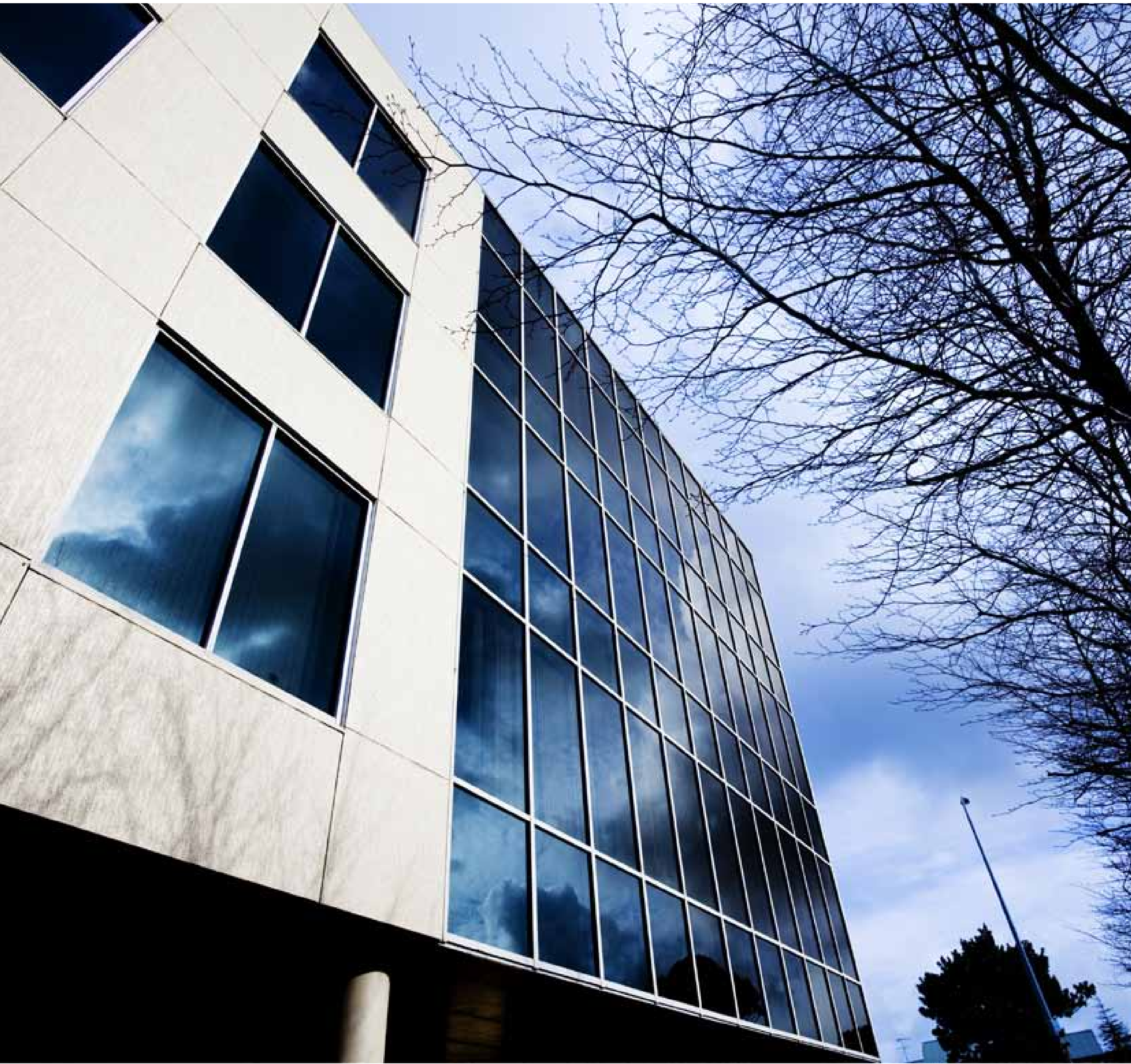
Argosy

FINANCIAL STATEMENTS FY13



Financial Statements

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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Non-current assets					
Investment properties	5	976,862	–	905,249	–
Other non-current assets	7	411	733,500	77	745,721
Derivative financial instruments	6	–	–	790	790
Investment in subsidiary	30	–	20,000	–	20,000
Deferred tax	23	–	4,285	–	18,297
Total non-current assets		977,273	757,785	906,116	784,808
Current assets					
Cash and cash equivalents		2,265	101	1,285	48
Trade and other receivables	8	1,267	–	16,787	–
Other current assets	9	299	96	226	46
Taxation receivable		4,858	–	4,851	6,805
		8,689	197	23,149	6,899
Non-current assets classified as held for sale	10	6,787	–	–	–
Total current assets		15,476	197	23,149	6,899
Total assets		992,749	757,982	929,265	791,707
Shareholders' funds					
Share capital	11	658,824	658,824	552,322	552,322
Hedging reserves	12	(4,257)	(4,257)	(6,903)	(6,903)
Retained earnings/(accumulated losses)	13	(53,230)	(275,529)	(56,973)	(210,388)
Total shareholders' funds		601,337	379,038	488,446	335,031
Non-current liabilities					
Borrowings	15	326,045	326,045	382,009	382,009
Derivative financial instruments	6	41,115	41,115	37,170	37,170
Deferred tax	23	13,259	–	12,584	–
Total non-current liabilities		380,419	367,160	431,763	419,179
Current liabilities					
Trade and other payables	16	9,379	2,426	6,748	3,051
Other current liabilities	17	1,614	9,168	2,308	34,446
Taxation payable		–	190	–	–
Total current liabilities		10,993	11,784	9,056	37,497
Total liabilities		391,412	378,944	440,819	456,676
Total shareholders' funds and liabilities		992,749	757,982	929,265	791,707

For and on behalf of the Board

P Michael Smith
Director

Trevor Scott
Director

Date: 23 May 2013

The notes on pages 7-36 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Note	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Gross property income from rentals		72,913	–	76,166	–
Gross property income from expense recoveries		15,349	–	13,650	23
Property expenses		(18,396)	–	(18,606)	(1)
Net property income	4	69,866	–	71,210	22
Recharges charged to subsidiaries		–	21,511	–	30,914
Other income	18	–	3,065	9,937	–
Total income		69,866	24,576	81,147	30,936
Administration expenses	20	5,818	1,419	7,039	4,660
Management contract amortisation and cancellation costs		–	–	6,037	–
Management rights buy-out		–	–	19,978	19,978
Internalisation related costs		–	–	1,705	1,705
Costs related to unsolicited merger proposal		–	–	483	483
Acquisition investigation costs		860	739	–	–
Corporatisation related costs		78	78	799	799
Other expenses	5,19	1,812	–	8,496	–
Total expenses before finance income/(expenses) and other gains/(losses)		8,568	2,236	44,537	27,625
Profit before financial income/(expenses) and other gains/(losses)		61,298	22,340	36,610	3,311
Financial income/(expense)					
Interest expense	21	(23,682)	(23,682)	(31,046)	(31,041)
Loss on derivative financial instruments held for trading		(4,735)	(4,735)	(9,027)	(9,027)
Transfer from hedge reserve	12	(3,674)	(3,674)	(3,404)	(3,404)
Finance income		99	2	251	30
		(31,992)	(32,089)	(43,226)	(43,442)
Other gains					
Revaluation gains on investment property	5	9,344	–	3,658	–
Profit/(loss) before income tax attributable to shareholders		38,650	(9,749)	(2,958)	(40,131)
Taxation (credit)/expense	22	(505)	19,980	(4,907)	(11,260)
Profit/(loss) for the year attributable to shareholders		39,155	(29,729)	1,949	(28,871)
Other comprehensive income					
Movement in cash flow hedge reserve	12	3,674	3,674	2,854	2,854
Income tax expense relating to other comprehensive income	22	(1,028)	(1,028)	(799)	(799)
Total other comprehensive income after tax		2,646	2,646	2,055	2,055
Total comprehensive income/(loss) after tax		41,801	(27,083)	4,004	(26,816)
All amounts are from continuing operations					
Earnings per share					
Basic and diluted earnings per share (cents)	25	6.69		0.35	

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Note	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Shareholders' funds at the beginning of the year		488,446	335,031	511,732	389,137
Profit/(loss) for the year		39,155	(29,729)	1,949	(28,871)
Movement in cash flow hedge reserve		2,646	2,646	2,055	2,055
Total comprehensive income for the year		41,801	(27,083)	4,004	(26,816)
Contributions by shareholders					
Issue of shares from Dividend Reinvestment Plan	11	7,929	7,929	8,066	8,066
Issue of shares from Share Purchase Plan	11	20,000	20,000	–	–
Issue of shares from Placement	11	80,000	80,000	–	–
Issue costs of shares	11	(1,427)	(1,427)	(14)	(14)
Redemption of overseas shares	11	–	–	(800)	(800)
Dividends to shareholders	13	(35,412)	(35,412)	(34,542)	(34,542)
Shareholders' funds at the end of the year		601,337	379,038	488,446	335,031

The notes on pages 7-36 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	Note	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Cash flows from operating activities					
Cash was provided from:					
Property income		84,799	–	91,509	–
Interest received		201	2	251	30
Proceeds from insurance		9,928	–	–	–
Taxation refund		146	–	–	–
Cash was applied to:					
Property expenses		(17,899)	–	(18,330)	–
Management and trustee fees		–	–	(3,668)	(3,664)
Interest paid		(27,304)	(27,303)	(30,772)	(30,767)
Tax paid		–	–	(22)	(2)
Employee benefits		(3,018)	–	(1,587)	–
Management rights buy-out		–	–	(19,978)	(19,978)
Internalisation related costs		–	–	(1,705)	(1,705)
Costs related to unsolicited merger proposal		–	–	(483)	(483)
Acquisition investigation costs		(854)	(739)	–	–
Corporatisation related costs		(301)	(301)	(576)	(576)
Other expenses		(2,474)	(1,320)	(2,357)	(2,358)
Net cash from/(used in) operating activities	24	43,224	(29,661)	12,282	(59,503)
Cash flows from investing activities					
Cash was provided from:					
Sale of properties		24,725	–	56,258	–
Cash was applied to:					
Capital additions on investment properties		(15,577)	–	(11,758)	–
Purchase of properties		(65,152)	–	–	–
Net cash (used in)/from investing activities		(56,004)	–	44,500	–
Cash flows from financing activities					
Cash was provided from:					
Debt drawdown		105,700	105,700	38,057	38,057
Advances from subsidiaries		–	15,578	–	116,430
Capital raised from placement and share purchase plan		100,000	100,000	–	–
Cash was applied to:					
Repayment of debt		(161,577)	(161,577)	(65,912)	(65,912)
Dividends paid to shareholders		(27,861)	(27,485)	(26,420)	(26,475)
Issue cost of shares		(1,417)	(1,417)	(14)	(14)
Repurchase of shares prior to corporatisation		–	–	(800)	(800)
Facility refinancing fee		(1,085)	(1,085)	(1,747)	(1,747)
Net cash from/(used in) financing activities		13,760	29,714	(56,836)	59,539
Net increase/(decrease) in cash and cash equivalents		980	53	(54)	36
Cash and cash equivalents at the beginning of the year		1,285	48	1,339	12
Cash and cash equivalents at the end of the year		2,265	101	1,285	48

The notes on pages 7-36 form part of and are to be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Argosy Property Limited ("APL" or "the Company") is an issuer for the purpose of the Financial Reporting Act 1993. APL is incorporated and domiciled in New Zealand.

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

On 30 June 2012, Argosy Property Investments Limited, Argosy Property No.4 Limited, Argosy Property Holdings Limited and Argosy Property No. 6 Limited were amalgamated into Argosy Property No.1 Limited (AP No. 1). On that date, all assets, liabilities, property, rights, powers and privileges of the amalgamating companies were vested in AP No. 1, being the amalgamated company. The shares in Argosy Property No.3 Limited transferred to AP No. 1 and therefore AP No.3 is a subsidiary of AP No. 1 after amalgamation.

These financial statements include those 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 IFRSs) 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. The Company and Group financial statements also comply with International Financial Reporting Standards (IFRSs).

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 IFRSs 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 23 – Deferred tax (and Taxation in Note 22)

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 23 May 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been applied consistently to all periods and by all group entities.

Basis of consolidation

The Group's financial statements incorporate the financial statements of APL and its controlled subsidiaries as set out in Note 27. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests in subsidiaries are accounted for as transactions between shareholders and therefore no goodwill is recognised. There is no remeasurement to fair value of net assets acquired that were previously attributable to non-controlling shareholders.

Transactions with non-controlling interests are handled in the same way as transactions with external parties.

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. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

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 rate method.

Derivatives are, initially and subsequently, measured at fair value.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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 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 rate 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 fair value 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.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

Hedging

Derivatives (interest rate swaps) are held for risk management purposes as described above. The Company and Group no longer apply 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. All borrowing costs are 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The Group as lessor

Amounts due from leases under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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 then period in which they are consumed.

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, long service leave and sick 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements the following relevant Standards and Interpretations were in issue but not yet effective and have not been applied in preparing these financial statements. The Company is assessing the potential impact of NZ IFRS 13. None of the other standards and interpretations are expected to have a material impact on the financial statements but may affect presentation and disclosure:

NZ IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012);

NZ IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2015);

NZ IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013);

NZ IFRS 12 Disclosures of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013); and

NZ IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. SEGMENT INFORMATION

The principal business activity of the Company and its subsidiaries is to invest in New Zealand properties. 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 in order to allocate resources to the segments and to assess their performance.

The information reported to the Group's chief operating decision maker is based on primarily three business sectors, being Retail, Commercial and Industrial, based on what occupants actual or intended use is.

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

	Industrial		Commercial		Retail		Total	
	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s
Segment profit/(loss)								
Net property income	22,518	23,752	22,182	21,436	25,166	26,022	69,866	71,210
Administration expenses	–	(1,112)	–	(888)	–	(1,152)	–	(3,152)
Other income/(expenses)	(1,786)	799	(50)	346	24	296	(1,812)	1,441
Finance income/(expenses)	11	125	–	1	–	40	11	166
	20,743	23,564	22,132	20,895	25,190	25,206	68,065	69,665
Revaluation gains/(losses) on investment properties	(9,399)	721	11,650	1,350	7,093	1,587	9,344	3,658
Total segment profit/(loss)	11,344	24,285	33,782	22,245	32,283	26,793	77,409	73,323
Unallocated:								
Administration expenses							(5,818)	(9,924)
Finance income/(expenses)							(23,594)	(30,961)
Unrealised interest rate swaps gains/(losses)							(8,409)	(12,431)
Management rights buyout							–	(19,978)
Internalisation related costs							–	(1,705)
Acquisition investigation costs							(860)	–
Costs related to unsolicited merger proposal							–	(483)
Corporatisation related costs							(78)	(799)
Profit/(loss) before income tax							38,650	(2,958)
Taxation							505	4,907
Profit/(loss) for the year							39,155	1,949

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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 2012: Nil).

Segment profit represents the profit earned by each segment including allocation of identifiable administration costs, finance costs, revaluation gains/(losses) on investment properties, and gains/(losses) on disposal of investment properties. This is the measure reported to the Chief Executive Officer, who is the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Industrial		Commercial		Retail		Total	
	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s
Segment assets								
Current assets	506	16,345	469	305	524	400	1,499	17,050
Investment properties	311,381	329,534	336,341	255,250	329,140	320,465	976,862	905,249
Non-current assets classified as held for sale	863	–	–	–	5,924	–	6,787	–
Total segment assets	312,750	345,879	336,810	255,555	335,588	320,865	985,148	922,299
Unallocated assets:							7,601	6,966
Total assets							992,749	929,265

	Industrial		Commercial		Retail		Total	
	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s	2013 $000s	2012 $000s
Segment liabilities								
Current liabilities	991	1,513	5,985	1,763	550	893	7,526	4,169
Total segment liabilities	991	1,513	5,985	1,763	550	893	7,526	4,169
Unallocated liabilities							383,886	436,650
Total liabilities							391,412	440,819

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, current tax liabilities, deferred tax liabilities, and other minor current liabilities that cannot be allocated to particular segments.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Movement in investment properties				
Balance at 1 April	898,823	–	941,372	–
Acquisition of properties	65,152	–	–	–
Capitalised costs	29,171	–	6,289	–
Disposals	(25,112)	–	(44,046)	–
Impairment of earthquake damaged property	–	–	(8,450)	–
Transfer to properties held for sale	(8,195)	–	–	–
Change in fair value	9,344	–	3,658	–
Balance at 31 March	969,183	–	898,823	–
Deferred initial direct costs/lease incentives				
Balance at 1 April	6,426	–	7,315	–
Change during the year	1,253	–	(889)	–
Balance at 31 March	7,679	–	6,426	–
Total investment properties	976,862	–	905,249	–

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.

The Group holds the freehold to all investment properties other than 39 Market Place, Auckland.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Investment properties purchased and disposed of during the year are as follows:

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Acquisition of properties				
Waterloo Quay, Wellington	60,364	–	–	–
Cnr 252 State Highway 17 & 8 Gills Road, Albany	4,788			
	65,152	–	–	–
Disposal of properties				
221 Bush Road, Albany, Auckland	6,900	–	–	–
221 Albany Highway, Auckland (Land Only)	752	–	–	–
205 Wakefield Street, Wellington	4,500	–	–	–
Part Lot 8, El Prado Drive, Manawatu Business Park, Palmerston North (Land)	782	–	–	–
Lot 10, El Prado Drive, Manawatu Business Park, Palmerston North (Land)	1,039	–	–	–
3 El Prado Drive, Manawatu Business Park, Palmerston North	1,010	–	–	–
Lot 31, El Prado Drive, Manawatu Business Park, Palmerston North (Land)	7,400	–	–	–
57 Valor Drive, Palmerston North	2,729	–	–	–
2 Carmont Place, Mt Wellington, Auckland	–	–	4,508	–
28 Catherine Street, Henderson, Auckland	–	–	600	–
25 College Hill, Auckland	–	–	12,009	–
501 Ti Rakau Drive, East Tamaki, Auckland	–	–	6,729	–
7 Maui Street, Hamilton	–	–	2,347	–
Main Street, Palmerston North	–	–	1,902	–
5 Tutu Place, Porirua, Wellington	–	–	3,322	–
9 Tutu Place, Porirua, Wellington	–	–	6,892	–
10 Tutu Place, Porirua, Wellington	–	–	2,876	–
1 Semple Street, Porirua, Wellington	–	–	2,861	–
	25,112	–	44,046	–
Sale proceeds of properties disposed of	24,745		44,353	
Net gain/(loss) on disposal	(367)	–	307	–
Selling costs	(37)	–	(5)	–
Gain/(loss) on buildings held for sale	(1,408)	–	(348)	–
Total gain/(loss) on disposal	(1,812)	–	(46)	–

The property at 8 Foundry Drive, Woolston, Christchurch, suffered damage in the 22 February 2011 earthquake and this damage was compounded by subsequent earthquakes. One of the two coldstores and the warehouses on the property were impaired and the property was written down by $8,450,000 in 2012. The property was fully insured and a reinstatement settlement amount of $9,937,000 was recognised in the statement of comprehensive income in 2012 as other income. The insurance proceeds were received in the current year.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES (CONTINUED)

Valuation of investment properties

All investment properties were independently valued as at 31 March 2013 in accordance with the Group's accounting policy, except for Waterloo Quay, Wellington, which was purchased on 28 March 2013. The valuations were prepared by independent registered valuers Jones Lang LaSalle, CB Richard Ellis, Colliers International New Zealand, Bayleys and Absolute Value Limited. The total value per valuer was as follows:

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Absolute Value Limited	21,925	–	–	–
CB Richard Ellis Limited	315,335	–	207,395	–
Colliers International New Zealand Limited	272,435	–	441,304	–
Bayleys Valuations Limited	133,825	–	46,350	–
Jones Lang LaSalle	169,610	–	94,050	–
Darroch Limited		–	116,150	–
	913,130	–	905,249	–

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. 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, 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 with the table on page 17 identifying the respective levels adopted by the Valuers within the Group's sectors:

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Investment Properties for the year ended 31 March 2013 are as follows:

		Industrial	Commercial	Retail	Total
Contract capitalisation rate	– Average	7.46%	8.40%	7.98%	7.96%
	– Maximum	12.51%	10.41%	8.82%	12.51%
	– Minimum	0.00%	6.07%	0.00%	0.00%
Market capitalisation rate	– Average	7.95%	8.56%	8.11%	8.22%
	– Maximum	12.03%	11.35%	12.26%	12.26%
	– Minimum	0.00%	7.53%	7.59%	0.00%
Occupancy (rent)		93.41%	96.48%	98.46%	96.19%
Occupancy (net lettable area)		92.49%	95.13%	97.72%	94.52%
Weighted average lease term		5.10	4.88	5.76	5.24
No. of buildings[1]		33	17	13	63
Fair value total ($000s)		$311,381	$336,341	$329,140	$976,862

Investment properties for the year ended 31 March 2012 are as follows:

		Industrial	Commercial	Retail	Total
Contract capitalisation rate	– Average	7.25%	9.03%	8.00%	8.02%
	– Maximum	11.82%	12.06%	9.16%	12.06%
	– Minimum	0.00%	5.60%	0.00%	0.00%
Market capitalisation rate	– Average	7.71%	9.34%	7.90%	8.24%
	– Maximum	11.45%	11.56%	11.83%	11.83%
	– Minimum	0.00%	8.02%	6.39%	0.00%
Occupancy (rent)		91.16%	92.86%	98.13%	94.07%
Occupancy (net lettable area)		90.45%	90.95%	97.42%	92.53%
Weighted average lease term		4.80	3.53	5.85	4.77
No. of buildings[1]		37	16	12	65
Fair value total ($000s)		$329,534	$255,250	$320,465	$905,249

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

2013	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	–	2,265	–	2,265
Trade and other receivables	–	1,267	–	1,267
Derivative financial instruments	–	–	–	–
	–	3,532	–	3,532
Financial liabilities				
Revolving credit facility	–	–	(326,045)	(326,045)
Trade and other payables	–	–	(9,379)	(9,379)
Derivative financial instruments	(41,115)	–	–	(41,115)
Other current liabilities	–	–	(1,614)	(1,614)
	(41,115)	–	(337,038)	(378,153)

2012	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	–	1,285	–	1,285
Trade and other receivables	–	16,787	–	16,787
Derivative financial instruments	790	–	–	790
	790	18,072	–	18,862
Financial liabilities				
Revolving credit facility	–	–	(382,009)	(382,009)
Trade and other payables	–	–	(6,748)	(6,748)
Derivative financial instruments	(37,170)	–	–	(37,170)
Other current liabilities	–	–	(2,308)	(2,308)
	(37,170)	–	(391,065)	(428,235)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

The Company has the following financial instruments:

2013	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	–	101	–	101
Trade and other receivables	–	–	–	–
Derivative financial instruments	–	–	–	–
Advances to subsidiaries	–	733,500	–	733,500
	–	733,601	–	733,601
Financial liabilities				
Revolving credit facility	–	–	(326,045)	(326,045)
Trade and other payables	–	–	(2,427)	(2,427)
Derivative financial instruments	(41,115)	–	–	(41,115)
Advances from subsidiaries	–	–	(9,168)	(9,168)
	(41,115)	–	(337,640)	(378,755)

2012	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	–	48	–	48
Trade and other receivables	–	–	–	–
Derivative financial instruments	790	–	–	790
Advances to subsidiaries	–	745,721	–	745,721
	790	745,769	–	746,559
Financial liabilities				
Revolving credit facility	–	–	(382,009)	(382,009)
Trade and other payables	–	–	(3,051)	(3,051)
Derivative financial instruments	(37,170)	–	–	(37,170)
Advances from subsidiaries	–	–	(34,446)	(34,446)
	(37,170)	–	(419,506)	(456,676)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS (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.

Group

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 18. 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.

Company

The Company's main exposure to credit risk arises from advances to its subsidiaries as set out in Notes 7 and 30.

Interest rate risk

Interest rate risk arises from long term borrowings (refer Note 15). 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 approximately 70%-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 86% of borrowings, after the effect of associated swaps, were at fixed rates (2012: 94%).

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. In addition, the Company's exposure also includes advances from subsidiaries. The Group aims to maintain flexibility in funding by keeping committed credit lines available (refer Note 15).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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

Group 2013	Weighted average interest rate	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	3.54%	(326,045)	(11,722)	(11,722)	(255,084)	(2,872)	(79,401)	–
Trade and other payables		(9,379)	(9,379)	–	–	–	–	–
Derivative financial instruments		(41,115)	(8,940)	(8,531)	(8,085)	(7,665)	(7,186)	(5,731)
Other current liabilities		(1,614)	(1,614)	–	–	–	–	–
		(378,153)	(31,655)	(20,253)	(263,169)	(10,537)	(86,587)	(5,731)

Group 2012	Weighted average interest rate	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	3.83%	(382,009)	(14,729)	(17,645)	(14,615)	(385,234)	–	–
Trade and other payables		(6,748)	(6,748)	–	–	–	–	–
Derivative financial instruments		(37,170)	(9,231)	(8,832)	(8,130)	(7,642)	(7,129)	(11,584)
Other current liabilities		(2,308)	(2,308)	–	–	–	–	–
		(428,235)	(33,016)	(26,477)	(22,745)	(392,876)	(7,129)	(11,584)

Company 2013	Weighted average interest rate	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	3.54%	(326,045)	(11,722)	(11,722)	(255,084)	(2,872)	(79,401)	–
Trade and other payables		(2,426)	(2,426)	–	–	–	–	–
Derivative financial instruments		(41,115)	(8,940)	(8,531)	(8,085)	(7,665)	(7,186)	(5,731)
Advances from subsidiaries		(9,168)	(9,168)	–	–	–	–	–
		(378,754)	(32,256)	(20,253)	(263,169)	(10,537)	(86,587)	(5,731)

Company 2012	Weighted average interest rate	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	3.83%	(382,009)	(14,729)	(17,645)	(14,615)	(385,234)	–	–
Trade and other payables		(3,051)	(3,051)	–	–	–	–	–
Derivative financial instruments		(37,170)	(9,231)	(8,832)	(8,130)	(7,642)	(7,129)	(11,584)
Advances from subsidiaries		(34,446)	(34,446)	–	–	–	–	–
		(456,676)	(61,457)	(26,477)	(22,745)	(392,876)	(7,129)	(11,584)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative Financial Instruments

The Group has a syndicated revolving credit facility with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and the Hongkong and Shanghai Banking Corporation of $500,000,000 (2012: 450,000,000) – refer Note 15.

To manage the Group and Company'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. Details of the contracts are below:

Maturing	Group and Company 2013		Group and Company 2012	
	Nominal Value $	Contracted Rate %	Nominal Value $	Contracted Rate %
2015	50,000,000	2.93%	130,000,000	2.93%
2018	17,000,000	5.25%	17,000,000	5.25%
2020	151,000,000	6.63%	151,000,000	6.63%
2021	65,000,000	6.53%	65,000,000	6.53%
	283,000,000		363,000,000	

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 (actual rates used were between 2.50% and 4.20%). Accepted market best practice valuation methodology using mid-market interest rates at the 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.

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.

	2013 Group and Company		2012 Group and Company	
	Impact on Profit & Loss $	Impact on Hedge Reserve $	Impact on Profit & Loss $	Impact on Hedge Reserve $
Increase of 100 basis points	14,593,374	–	18,632,387	–
Decrease of 100 basis points	(15,647,245)	–	(20,016,656)	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

7. OTHER NON-CURRENT ASSETS

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Property, plant and equipment	90	–	77	–
Advances to subsidiaries	–	733,500	–	745,721
Other	321	–	–	–
Total other non-current assets	411	733,500	77	745,721

8. TRADE AND OTHER RECEIVABLES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Trade receivables	1,303	–	1,137	–
Allowance for doubtful debts	(215)	–	(241)	–
	1,088	–	896	–
Amount receivable from unsettled sales of properties	179	–	134	–
Amount receivable from joint venture partner (Note 27)	–	–	5,564	–
Amount receivable from insurance proceeds	–	–	10,193	–
Total trade and other receivables	1,267	–	16,787	–

The average credit period on receivables is 4 days (2012: 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.

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Aged past due but not impaired trade receivables				
30-60 days	189	–	234	–
60-90 days	6	–	99	–
Beyond 90 days	255	–	395	–
	450	–	728	–

Included in the Group's trade receivable balance are debtors with a carrying amount of $449,688 (2012: $728,682) 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.

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Movement in the allowance for doubtful debts				
Balance at the beginning of the year	241	–	286	–
Amounts written off as uncollectible	(98)	–	(36)	–
Increase in allowance recognised in profit or loss	72	–	(9)	–
Balance at end of the year	215	–	241	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. OTHER CURRENT ASSETS

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Accrued Income	15	15	15	15
Prepayments	104	81	71	31
Other	180	–	140	–
Total other current assets	299	96	226	46

10. PROPERTY HELD FOR SALE

Lot 3, 260 Oteha Valley Road, Albany and Lot 9a, Alderson Drive, Manawatu Business Park were subject to unconditional sale and purchase agreements at balance date (2012: $Nil).

11. SHARE CAPITAL

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Balance at the beginning of the year	552,322	552,322	545,070	545,070
Issue of shares from Dividend Reinvestment Plan	7,929	7,929	8,066	8,066
Issue of shares from Share Purchase Plan	20,000	20,000	–	–
Issue of shares from Placement	80,000	80,000	–	–
Issue costs of shares	(1,427)	(1,427)	(14)	(14)
Redemption of overseas shares	–	–	(800)	(800)
Total share capital	658,824	658,824	552,322	552,322

The number of shares on issue at 31 March 2013 was 680,932,151 (2012: 558,517,286).

On 28 March 2013, the Group acquired one property at Waterloo Quay, Wellington. The Group partly funded the acquisition of this property by way of the issue of new equity. Equity was raised in two tranches: a Placement to institutional and other qualified investors raising $80 million and an offer to Argosy's other shareholders raising $20 million through a Share Purchase Plan ("SPP").

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

	Group 2013	Company 2013	Group 2012	Company 2012
(in thousands of shares)				
Balance at the beginning of the year	558,517	558,517	549,186	549,186
Issue of shares from Dividend Reinvestment Plan	8,777	8,777	10,283	10,283
Issue of shares from Share Purchase Plan	22,729	22,729	–	–
Issue of shares from Placement	90,909	90,909	–	–
Redemption of overseas shares	–	–	(952)	(952)
Total number of shares on issue	680,932	680,932	558,517	558,517

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total equity holders' funds equal to $601.3m (2012: $488.4m).

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 the debt and equity balance. 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.

12. HEDGING RESERVES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Balance at the beginning of the year	(6,903)	(6,903)	(8,958)	(8,958)
Gain on revaluation of cashflow hedges	–	–	(550)	(550)
Transferred to financial income/(expense)	3,674	3,674	3,404	3,404
Reclassification of hedge reserve to profit and loss	3,674	3,674	2,854	2,854
Tax on fair value (losses)/gains on cashflow hedges	(1,028)	(1,028)	(799)	(799)
Total hedging reserves	(4,257)	(4,257)	(6,903)	(6,903)

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Balance at the beginning of the year	(56,973)	(210,388)	(24,380)	(146,975)
Profit/(loss) for the year	39,155	(29,729)	1,949	(28,871)
Dividends to shareholders	(35,412)	(35,412)	(34,542)	(34,542)
Total retained earnings/(accumulated losses)	(53,230)	(275,529)	(56,973)	(210,388)

Dividends to shareholders

	Group & Company 2013 CPS	Group & Company 2012 CPS
Interim	4.50	4.50
Imputation credits	–	–
	4.50	4.50
Final	1.50	1.50
Imputation credits	–	–
	1.50	1.50
Total	6.00	6.00
Imputation credits	–	–
	6.00	6.00

After 31 March 2013, the final dividend was declared. The dividend has not been provided for and there are no income tax consequences.

14. BUSINESS COMBINATION

On 1 March 2012, the Group acquired the business of a former tenant that operates a storage unit business at one of the Group's properties at Wagener Place, St Lukes, Auckland. The management of the storage business has been outsourced to Storage King, a specialist storage unit manager. The business had minimal assets and liabilities and therefore the acquisition did not have a material impact on the Group's assets and liabilities at acquisition date.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15. BORROWINGS

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
ANZ Bank New Zealand Limited	205,428	205,428	240,350	240,350
Bank of New Zealand	82,171	82,171	96,140	96,140
Hongkong and Shanghai Banking Corp	41,085	41,085	48,070	48,070
Borrowing costs	(2,639)	(2,639)	(2,551)	(2,551)
Total borrowings	326,045	326,045	382,009	382,009
Shown as:				
Term	326,045	326,045	382,009	382,009

The Company has a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corp of $500,000,000 (31 March 2012: $450,000,000) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of $250,000,000 and a Tranche B limit of $250,000,000. On 21 May 2013, the Company restructured the facility and has increased the expiry of the two tranches by one year. Tranche A now expires on 30 June 2016 and Tranche B expires on 30 June 2018 (31 March: 2012 Tranche A ($400,000,000) expired on 30 June 2015 and Tranche B ($50,000,000) expired on 30 June 2013).

The contractual interest rate on the borrowings as at 31 March 2013 was 3.54% per annum (2012: 3.83%).

During the year, the Company paid a line fee of between 0.825% and 0.90% per annum on Tranche A and between 0.925% and 1.00% per annum on Tranche B (2012: between 0.925% and 1.15% per annum on Tranche A and between 1.00% and 1.275% per annum on Tranche B). Under the restructured facility, the line fee will be between 0.675% and 0.775% per annum on Tranche A and between 0.775% and 0.875% on Tranche B.

The weighted average interest rate on borrowings (including margin and line fee and interest rate swaps) as at 31 March 2013 was 7.22% (2012: 7.20%).

16. TRADE AND OTHER PAYABLES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
GST payable	196	(17)	792	(113)
Other creditors and accruals	9,183	2,443	5,956	3,164
Total trade and other payables	9,379	2,426	6,748	3,051

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

17. OTHER CURRENT LIABILITIES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Employee entitlements	140	–	145	–
Advances from subsidiaries	–	9,168	–	34,446
Other liabilities	1,474	–	2,163	–
Total current liabilities	1,614	9,168	2,308	34,446

18. OTHER INCOME

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Reversal of intercompany provision	–	3,065	–	–
Net income from insurance proceeds	–	–	9,937	–
Total other income	–	3,065	9,937	–

19. OTHER EXPENSES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Realised losses on disposal	1,812	–	46	–
Impairment expense	–	–	8,450	–
Total other expenses	1,812	–	8,496	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20. ADMINISTRATION EXPENSES

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Auditor's remuneration:				
Audit of the annual financial statements	134	134	119	119
Review of interim financial statements	26	26	19	19
Other assurance services [1]	7	7	21	21
Employee benefits	3,277	–	1,839	–
Other expenses	2,302	1,252	1,898	1,352
Doubtful debts expense	(26)	–	(45)	–
Bad debts	98	–	36	–
Management fees	–	–	2,884	2,884
Trustee fees	–	–	268	265
Total administration expenses	5,818	1,419	7,039	4,660

1 In 2013, $7,300 was paid to Deloitte for services rendered at the AGM. (2012: $21,084 was paid to Deloitte for services rendered in relation to the internalisation and corporatisation of the company).

21. INTEREST EXPENSE

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Interest expense	(27,750)	(27,750)	(31,046)	(31,041)
Less amount capitalised to investment properties	4,068	4,068	–	–
Total interest expense	(23,682)	(23,682)	(31,046)	(31,041)

Capitalised interest relates to the subdivisions at Manawatu Business Park and Albany Lifestyle Centre.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22. TAXATION

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
The taxation charge is made up as follows:				
Current tax expense				
Current year	–	–	–	–
Adjustment recognised in the current year in relation to the current tax of prior years	(151)	6,994	(1,272)	–
Total current taxation (credit) / expense	(151)	6,994	(1,272)	–
Movement in tax losses	4,303	17,045	(8,614)	(17,537)
Non deductible unrealised loss on swaps	(2,354)	(2,354)	–	–
Deduction from swap novation	183	183	–	–
Taxable income from swap novation	(2,043)	(2,043)	–	–
Other deferred tax	(443)	155	4,979	6,277
Total deferred tax expense / (credit)	(354)	12,986	(3,635)	(11,260)
Total tax expense / (credit) recognised in profit/(loss)	(505)	19,980	(4,907)	(11,260)
Reconciliation of accounting profit to tax expense				
Profit/(loss) before tax	38,650	(9,749)	(2,958)	(40,131)
Current tax expense/(credit) at 28%	10,822	(2,730)	(828)	(11,237)
Adjusted for :				
Non-taxable income	(85)	–	(2,782)	–
Expenditure not deductible for tax purposes	22	22	2,590	224
Capitalised interest	(1,139)	(1,139)	–	–
Fixed asset disposals	(567)	–	–	–
Fair value movement on investment properties	(5,297)	–	(2,281)	–
Tax losses transferred to Group	–	17,537	–	–
Other	(4,110)	(704)	(334)	(247)
Current taxation expense / (credit)	(354)	12,986	(3,635)	(11,260)
Adjustment recognised in the current year in relation to the current tax of prior years	(151)	6,994	(1,272)	–
Total tax expense / (credit) recognised in profit or loss	(505)	19,980	(4,907)	(11,260)
Deferred tax recognised in other comprehensive income				
Deferred tax arising from reclassification of amounts in hedge reserve to profit and loss	1,028	1,028	799	799
Total tax recognised in other comprehensive income	1,028	1,028	799	799
Imputation credits				
Imputation credits at beginning of year	658	–	619	619
Prior period adjustment	–	–	11	(619)
New Zealand tax payments, net of refunds	(146)	–	22	–
Imputation credits attached to dividends received	5	–	5	–
Other	–	–	1	–
Total imputation credits at end of year	517	–	658	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23. 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 2012	(9,921)	109	19,904	2,492	12,584
Credit to shareholders' funds for the year	–	1,028	–	–	1,028
Charge/(credit) to profit and loss for the year	4,303	(4,909)	(134)	387	(353)
At 31 March 2013	(5,618)	(3,772)	19,770	2,879	13,259
At 1 April 2011	(1,307)	(6,933)	19,210	4,450	15,420
Credit to shareholders' funds for the year	–	799	–	–	799
Charge/(credit) to profit and loss for the year	(8,614)	6,243	694	(1,958)	(3,635)
At 31 March 2012	(9,921)	109	19,904	2,492	12,584

Taxable losses carried forward of $20,062,908 (2012: $35,430,816) have been recognised in the Group's balance of deferred tax as it has been determined that these losses are likely to be offset by the taxable profit of the Group in the foreseeable future.

The following are the major deferred tax liabilities and assets recognised by the Company, 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 2012	(17,537)	109	–	(869)	(18,297)
Credit to shareholders funds for the year	–	1,028	–	–	1,028
(Credit) to profit and loss for the year	17,045	(4,909)	–	848	12,984
At 31 March 2013	(492)	(3,772)	–	(21)	(4,285)
At 1 April 2011	–	(6,933)	–	(903)	(7,836)
Credit to shareholders funds for the year	–	799	–	–	799
Charge/(credit) to profit and loss for the year	(17,537)	6,243	–	34	(11,260)
At 31 March 2012	(17,537)	109	–	(869)	(18,297)

Significant estimates and judgements in the determination of deferred tax (with an impact on current 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 of the fair value change to investment properties, based on the tax consequences of recovering the carrying amount of the investment property through sale. 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 places reliance 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 FINANCIAL STATEMENTS
(CONTINUED)

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

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Profit after tax for the year	39,155	(29,729)	1,949	(28,871)
Movements in working capital items relating to investing and financing activities	(12,020)	(6,134)	15,150	633
Non cash items				
Movement in deferred tax	675	14,012	(2,836)	(10,461)
Movement in interest rate swaps	4,735	4,735	9,576	9,576
Fair value change in investment properties	(9,344)	–	(3,658)	–
Management contract amortisation and cancellation costs	–	–	6,037	101
Movement in hedge reserve	2,646	2,646	2,055	2,055
Inter-entity recharges	–	(21,511)	–	(30,914)
Movements in working capital items:				
Trade and other receivables	15,520	–	(13,309)	4
Taxation receivable	(7)	6,995	(1,295)	–
Trade and other payables	2,631	(625)	(1,941)	(1,601)
Other current assets	(73)	(50)	(102)	(25)
Other current liabilities	(694)	–	656	–
Net cash from operating activities	43,224	(29,661)	12,282	(59,503)

During the 2013 year, distributions of $7,928,583 (2012: $8,065,798) have been reinvested under the Dividend Reinvestment Programme (DRP), which is excluded from investing and financing activities.

25. EARNINGS/(LOSS) PER SHARE

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

	Group 2013 $000s	Group 2012 $000s
Profit/(loss) attributable to shareholders of the Group	39,155	1,949
Weighted average number of shares on issue	585,063	553,315
Basic and undiluted earnings/(loss) per share (cents)	6.69	0.35

On 23 May 2013 a final gross dividend of 1.50 cents per share was announced by the Group. Continuation of the Dividend Reinvestment Plan programme will increase the number of shares on issue.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. DISTRIBUTABLE INCOME

	Group 2013 $000s	Group 2012 $000s
Profit/(loss) before income tax	38,650	(2,958)
Adjustments:		
Revaluation gains on investment property	(9,344)	(3,658)
Realised losses/(gains) on disposal of investment properties	1,812	46
Derivative fair value adjustment	8,409	12,431
Management rights buy-out	–	19,978
Management contract amortisation and cancellation costs	–	6,037
Internalisation related costs	–	1,700
Net income from insurance proceeds	–	(9,937)
Impairment expense	–	8,450
Costs related to unsolicited merger proposal	–	483
Corporatisation related costs[1]	51	799
Acquisition investigation costs[2]	776	–
Gross distributable income	40,354	33,371
Less current taxation paid	–	–
Net distributable income	40,354	33,371
Weighted average number of ordinary shares	585,063	553,315
Distributable income after taxation per share - (cents per share)	6.90	6.03

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

[1] The adjustment for corporatisation costs has been limited to $850,000 following agreement with the lenders of the syndicated revolving credit facility, $799,000 of which was recognised in the previous financial year.

[2] The acquisition investigation costs adjustment is limited to one particular transaction following agreement with the lenders.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. INVESTMENT IN SUBSIDIARIES

The Company has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2013	Holding 2012
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy Property No.4 Limited	Property investment	NZ	0%	100%
Argosy Property Holdings Limited	Holding company	NZ	0%	100%
Argosy Property Investments Limited	Holding company	NZ	0%	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 No.6 Limited	Property investment	NZ	0%	100%
Argosy Property Unit Holdings Limited	Holding company / storage	NZ	100%	100%

The subsidiaries have the same reporting date as the Group.

On 1 December 2010, Argosy Property No. 4 Limited (AP4) acquired the full ownership of Argosy Property No. 3 Limited (formerly North East Industrial Limited, "AP3"). This finalised agreements to terminate the joint venture and part exchange the debts and obligations of the joint venture partner for their shares in AP3.

A final price adjustment has been calculated following the completion of subdivision works and the issue of titles and all remaining costs capitalised to the subdivision. One of the largest subdivision costs affecting the final price adjustment was the payment of development levies to the Palmerston North City Council ("PNCC"). A "without prejudice" payment of $4.3m (excl GST) was paid to PNCC in September 2012 by AP3.

On 30 June 2012, Argosy Property Investments Limited, Argosy Property No.4 Limited, Argosy Property Holdings Limited and Argosy Property No. 6 Limited were amalgamated into Argosy Property No.1 Limited (AP No 1). On that date, all assets, liabilities, property, rights, powers and privileges of the amalgamating companies were vested in AP No 1, being the amalgamated company. The shares in Argosy Property No.3 Limited transferred to AP No 1 and therefore AP No.3 is a subsidiary of AP No 1 after amalgamation.

28. COMMITMENTS

Ground rent

Ground leases exist at 39 Market Place, Viaduct Harbour, Auckland. The amount paid in respect of ground leases during the year was $1,168,250 (2012: $627,000). The annual ground lease commitment is $1,168,250 and is recoverable from tenants in proportion to their area of occupancy. The lease is renewable in perpetuity with the next renewable date in 2019. Given these factors the total value of the commitment beyond 2013 has not been calculated.

Payments recognised as an expense/development costs

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Minimum lease payments as expense	1,113	–	715	–
Minimum lease payments as development costs	–	–	–	–
	1,113	–	715	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Building upgrades

Estimated capital commitments contracted for building projects not yet completed at balance date and not provided for were $43,472,963 (2012: $8,568,696). Of this total, $36,633,000 relates to the building upgrade at Waterloo Quay, Wellington.

There were no other commitments as at 31 March 2013 (2012: Nil).

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2012 and 2025. The lessee does not have an option to purchase the property at the expiry of the period.

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Within one year	79,476	–	70,191	–
One year or later and not later than five years	243,755	–	184,466	–
Later than five years	114,404	–	89,280	–
	437,635	–	343,937	–

Non-cancellable operating lease payable

Operating lease commitments relate mainly to the IT infrastructure lease. There are no renewal options or options to purchase in respect of this lease of equipment.

	Group 2013 $000s	Company 2013 $000s	Group 2012 $000s	Company 2012 $000s
Within one year	84	–	23	–
One year or later and not later than five years	42	–	126	–
Later than five years	–	–	–	–
	126	–	149	–

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

The Company has the following guarantees, neither of which are expected to be called upon:

Argosy Property No. 3 Limited ("AP3") is required, pursuant to a subdivision consent dated 5 March 2010, to carry out certain works described in that consent in relation to property situated at 239 Railway Road, Palmerston North. AP3 requested the Palmerston North City Council (Council) to issue a completion certificate pursuant to the Resource Management Act 1991 in consideration of AP3 agreeing to enter the bond. AP3 has agreed to provide the Council with security in the form of this guarantee to ensure performance of AP3's obligations under the bond. ANZ Bank New Zealand Limited irrevocably and unconditionally undertakes to pay the Council any sum or sums not exceeding in aggregate the amount of $2,188,163.

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

29. SUBSEQUENT EVENTS

On 23 May 2013, a final gross dividend of 1.50 cents per share was announced by the Company. The record date for the final dividend is 12 June 2013 and a payment is scheduled to shareholders on 26 June 2013. No imputation credits are attached to the dividend.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

30. RELATED PARTY TRANSACTIONS

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

Fees paid to the Former Manager

The total fees incurred for the year and the amounts outstanding as at balance date are shown below.

	Group 2013 $000	Company 2013 $000	Group 2012 $000	Company 2012 $000
Total fees incurred				
Management fees	–	–	2,884	2,884
Management rights buyout	–	–	19,978	19,978
Directors' fees reimbursed to former manager	–	–	105	105
	–	–	22,967	22,967

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

	Company 2013 $000	Company 2012 $000
Financial Position		
Advances to subsidiaries	733,500	745,721
Investment in subsidiary (Argosy Property No. 1 Limited)	20,000	20,000
Advances from subsidiaries	(9,168)	(34,446)
	744,332	731,275
Fees recharged to subsidiaries:		
Interest recharged to subsidiaries	21,511	30,914
	21,511	30,914

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 expenses, including management fees and interest, to the subsidiaries.

No related party debts have been written off or forgiven during the year. In the prior year, the Company had provided $3,064,513 for the advances to subsidiaries. Following the amalgamation on 30 June 2012, this provision was reversed (refer to Note 18).

The Company transferred $17,537,000 of tax losses to the Group during the year, as set out in Note 22 (2012: $Nil).

	Group 2013 $000	Group 2012 $000
Key management and directors compensation		
Salaries and other short term employee benefits	602	278
Directors' fees paid after internalisation	401	308
Total	1,003	586

Deloitte.

TO THE SHAREHOLDERS OF ARGOSY PROPERTY LIMITED

Report on the Financial Statements

We have audited the financial statements of Argosy Property Limited and group on pages 3 to 36, which comprise the consolidated and separate statements of financial position of Argosy Property Limited, as at 31 March 2013, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements 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, in accordance with Section 205(1) of the Companies Act 1993. 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 Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 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.

Opinion

In our opinion, the financial statements on pages 3 to 36:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Argosy Property Limited and group as at 31 March 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Argosy Property Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
23 May 2013
Auckland, New Zealand

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