ANNUAL REPORT 2013

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- STRATEGIC REVIEW OF ARGOSY PORTFOLIO COMPLETED.
- SIGNIFICANT IMPROVEMENT IN LEASING METRICS.
- ACQUISITION OF NEW ZEALAND POST BUILDING AND CONDITIONAL ACQUISITION OF 15 STOUT STREET BUILDING.

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COVER IMAGE: Citigroup Centre AUCKLAND

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

DIVIDEND

6.0cents

Dividend of 6.0 cents per share for the 12 months to 31 March 2013. Guidance for 2014 is 6.0 cents

NET PROPERTY INCOME

$69.9m

Net property income $69.9 million

NET DISTRIBUTABLE INCOME

$40.4m

Net distributable income $40.4 million

WALT

5.24yrs

Weighted average lease term at year end 5.24 years

PORTFOLIO

$977m

Total portfolio value of $977 million

PROPERTY REVALUATION

$9.3m

A $9.3m lift in property values

Argosy Property Limited (Argosy) is pleased to report its results for the year ended 31 March 2013.

AUDITED
NET DISTRIBUTABLE INCOME

$40.4m

It is pleasing to report that the momentum generated by internalisation and corporatisation in the prior period has continued this year. As well as the savings achieved from these changes, the strong focus on leasing has improved occupancy, increased the weighted average lease term and significantly improved the Company's leasing profile.

Net distributable income for the year was $40.4 million (2012: $33.4 million) an increase of 21% on the prior period.

Net property income for the year was $69.9 million (2012: $71.2 million), a decrease of 1.8% primarily due to the flow-through impact of the sale of 15 properties in the previous financial year. As noted in the Chief Executive's Report, the profit before tax, after allowing for the non-cash impact of interest rate swaps, was $38.7 million compared to a loss of ($3.0 million) for the previous period.

SHARE PRICE PERFORMANCE

Argosy's share price performance exceeded the NZX Gross Property Index for the year, which is a pleasing result.

ACQUISITIONS / CAPITAL RAISING

In December 2012, Argosy announced the accretive acquisitions of the New Zealand Post Building in Waterloo Quay, Wellington and 15 Stout Street, also in Wellington.

In order to provide the Company with sufficient funds to settle and develop the acquisitions, Argosy successfully raised $100 million of additional capital, comprising $80 million by way of a Placement to institutional and other qualified investors and $20 million under a Share Purchase Plan (SPP). Both the Placement and SPP were oversubscribed, at a premium to net tangible assets, which was a significant endorsement by shareholders of both the acquisitions themselves and Argosy's overall business strategy.

LEVERAGE

As at 31 March 2013, Argosy's total assets were $992.7 million, while debt (excluding capitalised borrowing costs) stood at $328.7 million. The debt-to-total assets ratio of 33.1% compares favourably with the 41.4% at 31 March 2012. Argosy maintains strong relationships with its banking partners and remains well within all bank covenants.

The intention of the Board is to maintain the ratio of debt-to-total assets between 35–40% (following the upgrade of the two Wellington acquisitions) in the short to medium term.

BANK FACILITY

In August 2012, Argosy restructured its syndicated bank facility with ANZ Bank New Zealand, Bank of New Zealand and the Hongkong and Shanghai Banking Corporation on improved terms.

The facility amount was increased from $450 million to $500 million and is now split into two even tranches of $250 million. The Company received immediate margin and line fee reductions on both tranches averaging 25 basis points (after including upfront fees).

Subsequent to balance date, the Company further restructured and extended its syndicated bank facility. The expiry of the first tranche is now 30 June 2016 and the second tranche is now 30 June 2018. The Company will also receive further margin and line fee savings averaging 14 basis points per annum (after including upfront fees). For the first time, the facility also provides for a 45/55 line fee, margin split.

DIVIDENDS

The Directors have announced a final quarter dividend of 1.5 cents per share. There are no imputation credits attached to the dividend and the dividend re-investment plan (DRP) will continue with a discount of 1% applied to the price at which shares will be issued under the DRP. The record date is 12 June 2013 and the payment date will be 26 June 2013.

The Board is pleased to confirm that, based on current projections for the portfolio, a distribution of 6 cents per share, paid fully from distributable income, is expected to continue for the year to 31 March 2014.

The Board remains committed to declaring dividends that are less than earnings. While future earnings will be impacted by the increased taxation payments expected in the 2015 year, it is expected that the future growth and positive results from the current year will enable the dividend to be maintained or increased in the years ahead.

PORTFOLIO INVESTMENT STRATEGY

In the medium term, 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 75–85% of the portfolio by value.

Core properties enjoy strong long term demand (well-located and generic), a preferred leasing profile that provides for rental growth of at least CPI and good seismic integrity with minimal maintenance capital expenditure required. Core properties currently make up approximately 80% of the Argosy portfolio (after allowing for the upgrade expenditure on the two Wellington acquisitions).

Value Add properties are assets which, through skilled asset management, can increase future earnings and provide capital growth. Value Add properties will 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.

> The Board has continued to pursue opportunities accretive to earnings and the acquisition of two significant properties in Wellington, along with the associated $100 million capital raising, were major highlights of the year.

Value Add properties make up approximately 8% of the Argosy portfolio.

Following a strategic review, 12% of the portfolio (including vacant land) is considered neither Core nor Value Add. These properties will be divested as market conditions allow.

GOVERNANCE

At the August 2012 Annual Meeting, Andrew Evans was reappointed as an Independent Director and Mark Cross was elected as a Director. The Board has determined that Mark Cross is not an Independent Director because he is an associated person of MFL Mutual Fund Limited, which holds 10.76% of the shares in the Company (as at 10 May 2013).

The Board is pleased to advise the appointment of Chris Hunter to the Board, effective from 1 June 2013. Chris has many years senior experience in the property and construction sectors, most recently as Chief Executive Officer of Hawkins Construction Limited.

OUTLOOK

The Company's diversified portfolio is well placed with quality properties in good locations and the outlook is positive. The management team is actively managing current leases to meet the requirements of tenants to ensure that retention rates are high. Along with the continued focus on leasing, the Board will continue to monitor the market and will actively pursue growth opportunities where these are consistent with the Company's investment strategy and accretive to shareholders.

The Company's strong performance this year has demonstrated the benefits of a well-diversified portfolio. Argosy is, and will remain, invested in a portfolio that is diversified by primary sector, grade, location and tenant mix. The portfolio will be located in the primary Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.

The Board would like to thank all shareholders for their strong support over the last year. We look forward to working for you in the year ahead.

Michael Smith
Chairman, Argosy Property Limited

▲ Old City Markets AUCKLAND

FINANCIAL SUMMARY

	2009 $000s Restated	2010 $000s Restated	2011 $000s	2012 $000s	2013 $000s
Net property income	87,838	77,927	72,260	71,210	**69,866**
Profit before financial income/(expenses) and other gains/(losses)	64,045	68,245	63,672	36,610	**61,298**
Revaluation gains/(losses)	(89,901)	(82,761)	2,126	3,658	**9,344**
Profit/(loss) for the year (after taxation)	(63,094)	(59,100)	26,686	1,949	**39,155**
Earnings per share – cents per share	(12.15)	(11.05)	4.85	0.35	**6.69**
Net distributable income			33,519	33,371	**40,354**
Investment properties, plant and equipment	1,059,343	932,641	960,607	905,249	**976,862**
Total assets	1,081,807	950,004	975,171	929,265	**992,749**
Debt-to-total-assets ratio	39.7%	40.1%	42.3%	41.4%	**33.1%**
Cash dividend – cents per share	8.00	7.50	7.00	6.00	**6.00**
Securities on issue at year end – shares	529,704	539,328	549,186	558,517	**680,932**
Net assets backing per share – cents per share	109	98	93	87	**88**
Total equity	593,758	526,594	511,732	488,446	**601,337**

Some prior year numbers have been restated.

PROPERTY PORTFOLIO METRICS

	2009	2010	2011	2012	2013
Occupancy factor (rent)	95.8%	96.6%	96.3%	94.1%	**96.2%**
Occupancy factor (sqm)	97.8%	97.1%	96.8%	92.5%	**94.5%**
Weighted average lease term (yrs)	4.24	4.23	4.92	4.77	**5.24**
Number of tenants	286	294	294	232	**221**
Number of properties*	93	81	74	65	**63**
Average property size ($m)	$10.36	$11.43	$12.82	$13.93	**$15.51**
Net lettable area (sqm)	582,962	549,881	547,483	463,656	**485,531**

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

I'm pleased to report that Argosy has made excellent progress over the past twelve months. Most pleasing has been the improvement in leasing metrics.

WEIGHTED AVERAGE LEASE TERM

5.24yrs

Occupancy has improved, the leasing profile has improved significantly and the weighted average lease term at 5.24 years is the highest since 2003.

The other major highlight was the acquisition of two landmark office buildings in the Government precinct in Wellington. Both acquisitions are backed by long-term Government tenancies, are ideally located and are consistent with Argosy's investment policy. To assist with the purchase of these properties, Argosy successfully raised $100 million in share capital at a premium to net asset backing.

Distributable income for the year to 31 March 2013 was 6.90 cents per share, which represents a solid improvement over the previous period.

Earnings before finance costs, property revaluations and tax were $61.3 million, compared to $36.6 million the year before. The profit before tax, after allowing for the non-cash impact of interest rate swaps, was $38.7 million compared to a loss of ($3.0 million) for the previous period. The previous period included one-off items amounting to $29.0 million relating to the management rights buy-out and associated expenses, corporatisation, an unsolicited merger proposal and the write-down of a previous management contract. The previous period also included a gain of $1.5 million from the insurance proceeds less impairment of the Company's single Christchurch property, which suffered earthquake damage.

Interest expense was $7.4 million lower than it was in the previous period due to lower average debt and improved margins following the restructure of our banking facility. Interest of $4.1 million relating to development activities has been capitalised.

Overall it is pleasing to report improved operating fundamental statistics with increased earnings and decreased costs.

PORTFOLIO ACTIVITY

Leasing Environment

In general, the leasing environment has improved over the past year:

- Net absorption has been positive in the industrial and commercial sectors in Auckland, where the majority of Argosy's portfolio is located, and vacancy rates have fallen, particularly in office space outside the CBD.
- Occupancy enquiry from potential tenants has been more positive than previously (and has been particularly strong in the last quarter of the 2013 financial year).
- The retail sector continues to have challenges; however the total volume of retail sales rose in the year to December 2012, and while this sector will continue to be challenged by increased internet sales, we expect gradual improvement in the years ahead.

Leasing

The management team has continued to focus on occupancy and near-term lease expiries with pleasing results. Occupancy (by rental) has improved to 96.2% from 94.1% at 31 March 2012. Outstanding lease expiries for the period to 31 March 2014 were 7.2% at 31 March 2013. Again this represents a significant improvement on the 17.9% reported last year.

During the year 65 lease transactions were completed, including 41 new leases and 24 lease renewals and extensions. The weighted average lease term improved to 5.24 years from 4.77 years at 31 March 2012.

Acquisitions

In December 2012, Argosy announced the accretive acquisitions of the New Zealand Post Building in Waterloo Quay, Wellington and 15 Stout Street, Wellington. The New Zealand Post building settled on 28 March 2013. The initial acquisition cost for the New Zealand Post Building was $60 million with further estimated upgrade expenditure of $40 million. The documentation of the acquisition and future redevelopment of the 15 Stout Street, Wellington property has now been completed, subject only to final approval of the documentation by the Crown (as tenant). Settlement of the acquisition will occur following the Crown's final approval. The initial acquisition cost for the Stout Street building is $33 million with further estimated upgrade expenditure of $47 million.

The Company also acquired a small property at 252 Dairy Flat Highway, Albany in February for $4.8 million. The tenant of this building is Albany Toyota.

"The management team will continue to focus on the leasing fundamentals as well as positioning the portfolio in line with our portfolio investment strategy."

Citigroup Centre AUCKLAND

Capital projects

The major refurbishment of one of Argosy's largest Wellington office towers, Te Puni Kōkiri (143 Lambton Quay), is nearing completion. Works are expected to be completed by 31 August 2013 and are on budget. We expect confirmation on the 'As Built' Green Building rating for this building in June 2013. The refurbishment of the TSB Tower (46 Waring Taylor Street, Wellington) is now complete.

Divestments

One of Argosy's key strategies has been to divest vacant land and under-yielding assets in the near-term. Four investment properties were sold during the period (221 Bush Rd, Albany which was sold vacant, 205 Wakefield Street, Wellington, which was cash flow negative and two smaller buildings located in the Manawatu Business Park).

During the year, the Company sold part of the vacant land on Oteha Valley Road in Albany (settled April) and four vacant sites in the Manawatu Business Park subdivision in Palmerston North (Lot 9a Alderson Drive is expected to settle in the near future). These sales total $16.7m and the proceeds received from settlements to date have been used to pay down debt. A small parcel of vacant land at 211 Albany Highway was also sold during the year.

Following a strategic review of the entire portfolio, 12% of the portfolio is considered neither Core nor Value Add and will be divested in the future as market conditions allow.

Manawatu Business Park

Real progress has been made at the Manawatu Business Park. The subdivision is now complete, titles have been issued and land is being marketed for sale. It is also pleasing to report an increase in activity with four sales in excess of current valuation.

Christchurch property

Argosy owns one Christchurch industrial property, at 8 Foundry Drive, Woolston. During the period an insurance claim was settled for the sum of $10 million with the proceeds used to repay bank debt. The value of the residual land and buildings has been assessed at $5.0 million by Colliers International as part of the 31 March 2013 asset valuations. The property, which represents the sole remaining asset of the Company in Christchurch, is being marketed for sale.

Valuations

The Company is pleased to report that, for the third year in succession, the revaluation of the property portfolio has resulted in an increase in property values. The increase this year is $9.3 million (2012: $3.7 million). The Company's portfolio following the revaluation, including vacant land, shows a passing yield on values of 7.96% and a yield on the assessed market rentals of 8.22%.

Seismic ratings

Initial evaluation assessments by structural engineers have been undertaken for 24 properties (including the New Zealand Post and 15 Stout Street buildings). The only issue relates to the façade at Stewart Dawson Corner in Wellington and the Company has elected to complete a structural upgrade of the building, in addition to the required works, in the next financial year at an estimated combined cost of $1 million.

TAXATION

As disclosed previously, Argosy has been in discussions with Inland Revenue over the classification of its leasehold payment for Albany E Block. As announced to the market in April, Inland Revenue has confirmed that a deduction of $24.4 million will be allowed for the payment.

OUTLOOK

The outlook for the property market is positive. Enquiry levels are encouraging and there are signs of rental growth. The management team will continue to focus on the leasing fundamentals as well as positioning the portfolio in line with our portfolio investment strategy.

I wish to once again thank the team at Argosy for their dedication and commitment to the Argosy vision and values over the past 12 months. The Company is well-positioned to deliver shareholders good results in the year ahead.

Peter Mence
Chief Executive Officer, Argosy Property Limited

Waring Taylor Building WELLINGTON

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

The portfolio will be in the primary Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.

Argosy's 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).

Core properties will make up 75–85% of the portfolio by value.

The key features of Core properties are:

- Strong long term demand (well-located and generic).
- A preferred leasing profile that provides for rental growth of at least CPI.
- Excellent seismic 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 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 them into the Core category.

Core properties currently represent approximately 80% of the portfolio following the Wellington acquisitions announced in December 2012 and estimated upgrade expenditure. Approximately 8% of the portfolio is regarded as Value Add. Following a strategic review of the portfolio, 12% of the portfolio (including vacant land) is considered neither Core nor Value Add and will be 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 overall strategy delivers a clear acquisition checklist – and every potential acquisition (and portfolio asset) will be measured against that checklist.

Where will we buy?

Industrial 35-45% Commercial 35-45% Retail 15-25%	✓
Concentrated on Auckland (65-75%) and Wellington (20-30%). Regional or South Island tenant-driven only (<10%)*	✓
Target Value Add properties where we can leverage internal expertise within overall Core/Value Add targets	✓
Target contiguous properties with potential	✓
Target 'off-market' acquisitions and avoid, where possible, competitive processes	✓
No leasehold	✓
No international properties	✓

* The market rental rates required to provide a reasonable return on new development in Christchurch may be higher than the expected long term rates the market will support. This has the potential to produce declining rental rates in the future. The probable result is an Internal Rate of Return that is less than the passing yield, and under-performance relative to the domestic market as a whole. As such, Argosy's Investment Policy excludes Christchurch unless it is strategically imperative.

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.

The largest tenant in the portfolio is New Zealand Post (less than 8% of gross property rental), so the expiry of a lease or the failure of any tenant will not result in a significant reduction in rental income.

Argosy is very focused on maintaining a diversified portfolio of quality properties with an average value of between $10 million and $20 million. This allows the Company to be nimble and react quickly to changing market conditions. Liquid properties represent approximately 24% of the portfolio, following the Wellington acquisitions announced in December 2012.

The intention of the Board is to maintain the debt-to-total assets ratio between 35-40% in the short to medium term. In the current environment, where property sales of income producing assets have the potential to be strongly earnings dilutive, the divestment of vacant land or under yielding assets will remain a key strategy in maintaining the ratio between required parameters.

The asset management team has the extensive experience to ensure that the appropriate decisions are made in the management of the portfolio. We are also increasingly focused on environmentally sustainable and energy efficient design. We believe we can provide innovative solutions to ensure buildings are environmentally sound.

It is also essential to manage the tenancy relationship to ensure that tenants are treated appropriately and that any opportunities to add value or security to the income from a lease are acted upon. The percentage of tenants retained will continue to be a key operating metric for Argosy.

"Argosy's portfolio will consist of Core and Value Add 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	✓
Seismic integrity ≥ 70% (unless this represents a Value Add opportunity)	✓

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

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. Argosy's performance against budget is monitored by the Board, as is the performance of the responsibilities delegated by the Board to various parties.

As at balance date, the Board comprised of five members, all of whom contribute a significant level of expertise to Argosy. Their experience includes property investment, management and development, finance and corporate management. The Board has determined that Peter Brook, Trevor Scott, Michael Smith and Andrew Evans are independent Directors under the NZSX Listing Rules. Mark Cross is not considered to be independent. All Board members are considered to be non-executive Directors.

MICHAEL SMITH
Chairman

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 public and private companies, including Hauraki Private Equity No. 2 Fund, Maui Capital Indigo Fund Limited and Maui Capital Aqua Fund Limited. Mr Smith is also Chairman of The Lion Foundation. His previous directorships include Lion Nathan Limited, Fonterra Co-operative Group Limited, Auckland International Airport Limited, OnePath Holdings (NZ) Limited and Fisher & Paykel Healthcare Corporation Limited.

PETER BROOK
Director

Mr Brook has 20 years' experience in the investment banking industry, retiring as Managing Director of Merrill Lynch (New Zealand) Limited in 2000 to pursue his own business and consultancy activities. He is a Trustee of the Melanesian Mission Trust Board, a member of the Institute of Finance Professionals New Zealand Inc., as well as a director of several other private companies. Mr Brook is also Chairman of Burgerfuel Worldwide Limited, Trust Investments Management Limited and Generate Investment Management Limited.

TREVOR SCOTT
Director

Mr Scott is a Wanaka-based Chartered Accountant and Chairman of Arthur Barnett Limited, Mercy Hospital Dunedin Limited, Roslyn Mill Storage Limited, Whitestone Cheese Limited, Ashburton Guardian Limited and Harraway & Sons Limited. In addition, Mr Scott is a member of the Advisory Board of Marsh NZ Limited and a Director of Neuron Pharmaceuticals Limited and several other private companies. Mr Scott was inducted into the New Zealand Business Hall of Fame in 2007.

ANDREW EVANS
Director

Mr Evans has over 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. Mr Evans is a Director of Vital Healthcare Management Limited, Holmes Group Limited, Holmes General Partner Fire Limited and Trust Investments Management Limited. In addition, Mr Evans is a past National President of the Property Council of New Zealand, a foundation member of the New Zealand Property Institute and a member of the Institute of Directors.

MARK CROSS
Director

Mr Cross has over 20 years' experience in investment banking, holding senior positions in New Zealand, Australia and, more recently, the United Kingdom. He is currently also a Director of Milford Asset Management Limited, MFL Mutual Fund Limited, Superannuation Investments Limited, Triathlon NZ Inc. and other private companies. He is a member of the New Zealand Institute of Chartered Accountants and Institute of Directors.

FROM LEFT

Andrew Evans
Peter Brook
Michael Smith
Mark Cross
Trevor Scott

Our people are an integral part of our business.

The Argosy team is made up of twelve 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 and accounting staff of nine.

PETER MENCE
Chief Executive

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

Peter is a Fellow of the New Zealand Property Institute and a past lecturer in Advanced Property Management at The University of Auckland. He was recently presented with the Stuart McIntosh Award for his contribution to the University.

DAVE FRASER
Chief Financial Officer

Dave joined the team in 2011 and was originally responsible for the planning and execution of the management internalisation. Dave now oversees the financial and corporate activities of the company.

Dave has spent over 25 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 Jupiter Shop Channel – a subsidiary of the Jupiter Programming Group. Dave has considerable experience in strategic and operational planning, business development and mergers and acquisitions.

As well as being a qualified Chartered Accountant, Dave has Bachelor of Commerce and Master of Business Administration degrees from the University of Auckland.

DAVID SNELLING
Company Secretary

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 as a solicitor.

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 and a member of the New Zealand Law Society's Property Law Section. He graduated from Victoria University with an LLB (Hons) and a BCA in Economics and Finance.

SCOTT LUNNY
Financial Controller

Scott has been with Argosy Property Limited since July 2006 and has over 15 years' experience in the banking, managed funds and property industries. 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. Reporting to the CFO, he has responsibility for the financial and management reporting and budgeting functions of the Company.

FROM LEFT

Warren Cate
Tony Frost
Saatyesh Bhana
Dave Fraser
Peter Mence
Marilyn Storey
David Snelling
Scott Lunny

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, Warren's 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, Warren has held a wide variety of roles over 25 years in the industry, including as General Manager Property for Magnum Corporation. Warren joined the 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.

Tony joined the Real Estate team in 2007 and has responsibility for a varied portfolio of Argosy's properties. In addition to 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 Management Institute.

SAATYESH BHANA

Asset Manager

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

Saatyesh graduated from Massey University with a Bachelor of Business Studies degree, specialising in Valuation and Property Management. He has worked in a variety of private sector and listed property businesses. His 16 years' experience includes acquisitions, divestments, leasing and value add projects. He has strong tenant relationship skills and these ensure a collaborative approach with clients.

MARILYN STOREY

Asset Manager

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

Marilyn is responsible for a mix of properties across our portfolio including development work. On top of her practical experience Marilyn is also well qualified with a Master of Business Administration and a Bachelor degree in both property and commerce. Marilyn joined Argosy after operating her own property projects consulting business.

Argosy has an important role to play in contributing to sustainable development

Natural resources are finite and the protection of the environment is an important consideration for Argosy. The asset management team is aware of environmental issues and we encourage environmentally responsible behaviour.

Within our Argosy offices, we ensure that all recyclable goods are recycled and paper wastage is at a minimum. Our biggest impact on the environment, however, is achieved through our building management policy.

ARGOSY BUILDING MANAGEMENT POLICY

As a responsible investor, Argosy is keen to ensure there are initiatives in place to achieve environmentally sustainable features in each individual building's strategic plan. 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 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. The case study for New Zealand Post House on pages 28 and 29 is a practical example of our willingness to work with tenants to provide energy efficient solutions.

Argosy's portfolio is well positioned to take advantage of a recovering market.

PORTFOLIO STATISTICS

	TOTAL PROPERTIES	Commercial	Industrial	Retail
Number of Buildings	63	17	33	13
Market Value of Assets ($m)	$976.86	$336.34	$311.38	$329.14
Net Lettable Area (sqm)	485,531	105,903	244,656	134,972
Vacancy Factor by Rent	3.81%	3.52%	6.59%	1.54%
WALT (years)	5.24	4.88	5.10	5.76
Average Value ($m)	$15.51	$19.78	$9.44	$25.32
Passing Yield	7.96%	8.40%	7.46%	7.98%

7.2%

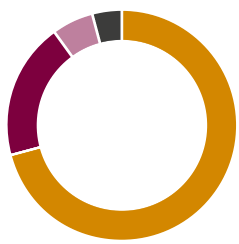
Near term expiries (within one year) are only 7.2% and this is a significant improvement on the 17.9% twelve months ago.

Over the past year, Argosy has continued to divest underperforming assets and vacant land. We remain committed to improving operating performance within the portfolio, in order to enhance returns for shareholders. Argosy is determined to be responsive to tenant requirements to ensure retention rates are high. Improving occupancy rates clearly represents an opportunity to further increase profitability.

TOTAL PORTFOLIO VALUE
BY SECTOR

34%	Commercial
32%	Industrial
34%	Retail

TOTAL PORTFOLIO VALUE
BY REGION



71%	Auckland
19%	Wellington
6%	Palmerston North
4%	Regional

OCCUPANCY, LEASING AND WALT

Occupancy improved to 96.2% in the period from 94.1% last year. This improvement in capacity utilisation is positive, relative to the broader property market and represents good progress. The most significant movement was the successful 12 year lease of 3,200 sqm in the Old City Markets building to Dimension Data.

The weighted average lease term ("WALT") increased from 4.77 years to 5.24 years. This is a significant improvement on the prior year. The WALT is important because portfolio values are fundamentally affected by security of income streams. The WALT by sector is represented in the chart on page 21.

During the year 65 lease transactions were completed (excluding car parks) including 41 new leases and 24 lease renewals and extensions. A total of 79 rental reviews were completed resulting in an increased annual rental of $671,135. The lease expiry profile as at 31 March 2013 is shown on page 21.

VALUATIONS

The revaluation of the property portfolio resulted in an increase in property values of $9.3 million (2012: $3.7 million). The Company's portfolio following the revaluation, including vacant land, shows a passing yield on values of 7.96% and a yield on the assessed market rentals of 8.22%.

NEW LEASES AND LEASE EXTENSIONS
BY SECTOR

	Floor Area (sqm)	Average Lease Term (years)	# of Leases
Commercial	60,749	5.83	30
Industrial	65,567	4.87	14
Retail	12,172	4.24	21
Total	138,488	5.36	65

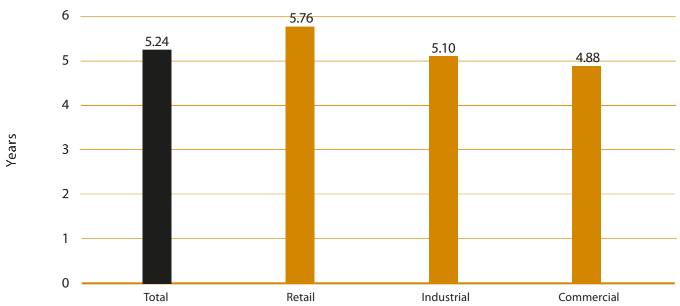
NEW LEASES AND LEASE EXTENSIONS
BY TYPE

	Floor Area (sqm)	Average Lease Term (years)	# of Leases
New lease	72,064	5.21	41
Right of renewal	22,010	5.03	10
Extension	44,414	7.01	14
Total	138,488	5.36	65

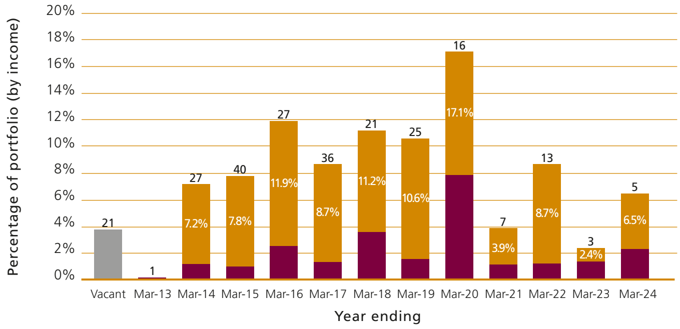
RENT REVIEWS
BY SECTOR

	Number of Reviews	Annualised Rent Increase	Increase over Contract
Commercial	24	1.5%	$162,866
Industrial	13	0.7%	$40,825
Retail	42	3.0%	$467,444
Total	79	1.8%	$671,135

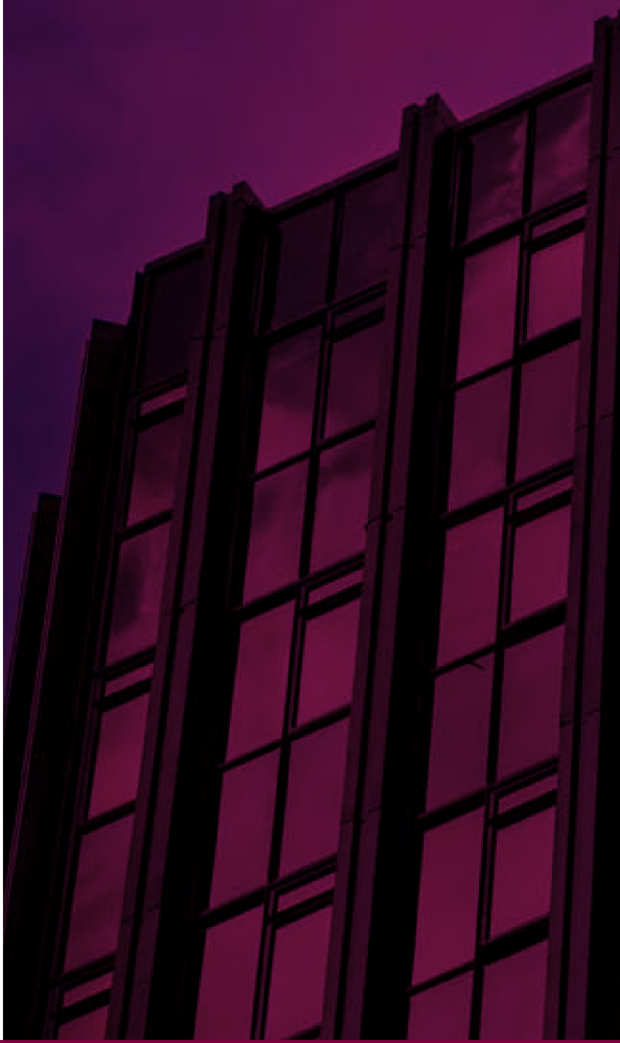
WEIGHTED AVERAGE LEASE TERM
BY SECTOR



LEASE MATURITY EXPIRY BY RENT
AS AT 31 MARCH 2013



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



“Market activity since the completion of the valuations indicates further firming in values and the Company is well placed to benefit in the future from the firming momentum in yields across all sectors, particularly in the Auckland market.”

Retail

While the retail sector continues to face challenges, rental rates for bulk retail centres have improved modestly. According to seasonally adjusted Statistics New Zealand figures, the total volume of retail sales rose 0.5% in the March 2013 quarter – a more modest rise than the 1.9% jump in volume for the previous quarter. Tenant trading turnover levels during the Christmas period were definitely stronger than expected.

Vacancy in the retail portfolio is low. The largest vacancy remains the property in Main Street, Palmerston North, which is being marketed for sale. The Albany Mega Centre continues to perform well and demand for space from tenants exceeds supply available.

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

- Good-quality bulk retail centres are highly sought after and pricing is highly bid.
- Importance of tenant due diligence with a focus on quality of income streams.
- Increased investor demand.
- Retail continues to be impacted by online shopping, a trend we expect to continue.

Albany Mega Centre AUCKLAND

RETAIL PORTFOLIO
STATISTICS

NUMBER OF BUILDINGS
13

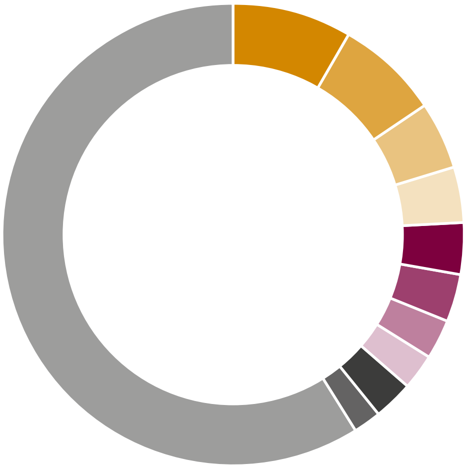
MARKET VALUE OF ASSETS ($M)
$329.14

VACANCY FACTOR (BY RENT)
1.5%

WALT (YEARS)
5.76

PASSING YIELD
7.98%

TOP 10 RETAIL TENANTS
BY PERCENTAGE OF RENTAL INCOME



- The Warehouse Limited
- Mitre 10 New Zealand Limited
- Bunnings Limited
- The Sports Authority Limited
- Steinhoff Asia Pacific Limited
- Briscoes Group Limited
- Warehouse Stationery Limited
- Fletcher Distribution Limited
- Coles Myer New Zealand Holdings Limited
- Farmers Trading Company Limited
- Other

PROPERTY ADDRESS	VALUATION $000S	WEIGHTED AVERAGE LEASE TERM (YEARS)	NET LETTABLE AREA (SQM)	VACANT SPACE (SQM)	PASSING YIELD	MAJOR TENANT
Auckland						
Waitakere Mega Centre	$43,000	4.91	18,027	–	8.65%	Coles Myer New Zealand Holdings Limited
28–30 Catherine Street, Henderson	$5,800	4.36	2,427	–	8.58%	Appliance Shed Limited
Albany Mega Centre, Albany	$84,000	4.57	24,502	–	7.81%	Farmers Trading Company Limited
320 Ti Rakau Drive, East Tamaki	$37,450	4.69	26,627	125	8.27%	Bunnings Limited (Retail)
Albany Lifestyle Centre, Albany	$65,100	7.80	25,061	504	7.63%	Mitre 10 New Zealand Limited
7 Wagener Place, St Lukes	$25,000	4.10	7,056	–	7.94%	The Warehouse Limited
39 Cavendish Drive, Manukau City	$16,000	12.33	8,172	–	7.53%	The Warehouse Limited
252 Dairy Flat Highway, Albany	$4,825	7.00	2,262	–	7.91%	Albany Toyota
Wellington						
180–202 Hutt Road, Kaiwharawhara	$8,345	5.48	6,019	–	8.82%	Fletcher Distribution Limited
Stewart Dawsons Corner	$15,300	5.50	1,752	102	8.35%	Rodd & Gunn NZ Limited
Porirua Mega Centre, 2–10 Semple Street, Porirua	$13,520	3.95	6,540	–	8.53%	Smiths City (Southern) NZ Limited
Other						
Cnr Taniwha and Paora Hape Streets, Taupo	$8,600	9.50	4,187	–	7.78%	The Warehouse Limited
Main Street, Palmerston North	$2,200	–	2,340	2,340	0.00%	Vacant
	$329,140	5.76	134,972	3,071	7.98%	

Commercial

Generally, the office market outlook is brighter than it was previously and positive net absorption was recorded in Auckland over the year, particularly outside the CBD. This is in contrast to Wellington where net absorption was negative. Overall, rents improved in the first half of 2012 and, as a result, improvements in yield were recorded. In Wellington, the largest increase in net market rents was recorded in CBD Grade B stock, with good-quality, low-cost buildings increasingly sought after by tenants.

The commercial portfolio at 31 March 2013 was strengthened by the acquisition of the New Zealand Post building in Waterloo Quay, Wellington. This landmark building will be extensively refurbished, on the back of a five year evergreen lease from completion with New Zealand Post. The completion of the purchase of the 15 Stout Street building, which is adjacent to two existing Argosy properties, will result in a significant Government precinct. The planned upgrade of these two buildings will create high-quality working environments, developed in conjunction with tenant objectives. Both buildings are rated well above the Wellington City Council's earthquake code.

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

- Heightened awareness by tenants of seismic integrity.
- Beginnings of demand for increased space.
- Tenants are more discerning of building presentation standards.
- The return of a focus on environmental sustainability.
- Yields have firmed due to the improved leasing market and increased confidence.

Lease enquiry levels are higher than they were last year and the asset management team has presented a large number of proposals to tenants. The largest vacancy at 31 March 2013 was in the Citigroup Building in Customs Street, Auckland. This property is in a prime location, close to the Britomart Precinct, and enquiry is strong.

▲ 105 Carlton Gore Road AUCKLAND

COMMERCIAL PORTFOLIO
STATISTICS

NUMBER OF BUILDINGS
17

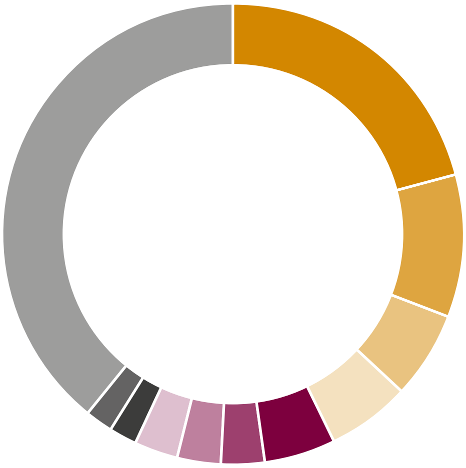
MARKET VALUE OF ASSETS ($M)
$336.34

VACANCY FACTOR (BY RENT)
3.5%

WALT (YEARS)
4.88

PASSING YIELD
8.40%

TOP 10 COMMERCIAL TENANTS
BY PERCENTAGE OF RENTAL INCOME



- New Zealand Post
- The Department of Internal Affairs
- Arawata Assets Limited
- Te Puni Kōkiri
- IBM New Zealand Limited
- Dimension Data NZ Limited
- National Institute of Water and Atmospheric Research
- Earthquake Commission
- Tonkin & Taylor Limited
- Boffa Miskell
- Other

PROPERTY ADDRESS	VALUATION $000S	WEIGHTED AVERAGE LEASE TERM (YEARS)	NET LETTABLE AREA (SQM)	VACANT SPACE (SQM)	PASSING YIELD	MAJOR TENANT
Auckland						
99–107 Khyber Pass Road, Newmarket	$6,330	2.10	2,442	–	9.88%	Franklin Plumbers & Builders Supplies Limited
8 Pacific Rise, Mt Wellington	$10,100	2.29	3,639	473	8.60%	AsureQuality Limited
Old City Markets, 39 Market Place	$33,500	8.46	10,256	485	9.67%	Dimension Data NZ Limited
105 Carlton Gore Road, Newmarket	$23,100	4.99	5,312	–	8.91%	Tonkin & Taylor Limited
56 Cawley Street, Ellerslie	$11,350	1.93	5,401	1,414	8.80%	James & Wells
302 Great South Road, Greenlane	$6,200	4.69	1,890	–	8.57%	McDonald's Restaurants (NZ) Limited
308 Great South Road, Greenlane	$4,600	3.33	1,571	–	9.69%	Pacific Brands Holdings (NZ) Limited
626 Great South Road, Ellerslie	$6,600	2.61	2,647	287	7.43%	International Accreditation New Zealand
25 Nugent Street, Grafton	$7,150	3.13	3,028	–	8.86%	Schindler Lifts NZ Limited
65 Upper Queen Street	$6,500	2.00	2,519	–	10.29%	Two Degrees Mobile Limited
107 Carlton Gore Road, Newmarket	$22,000	6.17	6,061	–	8.98%	Arawata Assets Limited
Citigroup Centre, 23 Customs Street East	$37,580	3.77	9,544	2,077	6.07%	Veolia Transport Auckland Limited
IBM Centre, 82 Wyndham Street	$24,200	2.56	6,154	426	9.30%	IBM New Zealand Limited
Wellington						
143 Lambton Quay	$25,600	6.20	6,216	–	8.14%	Te Puni Kōkiri
46 Waring Taylor Street	$34,700	3.92	9,014	–	8.43%	The Department of Internal Affairs
8–14 Willis Street	$13,100	1.30	5,232	–	10.41%	Earthquake Commission
New Zealand Post, Waterloo Quay	$63,731	7.00	24,977	–	7.53%	New Zealand Post
	$336,341	4.88	105,903	5,162	8.40%	

Industrial

Generally, over the past year, industrial rents have slightly improved and vacancy has continued to decline. This has resulted in some improvement in property values for most of this sector across the Argosy portfolio. The exception has been the Manawatu Business Park vacant land which recorded a decline in value over the past year.

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

- Increased owner/occupier activity, particularly in smaller property benefited by the low interest rate environment.
- Very strong investor demand for well leased property.
- Industrial sector output growth (over 2% in 2012).
- Positive net absorption in the Auckland region.
- A number of development proposals in the market and an increase in new construction in the 2013 financial year.

The largest industrial vacancy in the Argosy portfolio is 12–16 Bell Avenue, Auckland. There has been a good level of enquiry for this property but leasing commitment has been challenging to secure.

INDUSTRIAL PORTFOLIO STATISTICS

NUMBER OF BUILDINGS
33

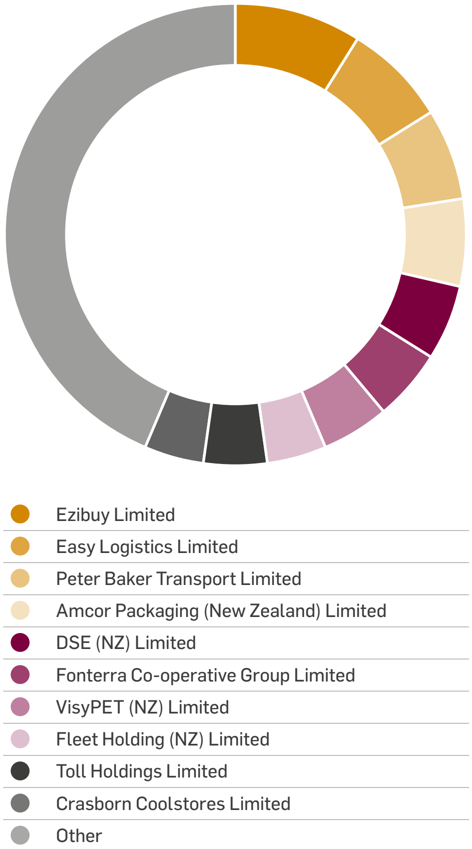
MARKET VALUE OF ASSETS ($M)
$311.38

VACANCY FACTOR (BY RENT)
6.6%

WALT (YEARS)
5.10

PASSING YIELD
7.46%

TOP 10 INDUSTRIAL TENANTS BY PERCENTAGE OF RENTAL INCOME



PROPERTY ADDRESS	VALUATION $000S	WEIGHTED AVERAGE LEASE TERM (YEARS)	NET LETTABLE AREA (SQM)	VACANT SPACE (SQM)	PASSING YIELD	MAJOR TENANT
Auckland						
67 Dalgety Drive, Manukau City	$4,200	4.00	3,698	–	8.45%	RLA Polymers PTY Limited
90–104 Springs Road, East Tamaki	$3,230	2.33	3,875	501	6.19%	ACQ Development Limited
Forge Way, Panmure	$13,250	5.13	4,231	–	8.64%	Fleet Holding (NZ) Limited
10 Transport Place, East Tamaki	$23,250	13.18	10,641	–	7.99%	Easy Logistics Limited
1 Rothwell Avenue, Albany	$12,400	2.85	10,736	–	9.18%	Mighty Ape Limited
4 Henderson Place, Onehunga	$11,700	2.32	10,451	–	8.66%	Redeal Limited
1–3 Unity Drive, Albany	$8,300	2.42	6,204	–	8.28%	Alto Packaging Limited
5 Unity Drive, Albany	$3,960	3.00	3,046	–	8.84%	Sealegs International Limited
80 Springs Road, East Tamaki	$8,550	2.24	9,675	–	9.37%	Fisher & Paykel Appliances Limited
211 Albany Highway, Albany	$13,250	5.28	13,581	–	8.93%	VisyPET (NZ) Limited
12–16 Bell Avenue	$12,350	–	14,809	14,809	0.00%	Vacant
18–20 Bell Avenue	$9,550	8.16	8,998	–	8.66%	Peter Baker Transport Limited
32 Bell Avenue	$8,800	8.16	8,810	–	8.77%	Peter Baker Transport Limited
9 Ride Way, Albany	$15,340	4.48	8,459	–	7.27%	Amcor Packaging (New Zealand) Limited
1 Allens Road, East Tamaki	$2,890	2.05	1,900	94	8.60%	Bayleys Real Estate
2 Allens Road, East Tamaki	$3,795	8.48	2,920	–	7.49%	Henkel New Zealand Limited
12 Allens Road, East Tamaki	$2,530	7.60	2,372	–	9.10%	Henkel New Zealand Limited
106 Springs Road, East Tamaki	$4,675	8.48	3,986	–	7.95%	Henkel New Zealand Limited
5 Allens Road, East Tamaki	$2,800	5.67	2,663	–	8.13%	Thermo Fisher Scientific (NZ) Limited
960 Great Sth Road, Penrose	$4,620	3.20	3,677	–	7.82%	Gough Gough & Hamer Investments Limited
Mayo Road, Wiri	$16,700	5.02	13,351	–	8.18%	DSE (NZ) Limited
Cnr William Pickering Drive & Rothwell Avenue, Albany	$8,900	1.77	7,074	–	8.52%	Electrix Limited
19 Richard Pearse Drive & 26 Ascot Avenue	$5,900	1.52	3,606	371	5.75%	Freight Plus Limited
Wagener Place	$10,000	5.00	9,731	–	5.15%	APUHL (Storage King)
Wellington						
Cnr Wakefield, Taranaki and Cable Streets	$13,580	10.49	3,307	–	6.67%	BP Oil NZ Limited
Regional						
Leisureplex, Palmerston North	$2,925	5.03	3,599	2,599	2.10%	Dive HQ
Ezibuy, Palmerston North	$19,800	2.91	24,656	–	11.22%	Ezibuy Limited
26 Neil Lane, Palmerston North	$3,100	1.91	3,233	–	9.19%	Brandlines Limited
1 Pandora Road, Napier	$8,520	3.34	18,431	–	11.61%	Fonterra Co-Operative Group Limited
8 Foundry Drive, Christchurch	$4,965	0.08	4,305	–	9.67%	Polarcold Stores Limited
1478 Omahu Road, Hastings	$8,500	0.33	8,514	–	12.51%	Crasborn Coolstores Limited
Rewarewa Road, Whangarei	$12,200	8.94	10,117	–	8.88%	Toll Holdings Limited
Manawatu Business Park–Land, Palmerston North	$26,850	–	–	–	0.00%	Vacant Land
	$311,380	5.10	244,656	18,374	7.46%	


EXISTING


PROPOSED


PROPOSED

New Zealand Post House is a landmark Wellington office building constructed in 1968. It occupies a prime waterfront position in the northern part of the CBD, adjacent to the Government precinct. The building comprises 25,000 square metres of net lettable area, over 13 levels.

The building had a number of deferred maintenance items that required remedial works. Between 2009 and 2012, four levels were upgraded, including refurbishment of the air-conditioning system, new fluorescent lights, upgraded suspended ceiling grid and tiles, new carpet and new bathrooms.

Prior to the acquisition of the building by Argosy, New Zealand Post as owner/occupier proposed to complete a wide range of remedial works including new air conditioning, lifts, lighting, sunshades and a new façade on the ground floor. Following Argosy's acquisition of the building, Argosy and New Zealand Post have also agreed to install air-to-air heat recovery to provide greater thermal efficiency.

The parties have agreed to focus on energy efficiency which results in lower emissions while providing occupants with a premium working environment. This partnership process will allow Argosy to provide the benefits of a new building with the reliability and character of the existing building, at a competitive rental.

ENERGY EFFICIENCY

The New Zealand Post floors will have new fan coils that are similar to the units used at the Te Puni Kōkiri building. New air-to-air heat recovery will be installed to recover energy from air that is exhausted into the atmosphere. These systems will be controlled by an upgraded building management system.

The 4 old gas control boilers will be replaced with 7 to 10 smaller energy efficient condensing boilers that will match the occupancy demand of the building. This will reduce excess heating and energy wastage.

New fan coil units have been installed in the ceiling space with new supply air diffusers (grilles) fitted in the ceiling grid.

New energy efficient light fittings with high light dispersion will provide even light levels across the floor. Lights along the perimeter of the building are controlled with daylight sensors. When it's bright and sunny outside these lights will dim to save power, recognising there is enough light coming in through the windows.

A new suspended ceiling grid and acoustics tiles will be installed that absorb sound and reflect light, to provide a light and open feel to the space. The tiles are also an environmentally friendly product.

The project is under way and will be completed by mid 2015.

PRIME WATERFRONT POSITION IN THE NORTHERN PART OF THE CBD, ADJACENT TO THE GOVERNMENT PRECINCT.

25,000

SQUARE METRES OF NET LETTABLE AREA OVER 13 LEVELS

2015

PROJECT IS UNDER WAY AND WILL BE COMPLETED BY MID 2015

New Zealand Post has proposed the establishment of a Pacific Coastwatchers memorial wall.

THE GILBERT ISLANDS COASTWATCHERS

During the Second World War, New Zealand sent coastwatchers to a range of islands in the Pacific to watch for and report on the movements of enemy ships and aircraft.

The men who staffed the 10 stations in the Gilbert Islands (Kiribati) were volunteers – young Post and Telegraph Department telegraphists with radio training. They were accompanied by soldiers from the Second New Zealand Expeditionary Force, sent to keep the coastwatchers company on what were very isolated islands.

Three days after the Japanese attacked Hawaii in December 1941, the coastwatchers on the northern Gilbert Islands were captured and sent to prison in Japan. They returned to New Zealand after the war ended in 1945. The remaining coastwatchers were captured during September and October 1942 and imprisoned on Betio, Tarawa.

On 15 October 1942 the USS Portland, on a lone raid, attacked Japanese ships at Tarawa. Following the raid, the Japanese murdered all the prisoners. In total, 17 New Zealand coastwatchers and soldiers were killed, along with three British and two Australian civilians. Another New Zealander, the lone coastwatcher on Ocean Island (Banaba), also met his death during the Japanese occupation of the island. This memorial wall is dedicated to these 23 men.

NAME	AGE AT DEATH	OCCUPATION DURING WAR	OCCUPATION PRIOR TO WAR	COASTWATCH STATION	LOCATION OF DEATH	NATIONALITY
Henry R. Hearn	21	Coastwatcher/Radio Operator		Kuria	Betio Island, Tarawa (Kiribati)	New Zealand
Clifford A. Pearsall	21	Coastwatcher/Radio Operator		Tamana	Betio Island, Tarawa (Kiribati)	New Zealand
Thomas C. Murray	21	Coastwatcher/Radio Operator		Beru	Betio Island, Tarawa (Kiribati)	New Zealand
Arthur E. McKenna	22	Coastwatcher/Radio Operator		Nonouti	Betio Island, Tarawa (Kiribati)	New Zealand
John J. McCarthy	22	Coastwatcher/Radio Operator		Abemama	Betio Island, Tarawa (Kiribati)	New Zealand
Allan L. Taylor	22	Coastwatcher/Radio Operator		Beru	Betio Island, Tarawa (Kiribati)	New Zealand
Arthur C. Heenan	22	Coastwatcher/Radio Operator		Maiana	Betio Island, Tarawa (Kiribati)	New Zealand
Roderick M. McKenzie	32	Soldier	Farm Manager	Tamana	Betio Island, Tarawa (Kiribati)	New Zealand
Wilfred A. Parker	27	Soldier	Farm Hand	Tamana	Betio Island, Tarawa (Kiribati)	New Zealand
John H. Nichol	26	Soldier	Dairy Farmer	Nonouti	Betio Island, Tarawa (Kiribati)	New Zealand
Claude A. Kilpin	33	Soldier	Dairy Farmer	Nonouti	Betio Island, Tarawa (Kiribati)	New Zealand
Raymond A. Ellis	30	Soldier	Factory Hand	Kuria	Betio Island, Tarawa (Kiribati)	New Zealand
Reginald Jones	42	Soldier	Joiner	Kuria	Betio Island, Tarawa (Kiribati)	New Zealand
Robert I. Hitchon	28	Soldier	Farm Hand	Abemama	Betio Island, Tarawa (Kiribati)	New Zealand
Dallas H. Howe	32	Soldier	Labourer	Abemama	Betio Island, Tarawa (Kiribati)	New Zealand
Charles J. Owen	40	Soldier	Storeman	Maiana	Betio Island, Tarawa (Kiribati)	New Zealand
Leslie B. Speedy	40	Soldier	Slaughterman	Maiana	Betio Island, Tarawa (Kiribati)	New Zealand
Ronald Third		Coastwatcher/Radio Operator		Ocean Island	Ocean/Banaba Island (Kiribati)	New Zealand
Reginald G. Morgan		Wireless Operator		Tarawa	Betio Island, Tarawa (Kiribati)	Australian
Basil Cleary	30	Dispenser		Tarawa	Betio Island, Tarawa (Kiribati)	British
Isaac R. Handley	72	Retired Master Mariner		Tarawa	Betio Island, Tarawa (Kiribati)	Australian
Alfred L. Sadd	33	Reverend		Beru	Betio Island, Tarawa (Kiribati)	British
A. M. McArthur		Retired Trader		Nonouti	Betio Island, Tarawa (Kiribati)	British

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 35-64 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	

The notes on pages 35-64 form part of and are to be read in conjunction with these financial statements.

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

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 35-64 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 the 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	–	–	–
211 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 45 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 46. 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 shareholders' 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 shareholder 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 AP3 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 recharges 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 31 to 64, 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 31 to 64:
- 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

This audit report relates to the financial statements of Argosy Property Limited and group for the year ended 31 March 2013 included on Argosy Property Limited's website. Argosy Property Limited's 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 Argosy Property Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these 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 financial statements and related audit report dated 23 May 2013 to confirm the information included in the audited 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.companies.govt.nz).

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 the predecessor to the Financial Markets Authority (the Securities Commission), 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 "The Board of Directors" on page 12.

ATTENDANCE OF DIRECTORS

Board Meetings attended

Michael Smith (Chair)	10 of 10
Andrew Evans	8 of 10
Peter Brook	10 of 10
Trevor Scott	9 of 10
Mark Cross	10 of 10

All of the above persons were directors as at 31 March 2013.

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 NZSX Listing Rules, the Board has determined that Michael Smith, Peter Brook, Trevor Scott and Andrew Evans are, in its view, independent directors as at balance date as they do not have a disqualifying relationship with the Company. Mark Cross is considered not to be an independent as at balance date as he is also a director of a substantial security holder in the Company (MFL Mutual Fund Limited).

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 74.

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), Trevor Scott and Peter Brook.

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee Meetings attended	
Michael Smith (Chair)	3 of 3
Trevor Scott	3 of 3
Peter Brook	3 of 3

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 Trevor Scott (Chairman), Michael Smith, Peter Brook and Mark Cross (Mr Cross was appointed in December 2012).

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 Reporting Act 1993, Companies Act 1993 and the NZSX Listing Rules.

ATTENDANCE AT AUDIT COMMITTEE

Audit Committee Meetings attended

Trevor Scott (Chair)	4 of 4
Michael Smith	4 of 4
Peter Brook	4 of 4
Mark Cross	1 of 1

DIRECTORS' REMUNERATION

Directors' fees

The current total directors' fee pool authorised by the Company's constitution is $500,000 per annum (approved at Argosy Property Trust's 2011 annual meeting of unit holders). If any additional Director or Directors are appointed this may increase by the amount necessary to enable the Company to pay the additional Director or Directors a fee not exceeding the average amount then being paid to each Director (other than the Chairperson).

DIRECTORS' REMUNERATION

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

Michael Smith (Chair)	$130,000
Peter Brook	$70,000
Andrew Evans	$62,500
Trevor Scott	$75,000
Mark Cross	$63,750

GENDER BALANCE

As at 31 March 2013 the gender balance of the Company's Directors, Officers and all employees was as follows:

	Directors	Officers	All employees
Female	0 (0%)	1 (17%)	9 (43%)
Male	5(100%)	5 (83%)	12 (57%)
Total	5(100%)	6 (100%)	21 (100%)

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:

Remuneration Ranges			Employees
$ 100,000	to	$ 110,000	1
$ 110,001	to	$ 120,000	2
$ 130,001	to	$ 140,000	1
$ 180,001	to	$ 190,000	4
$ 270,001	to	$ 280,000	1
$ 330,001	to	$ 340,000	1
			10

INTERESTS REGISTERS

Directors' shareholdings

Equity securities in which each director and associated person of each director held a relevant interest as at 31 March 2013 are listed below:

Director	Holder	Trustees	Interest	Number Shares
Peter Brook	Peter Clynton Brook (holder 120607)	n/a	Beneficial	95,301
	Bayview Trust	Peter Clynton Brook, Mary Patricia Brook, Craig LeQuesne	Non beneficial	304,389
Andrew Evans	Hardwick Trust	The Hardwick Trustee Limited	Non beneficial	66,315
Trevor Scott	Essex Castle Limited	n/a	Beneficial (indirect)	1,800,000
	Southern Capital Limited	n/a	Beneficial (indirect)	3,510,863
	Fraser Smith Holdings Ltd	n/a	Non beneficial	515,252
	Julian Smith	Julian Smith	Non beneficial	460,863
	Julian Smith Family Trust Custodian Limited	Julian Smith, Trevor Scott, Stuart Walker for JC Smith Family Trust	Non beneficial	1,519,641
	Julian Smith Investment Trust Custodian Limited	Julian Smith, Trevor Scott, Stuart Walker for the JC Smith Investment Trust	Non beneficial	460,863
Michael Smith	FNZ Custodians Limited for trustees of the Mallowdale Trust	Philip Michael Smith, Dale Gaye D'Rose	Non beneficial	212,257
Mark Cross	Nil	Nil	Nil	Nil

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 1,429 shares in the Company on 27 June 2012 for consideration of $1,202.43 under the Company's dividend reinvestment plan.
- Peter Brook acquired a beneficial interest in 1,393 shares in the Company on 26 September 2012 for consideration of $1,223.87 under the Company's dividend reinvestment plan.
- Peter Brook acquired a beneficial interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan.
- Peter Brook acquired a beneficial interest in 1,454 shares in the Company on 27 March 2013 for consideration of $1,407.71 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 938 shares in the Company on 27 June 2012 for consideration of $788.82 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 914 shares in the Company on 26 September 2012 for consideration of $802.89 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 1,012 shares in the Company on 27 March 2013 for consideration of $979.55 under the Company's dividend reinvestment plan.
- Trevor Scott acquired a non-beneficial (trust) interest in 450,000 shares in the Company on 17 August 2012 for nil consideration from an in-kind distribution to Julian Smith as trustee.
- Trevor Scott acquired a non-beneficial (trust) interest in 450,000 shares in the Company on 17 August 2012 for nil consideration from an in-kind distribution to Julian Smith Investment Trust Custodian Limited.
- Trevor Scott disposed of a beneficial (indirect) interest in 900,000 shares in the Company on 17 August 2012 for nil consideration following an in-kind distribution of shares by Essex Castle Limited.
- Trevor Scott acquired a non-beneficial (trust) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan (held by Julian Smith as trustee).
- Trevor Scott acquired a beneficial (indirect) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan (held by Southern Capital Limited).
- Trevor Scott acquired non-beneficial (trust) interests in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan (held by Fraser Smith Holdings Limited).
- Trevor Scott acquired a non-beneficial (trust) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan (held by Julian Smith Investment Trust Custodian Limited).
- Trevor Scott acquired a non-beneficial (trust) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase plan (held by Julian Smith Family Trust Custodian Limited).
- Michael Smith acquired a non-beneficial (trust) interest in 75,000 shares in the Company on 16 January 2013 in an on-market acquisition for consideration of $68,250.
- Michael Smith acquired a non-beneficial (trust) interest in 10,863 shares in the Company on 18 February 2013 for consideration of $9,558.70 under the Company's share purchase 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	Interest	Entity
Michael Smith	Chairman/Trustee	The Lion Foundation
	Director	Hauraki Private Equity No. 2 Fund
	Director	Maui Capital Indigo Fund Limited
	Director	Maui Capital Aqua Fund Limited
Peter Brook	Chairman	Burger Fuel Worldwide Limited
	Chairman	Trust Investments Management Limited
	Chairman	Generate Investment Management Limited
	Trustee	Melanesia Mission Trust Board
	Director (R)	Vital Healthcare Management Limited
Trevor Scott	Chairman	Arthur Barnett Limited
	Chairman	Harraway & Sons Limited
	Chairman	Roslyn Mill Storage Limited
	Director	Neuron Limited
	Chairman	Mercy Hospital Dunedin Limited
	Chairman	Whitestone Cheese Limited
	Director	Marsh Limited - Advisory Board
	Chairman	Ashburton Guardian Limited
Andrew Evans	Director	Vital Healthcare Management Limited
	Director	Holmes Group Limited
	Director	Holmes Fire & Safety Limited
	Director	EVCO Consultancy Limited
	Director	305 Limited
	Director	403 REM Limited
	Director	Evmanone Limited
	Director	Hardwick Trustees Limited
	Director	Trust Investments Management Limited
Mark Cross	Director	MFL Mutual Fund Limited
	Director	Milford Asset Management Limited
	Director	Superannuation Investments Limited
	Director	Triathlon New Zealand Inc.
	Director	Infracom NZ Limited
	Director	Alpha Investment Partners Limited
	Director	Aspect Productivity Technology 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 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 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; and
- The Company's website www.argosy.co.nz.

Shareholders may raise matters for discussion and have the opportunity to question Directors and the external auditor at annual and special meetings.

NZX RULINGS AND WAIVERS

NZX has by a decision dated 14 December 2012 granted a waiver from Listing Rule 9.2.1 in respect of the Company's December capital raising so that the Company was not required to seek shareholder approval for the Institutional Placement and Property Acquisitions which would otherwise have been required under that Rule because MFL Mutual Fund Limited is a Related Party of the Company and participated in the Institutional Placement (a Material Transaction).

DONATIONS

The Group made no donations during the year.

ARGOSY SUBSIDIARIES - DIRECTORS

As at 31 March 2013:

- 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, Trevor Scott, 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 10 MAY 2013

Rank	Full Name	No of shares	% of total issued shares
1	New Zealand Central Securities Depository Limited	299,640,006	44.00
2	Investment Custodial Services Limited <A/C C>	27,180,572	3.99
3	Forsyth Barr Custodians Limited <1-33>	18,722,197	2.74
4	FNZ Custodians Limited	16,623,268	2.44
5	Forsyth Barr Custodians Limited <1-17.5>	13,555,592	1.99
6	Custodial Services Limited <A/C 3>	9,373,689	1.37
7	Forsyth Barr Custodians Limited <1-30>	5,831,080	0.85
8	James Harvey Mansell & Christine Anne Mansell & Douglas Tony Brown <Harvan A/C>	4,926,836	0.72
9	Peter John Whiting & Janet Graham Whiting & Peter Austin Gowing <Whiting Family A/C>	4,859,500	0.71
10	University Of Otago Foundation Trust	4,377,270	0.64
11	Superlife Trustee Nominees Limited <Sl Prop A/C>	4,238,703	0.62
12	Custodial Services Limited <A/C 2>	4,013,449	0.58
13	Southern Capital Limited	3,510,863	0.51
14	New Zealand Depository Nominee Limited <A/C 1> Cash Account	3,286,884	0.48
15	Jarden Custodians Limited <A/C 7>	2,979,860	0.43
16	Jarden Custodians Limited <A/C 6>	2,677,898	0.39
17	Investment Custodial Services Limited <A/C R>	2,672,741	0.39
18	Forsyth Barr Custodians Limited <Account 1 E>	2,200,006	0.32
19	Custodial Services Limited <A/C 4>	2,119,703	0.31
20	Custodial Services Limited <A/C 18>	2,065,157	0.30

5 LARGEST SECURITY HOLDERS DISCLOSED BY THE NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED AS AT 10 MAY 2013

Rank	Top five security holders disclosed by NZCSD	No of shares	% of total issued shares
1	MFL Mutual Fund Limited – NZCSD	73,299,162	10.76
2	Accident Compensation Corporation – NZCSD	62,885,107	9.24
3	BNP Paribas Nominees (NZ) Limited – NZCSD	53,844,248	7.91
4	BT NZ Unit Trust Nominees Limited – NZCSD	26,975,609	3.96
5	Tea Custodians Limited – NZCSD	19,770,006	2.90

SUBSTANTIAL SECURITY HOLDERS AS AT 10 MAY 2013

The substantial security holders in the Company as at 10 May 2013 were as follows:

	Date notice filed	No of shares	% of total issued shares
MFL Mutual Fund Limited	24-Apr-13	76,452,471	11.23%
AMP Capital Investors (New Zealand) Limited	8-Jan-13	44,678,051	6.83%
Accident Compensation Corporation	21-Sept-12	55,596,034	9.90%

The total number of shares on issue in the Company as at 10 May 2013 was 680,932,151. The only class of shares on issue as at 10 May 2013 was ordinary shares.

The number and percentage of shares shown are as advised in the substantial security holder notice to the Company and may not be their current relevant interest.

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS AS AT 10 MAY 2013

	No of shareholders	% of shareholders	No of shares	% of total issued shares
1 to 999	126	1.63	57,766	0.01
1,000 to 1,999	258	3.33	333,917	0.05
2,000 to 4,999	1,016	13.11	3,577,785	0.53
5,000 to 9,999	1,549	19.98	11,219,580	1.65
10,000 to 49,999	3,740	48.25	83,249,047	12.23
50,000 to 99,999	648	8.36	42,672,820	6.27
100,000 to 499,999	350	4.52	60,529,767	8.89
500,000 to 999,999	25	0.32	16,621,167	2.44
1,000,000+	39	0.50	462,670,302	67.95
Total	7,751	100	680,932,151	100.02*

*Total does not add to 100% due to rounding

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 10 MAY 2013

Directors	No of shares Non-beneficial	No of shares Beneficial
Trevor Scott	2,956,619	5,310,863
Peter Brook	304,389	95,301
Michael Smith	212,257	–
Andrew Evans	66,315	–
Mark Cross	–	–

DIRECTORS STATEMENT

This report is dated 23 May 2013 and is signed on behalf of the Board of Argosy Property Limited by Michael Smith, Chairman, and Trevor Scott, Director:

Michael Smith
Chairman

Trevor Scott
Director

DIRECTORS

Argosy Property Limited
Philip Michael Smith, Auckland
Andrew Hardwick Evans, Auckland
Peter Clynton Brook, Auckland
Trevor Donald Scott, Wanaka
Andrew Mark Cross, Auckland

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