. David also has a strong track record in dispute work. He has published articles on topical issues in CCH's Tax Planning Report.

David is a qualified lawyer. He graduated from Victoria University in Wellington.

SCOTT LUNNY
Investor Relations Manager

Scott has been with Argosy since 2006 and has over 17 years' experience in the banking, managed funds and property industries, gaining considerable experience in all aspects of financial reporting, treasury, tax management and investor relations. Prior to joining Argosy, Scott spent two years in the UK working for various fund managers and five years in the managed funds division of ING New Zealand.

Scott is a Chartered Accountant and has a Bachelor of Business Studies degree and a Postgraduate Diploma in Business and Administration, majoring in Finance, both from Massey University.

ANNA HAMILL
Financial Controller

Anna joined Argosy in 2013 and has responsibility for financial and management reporting as well as budgeting functions of the Company. Prior to joining Argosy, she worked in the external reporting team of one of New Zealand's largest general insurers. Prior to that, Anna spent more than six years working in audit and assurance services at Deloitte where her client base consisted of larger corporate and listed entities.

Anna is a Chartered Accountant and has a Bachelor of Commerce degree majoring in Accounting and Marketing and a Postgraduate Diploma in Commerce majoring in Management, both from The University of Auckland.

WARREN CATE
Asset Manager

Warren is responsible for a wide variety of properties in the Argosy portfolio. In addition to strategic management and financial performance accountabilities, his extensive property industry experience is utilised to good effect in the investigation and analysis of many of our property acquisition initiatives.

Since graduating from The University of Auckland with a Bachelor of Engineering degree, Warren has held a wide variety of roles over more than 25 years in the industry, including as General Manager Property for Magnum Corporation. He joined the Argosy team in 1995, making him one of the longest-serving members.

TONY FROST
Asset Manager

Tony's property career includes a wide variety of property and development management roles in private and public sector entities.

He joined the management team in 2007 and has responsibility for a varied portfolio of Argosy's properties. In addition to his strategic management and financial performance accountabilities, Tony is particularly effective at investigating and analysing development projects, using his extensive property industry experience to enhance many of our portfolio initiatives.

Tony has a Diploma in Valuation from The University of Auckland, is a Registered Valuer and a member of the Property Institute of New Zealand.

SAATYESH BHANA
Asset Manager

Saatyesh has been with the management team for more than ten years and is responsible for the strategic management and financial performance of a portfolio of properties predominately located in the Wellington region.

He graduated from Massey University with a Bachelor in Business Studies degree, specialising in Valuation and Property Management. Saatyesh has worked in a variety of private sector and listed property businesses. His 18 years' experience includes acquisitions, divestments, leasing and value add projects.

MARILYN STOREY
Asset Manager

Marilyn has been with the Argosy team for more than seven years and has more than 20 years' experience in the commercial property industry ranging from working with tenants and landlords, to consulting, project work and energy management.

She is responsible for a mix of properties across our portfolio including development work. On top of her extensive experience, Marilyn is also well qualified with a Master of Business Administration degree from the University of Otago and a bachelor's degree in both Property and Commerce from The University of Auckland. She joined Argosy after operating her own property consulting business.

JOANNA SHARPE
Asset Manager

Joanna joined the Argosy team in 2013 and is based in Auckland. She has more than 18 years' experience in the retail and property industries including working with retailers and landlords, project work and resource consent and planning.

Joanna is responsible for our retail portfolio across New Zealand including development work. On top of her experience, she is also well qualified with a Master of Arts (Social Science) degree in Business and Psychology from Glasgow University. Joanna has been in New Zealand for 15 years since moving from the UK. Most recently, she worked for Wellington Airport and Foodstuffs (Wellington) Cooperative Society Limited.

WADE ALLEN
Leasing Manager

Wade is responsible for maximising the leasing and transactional side of Argosy's business.

Wade has over 28 years' experience in the commercial property business, having worked in asset management for NZI, Brierley Investments, Trans Tasman Properties and National Bank.

More recently, Wade spent four years as Commercial Manager at Manson Developments involved in leasing and acquisitions. Wade has also run his own property consultancy practice focusing on leasing solutions and the sale and purchase of commercial property assets.

Wade graduated from The University of Auckland with a Bachelor of Arts degree in Economics.

We believe that green and efficient developments will achieve tangible benefits for Argosy's investors and tenants alike

C

COMMITMENT

Argosy is committed to managing the impact of our activities on the natural environment; we believe we have an important role to play in contributing to sustainable development.

Argosy is well aware that natural resources are finite. We pay attention to environmental issues and encourage environmentally responsible behaviour. We are striving constantly to improve the environmental performance of our properties.

Argosy is a member of the New Zealand Green Building Council, a not-for-profit industry organisation dedicated to accelerating the development and adoption of market-based green building practices.

ARGOSY BUILDING MANAGEMENT POLICY

As a responsible investor, Argosy is keen to ensure there are initiatives to achieve environmentally sustainable features in individual building's strategic plans. We consider the initiative to produce environmentally responsible developments to be a fundamental requirement of any project, be it an existing building management matter, a new development or a retro-fit.

This view is supported by tenant demand for environmentally sustainable accommodation that:

— illustrates a tenant's commitment to the environment
— provides a reduction in operating costs
— mitigates the functional obsolescence of an investment.

We are committed to finding new and innovative ways of making our buildings more environmentally sound and energy efficient.

AWARD WINNING DEVELOPMENTS

There is high demand for environmentally sustainable accommodation and being able to provide this is an important part of Argosy's environmental and building management policies.

In 2014, the refurbished Te Puni Kōkiri House, 143 Lambton Quay, Wellington, was awarded the New Zealand 5 Green Star – Office Built 2009 Certified Rating. This building was also awarded a 4 star NABERSNZ Energy Base Building rating, demonstrating excellent performance for the utilisation of new technology to achieve a better and more efficient strategy for building services.

The property also won a Merit Award at the 2014 Property Council New Zealand Property Industry Awards in the Commercial Office section.

The building located at 15-21 Stout Street, Wellington has also targeted a New Zealand 5 Green Star – Office Built rating without first attaining a design rating, as the built rating signifies a greater, more meaningful commitment to sustainability. This allowed Argosy to provide the benefits of a new building together with the character of the existing heritage building.

All parties involved in the project focused on energy efficiency resulting in lower emissions while, at the same time, providing occupants with a premium working environment. This partnership process has allowed Argosy to provide the benefits of a new building with the reliability and character of the existing building, at a competitive rental.

▲ Te Puni Kōkiri House WELLINGTON

▲ 15-21 Stout Street WELLINGTON

New Zealand's robust economy is underpinning strong leasing activity and low vacancy rates in the property market at present. This, along with shortages of good quality space available for lease, points to the possibility of measured rental growth in the year ahead.

PORTFOLIO

LEASE TRANSACTIONS COMPLETED

41

5

QUALITY WELLINGTON INDUSTRIAL PROPERTIES ACQUIRED

During the 2015 financial year Argosy has continued to execute its strategy. The Company acquired five buildings in the Wellington industrial market and continued to divest non Core properties from the portfolio.

Portfolio metrics remain at very strong levels and the leasing profile continues to be well managed.

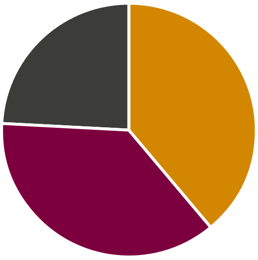
99.2%

OCCUPANCY

PORTFOLIO STATISTICS

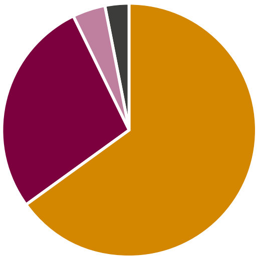
	TOTAL PROPERTIES	Industrial	Office	Retail
Number of buildings	68	40	17	11
Market value of assets ($m)	$1,306.40	$510.42	$483.56	$312.42
Net lettable area (sqm)	607,799	367,468	121,001	119,330
Vacancy factor by rent	0.8%	0.3%	1.2%	1.1%
Weighted average lease term (WALT) (years)	5.54	5.72	5.60	5.15
Average value ($m)	19.21	12.76	28.44	28.40
Passing yield	7.58%	7.59%	7.63%	7.49%

TOTAL PORTFOLIO VALUE
BY SECTOR



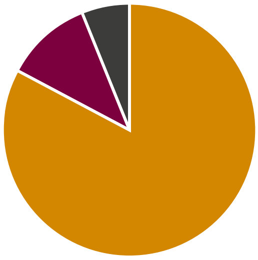
39%	Industrial
37%	Office
24%	Retail

TOTAL PORTFOLIO VALUE
BY REGION



65%	Auckland
28%	Wellington
4%	Palmerston North
3%	Other regional

PORTFOLIO MIX



83%	Core properties
11%	Value Add properties
6%	Properties and land to divest

OCCUPANCY, LEASING AND WALT

Occupancy remains at historically high levels across all sectors of the portfolio. Overall occupancy was 99.2% at year end, improved from 98.7% last year.

The WALT was 5.54 years at year end, compared to 5.68 years in 2014. The WALT is very important because portfolio values are affected fundamentally by security of income streams. The WALT by sector is represented in the chart on page 23.

During the year, 41 lease transactions were completed (excluding car parks), including 19 new leases and 22 lease renewals and extensions. A total of 103 rental reviews were completed resulting in an increased annual rental of $1,095,040. The lease expiry profile as at 31 March 2015 is shown on page 23.

VALUATIONS

During the year, the revaluation of the property portfolio resulted in an increase in property values for the fifth year in succession. The revaluations were performed at 30 September 2014 as well as at 31 March 2015 and resulted in an overall gain of $38.6 million. The Company's portfolio following the revaluation, including vacant land, shows a passing yield on values of 7.58% and a yield on the assessed fully let market rentals of 7.55%.

NEW LEASES AND LEASE EXTENSIONS
BY SECTOR

	Floor Area (sqm)	Average Lease Term (years)	# of Leases
Industrial	15,521	6.61	6
Office	9,817	4.83	14
Retail	12,085	5.57	21
Total	37,423	5.47	41

NEW LEASES AND LEASE EXTENSIONS
BY TYPE

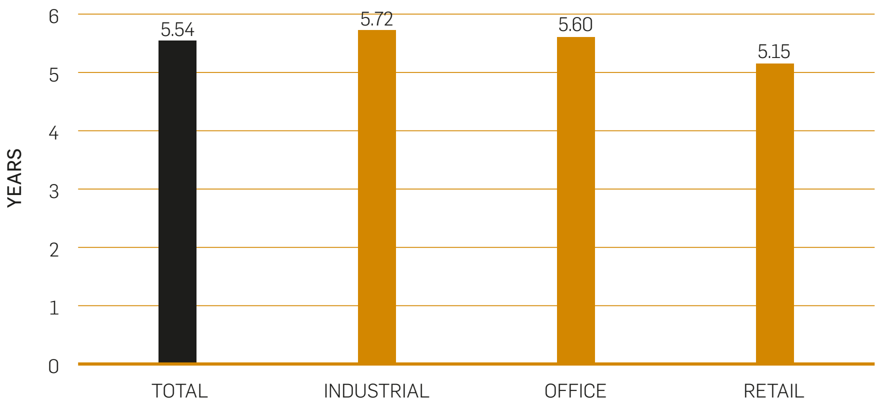
	Floor Area (sqm)	Average Lease Term (years)	# of Leases
New lease	23,085	5.58	19
Right of renewal	12,438	6.01	19
Extension	1,900	0.86	3
Total	37,423	5.47	41

RENT REVIEWS
BY SECTOR

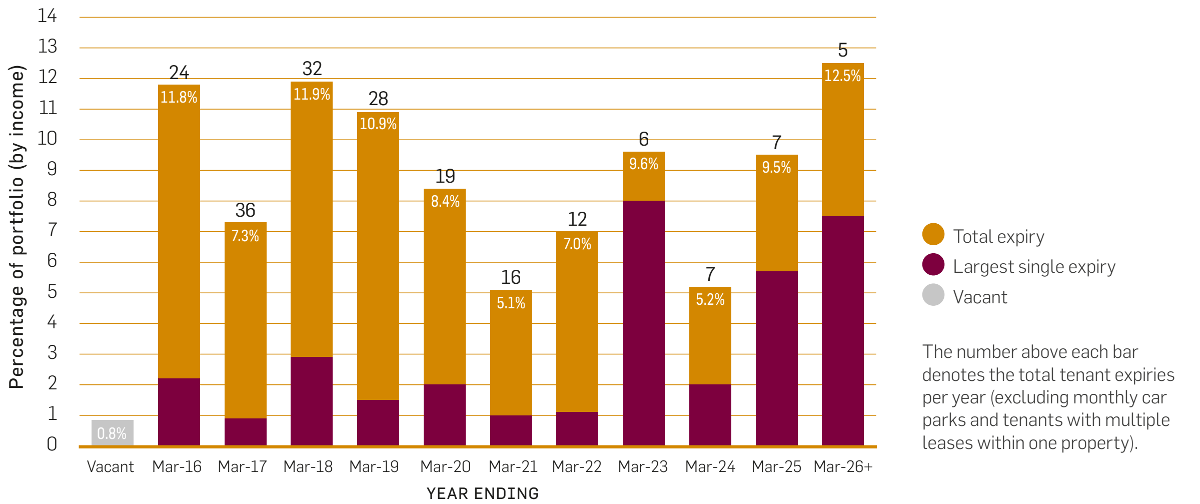
	Number of Reviews	Annualised Rent Increase	Increase over Contract ($)
Industrial	23	0.9%	237,893
Office	29	4.4%	428,077
Retail	51	2.1%	429,070
Total	103	1.8%	1,095,040

During the year, the revaluation of the property portfolio resulted in an increase in property values for the fifth year in succession.

WEIGHTED AVERAGE LEASE TERM
BY SECTOR



LEASE EXPIRY PROFILE
BY RENT



The number above each bar denotes the total tenant expiries per year (excluding monthly car parks and tenants with multiple leases within one property).

▲ 25 Nugent Street AUCKLAND

INDUSTRIAL

The Auckland industrial market remains in a very strong position with forecasts for further employment and business growth in the sector in response to economic expansion. Strong demand is leading to further development opportunities, albeit not enough to relieve the pressure for tenants looking for new space or for those entering rent review negotiations.

Industrial rents in Auckland and Wellington have increased over the past financial year and forecasts point to even stronger growth in the year ahead. Vacancy rates are decreasing to historically low levels and incentives have also reduced.

Some of the trends we are seeing in the industrial market are:

— Decreases in vacancy rates and incentive levels in Auckland and Wellington
— Measured rental growth, with the expectation that this will continue
— An increase in non-residential consenting activity, especially for the construction and transport sectors.

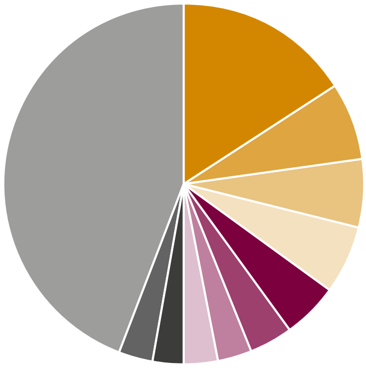
The vacancy rate of the industrial portfolio was further reduced during 2015, ending the year at 0.3%.

During the year, Argosy purchased five quality industrial buildings in Lower Hutt for a total of $59.0 million. The properties had a combined WALT at acquisition of 5.19 years and a combined initial passing yield of 8.18%.

Subsequent to year end, Argosy sold the property at 1 Allens Road, East Tamaki, Auckland, for $3.3 million, a gain on book value of 10.7%.

NUMBER OF BUILDINGS	40
MARKET VALUE OF ASSETS $M	$510.42
VACANCY FACTOR BY RENT	0.3%
WALT YEARS	5.72
PASSING YIELD	7.59%

TOP 10 INDUSTRIAL TENANTS
BY PERCENTAGE OF RENTAL INCOME



- General Distributors Limited
- Cardinal Logistics Limited
- Ezibuy Limited
- PBT Transport Limited
- Hall's Logistics Limited
- DSE (NZ) Limited
- Amcor Flexibles (New Zealand) Limited
- VisyPET (NZ) Limited
- Recall New Zealand Limited
- Fonterra Co-operative Group Limited
- Other

AUCKLAND

67 Dalgety Drive, Manukau City

VALUATION	$4,350,000
WALT	2.00
NET LETTABLE AREA (SQM)	3,698
VACANT SPACE (SQM)	–
PASSING YIELD	8.39%

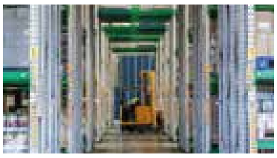
90 – 104 Springs Road, East Tamaki

VALUATION	$3,570,000
WALT	0.58
NET LETTABLE AREA (SQM)	3,875
VACANT SPACE (SQM)	–
PASSING YIELD	6.18%

8 Forge Way, Panmure

VALUATION	$15,600,000
WALT	3.50
NET LETTABLE AREA (SQM)	4,230
VACANT SPACE (SQM)	–
PASSING YIELD	7.98%

10 Transport Place, East Tamaki



VALUATION	$25,885,000
WALT	9.33
NET LETTABLE AREA (SQM)	10,641
VACANT SPACE (SQM)	–
PASSING YIELD	7.18%

1 Rothwell Avenue, Albany

VALUATION	$18,580,000
WALT	8.84
NET LETTABLE AREA (SQM)	12,936
VACANT SPACE (SQM)	–
PASSING YIELD	7.73%

4 Henderson Place, Onehunga

VALUATION	$11,700,000
WALT	0.62
NET LETTABLE AREA (SQM)	10,453
VACANT SPACE (SQM)	–
PASSING YIELD	8.87%

1 – 3 Unity Drive, Albany

VALUATION	$8,050,000
WALT	0.42
NET LETTABLE AREA (SQM)	6,204
VACANT SPACE (SQM)	–
PASSING YIELD	8.53%

5 Unity Drive, Albany

VALUATION	$4,350,000
WALT	1.00
NET LETTABLE AREA (SQM)	3,046
VACANT SPACE (SQM)	–
PASSING YIELD	8.05%

80 Springs Road, East Tamaki

VALUATION	$8,380,000
WALT	0.24
NET LETTABLE AREA (SQM)	9,675
VACANT SPACE (SQM)	–
PASSING YIELD	9.77%

211 Albany Highway, Albany

VALUATION	$14,250,000
WALT	2.83
NET LETTABLE AREA (SQM)	13,878
VACANT SPACE (SQM)	–
PASSING YIELD	8.81%

80-120 Favona Road, Mangere

VALUATION	$77,500,000
WALT	9.42
NET LETTABLE AREA (SQM)	59,448
VACANT SPACE (SQM)	–
PASSING YIELD	7.86%

19 Nesdale Avenue, Wiri

VALUATION	$40,100,000
WALT	13.80
NET LETTABLE AREA (SQM)	20,677
VACANT SPACE (SQM)	–
PASSING YIELD	7.12%

12-16 Bell Avenue, Mt Wellington

VALUATION	$16,900,000
WALT	4.94
NET LETTABLE AREA (SQM)	14,809
VACANT SPACE (SQM)	–
PASSING YIELD	7.86%

18-20 Bell Avenue, Mt Wellington

VALUATION	$10,800,000
WALT	6.17
NET LETTABLE AREA (SQM)	8,998
VACANT SPACE (SQM)	–
PASSING YIELD	7.66%

32 Bell Avenue, Mt Wellington

VALUATION	$8,000,000
WALT	5.17
NET LETTABLE AREA (SQM)	8,810
VACANT SPACE (SQM)	–
PASSING YIELD	8.81%

9 Ride Way, Albany

VALUATION	$15,400,000
WALT	2.50
NET LETTABLE AREA (SQM)	8,459
VACANT SPACE (SQM)	–
PASSING YIELD	7.30%

2 Allens Road, East Tamaki

VALUATION	$3,656,000
WALT	3.39
NET LETTABLE AREA (SQM)	2,920
VACANT SPACE (SQM)	–
PASSING YIELD	7.77%

12 Allens Road, East Tamaki

VALUATION	$2,998,000
WALT	3.39
NET LETTABLE AREA (SQM)	2,372
VACANT SPACE (SQM)	–
PASSING YIELD	7.68%

106 Springs Road, East Tamaki

VALUATION	$4,786,000
WALT	3.39
NET LETTABLE AREA (SQM)	3,846
VACANT SPACE (SQM)	–
PASSING YIELD	7.77%

Passing yield is net contract income divided by property valuation.

5 Allens Road, East Tamaki

VALUATION	$3,000,000
WALT	3.67
NET LETTABLE AREA (SQM)	2,663
VACANT SPACE (SQM)	–
PASSING YIELD	7.58%

960 Great South Road, Penrose

VALUATION	$5,050,000
WALT	3.00
NET LETTABLE AREA (SQM)	3,677
VACANT SPACE (SQM)	–
PASSING YIELD	7.57%

17 Mayo Road, Wiri

VALUATION	$17,400,000
WALT	3.02
NET LETTABLE AREA (SQM)	13,351
VACANT SPACE (SQM)	–
PASSING YIELD	8.25%

Cnr William Pickering Drive and Rothwell Avenue, Albany

VALUATION	$9,650,000
WALT	0.19
NET LETTABLE AREA (SQM)	7,074
VACANT SPACE (SQM)	–
PASSING YIELD	8.30%

19 Richard Pearse Drive and 26 Ascot Avenue, Mangere

VALUATION	$6,730,000
WALT	2.33
NET LETTABLE AREA (SQM)	3,721
VACANT SPACE (SQM)	345
PASSING YIELD	6.00%

Wagener Place, St Lukes

VALUATION	$10,500,000
WALT	3.74
NET LETTABLE AREA (SQM)	9,730
VACANT SPACE (SQM)	–
PASSING YIELD	5.24%

WELLINGTON

Cnr Wakefield, Taranaki and Cable Streets

VALUATION	$14,130 ,000
WALT	8.49
NET LETTABLE AREA (SQM)	3,307
VACANT SPACE (SQM)	–
PASSING YIELD	6.41%

14 Tunnel Grove

VALUATION	$2,640,000
WALT	5.56
NET LETTABLE AREA (SQM)	2,324
VACANT SPACE (SQM)	–
PASSING YIELD	8.33%

147 Gracefield Road

VALUATION	$11,700,000
WALT	1.75
NET LETTABLE AREA (SQM)	8,018
VACANT SPACE (SQM)	–
PASSING YIELD	8.48%

19 Barnes Street

VALUATION	$10,930,000
WALT	8.42
NET LETTABLE AREA (SQM)	6,857
VACANT SPACE (SQM)	–
PASSING YIELD	8.31%

39 Randwick Road

VALUATION	$17,070,000
WALT	3.48
NET LETTABLE AREA (SQM)	16,167
VACANT SPACE (SQM)	–
PASSING YIELD	9.24%

68 Jamaica Drive

VALUATION	$15,500,000
WALT	6.34
NET LETTABLE AREA (SQM)	9,404
VACANT SPACE (SQM)	–
PASSING YIELD	7.90%

56 Jamaica Drive

VALUATION	$1,100,000
WALT	–
NET LETTABLE AREA (SQM)	–
VACANT SPACE (SQM)	–
PASSING YIELD	–

OTHER

7 El Prado Drive, Palmerston North

VALUATION	$1,685,000
WALT	1.44
NET LETTABLE AREA (SQM)	3,572
VACANT SPACE (SQM)	587
PASSING YIELD	4.60%

31 El Prado Drive, Palmerston North

VALUATION	$26,830,000
WALT	0.92
NET LETTABLE AREA (SQM)	24,656
VACANT SPACE (SQM)	–
PASSING YIELD	8.70%

44 Neil Lane, Palmerston North

VALUATION	$3,170,000
WALT	3.08
NET LETTABLE AREA (SQM)	3,232
VACANT SPACE (SQM)	–
PASSING YIELD	6.31%

1 Pandora Road, Napier

VALUATION	$8,800,000
WALT	0.50
NET LETTABLE AREA (SQM)	18,269
VACANT SPACE (SQM)	–
PASSING YIELD	13.31%

8 Foundry Drive, Woolston, Christchurch

VALUATION	$4,980,000
WALT	12.00
NET LETTABLE AREA (SQM)	4,160
VACANT SPACE (SQM)	–
PASSING YIELD	9.64%

Passing yield is net contract income divided by property valuation.

1478 Omahu Road, Hastings

VALUATION	$8,400,000
WALT	8.33
NET LETTABLE AREA (SQM)	8,514
VACANT SPACE (SQM)	–
PASSING YIELD	7.74%

223 Kioreroa Road, Whangarei

VALUATION	$12,700,000
WALT	6.94
NET LETTABLE AREA (SQM)	9,797
VACANT SPACE (SQM)	–
PASSING YIELD	8.81%

Manawatu Business Park, Palmerston North

VALUATION	$23,600,000
WALT	–
NET LETTABLE AREA (SQM)	–
VACANT SPACE (SQM)	–
PASSING YIELD	–

Passing yield is net contract income divided by property valuation.

CASE STUDY: 19 NESDALE AVENUE, WIRI

In December 2013, Argosy completed the off-market acquisition of a new, purpose built warehouse facility at 19 Nesdale Avenue, Wiri in Auckland for $38 million. The building was developed by the current tenant, Cardinal Logistics Limited (Cardinal), one of New Zealand's leading logistics companies. As part of the transaction, Argosy and Cardinal agreed upon a 15 year net lease.

The property has been subsequently revalued at 31 March 2015 to $40.1 million with a passing yield of 7.1%.

THE PROPERTY

This modern, high quality industrial premises is situated in the Wiri industrial precinct. The whole site is approximately 4.36 hectares on level land with access via two road frontages. This allows for full manoeuvring of turning trucks using the warehouse and canopy facilities.

The building comprises a purpose built 10.9 metre stud warehouse of approximately 20,677 square metres (excluding canopies) with 600 square metres of open plan office space over two levels. There are also 85 car parks provided adjacent to the office and warehouse building. The building has modern design features including Alucobond panel cladding for more durability, energy efficient LED lighting, a modern air conditioning system and a pre-tension, single slab concrete floor in the warehouse, which has the benefit of causing less wear on tear on warehouse vehicles.

The property is extremely well located, being only three kilometres west of the Manukau CBD, with good access to the South Western Motorway allowing direct connection to Auckland International Airport. The area immediately surrounding the property comprises a mixture of established industrial and commercial premises. Immediate neighbours include the Amcor and Foodstuffs distribution centres.

This property fulfilled the requirements of Argosy's Investment Policy criteria, increasing Argosy's exposure to the Auckland industrial sector as well as being an off-market purchase within the targeted price range of $10 million to $100 million. Cardinal is a very stable, nationwide logistics company with strong contracts in place with major brands, so its partnership with Argosy further diversifies the portfolio's income streams.

THE TENANT – CARDINAL LOGISTICS

Cardinal specialises in providing distribution and storage solutions with a strong focus on grocery products and other FMCGs. The business commenced operations in 1992 as a freight forwarding company and has transformed itself into one providing customised contract warehousing as well as a nationwide haulage and distribution network. Cardinal also operates out of other substantial warehouse facilities in Airport Oaks, Auckland, and Hornby, Christchurch.

The company is a proudly 100% New Zealand owned and operated business, under the ownership of Managing Director Tony Gorton. It employs about 300 staff nationwide and has 60 truck and trailer units on New Zealand's roads.

The building is fully utilised, with Griffin's products taking up about 80% of the total space in the warehouse. Cardinal runs the most up-to-date warehouse management system enabling the tracking of all product; this allows the business to be run more efficiently.

The Cardinal/Argosy relationship commenced prior to the building being developed and was well established.

Tony, who oversaw the development of the building on the back of securing the Griffin's national distribution contract in 2012, felt Argosy was a natural choice as a business partner and sought Argosy out as a purchaser and as a landlord.

Tony was impressed by Argosy's existing property portfolio as well as the structure of Argosy's business and is very happy to be part of the Argosy tenant network. His decision to work with Argosy was an easy one.

From Argosy's perspective, it was pleasing to be able to purchase a state-of-the-art building which was developed by the current occupier. To be able to have a tenant of Cardinal's quality is a great asset for the Argosy portfolio and we are very pleased to have the company on board.

OFFICE

The office market outlook is very positive with strong rental growth over the past 12 months, especially in Auckland. Development activity is starting to pick up as the outlook for business improves and available space is limited.

Vacancy rates have decreased markedly in both Auckland and Wellington. Demand for quality office space remains high and in Auckland there is strong tenant demand in the CBD and in city fringe areas such as Newmarket, North Shore and the Southern Corridor precincts.

The Government continues to be the major occupier of accommodation in the Wellington office market. Consolidation of government departments, as well as a change in the Government's quality expectations, are having an impact on the rental market. Earthquake strengthening requirements remains a major issue in the city with the owners of buildings below the current building code struggling to fill vacant space.

Some of the trends we are seeing in the office space are:

- An increase in leasing activity across Auckland
- Occupiers have a preference towards new and high quality space
- Incentive levels have decreased, especially for good quality space, although they are still commonplace
- Overall Auckland and Wellington vacancy levels have decreased
- There is limited availability of good quality office stock available in Wellington, especially stock with large floor plates
- There is a continued focus by tenants on structural integrity
- Many Wellington buildings remain unavailable for occupation due to earthquake strengthening and refurbishment
- Yields have firmed due to the improved leasing market and increased confidence.

NUMBER OF BUILDINGS **17**

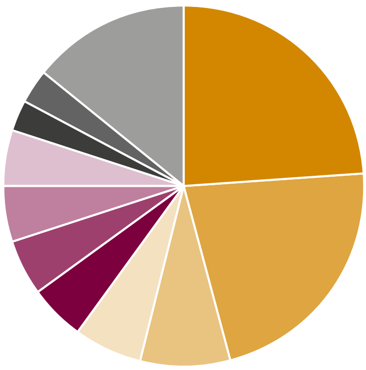
MARKET VALUE OF ASSETS $M **$483.56**

VACANCY FACTOR BY RENT **1.2%**

WALT YEARS **5.60**

PASSING YIELD **7.63%**

TOP 10 OFFICE TENANTS
BY PERCENTAGE OF RENTAL INCOME



- New Zealand Post
- Ministry of Business, Innovation and Employment
- Department of Internal Affairs
- Te Puni Kōkiri
- Tonkin & Taylor Limited
- Arawata Assets Limited
- IBM New Zealand Limited
- Vector Limited
- National Institute of Water and Atmospheric Research
- Dimension Data New Zealand Limited
- Other

AUCKLAND

99-107 Khyber Pass Road, Newmarket

VALUATION	$6,950,000
WALT	2.84
NET LETTABLE AREA (SQM)	2,442
VACANT SPACE (SQM)	–
PASSING YIELD	8.83%

101 Carlton Gore Road, Newmarket

VALUATION	$24,000,000
WALT	2.59
NET LETTABLE AREA (SQM)	4,714
VACANT SPACE (SQM)	–
PASSING YIELD	7.00%

39 Market Place, Viaduct Harbour

VALUATION	$34,400,000
WALT	6.70
NET LETTABLE AREA (SQM)	10,233
VACANT SPACE (SQM)	267
PASSING YIELD	9.91%

105 Carlton Gore Road, Newmarket

VALUATION	$27,200,000
WALT	3.07
NET LETTABLE AREA (SQM)	5,312
VACANT SPACE (SQM)	–
PASSING YIELD	7.57%

302 Great South Road, Greenlane

VALUATION	$7,010,000
WALT	4.75
NET LETTABLE AREA (SQM)	1,890
VACANT SPACE (SQM)	–
PASSING YIELD	8.05%

308 Great South Road, Greenlane

VALUATION	$4,870,000
WALT	1.62
NET LETTABLE AREA (SQM)	1,570
VACANT SPACE (SQM)	–
PASSING YIELD	9.78%

626 Great South Road, Ellerslie

VALUATION	$7,980,000
WALT	3.34
NET LETTABLE AREA (SQM)	2,647
VACANT SPACE (SQM)	–
PASSING YIELD	8.24%

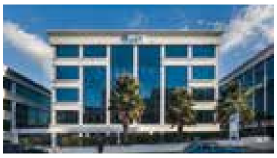
25 Nugent Street, Grafton

VALUATION	$8,900,000
WALT	3.55
NET LETTABLE AREA (SQM)	3,028
VACANT SPACE (SQM)	–
PASSING YIELD	7.43%

65 Upper Queen Street

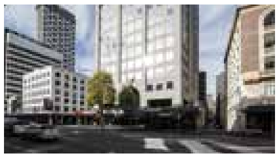
VALUATION	$6,400,000
WALT	0.60
NET LETTABLE AREA (SQM)	2,519
VACANT SPACE (SQM)	1,568
PASSING YIELD	3.78%

107 Carlton Gore Road, Newmarket



VALUATION	$26,500,000
WALT	4.14
NET LETTABLE AREA (SQM)	6,061
VACANT SPACE (SQM)	–
PASSING YIELD	7.46%

Citibank Centre, 23 Customs Street East



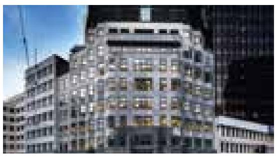
VALUATION	$43,500,000
WALT	2.76
NET LETTABLE AREA (SQM)	9,539
VACANT SPACE (SQM)	–
PASSING YIELD	8.12%

IBM Centre, 82 Wyndham Street

VALUATION	$27,500,000
WALT	2.82
NET LETTABLE AREA (SQM)	6,154
VACANT SPACE (SQM)	–
PASSING YIELD	8.56%

WELLINGTON

143 Lambton Quay



VALUATION	$26,500,000
WALT	4.25
NET LETTABLE AREA (SQM)	6,216
VACANT SPACE (SQM)	–
PASSING YIELD	7.86%

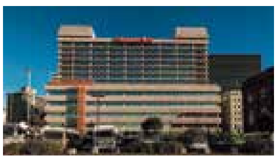
46 Waring Taylor Street

VALUATION	$35,400,000
WALT	3.19
NET LETTABLE AREA (SQM)	9,014
VACANT SPACE (SQM)	–
PASSING YIELD	8.14%

8-14 Willis Street

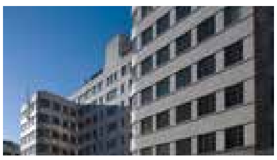
VALUATION	$13,850,000
WALT	1.53
NET LETTABLE AREA (SQM)	5,056
VACANT SPACE (SQM)	647
PASSING YIELD	7.65%

New Zealand Post House, 7-27 Waterloo Quay



VALUATION	$93,900,000
WALT	7.50
NET LETTABLE AREA (SQM)	24,977
VACANT SPACE (SQM)	–
PASSING YIELD	6.71%

15-21 Stout Street



VALUATION	$88,700,000
WALT	11.31
NET LETTABLE AREA (SQM)	19,629
VACANT SPACE (SQM)	–
PASSING YIELD	7.17%

Passing yield is net contract income divided by property valuation.

RETAIL

Auckland retail sales showed strong growth throughout the past year, with Statistics New Zealand reporting an increase of 9.8% in 2014 on the previous 12-month period. Over the past five years nationwide, hardware, building and garden supplies has been the best performing sector and clothing, footwear and accessories the worst performing sector. It is apparent that New Zealand shoppers are embracing online shopping.

During the year, Argosy sold the vacant property on Main Street, Palmerston North, for $2.2 million as well as the Waitakere Mega Centre in Auckland for $45.8 million, reducing the exposure to the retail sector weighting to within the targeted range of 15-25%.

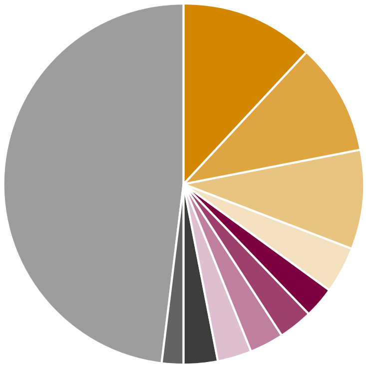
Retail vacancy levels remain extremely low.

Some of the trends we are seeing in the retail sector include the following:

— Overall retail spending remains buoyant in New Zealand
— Good quality and well located bulk retail centres continue to be sought after
— Online shopping is being embraced by shoppers and this is expected to continue to grow
— Retailers are having to adapt to the online environment.

NUMBER OF BUILDINGS	11
MARKET VALUE OF ASSETS $M	$312.42
VACANCY FACTOR BY RENT	1.1%
WALT YEARS	5.15
PASSING YIELD	7.49%

TOP 10 RETAIL TENANTS
BY PERCENTAGE OF RENTAL INCOME



- The Warehouse Limited
- Bunnings Limited
- Mitre 10 (New Zealand) Limited
- Steinhoff Asia Pacific Limited
- Warehouse Stationery Limited
- Fletcher Distribution Limited
- Briscoes Group Limited
- The Sports Authority Limited
- Greenmark Wholesaler (NZ) Limited
- North Beach Trading Limited
- Other

AUCKLAND

28-30 Catherine Street, Henderson

VALUATION	$6,000,000
WALT	2.37
NET LETTABLE AREA (SQM)	2,427
VACANT SPACE (SQM)	–
PASSING YIELD	8.36%

Albany Mega Centre, Albany

VALUATION	$95,000,000
WALT	4.70
NET LETTABLE AREA (SQM)	25,155
VACANT SPACE (SQM)	–
PASSING YIELD	7.22%

320 Ti Rakau Drive, East Tamaki

VALUATION	$39,400,000
WALT	3.44
NET LETTABLE AREA (SQM)	28,206
VACANT SPACE (SQM)	497
PASSING YIELD	7.93%

Albany Lifestyle Centre, Albany

VALUATION	$73,400,000
WALT	6.50
NET LETTABLE AREA (SQM)	25,029
VACANT SPACE (SQM)	–
PASSING YIELD	7.99%

7 Wagener Place, St Lukes

VALUATION	$26,000,000
WALT	3.73
NET LETTABLE AREA (SQM)	7,056
VACANT SPACE (SQM)	–
PASSING YIELD	8.00%

50 and 54-62 Cavendish Drive, Manukau City

VALUATION	$23,600,000
WALT	9.90
NET LETTABLE AREA (SQM)	10,346
VACANT SPACE (SQM)	–
PASSING YIELD	7.28%

252 Dairy Flat Highway, Albany

VALUATION	$5,625,000
WALT	5.00
NET LETTABLE AREA (SQM)	2,107
VACANT SPACE (SQM)	–
PASSING YIELD	7.27%

WELLINGTON

180-202 Hutt Road, Kaiwharawhara

VALUATION	$7,770,000
WALT	3.38
NET LETTABLE AREA (SQM)	6,019
VACANT SPACE (SQM)	–
PASSING YIELD	9.48%

Stewart Dawsons Corner

VALUATION	$15,020,000
WALT	4.13
NET LETTABLE AREA (SQM)	1,752
VACANT SPACE (SQM)	499
PASSING YIELD	8.28%

Porirua Mega Centre, 2-10 Semple Street, Porirua

VALUATION	$11,600,000
WALT	3.48
NET LETTABLE AREA (SQM)	7,046
VACANT SPACE (SQM)	–
PASSING YIELD	7.69%

TAUPO

Cnr Taniwha and Paora Hapi Streets

VALUATION	$9,000,000
WALT	7.50
NET LETTABLE AREA (SQM)	4,187
VACANT SPACE (SQM)	–
PASSING YIELD	7.63%

Passing yield is net contract income divided by property valuation.

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Note	Group 2015 $000s	Group 2014 $000s
Non-current assets			
Investment properties	5	1,306,395	1,226,266
Other non-current assets	7	88	103
Derivative financial instruments	6	–	1,818
Total non-current assets		1,306,483	1,228,187
Current assets			
Cash and cash equivalents		1,494	1,294
Trade and other receivables	8	1,825	1,747
Other current assets	9	381	367
Derivative financial instruments	6	–	159
		3,700	3,567
Non-current assets classified as held for sale	10	3,003	634
Total current assets		6,703	4,201
Total assets		1,313,186	1,232,388
Shareholders' funds			
Share capital	11	766,431	754,453
Hedging reserves	12	(586)	(1,758)
Retained earnings/(accumulated losses)	13	2,881	(13,173)
Total shareholders' funds		768,726	739,522
Non-current liabilities			
Borrowings	14	495,272	447,654
Derivative financial instruments	6	21,357	397
Deferred tax	20	14,533	22,089
Total non-current liabilities		531,162	470,140
Current liabilities			
Trade and other payables	15	9,827	8,790
Derivative financial instruments	6	–	11,057
Other current liabilities	16	2,369	2,321
Taxation payable		1,102	558
Total current liabilities		13,298	22,726
Total liabilities		544,460	492,866
Total shareholders' funds and liabilities		1,313,186	1,232,388

For and on behalf of the Board

P Michael Smith
Director

Mark Cross
Director

Date: 27 May 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Note	Group 2015 $000s	Group 2014 $000s
Gross property income from rentals		98,393	87,881
Gross property income from expense recoveries		17,412	17,097
Property expenses		(24,927)	(22,760)
Net property income	4	90,878	82,218
Administration expenses	17	7,849	7,401
Profit before financial income/(expenses), other gains/(losses) and tax		83,029	74,817
Financial income/(expense)			
Interest expense	18	(26,826)	(25,354)
Gain/(loss) on derivative financial instruments held for trading		(23,243)	20,561
Transfer from hedge reserve	12	(1,628)	(3,471)
Interest income		121	125
		(51,576)	(8,139)
Other gains/(losses)			
Revaluation gains on investment property	5	38,633	33,488
Realised gains/(losses) on disposal	5	(1,533)	(1,363)
		37,100	32,125
Profit before income tax attributable to shareholders		68,553	98,803
Taxation expense	19	4,183	13,253
Profit for the year attributable to shareholders		64,370	85,550
Other comprehensive income			
Movement in cash flow hedge reserve	12	1,628	3,471
Income tax expense relating to other comprehensive income	19	(456)	(972)
Total other comprehensive income after tax		1,172	2,499
Total comprehensive income after tax		65,542	88,049
All amounts are from continuing operations			
Earnings per share			
Basic and diluted earnings per share (cents)	22	8.08	11.45

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Note	Group 2015 $000s	Group 2014 $000s
Shareholders' funds at the beginning of the year		739,522	601,337
Profit for the year		64,370	85,550
Movement in cash flow hedge reserve		1,172	2,499
Total comprehensive income for the year		65,542	88,049
Contributions by shareholders			
Issue of shares from Dividend Reinvestment Plan	11	12,019	11,488
Issue of shares from Rights Offer	11	–	86,911
Issue costs of shares	11	(41)	(2,770)
Dividends to shareholders	13	(48,316)	(45,493)
Shareholders' funds at the end of the year		768,726	739,522

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Note	Group 2015 $000s	Group 2014 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		115,210	100,020
Interest received		121	125
Cash was applied to:			
Property expenses		(23,644)	(19,087)
Interest paid		(26,260)	(24,564)
Employee benefits		(4,476)	(4,055)
Taxation paid		(11,651)	–
Other expenses		(3,285)	(2,329)
Net cash from/(used in) operating activities	21	46,015	50,110
Cash flows from investing activities			
Cash was provided from:			
Sale of properties	5	59,841	17,268
Cash was applied to:			
Capital additions on investment properties		(44,635)	(65,834)
Capitalised interest on investment property		(1,283)	(2,250)
Purchase of properties		(59,081)	(159,587)
Net cash from/(used in) investing activities		(45,158)	(210,403)
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown		128,724	234,507
Capital raised from Rights Issue		–	86,911
Cash was applied to:			
Repayment of debt		(81,245)	(113,667)
Dividends paid to shareholders net of reinvestments		(36,289)	(33,994)
Issue cost of shares		(43)	(2,766)
Facility refinancing fee		(441)	(592)
Swap contract termination payments		(11,363)	(11,077)
Net cash from/(used in) financing activities		(657)	159,322
Net increase/(decrease) in cash and cash equivalents		200	(971)
Cash and cash equivalents at the beginning of the year		1,294	2,265
Cash and cash equivalents at the end of the year		1,494	1,294

The notes to the accounts form part of and are to be read in conjunction with these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Argosy Property Limited (APL or the Company) is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. APL is incorporated under the Companies Act 1993 and domiciled in New Zealand.

The Company's principal activity is investment in properties which include industrial, office and retail properties throughout New Zealand.

These financial statements are the consolidation of APL and its subsidiaries (the Group).

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The accounting policies applied in these financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards issued and effective at the time of preparing these statements as applicable to the Company as a profit-oriented entity. These Group financial statements also comply with International Financial Reporting Standards (IFRS).

Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties which are measured at fair value.

Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates that affect the application of policies and reported amount of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Note 5 – Valuation of investment property

Note 6 – Valuation of derivative financial instruments

Note 20 – Deferred tax (and Taxation in Note 19)

Functional and presentation currency

These financial statements are presented in New Zealand dollars which is the Group's functional currency and have been rounded to the nearest thousand dollars ($000).

These financial statements were approved by the Board of Directors on 27 May 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policies

The following new accounting policies are effective and have been applied by Argosy Property Limited for the period to 31 March 2015:

NZ IFRIC 21 Levies

This interpretation provides guidance when recognising a liability for a levy imposed by a government. A liability shall be recognised when an obligating event has occurred which triggers the payment of the levy in accordance with relevant legislation. The application of NZ IFRIC 21 has not had a material impact on these financial statements.

NZ IAS 32 Offsetting Financial Assets and Financial Liabilities

This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amendment has had no impact on these financial statements.

Basis of consolidation

The Group's financial statements incorporate the financial statements of APL and its controlled subsidiaries as set out in Note 24. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The results of the subsidiaries are included in the consolidated statement of comprehensive income from the date of acquisition which is the date the Company became entitled to income from the subsidiaries acquired. All significant intercompany transactions are eliminated on consolidation.

Investment properties

Investment property is property held either to earn rental income, for capital appreciation or for both. Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss.

Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

In accordance with the valuation policy of the Group, complete property valuations are carried out at least annually by independent registered valuers. The valuation policy stipulates that the same valuer may not value a building for more than two consecutive years. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared using a weighted combination of the Capitalisation of Contract Income, Capitalisation of Market Income and Discounted Cash Flow methodology, which is based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate that appropriately reflects the risks inherent in the expected cash flows.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in profit or loss in the year of derecognition.

Borrowing costs directly attributable to property under development are capitalised as part of the cost of those assets.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets classified as held for sale (principally investment property) are measured at the lower of their previous carrying amount and fair value.

Statement of cash flows

The statement of cash flows is prepared on a GST exclusive basis, which is consistent with the statement of comprehensive income.

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. Termination payments for swap contracts, establishment fees, extension fees and arranger fees are considered financing activities as they effect a change in the company's borrowing arrangements.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Non-derivative financial instruments are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the financial instrument within the timeframe established by the market concerned, and are initially measured at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Measurement

Except for derivatives (interest rate swaps), financial instruments are initially measured at fair value plus directly attributable costs. Subsequently these instruments are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference being recognised in profit or loss over the period of the borrowing using the effective interest method.

Fair value estimation

The fair value of interest rate swaps is based on valuation techniques that use market observable inputs. Note 6 of these financial statements provides information on the key observable inputs that management have applied in reaching their estimates of the fair values of interest rate swaps and also provides a sensitivity analysis detailing the potential future impacts of reasonably possible changes in those observable inputs over the next financial period.

The carrying values of the other financial instruments are a reasonable approximation of their fair values.

Derivative financial instruments

Interest rate swaps are entered into to manage interest rate exposure. For interest rate swaps, the net differential paid or received is recognised as a component of interest expense in the profit or loss.

Interest rate swaps are initially recognised at zero at the date a derivative contract is entered into and are subsequently remeasured to their fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss immediately.

Interest rate swaps are presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other interest rate swaps are presented as current assets or current liabilities.

Hedge accounting

The Group no longer applies hedge accounting. However, the cumulative gains and losses relating to derivatives that were previously designated as effective hedges are recognised in profit or loss when the forecast transactions are ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gains and losses that were previously recognised in equity are recognised immediately in profit or loss.

Financial income and expenses

Finance income comprises interest income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income over the relevant period (including all fees and points paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial instrument.

Finance expenses comprise interest expense on borrowings and gains and losses on hedging instruments that are recognised in profit or loss.

Interest expense on borrowings is recognised using the effective interest method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

APL has entered into commercial property leases on its investment properties. APL has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified these leases as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

In the event that lease incentives are paid to enter into the operating leases, such incentives are recognised as an asset. The aggregate cost of incentives is recognised as a reduction of rental revenue on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Recognition of other income

Dividend revenue from investments is recognised when the Group's right to receive the payment has been established.

Management fees are recognised in the period in which the services are performed.

Employee Benefits

A provision is recognised for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense

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

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

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Under NZ IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it and includes a presumption that an investment property is recovered entirely through sale unless all of its useful life will be consumed.

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements the following relevant Standard and Interpretation was in issue but not yet effective and has not been applied in preparing these financial statements. This is not expected to have a material impact on the financial statements but may affect presentation and disclosure:

NZ IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018) introduces a new classification and measurement regime for financial assets and liabilities.

Other Standards and Interpretations in issue but not yet effective are not expected to have an impact on the financial statements of the Group in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

4. SEGMENT INFORMATION

The principal business activity of the Group is to invest in, and actively manage, properties in New Zealand. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Chief Executive Officer, in order to allocate resources to the segments and to assess their performance.

The information reported to the Group's Chief Executive Officer is based on primarily three business sectors, being Industrial, Office and Retail, based on what occupants actual or intended use is. Segment profit represents the profit earned by each segment including allocation of identifiable revaluation gains on investment properties and gains/(losses) on disposal of investment properties. This is the measure reported to the Chief Executive Officer.

The following is an analysis of the Group's results by reportable segments.

	Industrial		Office		Retail		Total	
	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s
Segment profit								
Net property income	32,527	27,189	31,419	28,611	26,932	26,418	90,878	82,218
Other income/(expenses)	688	(52)	(18)	(1,234)	(2,203)	(77)	(1,533)	(1,363)
	33,215	27,137	31,401	27,377	24,729	26,341	89,345	80,855
Revaluation gains on investment properties	7,270	10,815	19,933	11,759	11,430	10,914	38,633	33,488
Total segment profit	40,485	37,952	51,334	39,136	36,159	37,255	127,978	114,343
Unallocated:								
Administration expenses							(7,849)	(7,401)
Interest income/(expenses)							(26,705)	(25,229)
Gain/(loss) on derivative financial instruments held for trading and transfer from hedge reserve							(24,871)	17,090
Profit before income tax							68,553	98,803
Taxation							(4,183)	(13,253)
Profit for the year							64,370	85,550

Net property income consists of revenue generated from external tenants less property operating expenditure.

There were no inter-segment sales during the year (31 March 2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

	Industrial		Office		Retail		Total	
	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s
Segment assets*								
Current assets	480	693	1,482	801	139	449	2,101	1,943
Investment properties	510,420	441,781	483,560	437,340	312,415	347,145	1,306,395	1,226,266
Non-current assets classified as held for sale	3,003	634	–	–	–	–	3,003	634
Total segment assets	513,903	443,108	485,042	438,141	312,554	347,594	1,311,499	1,228,843
Unallocated assets							1,687	3,545
Total assets							1,313,186	1,232,388

	Industrial		Office		Retail		Total	
	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s	2015 $000s	2014 $000s
Segment liabilities*								
Current liabilities	1,029	1,033	5,048	5,119	1,331	752	7,408	6,904
Total segment liabilities	1,029	1,033	5,048	5,119	1,331	752	7,408	6,904
Unallocated liabilities							537,052	485,962
Total liabilities							544,460	492,866

* For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than cash and cash equivalents, derivatives, tax assets, other non-current assets and other minor current assets that cannot be allocated to particular segments.
- all liabilities are allocated to reportable segments other than borrowings, derivatives, tax liabilities and other minor current liabilities that cannot be allocated to particular segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES

	Industrial 2015 $000s	Office 2015 $000s	Retail 2015 $000s	Group 2015 $000s
Movement in investment properties				
Balance at 1 April	437,984	431,036	345,736	1,214,756
Acquisition of properties	59,081	–	–	59,081
Capitalised costs	5,625	35,560	2,459	43,644
Disposals	(127)	(10,130)	(48,895)	(59,152)
Transfer to properties held for sale	(3,003)	–	–	(3,003)
Change in fair value	7,270	19,933	11,430	38,633
Balance at 31 March	506,830	476,399	310,730	1,293,959
Deferred initial direct costs/lease incentives				
Balance at 1 April	3,797	6,304	1,409	11,510
Change during the year	(207)	857	276	926
Balance at 31 March	3,590	7,161	1,685	12,436
Total investment properties	510,420	483,560	312,415	1,306,395

	Industrial 2014 $000s	Office 2014 $000s	Retail 2014 $000s	Group 2014 $000s
Movement in investment properties				
Balance at 1 April	308,560	333,186	327,437	969,183
Acquisition of properties	112,191	55,904	2,309	170,404
Capitalised costs	7,052	41,462	5,076	53,590
Disposals	–	(11,275)	–	(11,275)
Transfer to properties held for sale	(634)	–	–	(634)
Change in fair value	10,815	11,759	10,914	33,488
Balance at 31 March	437,984	431,036	345,736	1,214,756
Deferred initial direct costs/lease incentives				
Balance at 1 April	2,821	3,155	1,703	7,679
Change during the year	976	3,149	(294)	3,831
Balance at 31 March	3,797	6,304	1,409	11,510
Total investment properties	441,781	437,340	347,145	1,226,266

Investment properties are classified as level 3 (inputs are unobservable inputs for the asset or liability) under the fair value hierarchy on the basis that adjustments must be made to observable data of similar properties to determine the fair value of an individual property.

Deferred initial direct costs/lease incentives

This amount represents costs incurred with the negotiation of operating leases for the Group's investment property portfolio and which are being amortised over the term of those leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

The Group holds the freehold to all investment properties other than 39 Market Place, Viaduct Harbour, Auckland and part of 19 Barnes Street, Wellington.

Properties purchased and disposed of during the year are as follows:

	Group 2015 $000s	Group 2014 $000s
Acquisition of properties		
14 Tunnel Grove, Wellington	2,647	–
147 Gracefield Road, Wellington	11,729	–
19 Barnes Street, Wellington	10,957	–
39-49 Randwick Road, Wellington	17,112	–
56 Jamaica Drive, Wellington	1,104	–
68 Jamaica Drive, Wellington	15,532	–
15-21 Stout Street, Wellington	–	33,616
101 Carlton Gore Road, Newmarket, Auckland	–	22,288
80-120 Favona Road, Mangere, Auckland	–	74,036
19 Nesdale Avenue, Wiri, Auckland	–	38,155
50 Cavendish Drive, Manukau, Auckland	–	2,309
	59,081	170,404
Disposal of properties		
Lot 22, 57-86 El Prado Drive, Palmerston North[1]	634	–
537 Main Street, Palmerston North	2,250	–
8 Pacific Rise, Mt Wellington, Auckland	10,130	–
Lot 55, Valor Drive, Palmerston North	127	
Waitakere Mega Centre, Henderson, Auckland	46,645	–
Lot 3, 260 Oteha Valley Road, Albany, Auckland[1]	–	5,924
Lot 9a, Alderson Drive, Palmerston North[1]	–	863
56 Cawley Street, Ellerslie, Auckland	–	11,275
	59,786	18,062
Sale proceeds of properties disposed of	59,841	17,268
Net gain/(loss) on disposal	55	(794)
Selling costs	(1,588)	(569)
Total gain/(loss) on disposal	(1,533)	(1,363)

[1] These properties were classified as non-current assets classified as held for sale in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES (CONTINUED)

Valuation of investment properties

All investment properties were independently valued as at 31 March 2015 in accordance with the Group's accounting policy. The valuations were prepared by independent registered valuers CBRE Limited, Colliers International New Zealand Limited and Jones Lang LaSalle. The total value per valuer was as follows:

	Group 2015 $000s	Group 2014 $000s
CBRE Limited	368,150	499,056
Colliers International New Zealand Limited	746,080	611,610
Jones Lang LaSalle	192,165	–
Absolute Value Limited	–	43,200
Bayleys Valuations Limited	–	72,400
	1,306,395	1,226,266

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. These valuations are reviewed by the Asset Management team within Argosy. The most common and accepted methods for assessing the current market value are the Capitalisation of Contract Income, Capitalisation of Market Income and the Discounted Cash Flow approaches. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, an assessment of capitalisation rates, discount rates, vacancy and leasing costs.

In deriving a market value under each approach, all assumptions are based, where possible, on market based evidence and transactions for properties with similar locations, conditions and quality of construction and fit out. The market value adopted is a weighted combination of the Capitalisation of Contract Income, Capitalisation of Market Income and Discounted Cash Flow approaches.

Principal assumptions, the methodology of which are unchanged from last year, in establishing the valuation include the capitalisation rate, occupancy and the lease term.

Generally as occupancy and weighted average lease terms increase, yields firm, resulting in increased fair values for investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Investment property metrics for the year ended 31 March 2015 are as follows:

		Industrial	Office	Retail	Total
Contract yield	- Average	7.59%	7.63%	7.49%	7.58%
	- Maximum	13.31%	9.91%	9.48%	13.31%
	- Minimum	0.00%	3.78%	7.22%	0.00%
Market yield	- Average	7.60%	7.59%	7.43%	7.55%
	- Maximum	18.25%	9.98%	10.27%	18.25%
	- Minimum	0.00%	6.71%	6.76%	0.00%
Occupancy (rent)		99.73%	98.78%	98.94%	99.16%
Occupancy (net lettable area)		99.75%	97.95%	99.16%	99.27%
Weighted average lease term (years)		5.72	5.60	5.15	5.54
No. of buildings[1]		40	17	11	68
Fair value total ($000s)		**$510,420**	**$483,560**	**$312,415**	**$1,306,395**

Investment property metrics for the year ended 31 March 2014 are as follows:

		Industrial	Office	Retail	Total
Contract yield	- Average	7.67%	8.36%	7.82%	7.96%
	- Maximum	13.11%	10.22%	9.48%	13.11%
	- Minimum	0.00%	7.17%	0.00%	0.00%
Market yield	- Average	7.73%	8.30%	7.73%	7.93%
	- Maximum	14.23%	10.16%	11.89%	14.23%
	- Minimum	0.00%	7.15%	6.51%	0.00%
Occupancy (rent)		99.37%	98.35%	98.43%	98.71%
Occupancy (net lettable area)		99.62%	97.52%	97.72%	98.73%
Weighted average lease term (years)		6.48	5.33	5.16	5.68
No. of buildings[1]		35	18	13	66
Fair value total ($000s)		$441,781	$437,340	$347,145	$1,226,266

[1] Certain titles have been consolidated and treated as one. The total number of buildings excludes properties held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

	2015			
	Derivatives at fair value through profit/ loss $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets				
Cash and cash equivalents	–	1,494	–	1,494
Trade and other receivables	–	1,825	–	1,825
	–	3,319	–	3,319
Financial liabilities				
Borrowings	–	–	(495,272)	(495,272)
Trade and other payables	–	–	(9,827)	(9,827)
Derivative financial instruments	(21,357)	–	–	(21,357)
Other current liabilities	–	–	(2,369)	(2,369)
	(21,357)	–	(507,468)	(528,825)

	2014			
	Derivatives at fair value through profit/ loss $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets				
Cash and cash equivalents	–	1,294	–	1,294
Trade and other receivables	–	1,747	–	1,747
Derivative financial instruments	1,977	–	–	1,977
	1,977	3,041	–	5,018
Financial liabilities				
Borrowings	–	–	(447,654)	(447,654)
Trade and other payables	–	–	(8,790)	(8,790)
Derivative financial instruments	(11,454)	–	–	(11,454)
Other current liabilities	–	–	(2,321)	(2,321)
	(11,454)	–	(458,765)	(470,219)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Risk management

The use of financial instruments exposes the Group to credit, interest rate and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk relates to the risk that the counterparty to a financial instrument may default on its obligations to the Group, resulting in financial loss.

The Group's main exposure to credit risk arises from trade receivables and transactions with financial institutions, and is summarised in the table on page 47. There are no significant concentrations of credit risk in specific receivables due to receivables mainly comprising a large number of tenants in the Group's property portfolio and the Group policy to limit the amount of credit exposure to any financial institution.

The Group manages its exposure to credit risk from trade receivables through its credit policy which includes performing credit evaluations on customers requiring credit. The Group does not hold any collateral in respect of balances past due. Details of impairment losses relating to trade receivables together with the ageing of receivables is provided in Note 8.

The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. Cash deposits are placed with the ANZ Bank New Zealand Limited and Bank of New Zealand.

Interest rate risk

Interest rate risk arises from long term borrowings (refer Note 14). Variable rate borrowings expose the Group to cash flow interest rate risk while fixed rate borrowings expose the group to fair value interest rate risk.

The Group manages its exposure to interest rate risk through derivatives in the form of floating to fixed interest rate swaps. These derivatives provide an economic hedge against variability in cash flows as a result of changes in variable interest rates on borrowings.

The Group's policy is to maintain a range of 60%-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 66% of borrowings, after the effect of associated swaps, were at fixed rates (2014: 69%).

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly arises from the Group's obligations in respect of long term borrowings, derivatives and trade and other payables. The Group aims to maintain flexibility in funding by keeping committed credit lines available (refer Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS (CONTINUED)

The expected undiscounted cash flows of the Group's financial liabilities by remaining contractual maturity at the balance sheet date is as follows:

Group 2015	Carrying Amount $000	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities							
Borrowings[1]	(495,272)	(24,995)	(24,995)	(295,467)	(11,410)	(229,608)	–
Trade and other payables	(9,827)	(9,827)	–	–	–	–	–
Derivative financial instruments	(21,357)	(3,554)	(3,612)	(3,501)	(3,318)	(3,139)	(3,139)
Other current liabilities	(2,369)	(2,369)	–	–	–	–	–
	(528,825)	(40,745)	(28,607)	(298,968)	(14,728)	(232,747)	(3,139)

Group 2014	Carrying Amount $000	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities							
Borrowings[1]	(447,654)	(20,858)	(20,858)	(262,326)	(9,483)	(201,893)	–
Trade and other payables	(8,790)	(8,790)	–	–	–	–	–
Derivative financial instruments	(11,454)	(14,564)	(1,898)	(1,090)	(744)	(691)	(666)
Other current liabilities	(2,321)	(2,321)	–	–	–	–	–
	(470,219)	(46,533)	(22,756)	(263,416)	(10,227)	(202,584)	(666)

[1] The undiscounted cashflows on borrowings includes interest, margin and line fees.

Derivative Financial Instruments

To manage the Group's exposure to interest rate risk on variable rate instruments, the Group has implemented a hedging strategy that uses interest rate swaps that have a range of maturities. At 31 March 2015, the Group had active interest rate derivatives with a notional contract amount of $330 million (2014: $310 million). The active derivatives mature over the next 10 years (2014: 8 years) and have fixed interest rates ranging from 3.87% to 4.97% (2014: 3.91% to 5.49%). Contracts entered into but not yet effective at 31 March 2015 had a notional contract amount of $25 million (2014: $165 million). The contract matures in 10 years (2014: over 10 years) and has a fixed interest rate of 4.70% (2014: 3.87% to 5.12%).

Interest rate swaps are measured at present value of future cash flows estimated and discounted based on applicable yield curves derived from observable market interest rates. Accepted market best practice valuation methodology using mid-market interest rates at balance date is used, provided from sources perceived to be reliable and accurate. Interest rate swaps have been classified into Level 2 of the fair value hierarchy on the basis that the valuation techniques used to determine the values at balance date use observable inputs.

The net liability for derivative financial instruments as at 31 March 2015 is $21.36 million (31 March 2014: $9.48 million). The mark-to-market increase in the liability for derivative financial instruments is a result of the movement in the interest rate curve during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the reporting date.

	2015 Group		2014 Group	
	Impact on Profit & Loss $	Impact on Hedge Reserve $	Impact on Profit & Loss $	Impact on Hedge Reserve $
Increase of 100 basis points	21,495,981	–	15,578,082	–
Decrease of 100 basis points	(23,641,279)	–	(16,925,125)	–

7. OTHER NON-CURRENT ASSETS

	Group 2015 $000s	Group 2014 $000s
Property, plant and equipment	88	97
Other	–	6
Total other non-current assets	88	103

8. TRADE AND OTHER RECEIVABLES

	Group 2015 $000s	Group 2014 $000s
Trade receivables	1,911	1,660
Allowance for doubtful debts	(153)	(187)
	1,758	1,473
Unsettled sales of properties	67	274
Total trade and other receivables	1,825	1,747

The average credit period on receivables is 4.3 days (2014: 4.5 days). The Group is entitled to charge interest on trade receivables as determined in each individual lease agreement. Interest is charged on receivables over 90 days on a case by case basis at the Group's effective interest rate plus 5% per annum. The Group has provided for 50% of all receivables over 90 days that are considered doubtful. This amount increases to 100% of any receivable that is determined as not being recoverable. Trade receivables less than 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aged past due but not impaired trade receivables

	Group 2015 $000s	Group 2014 $000s
30-60 Days	90	342
61-90 Days	122	12
Beyond 90 days	1	43
	213	397

Included in the Group's trade receivable balance are debtors with a carrying amount of $213,083 (2014: $396,629) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful debts

	Group 2015 $000s	Group 2014 $000s
Balance at the beginning of the year	187	215
Amounts written off as uncollectible	(107)	(167)
Increase in allowance recognised in profit or loss	73	139
Balance at end of the year	153	187

9. OTHER CURRENT ASSETS

	Group 2015 $000s	Group 2014 $000s
Accrued Income	15	15
Prepayments	156	100
Other	210	252
Total other current assets	381	367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

10. PROPERTY HELD FOR SALE

1 Allens Road, East Tamaki, Auckland ($3,003,000) was subject to an unconditional sale and purchase agreement at balance date (2014: Lot 22, 57-86 El Prado Drive, Palmerston North ($634,000)).

11. SHARE CAPITAL

	Group 2015 $000s	Group 2014 $000s
Balance at the beginning of the year	754,453	658,824
Issue of shares from Dividend Reinvestment Plan	12,019	11,488
Issue of shares from Rights Offer	–	86,911
Issue costs of shares	(41)	(2,770)
Total share capital	766,431	754,453

The number of shares on issue at 31 March 2015 was 802,628,756 (2014: 790,911,915).

On 1 July 2013 Argosy announced a 1-for-7 pro-rata renounceable rights offer. The rights offer and shortfall bookbuild received strong shareholder support with approximately 97.7 million new shares taken up by shareholders, and the receipt of $86.9 million.

All securities are fully paid and rank equally with one vote attached and carry the right to dividends. All ordinary securities have equal voting rights.

Reconciliation of number of shares (in thousands of shares)	Group 2015 000s	Group 2014 000s
Balance at the beginning of the year	790,912	680,932
Issue of shares from Dividend Reinvestment Plan	11,717	12,327
Issue of shares from Rights Offer	–	97,653
Total number of shares on issue	802,629	790,912

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total shareholders' funds equal to $768.7m (2014: $739.5m).

The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain the Group's future on-going activities and development of the business. The impact of the level of capital on equity holder returns is also recognised along with the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Board's intention is to maintain the debt-to-total-assets ratio between 35%-40% in the medium term. The Group's banking covenants require that the aggregate principal amount of the loan outstanding does not exceed 50% of the fair value of property at all times. All banking covenants have been met during the year.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall strategy during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

12. HEDGING RESERVES

	Group 2015 $000s	Group 2014 $000s
Balance at the beginning of the year	(1,758)	(4,257)
Transferred to financial income/(expense)	1,628	3,471
Tax on fair value (losses)/gains on cashflow hedges	(456)	(972)
Total hedging reserves	(586)	(1,758)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

13. RETAINED EARNINGS

	Group 2015 $000s	Group 2014 $000s
Balance at the beginning of the year	(13,173)	(53,230)
Profit/(loss) for the year	64,370	85,550
Dividends to shareholders	(48,316)	(45,493)
Total retained earnings/(accumulated losses)	2,881	(13,173)

The annual dividend paid to shareholders was 6.00 cents per share, paid in quarterly distributions of 1.50 cents per share (2014: annual dividend was 6.00 cents per share).

After 31 March 2015, the final dividend was declared. The dividend has not been provided for. Refer to Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

14. BORROWINGS

	Group 2015 $000s	Group 2014 $000s
ANZ Bank New Zealand Limited	248,501	224,761
Bank of New Zealand	149,100	134,857
The Hongkong and Shanghai Banking Corporation Limited	99,400	89,905
Borrowing costs	(1,729)	(1,869)
Total borrowings	495,272	447,654
Shown as:		
Term	495,272	447,654

The Group has a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited of $550,000,000 (31 March 2014: $500,000,000) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of $275,000,000 and a Tranche B limit of $275,000,000. Tranche A expires on 30 November 2017 and Tranche B on 30 November 2019 (31 March 2014: Tranche A ($250,000,000) expired on 30 June 2016 and Tranche B ($250,000,000) expired on 30 June 2018).

The contractual interest rate on the borrowings as at 31 March 2015 was 4.49% per annum (2014: 3.92%). The Group pays line fees of between 0.48% and 0.56% per annum on Tranche A and between 0.56% and 0.64% per annum on Tranche B (2014: between 0.675% and 0.775% per annum on Tranche A and between 0.775% and 0.875% per annum on Tranche B).

The weighted average interest rate on borrowings (including margin and line fee and interest rate swaps) as at 31 March 2015 was 5.60% (2014: 6.06%).

Borrowing costs are the costs incurred in establishing the bank facility. These costs are amortised over the life of the facility.

15. TRADE AND OTHER PAYABLES

	Group 2015 $000s	Group 2014 $000s
GST payable	1,020	383
Other creditors and accruals	8,807	8,407
Total trade and other payables	9,827	8,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

16. OTHER CURRENT LIABILITIES

	Group 2015 $000s	Group 2014 $000s
Employee entitlements	330	208
Other liabilities	2,039	2,113
Total current liabilities	2,369	2,321

17. ADMINISTRATION EXPENSES

	Group 2015 $000s	Group 2014 $000s
Auditors' remuneration:		
Audit of the annual financial statements	144	141
Review of the interim financial statements	27	26
Other assurance services[1]	7	10
Employee benefits	4,650	4,221
Other expenses	2,948	2,864
Doubtful debts expense	(34)	(28)
Bad debts	107	167
Total administration expenses	7,849	7,401

[1] In 2015, $7,300 was paid to Deloitte for services rendered at the AGM (2014: $7,300 was paid to Deloitte for services rendered at AGM and $3,000 was paid to Deloitte for services rendered in relation to the Rights Issue).

18. INTEREST EXPENSE

	Group 2015 $000s	Group 2014 $000s
Interest expense	(28,109)	(27,604)
Less amount capitalised to investment properties	1,283	2,250
Total interest expense	(26,826)	(25,354)

Capitalised interest for both years relates to the development project at 15-21 Stout Street, Wellington.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

19. TAXATION

	Group 2015 $000s	Group 2014 $000s
The taxation charge is made up as follows:		
Current tax expense	2,119	15,359
Deferred tax expense	2,288	(2,133)
Adjustment recognised in the current year in relation to the current tax of prior years	(224)	27
Total taxation expense/(credit) recognised in profit/(loss)	4,183	13,253
Reconciliation of accounting profit to tax expense		
Profit before tax	68,553	98,803
Current tax expense at 28%	19,195	27,665
Adjusted for:		
Capitalised interest	(359)	(630)
Fair value movement on investment properties	(10,817)	(9,377)
Depreciation	(4,731)	(3,261)
Other	(1,169)	962
Current taxation expense/(credit)	2,119	15,359
Movements in deferred tax assets and liabilities attributable to:		
Investment properties	(909)	1,341
Interest rate swaps	3,180	(3,415)
Other	17	(59)
Deferred tax expense/(credit)	2,288	(2,133)
Adjustment recognised in the current year in relation to the current tax of prior years	(224)	27
Total tax expense recognised in profit or loss	4,183	13,253
Deferred tax recognised in other comprehensive income		
Deferred tax arising from reclassification of amounts in hedge reserve to profit and loss	456	972
Total tax recognised in other comprehensive income	456	972

Imputation credits at 31 March 2015 were nil (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

20. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon during the current and prior reporting years:

	Losses carried forward $000s	Interest rate swaps $000s	Investment property $000s	Other $000s	Total $000s
At 1 April 2014	–	(2,690)	21,111	3,668	22,089
Credit to other comprehensive income for the year	–	456	–	–	456
Charge/(credit) to taxation expense for the year	–	3,180	(909)	17	2,288
Charge/(credit) to taxation payable	–	(6,927)	(3,377)	4	(10,300)
At 31 March 2015	–	(5,981)	16,825	3,689	14,533
At 1 April 2013	(5,618)	(3,772)	19,770	2,879	13,259
Credit to other comprehensive income for the year	–	972	–	–	972
Charge/(credit) to taxation expense for the year	–	(3,415)	1,341	(59)	(2,133)
Charge/(credit) to taxation payable	5,618	3,525	–	848	9,991
At 31 March 2014	–	(2,690)	21,111	3,668	22,089

Significant estimates and judgements in the determination of deferred tax include:

Deferred tax on depreciation – Deferred tax is provided in respect of depreciation expected to be recovered on the sale of property at fair value. Depreciation is claimed at Inland Revenue Department approved rates.

Deferred tax on changes in fair value of investment properties – Deferred tax is provided on the fair value change to investment properties based on the tax consequences of recovering the carrying amount of the investment property through sale, being the taxable temporary difference. Investment properties are valued each year by independent valuers (as outlined in Note 5). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered and changes in fair value relies on the split provided by the valuers.

Deferred tax on fixtures and fittings – it is assumed that all fixtures and fittings will be sold at their tax book value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

21. RECONCILIATION OF PROFIT FOR THE YEAR AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2015 $000s	Group 2014 $000s
Profit after tax for the year	64,370	85,550
Movements in working capital items relating to investing and financing activities	1,726	2,294
Non cash items		
Movement in deferred tax liability	(7,556)	8,830
Movement in interest rate swaps	23,243	(20,561)
Fair value change in investment properties	(38,633)	(33,488)
Movement in cashflow hedge reserve	1,172	2,499
Movements in working capital items		
Trade and other receivables	78	(480)
Taxation receivable	–	4,858
Taxation payable	544	558
Trade and other payables	1,037	(589)
Other current assets	(14)	(68)
Other current liabilities	48	707
Net cash from operating activities	46,015	50,110

22. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue during the year.

	Group 2015	Group 2014
Profit attributable to shareholders of the Company ($000s)	64,370	85,550
Weighted average number of shares on issue (000s)	796,376	746,985
Basic and undiluted earnings per share (cents)	8.08	11.45

On 27 May 2015, a final dividend of 1.50 cents per share was approved by the Group. Continuation of the Dividend Reinvestment Plan programme will increase the number of shares on issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

23. DISTRIBUTABLE INCOME

	Group 2015 $000s	Group 2014 $000s
Profit before income tax	68,553	98,803
Adjustments:		
Revaluation gains on investment property	(38,633)	(33,488)
Realised losses/(gains) on disposal of investment properties	1,533	1,363
Derivative fair value loss/(gain)	24,871	(17,090)
Gross distributable income	56,324	49,588
Tax impact of depreciation recovered on disposal of investment properties and taxable gains on disposal of revenue account properties	3,298	373
Tax paid	(11,651)	–
Net distributable income	47,971	49,961
Weighted average number of ordinary shares	796,376	746,985
Gross distributable income per share – (cents per share)	7.07	6.64
Net distributable income per share – (cents per share)	6.02	6.69

The Company's dividend policy is based on net distributable income. Net distributable income is determined under the Company's bank facility agreement.

24. INVESTMENT IN SUBSIDIARIES

APL has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2015	Holding 2014
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy No.1 Trust	Property investment	NZ	100%	100%
Argosy Property Management Limited	Management company	NZ	100%	100%
Argosy Property No.3 Limited	Property investment	NZ	100%	100%
Argosy Property Unit Holdings Limited	Holding company/storage	NZ	100%	100%

The subsidiaries have the same reporting date as the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

25. COMMITMENTS

Ground rent

Ground leases exist over 39 Market Place, Viaduct Harbour, Auckland and part of 19 Barnes Street, Wellington. The amount paid in respect of the Auckland ground lease during the year was $1.0 million (2014: $1.0 million). The annual ground lease commitment is $1.0 million and is generally recoverable from tenants in proportion to their area of occupancy. The Auckland ground lease is renewable in perpetuity with the next renewal date in 2019.

Payments recognised as an expense

	Group 2015 $000s	Group 2014 $000s
Minimum lease payments as expense	1,019	1,006
	1,019	1,006

Building upgrades

Estimated capital commitments contracted for building projects not yet completed at 31 March 2015 and not provided for were $22.9 million (2014: $60.3 million). Of this total, $17.3 million (2014: $33.9 million) relates to the building upgrade at New Zealand Post House, Waterloo Quay, Wellington.

There were no other commitments as at 31 March 2015 (2014: nil).

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2015 and 2030. The lessee does not have an option to purchase the property at the expiry of the period.

	Group 2015 $000s	Group 2014 $000s
Within one year	98,102	94,530
One year or later and not later than five years	287,670	299,402
Later than five years	188,545	205,868
	574,317	599,800

Non-cancellable operating lease payable

Operating lease commitments relate mainly to the IT infrastructure and vehicle leases. There are no renewal options or options to purchase in respect of these leases.

	Group 2015 $000s	Group 2014 $000s
Within one year	103	143
One year or later and not later than five years	140	73
Later than five years	–	–
	243	216

There were no contingent rents recognised as income during the year.

The Company has the following guarantee, which is not expected to be called upon:

As a condition of listing on the New Zealand Stock Exchange (NZSX), NZX requires all issuers to provide a bank bond to NZX under NZX Main Board/Debt Market Listing Rule 2.6.2. The bank bond required by APL for listing on the NZX Main Board is $75,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

26. SUBSEQUENT EVENTS

Subsequent to balance date, unconditional contracts have been entered into for the sale of the Porirua Mega Centre for $11.5m and the purchase of 15 Unity Drive, Rosedale, North Shore for $3.1m.

On 13 May 2015, the sale of lot 56, 11-17 Valor Drive, Palmerston North was settled for $563,300 (book value of $291,000).

On 27 May 2015, a final dividend of 1.50 cents per share was approved by the Company. The record date for the final dividend is 12 June 2015 and a payment is scheduled to shareholders on 26 June 2015. Imputation credits of 0.2274 cents per share are attached to the dividend.

27. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

The following transactions occurred between the Company and its subsidiaries during the year, and the following balances were outstanding at year end:

	Company 2015 $000s	Company 2014 $000s
Financial Position		
Advances to subsidiaries	891,985	903,003
Investment in subsidiary (Argosy Property No.1 Limited)	20,000	20,000
Advances from subsidiaries	(10,830)	(8,408)
	901,155	914,595
Statement of Comprehensive Income		
Interest recharged to subsidiaries	38,190	36,165
	38,190	36,165

Advances have been made by the Company to its subsidiaries to finance the purchases of investment properties and to fund working capital requirements when necessary. The subsidiaries have returned money to the Company upon the settlement of properties intended for sale and at other times when working capital requirements allow. The Company re-charges interest expense to the subsidiaries. The Company intends to continue to support its subsidiaries in the 2016 financial year.

No related party debts have been written off or forgiven during the year.

	Group 2015 $000s	Group 2014 $000s
Key management and directors compensation		
Salaries and other short term employee benefits	1,197	1,112
Directors' fees	514	513
Total	1,711	1,625

Deloitte.

TO THE SHAREHOLDERS OF ARGOSY PROPERTY LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Argosy Property Limited ('the Company') and its subsidiaries ('the Group') on pages 33 to 61, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

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

Other than in our capacity as auditor and the provision of other assurance services, we have no relationship with or interests in Argosy Property Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

In our opinion, the consolidated financial statements on pages 33 to 61 present fairly, in all material respects, the financial position of Argosy Property Limited and its subsidiaries as at 31 March 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
27 May 2015
Auckland, New Zealand

This audit report relates to the consolidated financial statements of Argosy Property Limited for the year ended 31 March 2015 included on Argosy Property Limited's website. The Board of Directors is responsible for the maintenance and integrity of Argosy Property Limited's website. We have not been engaged to report on the integrity of the Argosy Property Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 27 May 2015 to confirm the information included in the audited consolidated financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE COMPANY

Argosy is a limited liability company incorporated under the Companies Act 1993. Argosy shares are listed on the NZX Main Board (NZX code: ARG). Argosy's constitution is available on its website (www.argosy.co.nz) and the New Zealand Companies Office website (www.business.govt.nz/companies).

CORPORATE GOVERNANCE PHILOSOPHY

Ultimate responsibility for corporate governance of the Company resides with the Board of Directors. The Board sees strong corporate governance and stewardship as fundamental to the strong performance of the Company and, accordingly, the Board's commitment is to the highest standards of business behaviour and accountability.

Outlined below are the main corporate governance practices in place throughout the year, which, in the Board's opinion, comply with the NZX Corporate Governance Best Practice Code (NZX Code) and the Corporate Governance in New Zealand Principles and Guidelines published by Financial Markets Authority, unless otherwise stated.

ETHICAL STANDARDS

The Board has adopted a Code of Conduct and Ethics, which sets out the ethical and behavioural standards expected of Argosy's Directors, officers and employees. The purpose of the Code of Conduct and Ethics is to uphold the highest ethical standards, acting in good faith and in the best interests of shareholders at all times. The Code of Conduct and Ethics outlines the Company's policies in respect of conflicts of interest, fair dealing, compliance with applicable laws and regulations, maintaining confidentiality of information, dealing with company assets and use of company information.

Procedures for dealing with breaches of these policies are contained in the Code of Conduct and Ethics, which forms part of each employee's conditions of employment.

COMPOSITION OF THE BOARD

Argosy is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Company and returns to shareholders. The constitution provides for there to be not fewer than three Directors. All the members of the Board are non-executive Directors. The members of the Board are listed below and their brief resumés are included in the section headed "Board of Directors" on page 13.

ATTENDANCE OF DIRECTORS

Board Meetings attended

Michael Smith (Chair)	9 of 9
Peter Brook	9 of 9
Mark Cross	9 of 9
Andrew Evans	9 of 9
Chris Hunter	8 of 9
Jeff Morrison	9 of 9
Trevor Scott (retired)	2 of 3

With the exception of Trevor Scott, who retired by rotation at the Company's Annual Meeting and did not seek re-election, all of the above persons were directors as at 31 March 2015.

The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board.

INDEPENDENT DIRECTORS

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance.

In determining whether a Director is independent, the Board considers whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement. In accordance with Rule 3.3.2 of the NZX Main Board Listing Rules, the Board has determined that all of the Directors are, in its view, independent directors as at balance date as they do not have a disqualifying relationship with the Company.

BOARD AND DIRECTOR PERFORMANCE

The Board has a formal annual performance self-assessment, carried out under the direction of the Chairman. The self-assessment process involves reviewing the performance of the Board and its committees, together with setting forth the goals and objectives of the Company for the upcoming year. Assessment of individual Directors' performance is a process determined by the Chairman, taking into account the attendance, contribution and experience of each individual Director concerned.

INSIDER TRADING AND RESTRICTED PERSONS TRADING

Argosy's Directors, officers and employees, their families and related parties must comply with the Insider Trading and Restricted Persons Trading policy. Amongst other requirements, the policy identifies two "black-out periods" where trading in the Company's shares is prohibited (unless a special circumstances trading application is granted). The black-out periods are from the close of trading on 28 February (or 29 February in a leap year) until the day following the full year announcement date and from the close of trading on 31 August until the day following the half year announcement date each year. On-going fixed participation in the Dividend Reinvestment Plan (DRP) is available throughout the year.

Trading by Directors, officers and senior employees requires pre-trade approval (with limited exceptions, such as shares acquired under the DRP). Officers and employees must obtain approval from any two Directors or a Director and the Chief Financial Officer and Directors must obtain pre-trade approval from the Chairman (or in the case of the Chairman, the Chairman of the Audit Committee). The holdings of Directors of shares in Argosy are disclosed in the section headed "Holdings of Directors" on page 71.

DIRECTORS AND OFFICERS INDEMNIFICATION AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Argosy has indemnified and insured its Directors and employees, including Directors and employees of subsidiaries, in respect of liability incurred for any act or omission in their capacity as a Director or employee (including defence costs). The insurer reimburses the Company where it has indemnified the Directors or employees.

BOARD COMMITTEES

Board committees assist with the execution of the Board's responsibilities to shareholders. Each committee operates under a constitution approved by the Board, setting out its role, responsibilities, authority, relationship with the Board, reporting requirements, composition, structure and membership.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee which considers the remuneration of the Directors and senior executives, and administers the Company's bonus scheme. The members of the Remuneration Committee are Michael Smith (Chairman), Peter Brook and Jeff Morrison.

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee Meetings attended

Michael Smith (Chair)	3 of 3
Peter Brook	3 of 3
Jeff Morrison	2 of 2
Trevor Scott (retired)	1 of 1

NOMINATIONS COMMITTEE

The Board does not maintain a Nominations Committee. As all Directors participate in nomination decisions a nominations committee is considered unnecessary.

AUDIT COMMITTEE

The Board has established an Audit Committee, which is responsible for overseeing the financial and accounting responsibilities of the Company. The minimum number of members on the Audit Committee is three. All members must be Directors, the majority must be independent directors and at least one member must have an accounting or financial background.

The members of the Audit Committee are Mark Cross (Chairman), Peter Brook and Michael Smith. The Audit Committee assists the Board in fulfilling its corporate governance and disclosure responsibilities with particular reference to financial matters and external audit, and is specifically responsible for:

- ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- appointment and removal of the external auditor;
- meeting regularly to monitor and review external audit practices;
- having direct communication with and unrestricted access to the external auditors;
- reviewing the financial reports and advising the Board whether they comply with the appropriate laws and regulations;
- ensuring the external auditor or lead audit partner is changed at least every five years;
- reviewing the performance and independence of the external auditor; and
- monitoring compliance with the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013, Companies Act 1993 and the NZX Main Board Listing Rules.

ATTENDANCE AT AUDIT COMMITTEE

Audit Committee Meetings attended

Mark Cross (Chair)	4 of 4
Peter Brook	4 of 4
Trevor Scott (retired)	2 of 2
Michael Smith	4 of 4

DIRECTORS' REMUNERATION

Directors' fees

The current total directors' fee pool approved by ordinary resolution at the Company's 2013 Annual Meeting is $655,000 per annum.

Directors' Remuneration

Remuneration paid to directors by the Company during the year is as follows:

Michael Smith (Chair)	$140,000
Peter Brook	$72,500
Andrew Evans	$65,000
Mark Cross	$72,917
Chris Hunter	$65,000
Jeff Morrison	$66,458
Trevor Scott (retired)	$32,292

The Company considers it desirable to attract and retain high performing Directors whose skills and experience are well-suited to the Company's requirements. To this end, it is important that the Directors are remunerated appropriately. The Directors' fees are presently set as follows:

— Each Director (other than the Chairman) is paid $65,000 per annum.
— The Chairman is paid $130,000 per annum.
— Additional amounts are paid to committee members. The Audit Committee Chairman receives $10,000 per annum and its members receive $5,000 per annum. The Remuneration Committee Chairman receives $5,000 per annum and its members receive $2,500 per annum.

The performance of Directors is assessed by the Chairman, with the exception that the Chairman's performance is reviewed by the Chair of the Audit Committee. The Board takes advice from independent remuneration specialists when considering any proposal to increase the Directors' fees.

Additional payments may be made to Directors who assume additional responsibilities (including in relation to one-off project work) from time to time beyond the scope of their usual responsibilities.

GENDER BALANCE

As at 31 March 2015 the gender balance of the Company's Directors, officers and all employees was as follows:

	Directors	Officers	All employees
Female	0 (2014: 0)	3 (2014: 3)	12 (2014: 12)
Male	6 (2014: 7)	8 (2014: 8)	13 (2014: 13)
Total	6 (2014: 7)	11 (2014: 11)	25 (2014: 25)

EXECUTIVE REMUNERATION

All employees of the Group are employed by Argosy Property Management Limited. The number of employees or former employees of the Group, not being directors, who received remuneration and any other benefits in their capacity as employees of $100,000 per annum or more are set out below:

		31-Mar-15	31-Mar-14
$100,001	$110,000	2	1
$110,001	$120,000	–	2
$120,001	$130,000	1	1
$130,001	$140,000	1	–
$140,001	$150,000	1	–
$150,001	$160,000	–	1
$160,001	$170,000	–	1
$170,001	$180,000	1	1
$180,001	$190,000	1	–
$190,001	$200,000	2	–
$200,001	$210,000	1	4
$220,001	$230,000	1	–
$230,001	$240,000	2	–
$280,001	$290,000	1	–
$520,001	$530,000	–	1
$530,001	$540,000	1	–
$590,001	$600,000	–	1
$650,001	$660,000	1	–
		16	13

In addition to cash remuneration, the Board has approved a new long term incentive scheme to its Senior Executives, commencing 1 April 2015. Under the scheme, performance share rights (PSRs) are issued to participants which give them the right to receive ordinary shares in the Company after a three year period, subject to certain vesting and other conditions being met. The vesting of the PSRs is subject to the Company achieving a positive total shareholder return (measured against the Company's share price on the date of the issue of the PSRs, and including dividends) over a three year measurement period. The total number which actually vest will be dependent on the relative ranking of the Company's total shareholder returns against a comparator group of listed entities determined by the Board from the NZX Property Index.

INTERESTS REGISTERS

Directors' shareholdings

Equity securities in which each Director and associated person of each Director held a relevant interest as at 31 March 2015 are listed below:

Director	Holder	Trustees	Interest	Number Shares
Philip Michael Smith	FNZ Custodians Limited for the trustees of the Mallowdale Trust	Philip Michael Smith and Dale Gaye D'Rose	Non beneficial	242,576
Peter Brook	Peter Clynton Brook	n/a	Beneficial	122,932
	FNZ Custodians Limited for the trustees of the Bayview Trust	Peter Clynton Brook, Mary Patricia Brook, Samuel John Goldwater, Nicholas Paul Goldwater	Non beneficial	360,288
Andrew Mark Cross	Nil	Nil	Nil	Nil
Andrew Evans	Trustees of the Hardwick Trust	Hardwick Trustees Limited	Non beneficial	85,541
	Trustees of the Graeme Horsley #3 Trust	Graeme Horsley, Susan Horsley, Andrew Evans	Non beneficial	18,976
Chris Hunter	Nil	Nil	Nil	Nil
Jeff Morrison	Investment Custodial Services Limited for the trustees of the Suzanne Fisher Trust	Jeff Morrison and Barry Fisher	Non beneficial	528,002
	Trustees of the JM Thompson Trust	Jeff Morrison, Frederick McElrea	Non beneficial	319,012
	Trustees of the Dalbeth Family Trust No.2	Audrey Dalbeth, Anthony Hudson, Bronwyn Patterson, William Dalbeth, Jeffrey Morrison	Non beneficial	38,300

DIRECTORS' SHARE DEALINGS

The Directors entered into the following share dealings which relate to the acquisition of shares in the Company during the year:

— Peter Brook acquired a beneficial interest in 1,818 shares in the Company on 24 June 2014 for consideration of $1,741.08 under the Company's dividend reinvestment plan.
— Peter Brook acquired a beneficial interest in 1,759 shares in the Company on 24 September 2014 for consideration of $1,768.35 under the Company's dividend reinvestment plan.
— Peter Brook acquired a beneficial interest in 1,653 shares in the Company on 17 December 2014 for consideration of $1,794.74 under the Company's dividend reinvestment plan.
— Peter Brook acquired a beneficial interest in 1,630 shares in the Company on 25 March 2015 for consideration of $1,819.53 under the Company's dividend reinvestment plan.
— Andrew Evans acquired a non-beneficial (trust) interest in 1,265 shares in the Company on 24 June 2014 for consideration of $1,211.52 under the Company's dividend reinvestment plan.
— Andrew Evans acquired a non-beneficial (trust) interest in 18,976 shares in the Company on 31 July 2014 for nil consideration on appointment as a trustee.
— Andrew Evans acquired a non-beneficial (trust) interest in 1,224 shares in the Company on 24 September 2014 for consideration of $1,230.50 under the Company's dividend reinvestment plan.
— Andrew Evans acquired a non-beneficial (trust) interest in 1,150 shares in the Company on 17 December 2014 for consideration of $1,248.86 under the Company's dividend reinvestment plan.
— Andrew Evans acquired a non-beneficial (trust) interest in 1,134 shares in the Company on 25 March 2015 for consideration of $1,266.11 under the Company's dividend reinvestment plan.
— Jeff Morrison acquired a non-beneficial (trust) interest in 93,000 shares in the Company on 23 June 2014 for consideration of $90,210.00 through an on-market acquisition.
— Jeff Morrison acquired a non-beneficial (trust) interest in 3,946 shares in the Company on 24 June 2014 for consideration of $3,779.73 under the Company's dividend reinvestment plan.
— Jeff Morrison acquired a non-beneficial (trust) interest in 50,000 shares in the Company on 25 June 2014 for consideration of $48,500 through an on-market acquisition.
— Jeff Morrison acquired a non-beneficial (trust) interest in 38,300 shares in the Company on 26 August 2014 for consideration of $39,581.56 through an on-market acquisition.
— Jeff Morrison acquired a non-beneficial (trust) interest in 4,565 shares in the Company on 24 September 2014 for consideration of $4,588.92 under the Company's dividend reinvestment plan.
— Jeff Morrison acquired a non-beneficial (trust) interest in 4,290 shares in the Company on 17 December 2014 for consideration of $4,657.40 under the Company's dividend reinvestment plan.
— Jeff Morrison acquired a non-beneficial (trust) interest in 4,229 shares in the Company on 25 March 2015 for consideration of $4,721.75 under the Company's dividend reinvestment plan.

DIRECTORS' INTERESTS

The Directors have declared interests in the entities listed below. Where (R) is included next to the interest, the Director has ceased to have that interest during the year.

Director	Position	Company/Organisation
Michael Smith	Director	Greymouth Petroleum Limited
	Director	Maui Capital Indigo Fund Limited
	Director	Maui Capital Aqua Fund Limited
Peter Brook	Trustee	Melanesia Mission Trust Board
	Chairman	Trust Investments Management Limited
	Chairman	Burger Fuel Worldwide Limited
	Chairman	Generate Investment Management Limited
Mark Cross	Director	Alpha Investment Partners Limited
	Director	Aspect Productivity Technology Limited
	Director	Infracom NZ Limited
	Chairman	Superannuation Investments Limited
	Chairman	MFL Mutual Fund Limited
	Director	Milford Asset Management Limited
	Director	Milford Funds Limited
	Director	Triathlon New Zealand Inc.
	Director	Genesis Energy Limited
	Director	Milford Private Wealth Limited
	Director	Virsae Group Limited
Andrew Evans	Director	Vital Healthcare Management Limited
	Director	Holmes Group Limited
	Director	Holmes Fire & Safety Limited
	Director	Trust Investments Management Limited
	Director	Holmes GP Fire Limited
	Director	Hughes & Cossar Group Holdings Limited
	Director	Westbrooke Capital Partners Limited
Chris Hunter	Director	Hunter Corporation Limited
	Director	Airwork Holdings Limited (R)
	Director	Amalgamated Builders Limited
	Director	Hunter Consulting Services Limited
	Director	NZ Strong Group Limited
Peter Mence	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited
Dave Fraser	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited

INFORMATION USED BY DIRECTORS

No Director requested to use information received in his or her capacity as a director that would not otherwise be available to the Director.

INDEMNITIES AND INSURANCE

The Company effected indemnities for directors and employees for liability (including defence costs) arising in respect of acts or omissions while acting in the capacity of a director or employee.

The Company effected insurance for directors and employees for liability (including defence costs) arising in respect of acts or omissions while acting in the capacity of a director or employee, with a sub-limit for defence costs.

EXTERNAL AUDIT FIRM GUIDELINES

In addition to the formal constitution under which the Audit Committee operates, the Audit Committee has adopted an External Auditor Independence Policy containing procedures to ensure the independence of the Company's external auditor.

The Audit Committee is responsible for recommending the appointment of the external auditor and maintaining procedures for the rotation of the external audit lead partner. Under the Auditor Independence Policy, the external audit lead partner must be rotated every five years.

The policy covers provision of non-audit services with the general principle being that the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. It is, however, appropriate for the external auditor to provide services of due diligence on proposed transactions and accounting policy advice.

Deloitte has been appointed as the Company's external auditor.

INVESTOR RELATIONS

The Board aims to ensure that investors are informed of all information necessary to assess the Company's performance.

It does so through a communication strategy which includes:

- Periodic and continuous disclosure to NZX in accordance with the continuous disclosure requirements;
- Information provided to analysts and media;
- Annual and interim reports distributed to shareholders;
- The annual shareholders' meeting and any other meetings called to obtain approval for Company actions as appropriate;
- Notices and explanatory memoranda for annual and special meetings;
- Investor roadshows;
- The Company's website www.argosy.co.nz; and
- Periodic Investor Update newsletters.

Shareholders have the opportunity to question Directors on the management of the Company at annual and special meetings.

NZX RULINGS AND WAIVERS

The Company did not apply to NZX for, nor rely on, any rulings or waivers during the year.

DONATIONS

The Company is a Super Six Sponsor of the Red Beach Surf Lifesaving Club Inc, for a term of three years. The Company contributed $28,000 in each of the 2014 and 2015 financial years, and will contribute the same amount in the next financial year.

ARGOSY SUBSIDIARIES – DIRECTORS

As at 31 March 2015:

- Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property No. 1 Limited.
- Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property No. 3 Limited.
- Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property Management Limited.
- Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property Unit Holdings Limited.

No director of any Argosy subsidiary received additional remuneration or benefits in respect of their directorships. The directors of Argosy's subsidiaries who are not also directors of the Company have no interests recorded in the interest registers of those companies.

20 LARGEST REGISTERED SECURITY HOLDERS AS AT 6 MAY 2015

Rank	Full name	Total	Percentage
1	New Zealand Central Securities Depository Limited	311,114,962	38.76
2	FNZ Custodians Limited	40,920,954	5.09
3	Custodial Services Limited <A/C 3>	28,328,391	3.52
4	Investment Custodial Services Limited <A/C C>	25,091,404	3.12
5	Custodial Services Limited <A/C 2>	13,498,339	1.68
6	Forsyth Barr Custodians Limited <1-33>	13,350,463	1.66
7	Forsyth Barr Custodians Limited <1-17.5>	9,118,098	1.13
8	Custodial Services Limited <A/C 4>	7,932,259	0.98
9	Custodial Services Limited <A/C 18>	7,023,368	0.87
10	James Harvey Mansell & Christine Anne Mansell & Douglas Tony Brown <Harvan A/C>	5,765,000	0.71
11	University of Otago Foundation Trust	5,646,403	0.70
12	Peter John Whiting & Janet Graham Whiting & Peter Austin Gowing <Whiting Family A/C>	5,500,000	0.68
13	Custodial Services Limited <A/C 1>	4,876,222	0.60
14	Superlife Trustee Nominees Limited <Sl Prop A/C>	4,550,059	0.56
15	Southern Capital Limited	4,012,414	0.49
16	Forsyth Barr Custodians Limited <1-30>	3,784,629	0.47
17	NZPT Custodians (Grosvenor) Limited	3,695,387	0.46
18	New Zealand Depository Nominee Limited <A/C 1> Cash Account	3,411,588	0.42
19	Jarden Custodians Limited <A/C 7>	3,200,000	0.39
20	Jarden Custodians Limited <A/C 6>	3,000,000	0.37

5 LARGEST SECURITY HOLDERS DISCLOSED BY THE NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED AS AT 6 MAY 2015

Rank	Holder Name	No of shares
1	Accident Compensation Corporation – NZCSD	56,176,723
2	BNP Paribas Nominees (NZ) Limited – NZCSD	43,205,555
3	Guardian Nominees No 2 Limited – WPAC Wholesale Property Trust – NZCSD	35,345,686
4	HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	31,364,775
5	National Nominees New Zealand Limited – NZCSD	30,241,992

SUBSTANTIAL SECURITY HOLDERS AS AT 31 MARCH 2015

The substantial security holders in the Company as at 31 March 2015 were as follows:

	Date notice filed	No of shares	% of total issued shares
Accident Compensation Corporation	23-Sep-14	61,872,791	7.78
Salt Funds Management Limited	11-Nov-13	39,763,380	5.07
Westpac Banking Corporation and BT Funds Management (NZ) Limited	13-Nov-13	39,763,380	5.07

The total number of shares on issue in the Company as at 31 March 2015 was 802,628,756. The only class of shares on issue as at 31 March 2015 was ordinary shares.

The number and percentage of shares shown are as advised in the substantial security holder notice to the Company disclosed by 31 March 2015 and may not be that substantial security holder's current relevant interest.

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS AS AT 6 MAY 2015

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	138	1.54	60,804	0.01
1,000 to 1,999	277	3.11	358,151	0.04
2,000 to 4,999	990	11.11	3,475,758	0.43
5,000 to 9,999	1,736	19.50	12,425,288	1.55
10,000 to 49,999	4,498	50.49	99,134,599	12.35
50,000 to 99,999	769	8.63	51,267,617	6.39
100,000 to 499,999	431	4.84	77,898,025	9.71
500,000 to 999,999	23	0.26	14,816,998	1.85
1,000,000 +	46	0.52	543,191,516	67.67
Total	8,908	100	802,628,756	100

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 31 MARCH 2015

Director	No of shares non-beneficial	No of shares beneficial
Michael Smith	242,576	–
Peter Brook	122,932	360,288
Mark Cross	–	–
Andrew Evans	104,517	–
Chris Hunter	–	–
Jeff Morrison	885,314	

DIRECTORS' STATEMENT

The Board is responsible for preparing the Annual Report. This report is dated 27 May 2015 and is signed on behalf of the Board of Argosy Property Limited by Michael Smith, Chairman, and Mark Cross, Director:

P Michael Smith
Chairman

Mark Cross
Director

DIRECTORS

Argosy Property Limited
Philip Michael Smith, Auckland (Chair)
Peter Clynton Brook, Auckland
Andrew Mark Cross, Auckland
Andrew Hardwick Evans, Auckland
Christopher Brent Hunter, Auckland
Jeffrey Robert Morrison, Auckland

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