Argosy

Annual Report 2018

Strength in diversity

Our balanced portfolio is the key to delivering consistent shareholder returns.

With properties across different sectors, grades, sizes, styles, locations and tenant mix, we can be agile, quickly adapting to meet the diverse and changing needs of our growing family of tenants. And we can quickly react to opportunities or cyclical changes in the market.

$1.51b
Total portfolio value

61
Properties

176
Tenants

98.8%
Consistently high portfolio occupancy

6.1
weighted average lease term improved to over 6 years

8
Retail Properties

17
Office Properties

36
Industrial Properties

balanced.

diversity.

The balance of our diversified portfolio is driven by our investment strategy and policy which clearly set the boundaries within which we will operate and invest.

Location

Our Investment policy ensures our portfolio is concentrated on Auckland (65% - 75%) and Wellington (20% - 30%). Regional North Island or South Island constitutes less than 10% of the portfolio and is tenant-driven.

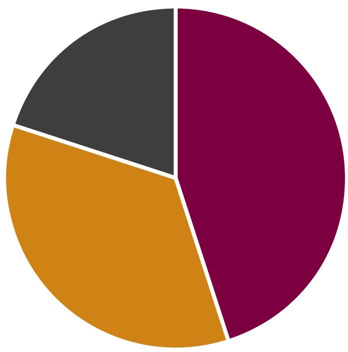
AKL
71%

WLG
24%

REGIONAL
5%

Sector

Our Investment policy is focused on high quality office, industrial and large format retail.



Industrial	42%
Office	38%
Retail	20%

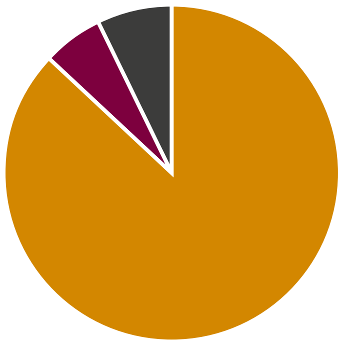
All data as at 31 March 2018.

Size / Value

The average value across our portfolio is $24.8 million. Liquid properties (properties that could potentially be under contract within a short time period) currently account for 26% of the portfolio. This allows the company to react quickly to changing market conditions.

Average value of:

$24.8 million



Core	87%
Value Add	6%
To divest	7%

Grades

Core properties are well constructed, well located assets which are intended to be long-term investments (>10 years). These properties enjoy strong long-term demand, a leasing profile that provides for rental growth of at least CPI and good structural integrity with minimal maintenance capital expenditure required.

Value Add properties are assets which can increase future earnings and provide capital growth. Typically, they will be well located with the potential for strong long term tenant demand. These properties have potential for near or medium-term development with the view of moving them into the Core category.

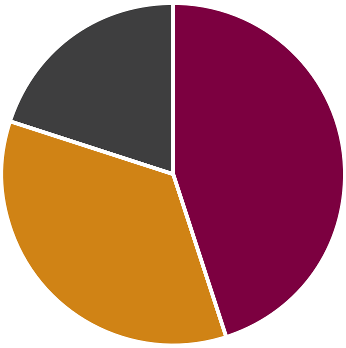
Tenant Mix

Our tenants range across sectors and industries and we actively manage our tenant relationships.

Government administration
Retail trade
Transport & storage
Manufacturing
Property & business services
Wholesale trade
Finance & insurance
Infrastructure & utilities
Cafés & restaurants
Health & safety
Construction

Argosy strives to deliver reliable and attractive returns to shareholders.

Where will we buy?



Industrial	40-50%
Office	30-40%
Retail	15-25%

Focus on good quality Office, Industrial and Large Format Retail

No international properties
No Leasehold

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

Target "off-market" acquisitions and avoid competitive processes

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

Target contiguous properties with potential

Value parameters

$10m +

Greater than $10 million unless strategically imperative ($6 million for Industrial)

10%

No acquisition more than 10% of overall portfolio value

Due diligence

Apply Argosy's due diligence checklist

Structural integrity ≥ 70% of New Building Standard (unless this represents a Value Add opportunity)

Development

Developments only for tenants who provide strategic value to Argosy

Joint ventures will be undertaken only where the counterparty is of sufficient financial standing to carry their share of risk

Other

No third party management of external portfolios

Argosy has a clearly defined investment strategy and acquisition policy which guides our commercial decision making.

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

Our Investment Strategy and Investment Policy has remained unchanged this year following a review and minor amendments in 2017.

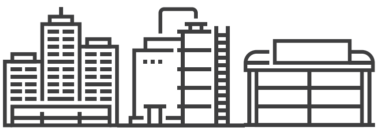
Investment Strategy

Argosy's portfolio will continue to consist primarily of Core and Value Add properties.

Core

Core properties are well constructed, well located assets which are intended to be long-term investments (>10 years). The Core properties target is between 75% to 90% of the portfolio by value.

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



Long-term investments:

>10 years

Value Add

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

Investment Policy

Our Investment Policy clearly defines what properties we will seek to own by setting the boundaries within which we will operate and invest. It delivers a clear acquisition checklist and every potential acquisition (and portfolio asset) can be measured against that checklist.

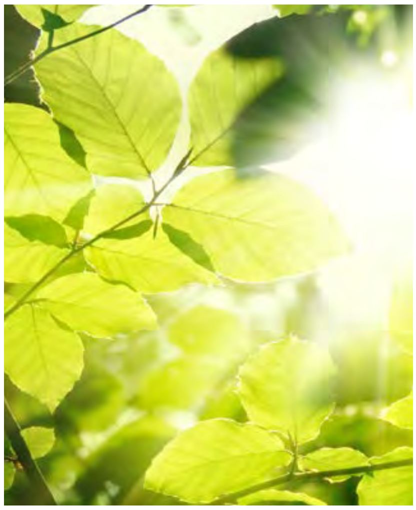
In some cases, a portfolio of assets may be considered for acquisition. The strategy for a potential portfolio acquisition must be consistent with the overall Argosy Portfolio Investment Strategy (i.e. the majority by value of the properties either are Core or offer potential to move to Core in the medium-term).

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

Our Investment Policy targets an industrial band of 40-50% of the total portfolio by value, office 30-40% and retail 15-25%.

As at 31 March 2018, Argosy was operating within the parameters of its Investment Policy.

Our diversified portfolio of quality properties has an average value of $24.8 million. This allows the Company to react quickly to changing economic or property market conditions. Liquid properties, which are properties that could potentially be under contract within a short period currently represent 26% of the portfolio.



Capital Management

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

- properties can be acquired when they meet the approved Investment Policy criteria, or sold when they are non Core;
- there are no forced sales of properties or a requirement to issue equity at a price that is dilutive to shareholders;
- measured dividend growth is maintained.

The Board has amended the debt-to-total assets ratio target band to 30-40% from the previous target of 35-40%. This widening of the band allows Argosy more flexibility to react to changing financial and property market conditions.

Any movement beyond pre-set parameters requires an action plan and timeframe to move debt levels to within the prescribed range.

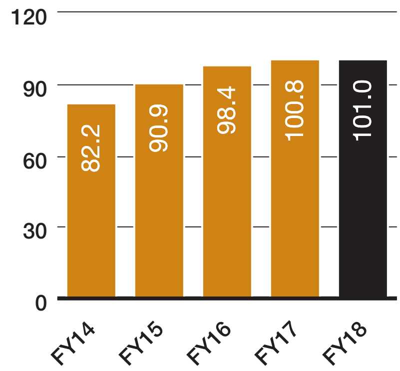
Risk Management

Argosy strives to deliver reliable and attractive returns to shareholders. We take a considered approach to development, acquisition, divestment, leasing and capital management decisions, reflecting our proposition to shareholders as a yield based investment.

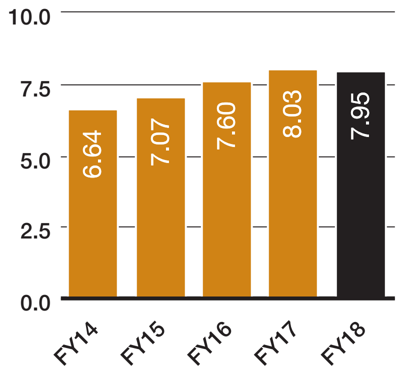
Argosy generally operates within a medium/low overall risk range. Argosy has a low risk appetite for risks associated with managing developments and Value Add projects and compliance matters.

Financial Summary

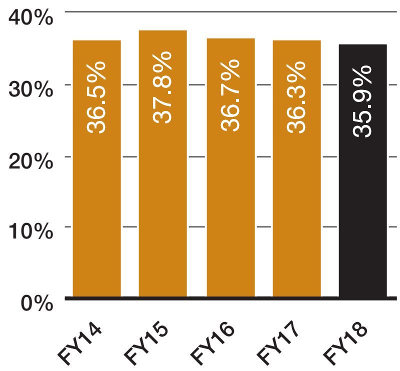
Net Property Income
$M



Gross Distributable Income
CENTS PER SHARE



Debt-to-total-assets Ratio



FINANCIAL SUMMARY

	Unit of measure	FY2014	FY2015	FY2016	FY2017	FY2018
Net property income	$m	82.2	90.9	98.4	100.8	101.0
Profit before financial income/(expenses) and other gains/(losses) and tax	$m	74.8	83.0	89.4	91.4	91.1
Revaluation gains on investment property	$m	33.5	38.6	42.2	42.3	47.3
Profit for the year (before taxation)	$m	98.8	68.6	83.6	120.4	109.3
Profit for the year (after taxation)	$m	85.6	64.4	78.9	103.6	98.2
Earnings per share	cents	11.45	8.08	9.79	12.69	11.90
Gross distributable income per share	cents	6.64	7.07	7.60	8.03	7.95
Net distributable income per share[1]	cents	6.69	5.97	6.35	6.55	6.62
Total assets	$m	1,232.4	1,313.2	1,374.9	1,458.6	1,544.8
Debt-to-total-assets ratio	%	36.5	37.8	36.7	36.3	35.9
Net assets backing per share	cents	94	96	100	106	112
Cash dividend per share	cents	6.00	6.00	6.03	6.10	6.20
Shares on issue at year end	m	790.9	802.6	812.6	822.9	827.0
Total equity	$m	739.5	768.7	810.4	875.2	926.9

1. Tax in FY15-FY16 has been restated based on current tax expense following a recent change in our bank facility document (previously it was based on tax paid to the Inland Revenue Department). In FY14 no tax was paid due to significant prior tax losses.

PROPERTY METRICS

	Unit of measure	FY2014	FY2015	FY2016	FY2017	FY2018
Number of tenants	#	224	192	193	185	176
Number of properties[1]	#	66	68	66	64	61
Average property value	$m	18.58	19.21	20.72	22.53	24.81
Net lettable area	sqm	590,991	607,799	601,045	606,324	587,766
Total book value	$m	1,226.3	1,306.4	1,367.6	1,442.2	1,513.1
Weighted average lease term	years	5.68	5.54	5.24	5.59	6.08
Occupancy factor by rental	%	98.7	99.2	99.4	98.6	98.8
Occupancy factor by area	%	98.7	99.3	99.6	97.4	99.4

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

15-21 Stout Street, Wellington

Green is good

"The Board is very pleased to have delivered a strong 2018 financial result. We are also pleased to have completed two green developments in the period."

MICHAEL SMITH
CHAIRMAN

Total Return to 31 March 2018

9.8%

Outperforming the sector by 2.8%

Lower gearing band

30-40%

Amended from 35-40% previously

FY18 Dividend

6.20c

An increase of 1.6% on the prior year

INTRODUCTION

On behalf of the Board of Directors, it is my pleasure to again present Argosy's 2018 Annual Report.

After a strong start the Board is very pleased to have finished the 2018 financial year very well. We are pleased to have delivered a total shareholder return of 9.8% for the 12 months to 31 March 2018. This result outperformed the property sector index by 2.8%. The management team have worked hard over the year to resolve key lease expiries and vacancies. They have also repositioned the portfolio sensibly, with the combination of completed developments, revaluations and selected divestments resulting in a modest reduction in exposure to the retail sector. Over the next 12-18 months we will continue to divest non Core assets in an attractive vendors market. Generally, after this period, we expect that Argosy will be positioned towards the lower end of our retail band and at the higher end of our industrial band.

The Board has also amended the debt-to-total-assets ratio target band to 30-40% from the previous target of 35-40%. As we continue to divest non Core assets to take advantage of strong investor demand, the proceeds will be used to continue our tenant-led development program and/or reduce gearing.

STRATEGY

Creating value and delivering sustainable earnings to shareholders remains the key focus for the Board. Subtle changes to our investment policy made in the prior year were acted upon during the period and Argosy took opportunities to reinvest elsewhere in the portfolio. Board considers the New Zealand Property market to be near its cyclical peak which makes it hard to acquire property. We believe ongoing strength in the sector will provide opportunities to divest non Core assets at attractive prices and either reduce gearing or reinvest the proceeds into tenant-led development opportunities. We will continue to focus on our existing portfolio of value add properties to create long term value for shareholders and increase the quality and sustainability of our earnings.

GOVERNANCE

Argosy's Board remains committed to the highest standards of corporate behaviour and accountability. We advocate adherence to corporate best practice in terms of ethical behaviour and disclosure. Our website remains the best place to find all our key policies including Code of Conduct and Ethics, Diversity and Continuous Disclosure Policy.

We encourage all shareholders to read these for themselves.

We have continued to expand on our Environmental, Social and Governance reporting obligations. We have provided ethnic diversity information on our business to illustrate the diverse cultures we embrace and whom we benefit from in our business.

At the July 2017 Annual Meeting, Andrew Evans and Mark Cross were re-elected as independent Directors. However, subsequent to balance date, the Board determined that Mr Cross has ceased to be an independent director as he is a director of Milford Funds Limited which has subsequently (on 19 April 2018) disclosed that it manages funds with a substantial product holding in Argosy. Looking ahead, the 2018 Annual Meeting of shareholders is scheduled to be held at 2pm on 6 August 2018 at the Royal New Zealand Yacht Squadron, 101 Curran Street Westhaven Marina, Auckland. Chris Hunter and Jeff Morrison will retire in accordance with the Company's constitution and the NZX Listing Rules, and will be eligible for re-election.

DIVIDENDS

Consistent with the third quarter dividend, a final quarter dividend of 1.55 cents per share with imputation credits of 0.3744 cents per share attached, has been declared for the March quarter. This dividend represents an increase of 1.6% on the same period in the year ending 31 March 2017. The dividend will be paid to shareholders on 27th June 2018 and the record date will be 13th June 2018. The dividend reinvestment plan remains suspended for the time being.

Argosy starts the 2019 financial year in a very solid financial and portfolio position. Our diversified portfolio of quality assets across the three main sectors brings real strength and balance to our business. We remain focused on delivering sustainable dividends to our shareholders. Based on current projections for the portfolio, the Board is pleased to be able to guide to a full year 2019 cash dividend of 6.25 cents per share, an increase of 1% on the prior year. The increase reflects our wish for shareholders to share in the continued strong results but also allows us to maintain our momentum towards a dividend policy based on Adjusted Funds from Operations (AFFO[1]) in the medium term. Our accompanying result presentation provides details of AFFO.

OUTLOOK

Argosy continued to deliver excellent results over the back half of 2018 but there is more work to do through the 2019 financial year and beyond. As we begin the 2019 financial year, there is greater political visibility over the near term and we continue to be optimistic around potential opportunities for Argosy.

Our diversified investment approach brings strength and balance to our business. Argosy has achieved excellent leasing success and rent review growth across the portfolio. As a result, the year-end portfolio metrics are in excellent shape. Reinforced by their Green Star ratings, a number of redevelopment projects were completed which increased our portfolio quality and will contribute towards sustainable earnings over time. We will continue to look at sustainability given the environmental and business benefits that are likely to accrue.

Looking ahead to 2019, we are very focused on ensuring we can continue to create value for, and deliver sustainable and attractive risk adjusted returns to, shareholders. We remain focused on delivering reliable dividends to our shareholders .

Thank you all for your continued support over the year and I look forward to updating you further at the Annual Meeting.

P MICHAEL SMITH
Chairman

Highgate Parkway, Silverdale. Auckland.

1 AFFO is considered by some investors to represent a more sustainable basis for dividends than accounting profit.

82 Wyndham Street, Auckland.

Staying focused

"It's great to be able to deliver another strong performance for our shareholders."

PETER MENCE
CHIEF EXECUTIVE OFFICER

Green projects completed

$33.8m

Green means quality

Net Distributable Income

6.62c

An increase of 1.1% on the prior period

Annual Revaluation Gain

$47.3m

An increase of 3.2% on book value

INTRODUCTION

Underpinned by strong leasing and rent review activity through the year we finished 2018 with occupancy at almost 99% and a weighted average lease term of over 6 years, our highest ever. The positive revaluation gain of $47.3 million was the result of strong portfolio activity and cap rate firming during the year.

It's pleasing to announce further progress at NZ Post House, at 7 Waterloo Quay. The reinstatement works are progressing well, including levels 10-12, and we expect them to be completed this financial year. We expect strong demand for levels 10-12 when they become available, whilst the other floors remain leased to NZ Post.

HIGHLIGHTS

- Net distributable income of 6.62 cents per share, up 1.1%
- NTA per share growth of 5.5% to $1.12
- Strong portfolio activity with an annualised rent review increase of 3.0%
- Excellent portfolio metrics with occupancy at ~99% and a 6.1 year WALT
- Annual portfolio revaluation gain of $47.3 million or 3.2% on book value
- Completion of $48.8 million of developments including $33.8 million of green developments
- FY19 dividend guidance of 6.25 cents per share
- Financial year total shareholder return of 9.8%, outperforming the sector by 2.8%

FINANCIAL RESULTS

Statement of Comprehensive Income

Argosy reported net rental property income of $101 million for the period, which includes the impact of rental loss recoveries from insurers and is in line with the prior period. The prior period was positively impacted by a lease surrender of $5.5 million recognised in respect of the property at 7 Waterloo Quay in Wellington.

Administration expenses were up $0.6m on the prior period primarily due to additional resourcing costs across the business.

Interest expense of $25.5 million was down $0.4 million on the prior period, as the interest on higher average debt was offset by higher capitalised interest on developments. Total financing costs were $14.8 million higher than the prior period, primarily due to the non-cash impact of derivatives.

Distributable income

For the year ending 31 March gross distributable income[2] was $65.6 million and stable compared to the prior period. Gross distributable income for the period was 7.95 cents per share, compared to 8.03 cents per share in the previous period due to the higher weighted average shares for the period.

Net distributable income increased 2.0% to $54.6 million compared to the prior period, due to slightly lower current tax expense. Net distributable income per share increased 1.1% to 6.62 cents per share from 6.55 cents per share in the prior period.

PORTFOLIO ACTIVITY

Leasing and rent reviews

Underpinned by continued strength in Auckland and Wellington property market fundamentals, Argosy has delivered strong leasing and rent review results over the second half of the year. During the period, 51 lease transactions were completed on 150,000sqm of net lettable area, including 23 new leases, 20 renewals and 8 extensions.

Material leasing transaction successes over the second half of the financial year include;

- 15-year extension to Amcor Flexibles for 9,178sqm at 9 Ride Way, Albany, Auckland;
- 12-year lease to Eclipx Fleet Holdings for 4,230sqm at 8 Forge Way in Panmure, Auckland;
- 6-year renewal by Te Puni Kokiri for 6,215sqm at 143 Lambton Quay, Wellington;
- 3-year renewal by Tonkin & Taylor for 4,377sqm at 105 Carlton Gore Rd, Newmarket, Auckland;
- 18 months extension by the Ministry of Business, Innovation & Employment for 5,560sqm at 147 Lambton Quay, Wellington.

In addition, Foster Moore is taking an initial 12-year lease on Level 1 of 82 Wyndham St for 1,644sqm. There is some vacancy remaining at 23 Customs Street where 2,950sqm of space is vacant. However, following refurbishment, the completion of the Snickel Lane development and continued strength in the Auckland leasing market, Argosy is experiencing strong tenant interest for the building.

2 Profit before tax and distributable income are alternative performance measures used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution to shareholders. Note 23 of the financial statements released today provides a full reconciliation between profit before tax and distributable income.

Summary Financial Information

	FY18	FY17
Net property income ($000's)	**100,990**	**100,752**
Administration expenses ($000's)	9,938	9,328
Operating profit before tax ($000's)	**91,052**	**91,424**
Gross distributable income ($000's)	65,589	65,592
Net distributable income ($000's)	54,603	53,521
Net distributable income (cents per share)	6.62	6.55
Dividends (cents per share)	6.20	6.10
Net distributable income payout ratio	94%	93%

Following strong leasing results over the second half, Argosy's FY19 lease expiries as at 31 March 2018 was down to 9.9% from the 16.4% reported in the prior year.

Argosy's weighted average lease term at year end increased to 6.1 years compared to 5.6 years at the interim result. The improvement reflects some of the longer leasing results achieved with some of our larger tenants over the second half of the year.

Argosy has maintained a very high occupancy level over the year and increased this to 98.8% at year-end compared to 98.6% in the prior year.

During the period, a total of 88 rent reviews on $48.5 million of existing rental income were completed. Rental growth of 6.1% was achieved or 3.0% on an annualised basis on all rents reviewed. Across the rental increase, the office portfolio accounted for 50% of the total rental uplift due to a large market review, with industrial and retail contributing 29% and 21% respectively.

Approximately 50% of all rents reviewed (by income) were market reviews, 27% were fixed reviews and 23%were CPI or CPI+.

Acquisitions and developments

Ongoing tightness across the property market continued in 2018. This, coupled with a surplus of capital and scarcity of quality real estate means few opportunities have emerged during the period to make acquisitions which would add value.

Despite this, we have continued to progress our development pipeline with four projects totalling $48.8 million now completed. Following the green development works included as part of the Highgate (Mighty Ape) and 82 Wyndham Street developments, we are currently targeting a 4 Green Star Industrial Built Rating and 5 Green Star Office Built Rating on these properties respectively. These will add to our existing 5 Green Star Office Built assets at 143 Lambton Quay and 15 Stout Street, both in Wellington.

Valuations

An independent revaluation of the portfolio was undertaken as at 31 March 2018 which saw the portfolio record a full year revaluation gain of $47.3 million, a 3.2% gain on the year end book value. Overall, the industrial portfolio increased 6.5% ($39.0 million) above book value, office 1.0% ($5.6 million) and retail 0.9% ($2.7 million). If we adjust the annual revaluation result for NZ Post House, Argosy's annual revaluation uplift would have been $61.6m, or a 4.5% increase above book value. On current market value, Argosy's portfolio[3] has a passing yield of 6.88% and a 6.98% yield on market rental. The portfolio is 1.3% under rented excluding market rentals on vacant space.

NZ Post House, at 7 Waterloo Quay

Earthquake Damage and Insurance Claim

Argosy's 13 storey property at 7 Waterloo Quay in Wellington sustained damage in the 7.5 magnitude Kaikoura earthquake on 14 November 2016. Independent engineers have confirmed that the building remains structurally sound, but it suffered damage to fit out and services. Argosy has material damage insurance and we are working with our insurers to progress a significant insurance claim. Argosy expects that, as with many earthquake insurance claims, there may be debate with insurers over the extent of damage, and the appropriate method of reinstatement. Argosy has commissioned a comprehensive damage survey of 7 Waterloo Quay, and detailed damage assessment reports are now with insurers. We envisage that the damage reports may be updated, based on our advisors' experience that additional earthquake damage may become apparent.

Reinstatement & Leasing

In the meantime, Argosy has proceeded swiftly with its own interim works programme (including levels 10-12), and it is expected that the affected floors will be ready for reoccupation this financial year. We expect strong demand for levels 10-12 as they become available. This programme is expected to cost $41 million to complete, and this amount has been included as a capital deduction in the valuation for 7 Waterloo Quay at 31 March 2018.

Insurance claim

Argosy also has business interruption insurance, which is expected to cover loss of rents and certain additional expenses until mid-November 2018, being a period of two years from the date of the earthquake. Argosy has made three interim claims under its material damage and business interruption insurance, and received progress payments from insurers of $11.8 million plus GST (after a $4.8 million deductible).

Of the $11.8 million received from insurers, Argosy has recognised $9.8 million (after deductible) in its financial reporting for the period to 31 March 2018. Of this amount, $5.7 million has been allocated by Argosy to loss of rents, $1.8 million has been allocated to expense recoveries and $2.3 million to material damage reinstatement. Further interim claims will be presented for the remainder of the two-year business interruption indemnity period, and for material damage.

DIVESTMENT OF NON-CORE ASSETS

With the continued strength in property markets over the second half of the financial year, Argosy successfully completed the sale of Tunnel Grove, Wellington for $2.8 million and the unconditional agreement to sell Wagener Place in Auckland for $31.0 million. This transaction will settle in July 2018. The Wagener Place sale was an opportunity to reduce Argosy's retail exposure in an area where there will be increasing competition. These transactions follow the sale of Pandora Rd in Napier in the first half for $7.7 million.

At year end, Argosy has categorised approximately 7% or $110 million of the portfolio as non Core. As noted above, Argosy will continue its divestment programme over the next 12-18 months to take advantage of current market conditions.

[3] Excluding NZ Post House and Stewart Dawson Corner

CAPITAL MANAGEMENT

Current Leverage

At 31 March 2018, Argosy's debt-to-total-assets ratio, excluding capitalised borrowing costs, was 35.9% versus 36.3% at 31 March 2017 year end. The decrease reflects the net impact of developments during the period offset by divestments and revaluation gains. During the period the Board has decided to widen the target gearing band to 30-40% (previously 35-40%). This allows Argosy to be more flexible depending on financial and property market conditions. Argosy currently sits in the middle of the new target band and remains well within all bank covenants.

Argosy's weighted average interest rate for the period was 4.98% versus 4.88% at 31 March 2017 year end. During the period Argosy undertook two restructures to its banking facilities with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and Hongkong and Shanghai Banking Corporation. The first restructure can be summarised as follows:

- Tranche A ($275 million) was extended to 31 October 2021;
- Tranche B (also $275 million) expiry remained at 30 September 2020;
- An additional tranche (Tranche C) of $25 million was added to the facility with an expiry date of 31 October 2021.

The second restructure saw an additional facility (Tranche D) of $50 million added with an expiry date of 28 February 2021. Argosy's total debt facility is now $625 million. At 31 March 2018, the weighted average facility term was 3.1 years.

SUSTAINABILITY

Last year we established our Environmental, Social and Governance Framework to recognise the importance sustainable business practices have on the environment and long-term value creation for shareholders. Our environmental policy reflects our ambition to create vibrant and sustainable workplaces for our tenants. Argosy believes green buildings have potential to provide both environmental and business benefits including; increased marketability, lower operating costs, higher occupancy and improved occupier productivity and well-being.

OUTLOOK

Looking ahead, we have started the 2019 financial year well and expect to carry last year's momentum through the remainder of this year. As always, I would like to thank the Board for its continued strong governance and stewardship. To my team, thank you all for your dedication and hard work towards upholding our values and culture over the year.

I look forward to updating all shareholders further at the Annual Meeting in August.

PETER MENCE

Chief Executive Officer

Focus Area

01

Our Tenants

We proactively manage our tenant partnerships. We aspire to provide modern, high quality and safe properties that our tenants enjoy and are expertly managed by our experienced team.

OUR TENANT PHILOSOPHY

Tenant success is our success. If we can build long term partnerships with our tenants where both parties feel valued, we can achieve great things together. Our buildings need to be modern, comfortable environments which help support our tenants' strategic growth aspirations.

Over the last twelve months we have continued to evolve our thinking from a landlord perspective. We want to ensure the buildings don't just work for our tenants now, but for the next 20 years.

Making it as easy as possible for our tenants to work with us remains a focus area. We have dedicated staff as primary points of contact. They get to know our tenants' businesses and their specific needs. We aim to provide regular communication that is clear, timely and relevant, and we pride ourselves on being responsive. We deal with any issues quickly and appropriately to make sure they don't become big problems for the tenant, or us.

STRATEGIC PARTNERSHIPS

A key part of our strategy is to work with our key tenants to add value to the portfolio.

Through FY18 we have continued to work closely with our tenants to improve the quality of our portfolio which ultimately delivers more modern and efficient buildings for our tenants to grow their businesses.

Some examples include:

— the completed $24.7 million project at the Highgate Business Park in Silverdale, Albany for Mighty Ape (see case study);

— the completed $7.5 million Snickel Lane project at 23 Customs Street in Auckland's CBD;

— the completed $9.1 million project at 82 Wyndham Street in Auckland's CBD, where we are awaiting confirmation of our 5 Green Star Built rating and 4 Star NABERSNZ rating;

— a redevelopment of the previously earthquake damaged property at 8 Foundry Drive in Christchurch for Polarcold Stores Limited;

Our tenants have a variety of ever-changing requirements which is why we take the time to really understand their needs.

We keep our tenants up to date with Argosy and broader industry news through our tenant newsletters and dedicated team of property managers.

We collaborate closely with our tenants on opportunities to create long term value for both parties. We want to support the growth aspirations of our tenants whilst improving the quality of our portfolio.

— the commencement of a $10.5 million redevelopment at 180 Hutt Road in Kaiwharawhara, Wellington for Fletcher Distributions Limited.

We continue to work with both existing tenants and some potential tenants, to understand their business and growth aspirations. By doing so we can identify a range of potential long term and environmentally sustainable solutions for them.

TENANT COMMUNICATIONS

With an experienced and enthusiastic property team on hand, we do pride ourselves on our tenant communication. Every property is allocated an asset and property manager, providing our tenants with a dual line of communication. We aim to address tenant issues swiftly in order to ensure their working environment remains safe and fit for purpose to conduct their daily business.

Our after-hours help desk allows us to respond to any tenant issues arising outside of normal business hours. Twice a year we provide tenant newsletters to keep our tenant family updated on what's happening within the portfolio as well as other areas of interest.

We periodically survey our tenants allowing us to address any concerns they may have.

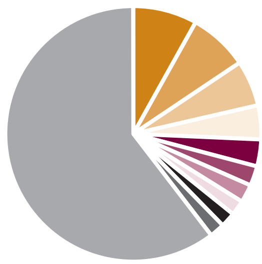
All issues relating to health and safety are resolved by working closely with our tenants. We actively encourage our tenants to strive to achieve excellence in their own health and safety performance as we do at Argosy.

> "Strong partnerships allow us to understand how we can deliver attractive long term real estate solutions for our tenants."
>
> WARREN CATE, ASSET MANAGER

TENANT DIVERSITY

Every single tenant is important to us. Our family of over 170 members includes a diverse range of industries. By income the top 10 tenants account for 40% of income. We consider this diversity of tenant and income streams as offering a high degree of strength to the certainty and stability of our earnings and cashflows. We are not exposed to one sector or one large tenant because our diverse portfolio of properties are typically highly sought after. Furthermore, when we have leases expiring we generally have existing or new tenants keen to backfill any space. The largest tenant in the portfolio is the Ministry of Business, Innovation and Employment, with 8.1% of gross property rental income. This tenant diversification assists us in our goal of providing sustainable income and investment returns to our shareholders.

Largest tenants
BY PERCENTAGE OF RENTAL INCOME



8.1%	Ministry of Business, Innovation & Employment
7.5%	New Zealand Post Limited
5.8%	General Distributors Limited (Progressive Enterprises)
4.3%	Cardinal Logistics Limited
3.4%	The Warehouse Limited
2.5%	Ezibuy Limited
2.3%	Ministry of Primary Industries
1.9%	Mitre 10 (New Zealand) LImited
1.9%	Te Puni Kōkiri
1.9%	Tonkin & Taylor Limited
60.4%	Other

> "Our top ten tenants reflect a diverse range of high quality NZ corporates and government departments."
>
> PETER MENCE, CEO

Focus Area

02

Our Shareholders

We are committed to fostering open and transparent communications with shareholders, ensuring we deliver to the highest standards and comply with the NZX listing rules.

Each year we strive to improve our relationship with all shareholders. We pride ourselves on our ability to release accurate, relevant and timely information to everyone. Our senior management and Board of Directors make themselves available to shareholders through one-on-one meetings, property tours, investor roadshows, conference calls and result webcasts.

OUR COMMUNICATIONS STRATEGY

Our communications strategy includes:

— Periodic and continuous disclosure to NZX in accordance with the NZX listing rules and Argosy's Continuous Disclosure Policy;

— Information and briefings provided to investors, analysts and media;

— Annual and interim reports, distributed to shareholders and made available on the Company's website;

— Bi-annual Investor Update newsletters;

— 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;

— Annual Retail Investor Roadshows; and

— The Company's website containing investor-related information, including portfolio information, market releases, annual and interim reports, investor presentations and webcasts, share price information, dividend details, notices of shareholder meetings and Argosy's governance policies and charters.

— Market announcements sent to persons in the investor relations contacts list and published on our website at www.argosy.co.nz.

GOVERNANCE

We are committed to operating to the highest standards of corporate behaviour and accountability. Our corporate governance practices comply with the NZX Corporate Governance Best Practice Code and the Financial Markets Authority's Principles of Corporate Governance and Guidelines. You can refer to a full report on our compliance with the NZX code on our website.

We uphold the highest ethical standards, acting in good faith and in the best interests of shareholders at all times. The ethical and behavioural standards we expect of Directors, Officers and employees are set out in our Code of Conduct and Ethics. This Code includes policies about conflicts of interest, fair dealing, compliance with applicable laws and regulations, maintaining confidentiality of information, dealing with company assets and use of company information.

Our focus is on having a Board whose members can act independently and have the combined skills to consistently improve our financial performance and returns to shareholders. The Constitution provides for no fewer than three directors. All Board members are non-executive directors. The Board does not impose a restriction on the tenure of any director as such a restriction may lead to the loss of experience and expertise.

The purpose of independent directors is to reassure shareholders that the Board is undertaking its role properly and is diligent in holding management accountable for its performance. By 'independent director' we mean 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 their unfettered and independent judgement.

Strongly committed

We are committed to delivering sustainable and attractive returns to our shareholders.

We are committed to the highest standards of business behaviour and accountability.

Our communications strategy aims to keep all shareholders updated on what is happening with their investment.

As required under Listing Rule 3.3.2, the Board has determined that as at balance date Peter Brook, Mark Cross, Michael Smith, Andrew Evans, Chris Hunter and Jeff Morrison are considered to be independent directors under the NZX Listing Rules. Subsequent to the balance date, and as at the date of this report, the Board determined that Mr Cross has ceased to be an independent director as he is a director of Milford Funds Limited which has subsequently (on 19 April 2018) disclosed that it manages funds with a substantial product holding (5.0%) in Argosy.

Further information on the Board of Directors can be found in the Our People section on page 22 of this report. Our corporate governance policies have been made public and can be viewed on our website.

ANNUAL MEETING

The 2018 Annual Meeting will be held at the Royal New Zealand Yacht Squadron, 101 Curran Street, Westhaven Marina, Auckland on Tuesday, 6th August 2018, commencing at 2pm.

Chris Hunter and Jeff Morrison will retire in accordance with the Company's constitution and the NZX Listing Rules, and will be eligible for re-election. We encourage you to attend the meeting where you will have the opportunity to listen to and meet the Board of Directors in person.

OUR WEBSITE

Argosy's website at www.argosy.co.nz. provides all relevant public information to Investors. The website:

- Reflects any information released to the NZX as soon as practicable after the event;
- Is a repository for relevant documents, including annual reports, interim reports, newsletters, information releases, Company policies, Committee charters, corporate governance related material and similar documents; and
- Provides information including registry forms and full texts of notices of meetings and explanatory notes.

Website information is reviewed regularly to ensure it is current, and where required, archived. Investors who have provided the Company with an email address will be sent annual and interim reports and other investor communications electronically, unless they opt to receive hard copies of these reports. We certainly encourage the receipt of information online to receive information faster, to minimise the impact on the environment and reduce costs for the company.

RETAIL ROADSHOW

As usual, we hold an annual Retail Investor Roadshow each year following the release of our annual results. The 2018 Roadshow will be held from 28 May to 18 June and senior management will visit 13 locations across the country to present the 2018 annual financial results and provide an update on our strategy and portfolio activities.

Some of our directors will be in attendance on the roadshow, making themselves available to answer questions and mingle with shareholders. We encourage you to take the opportunity to attend and catch up with members of the management team and Board. Further information about the Roadshow can be found under the Investors section of our website.

DIVIDEND PAYMENTS

We are committed to delivering sustainable and attractive returns to our shareholders. The Board has announced a full year cash dividend of 6.20 cents per share, a 1.6% increase on the prior year. The final quarter dividend of 1.550 cents per share, with imputation credits of 0.3744 cents per share attached, will be paid to shareholders on 27th June 2018. The record date will be 13th June 2018.

The dividend reinvestment plan is currently suspended.

Our dividend policy is focused on paying dividends that are less than net distributable income. For some investors, Adjusted Funds From Operations (AFFO) represents an important measure of dividend sustainability.

Argosy's Board recognises this view and intends to transition to a new dividend policy, based on AFFO earnings, over the medium term. We remain focused on delivering sustainable dividends to our shareholders and to this end, the Board can guide to a full year 2019 cash dividend of 6.25 cents per share, an increase of 1% on the prior year.

The increase reflects our wish for shareholders to share in the continued strong results but also allows us to maintain our momentum towards an AFFO based dividend policy in the medium term.

KEY DATES

Dates are indicative and may be subject to change

23 May 2018
FY18 annual results release

27 June 2018
Final quarter FY18 dividend payment

6 August 2018
Annual Shareholders Meeting

September 2018
FY19 1st quarter dividend payment

November 2018
FY19 interim results release

December 2018
FY19 2nd quarter dividend payment

Focus Area

03

Our People

Argosy is committed to creating and maintaining an inclusive and supportive workplace for all its staff.

DIVERSE AND VIBRANT CULTURE

Our people are a key focus. Our Diversity Policy (which is available on our website) sets out our position and includes measurable objectives to achieve our diversity goals. We have continued to expand on our Environmental, Social and Governance reporting obligations. This year we have provided ethnic diversity information on our business to illustrate the diverse cultures we embrace and whom we benefit from in our business.

We have zero tolerance for discrimination and recognise that a talented and diverse workforce, where each employee brings their own unique capabilities, experiences and characteristics to their role, is a key competitive advantage.

We look to recruit and retain talented people to support the delivery of our strategy.

Our Values include treating all people with respect. We want to create a supportive and understanding environment where everyone can realise their potential within the company, regardless of their different backgrounds or beliefs. We are simply committed to employing the best people to do the best job possible for Argosy and its shareholders.

STAFF WELLBEING

We endeavour to provide a healthy and safe workplace for all our employees and we have an established workplace Health and Safety Committee. The purpose of the committee is to support the health and wellbeing of Argosy staff and encourage the safe and early return to work of ill or injured employees. The Committee is also responsible for establishing initiatives that support this purpose such as the provision of subsidised gym memberships (physical health) and access to independent employee assistance programs (mental health). As well as this, permanent employees are provided with health, life and disability insurance cover as part of their employment.

DEVELOPING OUR TALENT

We invest resources into upskilling our people to ensure we have the necessary skills and experience to perform our roles expertly and professionally. Each employee has a personal development plan as part of their Employee Performance Plan. The plan is developed

We invest in developing the skills of our employees.

The health and wellbeing of our staff is important and underpins our supportive working environment.

Diverse & inclusive

We operate a diverse and inclusive workplace.

with the employee's line manager and reviewed as part of the annual review process.

As a listed issuer, Argosy participates in the Institute of Directors Future Directors program. This program aims to give talented people the opportunity to observe and participate on a company board for a year. The program creates a variety of benefits for Argosy including a fresh perspective over the business, a different professional skill set, diversity and assistance in developing talent for future boards.

OUR VALUES

Our values guide our internal conduct as well as our relationships with external parties. We are committed to delivering top quartile results within the listed property sector to create value for our shareholders. However, these results must also consider the interests of workers, tenants, the community and others with whom we do business.

In striving for outstanding performance, we do not compromise our ethics or principles. We place great importance on honesty, integrity, quality and trust.

Our Values

Ethics

Doing the right thing and doing things right

Culture

Creating a fun environment that encourages excellence

Respect

Treating all stakeholders with courtesy and understanding

Accountability

Taking ownership and responsibility

Communication

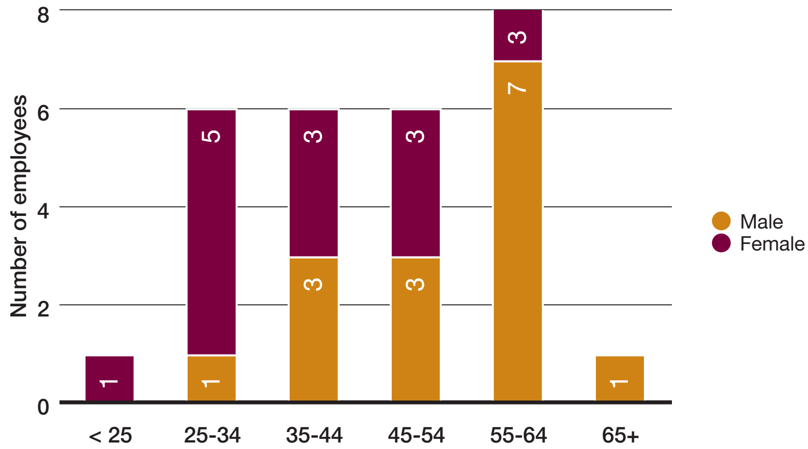
Promoting responsive, proactive, honest and appropriate communication with all stakeholders

Gender Diversity

SENIOR MANAGEMENT AND STAFF

Gender Diversity

STAFF AGE AND GENDER PROFILES



Ethnic Diversity

Group	All staff
European	63%
Asian	21%
Māori	8%
Pacific Peoples	8%
Middle Eastern, Latin American, African	n/a
Not disclosed	n/a

03 Focus Area
Our People

BOARD OF DIRECTORS

Michael Smith Chairman
Director since December 2002[4]

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

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

Peter Brook
Director since December 2002[4]

Mr Brook has 21 years experience in the investment banking industry, retiring in 2000 to pursue his own business and consultancy activities. He is presently Chairman of Burger Fuel Worldwide Limited, Trust Investments Management Limited and Generate Investment Management Limited. Mr Brook is also a trustee of the Melanesian Mission Trust Board, a member of the Institute of Finance Professionals New Zealand Inc. and a director of several private companies.

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

Mark Cross
Director since March 2012

Mr Cross has more than 20 years executive experience in investment banking, holding senior positions in New Zealand, Australia and the United Kingdom. He is currently chairman of Milford Asset Management Limited and MFL Mutual Fund Limited/ Superannuation Investments Limited, and a director of Genesis Energy Limited, Z Energy Limited and Chorus Limited.

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

Andrew Evans
Director since August 2003[4]

Mr Evans has more than 26 years experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. He is a director of NorthWest Healthcare Properties Management, Holmes Group Limited, Holmes GP Fire Limited, Trust Investments Management Limited, Hughes and Cossar Group Holdings Limited, Infinity Investment Group Limited and Westbrooke Capital Partners Limited. In addition, Mr Evans is a past national president of the Property Council of New Zealand, a foundation member of the Property Institute of New Zealand, a government appointee to the Land Valuation Tribunal (Waikato No.1) and is a trustee of the Marist Brothers Rugby Charitable Trust.

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

Chris Hunter
Director since June 2013

Mr Hunter has extensive commercial property experience including more than 26 years in New Zealand's construction industry, most recently as the Chief Executive Officer of Hawkins Construction and he has recently invested in NZ Strong Group. Over the past 20 years he has been associated with more than $10 billion of developments across industrial, commercial, retail, residential and infrastructure sectors. Mr Hunter currently has a portfolio of business investments and is active in the property development sector.

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

Jeff Morrison
Director since July 2013

Mr Morrison has 40 years of experience as a property lawyer, 29 of them as a commercial property partner at Russell McVeagh, and now practises on his own account. Mr Morrison is a trustee of the Spirit of Adventure and other charitable trusts and holds a number of private company directorships.

Mr Morrison is a qualified lawyer with a Bachelor of Laws degree from The University of Auckland. He is also a member of the Institute of Directors in New Zealand.

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

▲ Michael Smith Chairman

▲ Andrew Evans Director

▲ Peter Brook Director

▲ Chris Hunter Director

▲ Mark Cross Director

▲ Jeff Morrison Director

03

Focus Area
Our People

▲ Peter Mence Chief Executive Officer

▲ Anna Hamill Financial Controller

▲ Dave Fraser Chief Financial Officer

▲ David Snelling General Counsel

▲ Stephen Freundlich Head of Investor Relations

▲ Saatyesh Bhana Asset Manager

▲ Rob Smith Asset Manager

▲ Joanna Sharpe Asset Manager

▲ Warren Cate Asset Manager

▲ Tony Frost Asset Manager

▲ Marilyn Storey Asset Manager

▲ Wade Allen Leasing Manager

To read bios of our people please visit our website:
argosy.co.nz/about-us/our-people

Focus Area

04

Health & Safety

24% decrease in reportable incidents

100% of incidents are investigated

95% improvement close out rate within the month reported

The focus around health & safety remains paramount. The provision of a healthy and safe workplace for our employees, tenants and contractors is unchanged.

We continue to have accurate recording and reporting of workplace incidents, supporting innovation and fresh ideas to improve health and safety systems. This ensures worker participation through health and safety representatives and supporting the safe and early return to work of injured employees.

Underpinning this commitment is our continued innovation and adoption of technology to improve our systems – particularly around recording and reporting of workplace incidents. We acknowledge our responsibilities to tenants, other workers and the public.

To this end, in October 2017 Argosy introduced SiteSoft, a new contractor management system, to ensure all work carried out on a building is completed to the highest standards and in the safest way possible. Sitesoft allows real time notifications of risks, emergency procedures and building information, to be passed on to a contractor visiting a building through smart phone technology. Contractors undergo a pre-qualification and induction before work can start.

Workplace incidents continue to reduce due to a number of health and safety initiatives introduced, including high risk pre-start meetings and joint discussions between contractors, tenants and Argosy. Argosy continues to meet regularly with its key contractors to discuss new ways of creating a safe working environment for its tenants, contractors and staff.

HEALTH AND SAFETY STRATEGIC GOALS

We want to create a positive safety culture. Therefore, it's critical that we manage health and safety risks, provide adequate training and resources and ensure that managers and individuals are accountable for their actions or inaction. Our seven key strategic goals to provide a safer work environment are;

We are committed to health and safety in the workplace, striving to create a positive safety culture.

We are strongly committed to health and safety and have the aspirational vision of Zero Harm.

We have seven strategic health and safety goals designed to provide a safe work environment.

1. We will proactively identify risks and implement actions to eliminate, isolate or minimise the risk of harm;
2. We will consult and actively engage with employees and contractors to ensure they have the training, skills, knowledge and resources to maintain a healthy and safe workplace;
3. We will maintain and continually improve our health and safety system;
4. We will actively encourage our contractors and tenants to demonstrate the same commitment to achieving excellence in health and safety performance as we do;
5. We will support the health and wellbeing of staff and encourage the safe and early return to work of injured or ill employees;
6. We will comply with relevant legislation and regulations;
7. We will accurately report our incidents and investigate root causes, in a timely manner.

PROGRESS

We have made progress on the health and safety initiatives introduced in the prior year:

— We have extended the pre-start project meetings to include any high risk work based on the risk matrix;
— We regularly monitor risk mitigation controls;
— We provide ongoing training and appropriate equipment to staff;
— We audit every contractor at least once a year and have reduced the number of contractors by introducing a 'pre-qualification' process;
— We have maintained a robust health and safety system;
— We conduct monthly contractor meetings to discuss key health and safety points;
— We are now also holding meetings with tenants to ensure a co-operative approach is taken regarding health and safety;
— Argosy's Compliance Manager (who is trained in root cause analysis) has continued to lead our health and safety program.

ACC ACCREDITATION TERTIARY STATUS

Argosy's "Tertiary Status" in ACC's Workplace Safety Practices remains in place and is the highest level of achievement possible. It represents best practice in health and safety compliance, according to ACC.

8 Nugent Street, Newmarket.

Focus Area

05

Environment & Community

Being environmentally conscious and supporting our community is important to us.

THE ENVIRONMENT

Our focus on the environment and the long-term sustainability of our business has strengthened further over the year. Last year we established our Environmental, Social and Governance (ESG) Framework to recognise the importance sustainable business practices have on the environment and long-term value creation for shareholders. Our environmental policy reflects our ambition to create vibrant and sustainable workplaces for our tenants and Argosy believes green buildings have potential to provide both environmental and business benefits.

WHAT WE DO

Over the last year we have continued to work towards providing environments that support higher productivity levels whilst minimising the impact on the environment.

Looking at how we use energy to reduce carbon emissions and finding smarter and more efficient ways of doing things is still top of mind. We are currently reviewing potential partners to assist us in measuring energy consumption which is part of Argosy's ESG Framework.

"Our continued development of green assets reflects our long term commitment to sustainability."

PETER MENCE, CEO

We acknowledge that our activities can have an impact on the natural environment and are committed to managing and reducing the consequences of these activities.

Actively engaged

We are committed to actively engaging with our stakeholders including the communities we are part of.

We believe that with improved Environmental, Social and Governance policies and practices, shareholders and tenants can make better informed investment decisions.

Investors are becoming more sustainability focused from an investment perspective. They are demanding more disclosure from organisations around their plans, policies, goals and objectives with respect to sustainability. Our environmental policy articulates our environmental ambitions and principles. Argosy remains a member of the New Zealand Green Building Council (NZGBC), the organisation responsible for issuing independent ratings under the NABERSNZ and Green Star standards.

WHAT IS NABERSNZ?

NABERSNZ is an independent system for rating the energy efficiency of office buildings, which is backed by the New Zealand Government. NABERSNZ is a useful tool for an owner to understand how energy is used in a building and to be able to improve its performance. By using this information, energy management strategies can be instigated to make operational improvements and reduce energy consumption.

5 Star

Whole Building NABERSNZ
15-21 Stout Street

WHAT DOES GREEN STAR MEAN?

Green Star rating tools have been developed by the NZGBC as a way of predicting the energy use and environmental impact of a building from the design phase to completion. To rate a building's overall environmental impact, the tool awards points across nine categories: energy, water, materials, indoor environment quality, transport, use & ecology, management, emissions, and innovation. A 5 Green Star rating indicates New Zealand excellence.

> "A high Green Star rating reflects strong environmental collaboration between the building owner and tenant."
>
> **SAATYESH BHANA, ASSET MANAGER**

5 Star

Office Green Built Rating
15-21 Stout Street

15-21 Stout Street, Wellington

Floor area: 18,750sqm (approx.)

Tenant: Ministry of Business Innovation and Employment (MBIE), ~1,800 staff

Green Star Rating: 5 Star Office Built

Awards: Property Council New Zealand Industry Awards (2015): Green Building Property Award (Best in Category); Heritage and Adaptive Reuses Property Award (Excellence); Commercial Office Property Award (Excellence).

The initial Stout Street design was completed by the developer and architect to target a 4 Green Star Built Rating. Argosy joined the project during the demolition phase and had an opportunity to review the scope of works. Lessons learnt from 143 Lambton Quay (Wellington's first 5 Green Star Built Rated office building) were invaluable. After consultation with the tenant, Argosy made changes to the scope of works that improved the sustainability and energy efficiency features of the project. The building was subsequently awarded a 5 Green Star Built Rating.

05 Focus Area

Environment & Community

Highgate Business Park, Mighty Ape

In March 2016, Argosy partnered with an existing tenant, Mighty Ape, to build a brand new 10,500sqm building at the Highgate Business Park, Albany, Auckland. In January 2018 the practical completion certificate was issued on the $24.7m project consisting of 9,000sqm of warehouse with 1,500sqm of office space over two storeys, plus 116 onsite carparks.

It was only with collaboration between Argosy and Mighty Ape that an environmentally sustainable design package was possible. The building has a range of green or sustainable features including electricity and water metering systems, to record consumption and air to air heat recovery on the fresh air system.

Argosy is currently awaiting the outcome for its application for a 4 Green Star Industrial Built Rating from the NZGBC.

OUR ASPIRATIONAL GOALS

Our ESG Framework sets out the following aspirational environmental goals;

1. **We will strive to obtain NABERSNZ Energy Ratings on all of our office buildings by 2022.**

We currently have a 4 Star NABERSNZ rating on 143 Lambton Quay, Wellington and 5 Green Star rating at 15-21 Stout Street in Wellington.

2. **We will collect energy consumption data (electricity, water and gas) on all buildings.** This goal remains very much in place. We continue to identify and source the most appropriate technology to allow us to implement this and hope to begin this in FY19.

3. **We will develop a Waste Management Plan which will be incorporated into all major projects.** Successfully used in completed projects and continues to be considered on all major projects.

OUR COMMUNITY

Argosy has a strong social responsibility commitment to actively engage with the communities in which we operate. Shareholders retain high expectations for Argosy to deliver a wider range of outcomes over and above financial returns to them. In fact, we are increasingly seeing this social responsibility expectation from our international shareholders.

Argosy continues to recognise and deliver on these expectations through its support of four surf life saving organisations and the Spirit of Adventure Trust. Our four surf life saving club (SLSC) partners are: Red Beach SLSC (Auckland), Hot Water Beach SLSC (Coromandel), Lyall Bay SLSC (Wellington) and Taylors Mistake SLSC (Christchurch). They remain fantastic organisations to partner with and we acknowledge the huge value they provide in keeping communities safe in the water each year. For the year to 31 March 2018 Argosy donated $45,000 to these organisations.

We are looking forward to working with these clubs and continue to take pride in the great work that they do.

Spirit of Adventure Trust

This programme has been building generations of young Kiwis with confidence, resilience and self-esteem since 1972 and over 1,000 Kiwi teenagers get the opportunity to participate in this potentially life changing voyage every year.

An Otago University study done on the outcomes of students aboard the ship shows that trainees display increases in self-esteem and more initiative to take opportunities that life presents to them. We are extremely happy to be supporting this programme with results like this.

Argosy proudly supports the Spirit of Adventure Trust, based in Auckland and contributes a total of $5,000 per annum for this initiative. The sponsorship contributes towards the cost of two teenagers, aged 16-18, to participate in the 10-day development voyage on the Spirit of New Zealand.

Argosy works with the Trust to identify two recipients who would benefit from the experience but who would otherwise not necessarily have the means to be able to fund it.

Further information about the Trust can be found at www.spiritofadventure.org.nz.

> "The Spirit of Adventure has taught me to keep going and don't give up."
>
> BONNIE

Staff Volunteer Days

Argosy encourages its staff to do volunteer work for a charity of their choice. During the period Argosy staff undertook volunteer days to support a variety of well deserving organisations during the year including the SPCA, Trees for Survival and Big Brother. For 2019, Argosy is aiming for 100% of its staff make the voluntary commitment towards helping community organisations achieve their goals.

Taylors Mistake Surf Lifesaving Club

Spirit of Adventure Trust

Focus Area

06

Portfolio Positioning

Argosy has delivered a higher quality portfolio year on year, underpinned by high occupancy, longer WALT and strong leasing and rent review outcomes.

The property market is approaching what we would consider to be close to its cyclical peak. As a result, we have taken opportunities to divest non Core properties in a vendor friendly market and redeploy the capital.

Our Investment Policy hasn't changed. However, we have taken a slightly cautious approach to our asset allocation with a reduction in retail exposure considered pragmatic given some of the headwinds facing the sector. We think there will be better opportunities to reinvest these proceeds elsewhere over time.

DIVESTMENTS

With the continued strength in property markets over the second half of the financial year, Argosy successfully completed the sale of Tunnel Grove in Wellington for $2.8 million and the unconditional agreement to sell Wagener Place in Auckland for $31.0 million. This transaction will settle in July 2018.

The Wagener Place sale was an opportunity to reduce Argosy's retail exposure in an area where there will be increasing competition. These transactions follow the sale of Pandora Rd in Napier in the first half of the year for $7.7 million.

At year end, Argosy has categorised approximately 7% or $110 million of the portfolio as non Core. As noted above, Argosy will continue its divestment programme over the next 12-18 months to take advantage of current market conditions.

NZ POST HOUSE, AT 7 WATERLOO QUAY

Earthquake Damage and Insurance Claim

Argosy's 13 storey property at 7 Waterloo Quay in Wellington sustained damage in the 7.5 magnitude Kaikoura earthquake on 14 November 2016. Independent engineers have confirmed that the building remains structurally sound, but it suffered damage to fit out and services. Argosy has material damage insurance and we are working with our insurers to progress a significant insurance claim. Argosy expects that, as with many earthquake insurance claims, there may be debate with insurers over the extent of the damage, and the appropriate method of reinstatement. Argosy has commissioned a comprehensive damage survey of 7 Waterloo Quay, and detailed damage assessment reports are now with insurers.

We envisage that the damage reports may be updated, based on our advisors' experience that additional earthquake damage may become apparent.

Reinstatement & Leasing

In the meantime, Argosy has proceeded swiftly with its own interim works programme (including levels 10-12), and it is expected that the affected floors will be ready for reoccupation this financial year. We expect strong demand for levels 10-12 as they become available. This programme is expected to cost $41 million to complete, and this amount has been included as a capital deduction in the valuation for 7 Waterloo Quay at 31 March 2018.

We have a clearly defined investment strategy and acquisition policy which guides our commercial decision making.

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

Quality portfolio

We have a high quality portfolio that continues to improve through careful acquisitions, divestments of non Core assets and adding value to the existing portfolio.

Insurance Claim

Argosy also has business interruption insurance, which is expected to cover loss of rents and certain additional expenses until mid-November 2018, being a period of two years from the date of the earthquake. Argosy has made three interim claims under its material damage and business interruption insurance, and received progress payments from insurers of $11.8 million plus GST (after a $4.8 million deductible).

Of the $11.8 million received from insurers, Argosy has recognised $9.8 million (after deductible) in its financial reporting for the period to 31 March 2018. Of this amount, $5.7 million has been allocated by Argosy to loss of rents, $1.8 million has been allocated to expense recoveries and $2.3 million to material damage expense. Further interim claims will be presented for the remainder of the two-year business interruption indemnity period, and for material damage expense.

ACQUISITIONS AND MAJOR PROJECTS

Ongoing tightness across the property market continued in 2018. This, coupled with a surplus of capital and scarcity of quality real estate means few opportunities have emerged during the period to make acquisitions which would add value.

Despite this, we have continued to finish our development pipeline with four projects totalling $48.8 million now completed. As a result of the green development works included as part of the Highgate (Mighty Ape) and 82 Wyndham Street developments, we are currently targeting a 4 Green Star Industrial Built Rating and 5 Green Star Office Built Rating on these properties respectively. These would add to our existing 5 Green Star Office Built assets at 143 Lambton Quay and 15 Stout Street, both in Wellington.

> "The real estate market is certainly looking firmly valued."
>
> **PETER MENCE, CEO**

Foundry Drive, Christchurch. Value Add Development

Project cost: $7.5 million

Completion: December 2017

NLA: 7,668sqm

Tenant: Polarcold Stores Limited

Initial Lease: 12 years

The Foundry Drive project is another example of Argosy's strategy in action. Polarcold operates third party, independent cool and coldstores strategically located in Dunedin, Timaru and Christchurch and was undergoing significant growth. The site has 4,500sqm of land for future development or expansion. By working closely with its tenant, Argosy was able to deliver an excellent real estate solution to them as well as shareholders.

Focus Area

07

Asset Management

Argosy has finished the 2018 financial year with its portfolio in great shape. It has a very high occupancy rate at ~99% and increased its weighted average lease term to over 6 years.

MARKET UPDATE

The economic outlook generally looks sound despite softening medium term growth expectations. Interest rates remain at cyclically low levels and wholesale increases appear some way off.

Bottom up, the property market also looks sound. Net absorption rates across office and industrial remain solid and occupier demand resilient. Auckland office vacancy levels remain at very low levels. The industrial sector continues to be one of the standout performers. Steady economic activity is underpinning occupier demand resulting in consistently low vacancy rates and solid rental growth results.

The impact of the November 2016 earthquakes in Wellington remains well documented. The office market there remains under supply pressure to the extent that vacancy rates for good quality accommodation are very low. With ongoing supply & demand imbalance, there is a need for new office stock with large floor plates. Owners of well located properties in the city with good seismic ratings remain well positioned.

VALUATIONS

An independent revaluation of the portfolio was undertaken as at 31 March 2018. This saw the portfolio record a full year revaluation gain of $47.3 million, a 3.2% gain on the year end book value. Overall, the industrial portfolio increased 6.5% ($39.0 million) above book value, office 1.0% ($5.6 million) and retail 0.9% ($2.7 million). If we adjust the annual revaluation result for NZ Post House, Argosy's annual revaluation uplift would have been $61.6m, or a 4.5% increase above book value.

On current market value, Argosy's portfolio[5] has a passing yield of 6.88% and a 6.98% yield on market rental. The portfolio is 1.3% under rented excluding market rentals on vacant space.

LEASING ACTIVITY

Underpinned by continued strength in Auckland and Wellington property market fundamentals, Argosy has delivered strong leasing and rent review results over the second half of the year. During the period, 51 lease transactions were completed on 150,000sqm of net lettable area, including 23 new leases, 20 renewals and 8 extensions. Material leasing transaction successes over the second half of the financial year include;

— 15-year extension to Amcor Flexibles for 9,178sqm at 9 Ride Way, Albany, Auckland;
— 12-year lease to Eclipx Fleet Holdings for 4,230sqm at 8 Forge Way in Panmure, Auckland;
— 6-year renewal by Te Puni Kokiri for 6,215sqm at 143 Lambton Quay, Wellington;
— 3-year renewal by Tonkin & Taylor for 4,377sqm at 105 Carlton Gore Rd, Newmarket, Auckland; and

In addition, Foster Moore is taking an initial 12-year lease on Level 1 of 82 Wyndham St for 1,644sqm. There is some vacancy remaining at 23 Customs Street where 2,950sqm of space is vacant. However, following refurbishment, the completion of the Snickel Lane development and continued strength in the Auckland leasing market, Argosy is experiencing strong tenant interest for the building. Following strong leasing results over the second half, Argosy's FY19 lease expiries as at 31 March 2018 were down to 9.9% from the 16.4% reported in the prior year. Argosy's weighted average lease term at year end increased to 6.1 years compared to 5.6 years at the interim result. The improvement reflects some of the longer leasing results achieved with some of our larger tenants over the second half of the year. Argosy has maintained a very high occupancy level over the year and increased this to 98.8% at year-end compared to 98.6% in the prior year.

5 Excluding 7 Waterloo Quay and Stewart Dawson Corner

Each of our properties is allocated an asset and property manager which allows us to optimise opportunities to maximise the return of our properties.

This focus allows us to minimise vacancy and maintain a strong weighted average lease term.

Our lease terms are diversified with fixed, market, and CPI rental growth.

PORTFOLIO STATISTICS

	Unit of measure	TOTAL	Industrial	Office	Retail
Number of buildings	#	61	36	17	8
Market value of assets	$m	1,513	638	577	298
Net lettable area	sqm	587,766	359,173	127,780	100,813
Vacancy factor by rent	%	1.2%	0.1%	2.8%	0.0%
Weighted average lease term	years	6.1	7.4	5.0	5.7
Average value	$m	24.8	17.7	34.0	37.3
Passing yield[1]	%	6.88%	6.71%	6.97%	7.12%

1. 7 Waterloo Quay and Stewart Dawson Corner have been excluded from these yield metrics

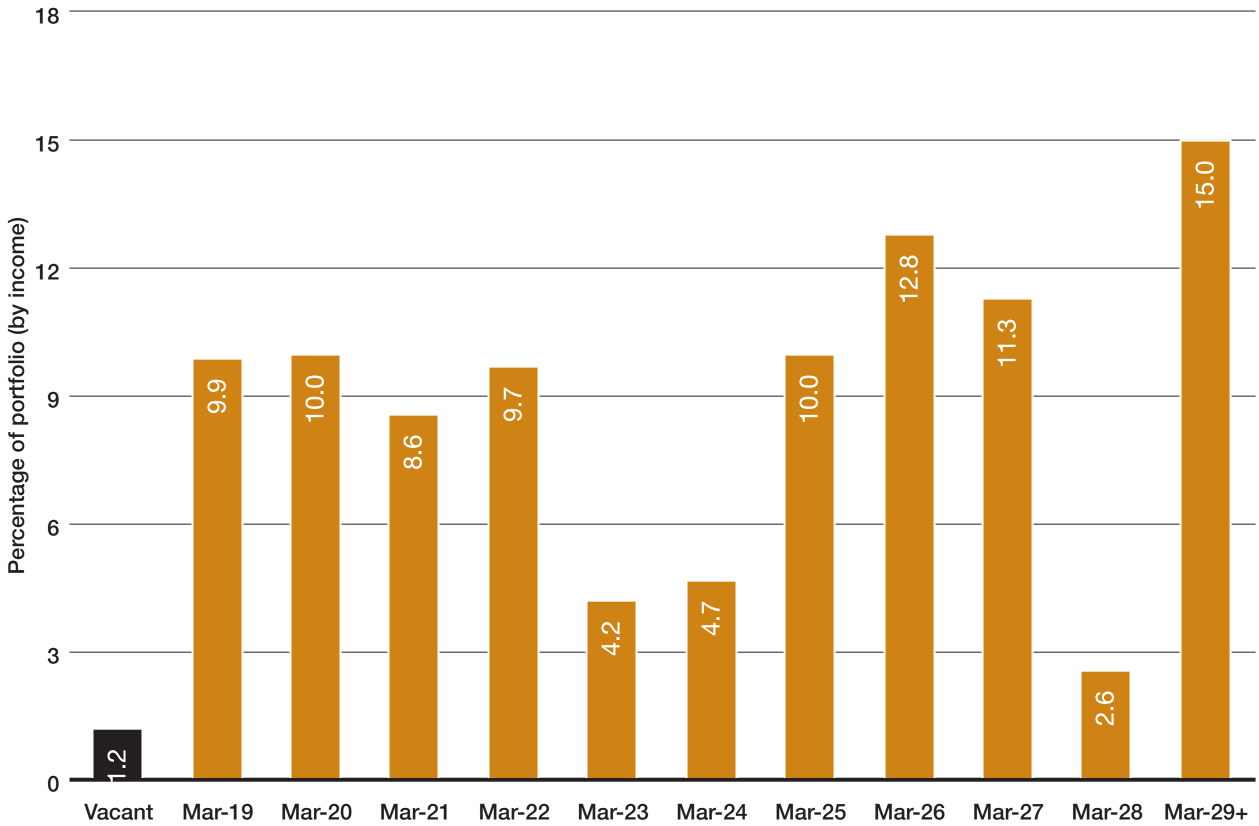
Net lettable area is used to calculate rentable area in buildings.

The **weighted average lease term** is very important because portfolio values are fundamentally affected by security of income streams.

Passing yield is net contract income divided by property valuation.

LEASE EXPIRY PROFILE

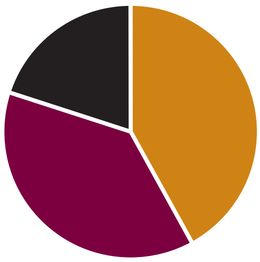
BY RENT



07 Focus Area

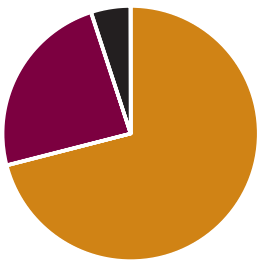
Asset Management

Total Portfolio Value
BY SECTOR



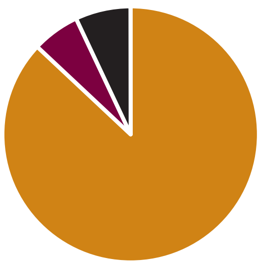
●	42%	Industrial
●	38%	Office
●	20%	Retail

Total Portfolio Value
BY REGION



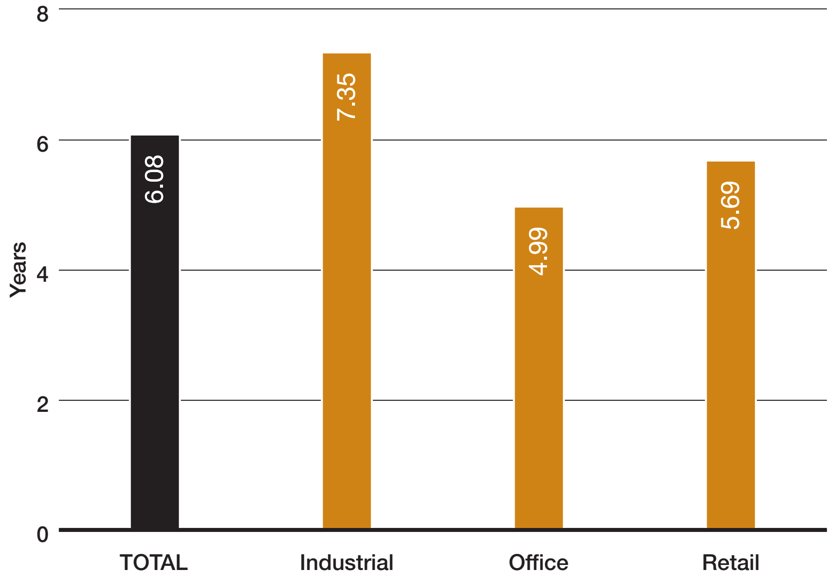
●	71%	Auckland
●	24%	Wellington
●	5%	North Island regional and South Island

Portfolio Mix
BY TYPE



●	87%	Core properties
●	6%	Value Add properties
●	7%	Properties and land to divest

WEIGHTED AVERAGE LEASE TERM
BY RENT



"An independent revaluation of the portfolio was undertaken as at 31 March 2018 resulting in a gain of $47.3 million, a 3.2% increase on the year end book value."

PETER MENCE, CEO

New Leases and Lease Extensions
BY SECTOR

	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
Industrial	104,796	6.2	14
Office	28,022	4.0	25
Retail	16,527	5.3	12
TOTAL	149,345	5.2	51

New Leases and Lease Extensions
BY TYPE

	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
New lease	67,651	7.0	23
Right of renewal	50,211	4.4	20
Extension	31,483	3.5	8
TOTAL	149,345	5.2	51

Rent Reviews
BY SECTOR

	No. of Reviews	Annualised Rent Increase	Increase over Contract ($)
Industrial	21	2.3%	867,010
Office	39	3.6%	1,504,247
Retail	28	3.4%	595,581
TOTAL	88	3.0%	2,966,838


15-21 Stout Street, Wellington.

RENT REVIEWS

During the period a total of 88 rent reviews on $48.5 million of existing rental income were completed. Rental growth of 6.1% was achieved or 3.0% on an annualised basis on all rents reviewed. The office portfolio accounted for 50% of the total rental uplift due to a large market review, with industrial and retail contributing 29% and 21% respectively.

Approximately 50% of all rents reviewed (by income) were market reviews, 27% were fixed reviews and 23% were CPI or CPI+.

Strength in diversity

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

Number of Buildings

61

Market Value of Buildings $M

1,513.1

Occupancy By Rent

98.8%

WALT Years

6.1

Passing Yield*

6.88%

*excluding 7 Waterloo Quay and Stewart Dawson Corner, Wellington

INDUSTRIAL

AUCKLAND

90 - 104 Springs Road, East Tamaki

VALUATION	$ 5,400,000
WALT	8.92
NET LETTABLE AREA (SQM)	3,885
VACANT SPACE (SQM)	–
PASSING YIELD	6.48%

8 Forge Way, Panmure

VALUATION	$ 25,225,000
WALT	12.71
NET LETTABLE AREA (SQM)	4,230
VACANT SPACE (SQM)	–
PASSING YIELD	5.95%

10 Transport Place, East Tamaki

VALUATION	$ 28,620,000
WALT	6.00
NET LETTABLE AREA (SQM)	10,641
VACANT SPACE (SQM)	–
PASSING YIELD	6.57%

1 Rothwell Avenue, Albany

VALUATION	$ 27,500,000
WALT	12.25
NET LETTABLE AREA (SQM)	12,936
VACANT SPACE (SQM)	–
PASSING YIELD	5.88%

4 Henderson Place, Onehunga

VALUATION	$ 23,300,000
WALT	13.29
NET LETTABLE AREA (SQM)	10,841
VACANT SPACE (SQM)	–
PASSING YIELD	6.33%

1-3 Unity Drive, Albany

VALUATION	$ 10,700,000
WALT	3.50
NET LETTABLE AREA (SQM)	6,204
VACANT SPACE (SQM)	–
PASSING YIELD	6.81%

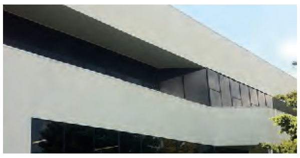
5 Unity Drive, Albany

VALUATION	$ 6,475,000
WALT	1.00
NET LETTABLE AREA (SQM)	3,046
VACANT SPACE (SQM)	–
PASSING YIELD	5.64%

80 Springs Road, East Tamaki

VALUATION	$ 10,000,000
WALT	0.42
NET LETTABLE AREA (SQM)	9,675
VACANT SPACE (SQM)	–
PASSING YIELD	8.15%

211 Albany Highway, Albany



VALUATION	$ 20,550,000
WALT	4.84
NET LETTABLE AREA (SQM)	14,589
VACANT SPACE (SQM)	–
PASSING YIELD	6.48%

80-120 Favona Road, Mangere

VALUATION	$ 85,500,000
WALT	6.41
NET LETTABLE AREA (SQM)	59,448
VACANT SPACE (SQM)	–
PASSING YIELD	7.54%

19 Nesdale Avenue, Wiri

VALUATION	$ 48,800,000
WALT	13.67
NET LETTABLE AREA (SQM)	20,677
VACANT SPACE (SQM)	–
PASSING YIELD	6.09%

15 Unity Drive, Albany

VALUATION	$ 4,275,000
WALT	2.07
NET LETTABLE AREA (SQM)	7,002
VACANT SPACE (SQM)	–
PASSING YIELD	5.70%

12-16 Bell Avenue, Mt Wellington

VALUATION	$ 22,550,000
WALT	2.39
NET LETTABLE AREA (SQM)	14,809
VACANT SPACE (SQM)	–
PASSING YIELD	6.45%

18-20 Bell Avenue, Mt Wellington

VALUATION	$ 14,300,000
WALT	3.17
NET LETTABLE AREA (SQM)	8,998
VACANT SPACE (SQM)	–
PASSING YIELD	6.18%

32 Bell Avenue, Mt Wellington

VALUATION	$ 10,800,000
WALT	2.08
NET LETTABLE AREA (SQM)	8,790
VACANT SPACE (SQM)	–
PASSING YIELD	6.83%

9 Ride Way, Albany

VALUATION	$ 22,900,000
WALT	14.48
NET LETTABLE AREA (SQM)	9,178
VACANT SPACE (SQM)	–
PASSING YIELD	6.14%

2 Allens Road, East Tamaki

VALUATION	$ 4,425,000
WALT	1.75
NET LETTABLE AREA (SQM)	2,920
VACANT SPACE (SQM)	–
PASSING YIELD	6.70%

12 Allens Road, East Tamaki

VALUATION	$ 3,770,000
WALT	1.75
NET LETTABLE AREA (SQM)	2,372
VACANT SPACE (SQM)	234
PASSING YIELD	5.56%

106 Springs Road, East Tamaki

VALUATION	$ 5,805,000
WALT	1.75
NET LETTABLE AREA (SQM)	3,846
VACANT SPACE (SQM)	–
PASSING YIELD	6.57%

INDUSTRIAL

5 Allens Road, East Tamaki

VALUATION	$ 4,375,000
WALT	0.67
NET LETTABLE AREA (SQM)	2,663
VACANT SPACE (SQM)	–
PASSING YIELD	5.64%

960 Great South Road, Penrose

VALUATION	$ 6,100,000
WALT	0.86
NET LETTABLE AREA (SQM)	3,677
VACANT SPACE (SQM)	–
PASSING YIELD	6.85%

17 Mayo Road, Wiri

VALUATION	$ 25,700,000
WALT	8.84
NET LETTABLE AREA (SQM)	13,351
VACANT SPACE (SQM)	–
PASSING YIELD	5.89%

Cnr William Pickering Drive & Rothwell Avenue, Albany

VALUATION	$ 13,900,000
WALT	2.55
NET LETTABLE AREA (SQM)	7,074
VACANT SPACE (SQM)	–
PASSING YIELD	6.00%

240 Puhinui Road, Manukau

VALUATION	$ 31,200,000
WALT	13.67
NET LETTABLE AREA (SQM)	13,273
VACANT SPACE (SQM)	–
PASSING YIELD	5.88%

246 Puhinui Road, Manukau

VALUATION	$ 3,180,000
WALT	–
NET LETTABLE AREA (SQM)	–
VACANT SPACE (SQM)	–
PASSING YIELD	0.00%

Highgate Parkway, Silverdale

VALUATION	$ 28,200,000
WALT	9.85
NET LETTABLE AREA (SQM)	10,581
VACANT SPACE (SQM)	–
PASSING YIELD	5.81%

WELLINGTON

Cnr Wakefield, Taranaki & Cable Streets

VALUATION	$ 22,000,000
WALT	5.49
NET LETTABLE AREA (SQM)	3,307
VACANT SPACE (SQM)	–
PASSING YIELD	4.12%

147 Gracefield Road, Seaview

VALUATION	$ 11,000,000
WALT	0.75
NET LETTABLE AREA (SQM)	8,018
VACANT SPACE (SQM)	–
PASSING YIELD	10.18%

19 Barnes Street, Seaview

VALUATION	$ 12,950,000
WALT	10.42
NET LETTABLE AREA (SQM)	6,857
VACANT SPACE (SQM)	–
PASSING YIELD	7.53%

39 Randwick Road, Seaview

VALUATION	$ 17,650,000
WALT	2.48
NET LETTABLE AREA (SQM)	16,246
VACANT SPACE (SQM)	–
PASSING YIELD	8.92%

68 Jamaica Drive, Grenada North

VALUATION	$ 16,270,000
WALT	3.33
NET LETTABLE AREA (SQM)	9,404
VACANT SPACE (SQM)	–
PASSING YIELD	7.53%

56 Jamaica Drive, Grenada North

VALUATION	$ 1,100,000
WALT	–
NET LETTABLE AREA (SQM)	–
VACANT SPACE (SQM)	–
PASSING YIELD	0.00%

OTHER

31 El Prado Drive, Palmerston North

VALUATION	$ 28,200,000
WALT	5.92
NET LETTABLE AREA (SQM)	24,656
PASSING YIELD	8.74%

8 Foundry Drive, Woolston, Christchurch

VALUATION	$ 13,500,000
WALT	11.83
NET LETTABLE AREA (SQM)	7,668
PASSING YIELD	7.91%

1478 Omahu Road, Hastings

VALUATION	$ 9,150,000
WALT	9.33
NET LETTABLE AREA (SQM)	8,514
PASSING YIELD	7.77%

223 Kioreroa Road, Whangarei

VALUATION	$ 12,200,000
WALT	3.94
NET LETTABLE AREA (SQM)	9,797
PASSING YIELD	9.48%

OFFICE

AUCKLAND

99-107 Khyber Pass Road, Grafton

VALUATION	$ 8,700,000
WALT	0.59
NET LETTABLE AREA (SQM)	2,442
VACANT SPACE (SQM)	–
PASSING YIELD	7.48%

101 Carlton Gore Road, Newmarket

VALUATION	$ 26,500,000
WALT	2.59
NET LETTABLE AREA (SQM)	4,821
VACANT SPACE (SQM)	–
PASSING YIELD	6.81%

8 Nugent Street, Grafton

VALUATION	$ 47,900,000
WALT	3.85
NET LETTABLE AREA (SQM)	8,125
VACANT SPACE (SQM)	–
PASSING YIELD	6.54%

39 Market Place, Viaduct Harbour

VALUATION	$ 33,800,000
WALT	4.33
NET LETTABLE AREA (SQM)	10,365
VACANT SPACE (SQM)	–
PASSING YIELD	10.59%

105 Carlton Gore Road, Newmarket

VALUATION	$ 31,300,000
WALT	2.88
NET LETTABLE AREA (SQM)	5,312
VACANT SPACE (SQM)	–
PASSING YIELD	6.72%

302 Great South Road, Greenlane

VALUATION	$ 7,750,000
WALT	1.80
NET LETTABLE AREA (SQM)	1,890
VACANT SPACE (SQM)	–
PASSING YIELD	7.87%

308 Great South Road, Greenlane

VALUATION	$ 6,800,000
WALT	2.38
NET LETTABLE AREA (SQM)	1,568
VACANT SPACE (SQM)	–
PASSING YIELD	6.78%

626 Great South Road, Ellerslie

VALUATION	$ 9,850,000
WALT	3.00
NET LETTABLE AREA (SQM)	2,647
VACANT SPACE (SQM)	–
PASSING YIELD	8.06%

25 Nugent Street, Grafton

VALUATION	$ 12,000,000
WALT	4.63
NET LETTABLE AREA (SQM)	3,028
VACANT SPACE (SQM)	–
PASSING YIELD	6.71%

107 Carlton Gore Road, Newmarket

VALUATION	$ 29,000,000
WALT	1.14
NET LETTABLE AREA (SQM)	6,061
VACANT SPACE (SQM)	–
PASSING YIELD	7.01%

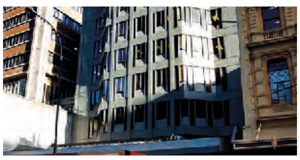
Citibank Centre, 23 Customs Street East

VALUATION	$ 64,750,000
WALT	4.18
NET LETTABLE AREA (SQM)	9,632
VACANT SPACE (SQM)	2,950
PASSING YIELD	5.20%

82 Wyndham Street

VALUATION	$ 42,300,000
WALT	7.72
NET LETTABLE AREA (SQM)	6,012
VACANT SPACE (SQM)	76
PASSING YIELD	6.28%

8-14 Willis Street



VALUATION	$ 14,950,000
WALT	1.30
NET LETTABLE AREA (SQM)	5,056
VACANT SPACE (SQM)	–
PASSING YIELD	7.11%

WELLINGTON

143 Lambton Quay

VALUATION	$ 27,750,000
WALT	7.25
NET LETTABLE AREA (SQM)	6,216
VACANT SPACE (SQM)	–
PASSING YIELD	7.72%

147 Lambton Quay

VALUATION	$ 34,400,000
WALT	1.83
NET LETTABLE AREA (SQM)	8,919
VACANT SPACE (SQM)	155
PASSING YIELD	7.78%

New Zealand Post House, 7-27 Waterloo Quay

VALUATION	$ 72,500,000
WALT	6.20
NET LETTABLE AREA (SQM)	24,977
VACANT SPACE (SQM)	–
PASSING YIELD	10.43%

15-21 Stout Street

VALUATION	$ 107,000,000
WALT	8.31
NET LETTABLE AREA (SQM)	20,709
VACANT SPACE (SQM)	–
PASSING YIELD	6.83%

RETAIL

AUCKLAND

Albany Mega Centre, Albany

VALUATION	$ 103,000,000
WALT	4.39
NET LETTABLE AREA (SQM)	25,155
PASSING YIELD	6.97%

320 Ti Rakau Drive, East Tamaki

VALUATION	$ 52,200,000
WALT	4.19
NET LETTABLE AREA (SQM)	28,352
PASSING YIELD	6.87%

Albany Lifestyle Centre, Albany

VALUATION	$ 78,000,000
WALT	7.45
NET LETTABLE AREA (SQM)	25,029
PASSING YIELD	7.53%

50 & 54-62 Cavendish Drive, Manukau

VALUATION	$ 26,600,000
WALT	7.04
NET LETTABLE AREA (SQM)	9,939
PASSING YIELD	6.41%

252 Dairy Flat Highway, Albany

VALUATION	$ 7,550,000
WALT	2.00
NET LETTABLE AREA (SQM)	2,107
PASSING YIELD	5.51%

WELLINGTON

180-202 Hutt Road, Kaiwharawhara

VALUATION	$ 9,300,000
WALT	10.42
NET LETTABLE AREA (SQM)	6,019
PASSING YIELD	10.22%

Stewart Dawsons Corner

VALUATION	$ 11,250,000
WALT	–
NET LETTABLE AREA (SQM)	–
PASSING YIELD	0.00%

OTHER

Cnr Taniwha & Paora Hapi Streets, Taupo

VALUATION	$ 10,400,000
WALT	4.50
NET LETTABLE AREA (SQM)	4,212
PASSING YIELD	7.08%

RETAIL

39 Market Place, Auckland.

CONSOLIDATED FINANCIAL STATEMENTS

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	Group 2018 $000s	Group 2017 $000s
Non-current assets			
Investment properties	5	1,513,120	1,442,155
Other non-current assets	7	469	518
Total non-current assets		1,513,589	1,442,673
Current assets			
Cash and cash equivalents		1,274	968
Trade and other receivables	8	1,681	1,301
Other current assets	9	885	568
		3,840	2,837
Non-current assets classified as held for sale	10	27,400	13,043
Total current assets		31,240	15,880
Total assets		1,544,829	1,458,553
Shareholders' funds			
Share capital	11	792,620	788,372
Share based payments reserve	12	389	194
Retained earnings	13	133,884	86,655
Total shareholders' funds		926,893	875,221
Non-current liabilities			
Borrowings	14	552,800	528,795
Derivative financial instruments	6	32,306	28,878
Deferred tax	20	12,183	12,619
Total non-current liabilities		597,289	570,292
Current liabilities			
Trade and other payables	15	12,240	8,911
Derivative financial instruments	6	697	–
Other current liabilities	16	4,896	3,272
Deposit received for non-current assets classified as held for sale		1,550	–
Taxation payable		1,264	857
Total current liabilities		20,647	13,040
Total liabilities		617,936	583,332
Total shareholders' funds and liabilities		1,544,829	1,458,553

For and on behalf of the Board

P Michael Smith
Director

Mark Cross
Director

Date: 22 May 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group 2018 $000s	Restated Group 2017 $000s
Gross property income from rentals		101,733	106,754
Insurance proceeds - rental loss		5,698	–
Gross property income from expense recoveries		17,939	18,175
Property expenses		(24,380)	(24,177)
Net property income	4	100,990	100,752
Administration expenses	17	9,938	9,328
Profit before financial income/(expenses), other gains/(losses) and tax		91,052	91,424
Financial income/(expenses)			
Interest expense	18	(25,511)	(25,880)
Gain/(loss) on derivative financial instruments held for trading		(4,125)	11,031
Interest income		48	48
		(29,588)	(14,801)
Other gains/(losses)			
Revaluation gains on investment property	5	47,333	42,317
Realised gains/(losses) on disposal of investment property	5	292	2,712
Insurance proceeds - earthquake expenses		1,813	–
Insurance proceeds - reinstatement		2,282	–
Earthquake expenses		(3,867)	(1,231)
		47,853	43,798
Profit before income tax attributable to shareholders		109,317	120,421
Taxation expense	19	11,140	16,780
Profit for the year attributable to shareholders		98,177	103,641
Total comprehensive income after tax		98,177	103,641
All amounts are from continuing operations			
Earnings per share			
Basic and diluted earnings per share (cents)	22	11.90	12.69

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group 2018 $000s	Restated Group 2017 $000s
Shareholders' funds at the beginning of the year		875,221	810,404
Profit for the year		98,177	103,641
Total comprehensive income for the year		98,177	103,641
Contributions by shareholders			
Issue of shares from Dividend Reinvestment Plan	11	4,263	10,900
Issue costs of shares	11	(15)	(42)
Dividends to shareholders	13	(50,948)	(49,811)
Equity settled share based payments	12	195	129
Shareholders' funds at the end of the year		926,893	875,221

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group 2018 $000s	Group 2017 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		122,384	128,288
Insurance proceeds received		11,792	–
Interest received		48	48
Cash was applied to:			
Property expenses		(22,836)	(24,240)
Earthquake expenses		(3,867)	(1,231)
Interest paid		(27,079)	(25,326)
Employee benefits		(6,041)	(5,601)
Taxation paid		(10,555)	(11,801)
Other expenses		(3,734)	(3,368)
Net cash from/(used in) operating activities	21	60,112	56,769
Cash flows from investing activities			
Cash was provided from:			
Sale of properties, deposits and deferrals		24,830	22,881
Purchase price adjustment for New Zealand Post House		–	6,000
Cash was applied to:			
Capital additions on investment properties		(58,699)	(40,793)
Capitalised interest on investment properties		(2,200)	(471)
Purchase of properties, deposits and deferrals		(6)	(30,876)
Net cash from/(used in) investing activities		(36,075)	(43,259)
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown	14	83,999	89,488
Cash was applied to:			
Repayment of debt	14	(59,725)	(63,471)
Dividends paid to shareholders net of reinvestments		(47,299)	(39,647)
Issue cost of shares		(27)	(42)
Facility refinancing fee		(679)	–
Net cash from/(used in) financing activities		(23,731)	(13,672)
Net increase/(decrease) in cash and cash equivalents		306	(162)
Cash and cash equivalents at the beginning of the year		968	1,130
Cash and cash equivalents at the end of the year		1,274	968

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

Statement of compliance

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

These financial statements were approved by the Board of Directors on 22 May 2018.

Basis of measurement

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

Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates that affect the application of policies and reported amount of assets and liabilities, income and expenses. The area involving a higher degree of judgement or complexity and where assumptions and estimates are significant to the financial statements is Note 5 - Valuation of Investment Property.

Functional and presentation currency

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

Basis of consolidation

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

Statement of cash flows

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Insurance income recognition

The company recognises income from insurance proceeds when it is virtually certain that the claims made in an accounting period have been accepted by insurers.

Change in accounting policies

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

Supplementary Dividends

To be consistent with NZ IAS 12.61 the Group now takes the tax credit relating to supplementary dividends through retained earnings rather than tax expense. This change had a minor impact on the comparative results which have been restated (basic and diluted earnings per share were reduced from 12.78 cents per share to 12.69 cents per share).

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. These changes are not expected to have a material impact on the financial statements but may affect presentation and disclosure:

NZ IFRS 9 Financial instruments (effective for accounting periods beginning on or after 1 January 2018) applies to the classification and measurement of financial assets and financial liabilities. Management's assessment of NZ IFRS 9 determined that the main area of potential impact is impairment provisioning on trade receivables due to the requirement to use a forward-looking expected credit loss model. Having carried out an assessment it is considered that the introduction of NZ IFRS 9 will not have a material impact on the company.

NZ IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018), is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This standard does not apply to rental income which makes up more than 80 per cent of the total revenue of the Group. The standard is applicable to opex recovery income and management fees. Argosy has assessed the effects of applying the new standard on the consolidated financial statements. The Group concludes that the standard does not have a material impact on the timing of revenue recognition.

NZ IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019) eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheet, with the exception of certain short-term leases and leases of low-value assets. There are minimal changes from the current NZ IAS 17 requirements for lessors.

The company is currently assessing the impact of this standard.

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

4. SEGMENT INFORMATION

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

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

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

	Industrial		Office		Retail		Total	
	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	Restated 2017 $000s
Segment profit								
Net property income[1]	39,441	36,852	39,411	41,467	22,138	22,433	100,990	100,752
Realised gains/(losses) on disposal of investment properties	100	1,746	(20)	(20)	212	986	292	2,712
Insurance proceeds - earthquake expenses	–	–	1,813	–	–	–	1,813	–
Insurance proceeds - reinstatement	–	–	2,282	–	–	–	2,282	–
Earthquake expense	(6)	(8)	(3,861)	(1,214)	–	(9)	(3,867)	(1,231)
	39,535	38,590	39,625	40,233	22,350	23,410	101,510	102,233
Revaluation gains/(losses) on investment properties	39,080	44,217	5,601	(11,971)	2,652	10,071	47,333	42,317
Total segment profit[2]	78,615	82,807	45,226	28,262	25,002	33,481	148,843	144,550
Unallocated:								
Administration expenses							(9,938)	(9,328)
Net interest expense							(25,463)	(25,832)
Gain/(loss) on derivative financial instruments held for trading							(4,125)	11,031
Profit before income tax							109,317	120,421
Taxation expense							(11,140)	(16,780)
Profit for the year							98,177	103,641

1. Net property income consists of revenue generated from external tenants less property operating expenditure plus insurance proceeds - rental loss.
2. There were no inter-segment sales during the year (31 March 2017: Nil).

4. SEGMENT INFORMATION (CONTINUED)

	Industrial		Office		Retail		Total	
	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	2017 $000s
Segment assets								
Current assets	490	670	848	928	134	83	1,472	1,681
Investment properties	637,569	583,405	577,251	547,450	298,300	311,300	1,513,120	1,442,155
Non-current assets classified as held for sale	–	7,428	–	–	27,400	5,615	27,400	13,043
Total segment assets	638,059	591,503	578,099	548,378	325,834	316,998	1,541,992	1,456,879
Unallocated assets							2,837	1,674
Total assets							1,544,829	1,458,553

	Industrial		Office		Retail		Total	
	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	2017 $000s	2018 $000s	2017 $000s
Segment liabilities								
Current liabilities	2,152	1,743	6,946	3,506	4,437	2,342	13,535	7,591
Total segment liabilities	2,152	1,743	6,946	3,506	4,437	2,342	13,535	7,591
Unallocated liabilities							604,401	575,741
Total liabilities							617,936	583,332

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

5. INVESTMENT PROPERTIES

Accounting policy – Investment properties

Investment property is property held either to earn rental income, for capital appreciation or for both.

Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss.

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

In accordance with the valuation policy of the Group, complete property valuations are carried out at least annually by independent registered valuers. The valuation policy stipulates that the same valuer may not value a building for more than two consecutive years. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and 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 combination of the Capitalisation of Contract Income, Capitalisation of Market Income and Discounted Cash Flow methodologies. Discounted Cash Flow methodology 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.

5. INVESTMENT PROPERTIES (CONTINUED)

	Industrial 2018 $000s	Office 2018 $000s	Retail 2018 $000s	Group 2018 $000s
Movement in investment properties				
Balance at 1 April	583,405	547,450	311,300	1,442,155
Acquisition of properties	–	–	–	–
Capitalised costs	25,195	24,281	11,886	61,362
Disposals	(10,078)	–	–	(10,078)
Transfer to properties held for sale	–	–	(27,400)	(27,400)
Change in fair value	39,080	5,601	2,652	47,333
Change in capitalised leasing costs	213	539	(107)	645
Change in lease incentives	(246)	(620)	(31)	(897)
Investment properties balance at 31 March	637,569	577,251	298,300	1,513,120

	Industrial 2017 $000s	Office 2017 $000s	Retail 2017 $000s	Group 2017 $000s
Movement in investment properties				
Balance at 1 April	507,113	548,610	311,828	1,367,551
Acquisition of properties	32,039	–	–	32,039
Purchase price adjustment on New Zealand Post House	–	(6,000)	–	(6,000)
Capitalised costs	11,844	17,720	4,208	33,772
Disposals	(7,928)	–	(9,956)	(17,884)
Transfer to properties held for sale	(7,599)	–	(5,615)	(13,214)
Change in fair value	44,217	(11,971)	10,071	42,317
Change in capitalised leasing costs	163	160	401	724
Change in lease incentives	3,556	(1,069)	363	2,850
Investment properties balance at 31 March	583,405	547,450	311,300	1,442,155

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

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

5. INVESTMENT PROPERTY (CONTINUED)

	Group 2018 $000s	Group 2017 $000s
Acquisition of properties		
240 Puhinui Road, Manukau, Auckland	–	23,947
Lot 8, Highgate Parkway, Silverdale, Auckland (land only)	–	8,092
	–	32,039
Disposal of properties		
19 Richard Pearse Drive, Mangere, Auckland	7,428	–
28-30 Catherine Street, Henderson, Auckland	5,615	–
1 Pandora Road, Napier	7,500	–
14 Tunnel Grove, Wellington	2,578	–
44 Neil Lane, Palmerston North	–	3,171
258 Oteha Valley Road, Albany, Auckland (land only)	–	9,956
67 Dalgety Drive, Wiri, Auckland	–	4,757
	23,121	17,884
Sale proceeds of properties disposed of	24,125	21,147
Net gain/(loss) on disposal	1,004	3,263
Selling costs	(712)	(380)
Loss on properties held for sale	–	(171)
Total gain/(loss) on disposal	292	2,712

5. INVESTMENT PROPERTIES (CONTINUED)

All investment properties were independently valued as at 31 March 2018 in accordance with the Group's accounting policy. The valuations were prepared by independent registered valuers CBRE Limited, Colliers International New Zealand Limited and Jones Lang LaSalle. The total value per valuer was as follows:

	Group 2018 $000s	Group 2017 $000s
CBRE Limited	304,150	849,835
Colliers International New Zealand Limited	1,111,000	591,220
Jones Lang LaSalle	97,970	–
Not Valued	–	1,100
	1,513,120	1,442,155

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. These valuations are reviewed by the Asset Management team within Argosy. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, an assessment of yields, discount rates, occupancy, leasing costs and weighted average lease terms.

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.

Generally as occupancy and weighted average lease terms increase, yields firm, resulting in increased fair values for investment properties. A movement in any of these assumptions could result in a significant change in fair value.

Investment property metrics for the year ended 31 March 2018 are as follows:

		Industrial	Office	Retail	Total
Contract yield[1]	- Average	6.71%	6.97%	7.12%	6.88%
	- Maximum	10.18%	10.59%	10.22%	10.59%
	- Minimum	0.00%	5.20%	5.51%	0.00%
Market yield[1]	- Average	6.74%	7.37%	6.80%	6.98%
	- Maximum	8.79%	10.32%	10.18%	10.32%
	- Minimum	0.00%	6.23%	6.16%	0.00%
Occupancy (rent)		99.90%	97.25%	100.00%	98.75%
Occupancy (net lettable area)		99.93%	97.51%	100.00%	99.42%
Weighted average lease term (years)		7.35	4.99	5.69	6.08
No. of buildings[2]		36	17	8	61
Fair value total (000s)		$637,569	$577,251	$298,300	$1,513,120

1. 7 Waterloo Quay and Stewart Dawsons Corner have been excluded from these yield metrics as the rents of both properties included in the valuation reports were based on the completion of the planned remedial and redevelopment work required to be undertaken.
2. Certain titles have been consolidated and treated as one. The total number of buildings excludes properties held for sale.

5. INVESTMENT PROPERTIES (CONTINUED)

Investment property metrics for the year ended 31 March 2017 are as follows:

		Industrial	Office	Retail	Total
Contract yield[1]	- Average	6.93%	7.26%	7.38%	7.15%
	- Maximum	9.96%	10.92%	9.03%	10.92%
	- Minimum	0.00%	6.35%	5.81%	0.00%
Market yield[1]	- Average	7.12%	7.58%	7.27%	7.31%
	- Maximum	12.15%	9.32%	9.00%	12.15%
	- Minimum	0.00%	6.81%	6.29%	0.00%
Occupancy (rent)		98.29%	98.42%	99.41%	98.58%
Occupancy (net lettable area)		96.27%	98.64%	99.63%	97.38%
Weighted average lease term (years)		6.40	4.87	5.46	5.59
No. of buildings[2]		38	17	9	64
Fair value total (000s)		$583,405	$547,450	$311,300	$1,442,155

1. 7 Waterloo Quay has been excluded from these yield metrics as the rents included in the valuation report were based on the completion of the earthquake remedial works required to be undertaken on this property.
2. Certain titles have been consolidated and treated as one. The total number of buildings excludes properties held for sale.

6. FINANCIAL INSTRUMENTS

Accounting policy - 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 initially measured at fair value plus directly attributable costs. Subsequently these instruments are measured at amortised cost using the effective interest method. The carrying values of these financial instruments are a reasonable approximation of their fair values.

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.

Accounting policy - Derivative financial instruments

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

Interest rate swaps are initially recognised at zero at the date a derivative contract is entered into and are 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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

The Group has the following financial instruments:

Group 2018	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	–	1,274	–	1,274
Trade and other receivables	–	1,681	–	1,681
	–	2,955	–	2,955
Financial liabilities				
Borrowings	–	–	(552,800)	(552,800)
Trade and other payables	–	–	(12,240)	(12,240)
Derivative financial instruments (current and term)	(33,003)	–	–	(33,003)
Other current liabilities	–	–	(4,896)	(4,896)
	(33,003)	–	(569,936)	(602,939)

Group 2017	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	–	968	–	968
Trade and other receivables	–	1,301	–	1,301
	–	2,269	–	2,269
Financial liabilities				
Borrowings	–	–	(528,795)	(528,795)
Trade and other payables	–	–	(8,911)	(8,911)
Derivative financial instruments (current and term)	(28,878)	–	–	(28,878)
Other current liabilities	–	–	(3,272)	(3,272)
	(28,878)	–	(540,978)	(569,856)

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.

The Group's main exposure to credit risk arises from trade receivables and transactions with financial institutions, and is summarised in the preceding table. 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 ANZ Bank New Zealand Limited.

Interest rate risk

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

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

The Group's policy is to maintain a range of approximately 50%-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 62% of borrowings, after the effect of associated swaps, were at fixed rates (2017: 65%).

Liquidity risk

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Group 2018	Carrying Amount $000	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities							
Borrowings[1]	(552,800)	(18,643)	(18,643)	(302,734)	(271,387)	–	–
Trade and other payables	(12,240)	(12,240)	–	–	–	–	–
Derivative financial instruments	(33,003)	(7,988)	(6,958)	(6,516)	(6,003)	(5,250)	(4,429)
Other current liabilities	(4,896)	(4,896)	–	–	–	–	–
	(602,939)	(43,767)	(25,601)	(309,250)	(277,390)	(5,250)	(4,429)

Group 2017	Carrying Amount $000	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities							
Borrowings[1]	(528,795)	(17,157)	(287,777)	(8,398)	(259,133)	–	–
Trade and other payables	(8,911)	(8,911)	–	–	–	–	–
Derivative financial instruments	(28,878)	(8,566)	(7,466)	(6,347)	(5,849)	(5,335)	(4,658)
Other current liabilities	(3,272)	(3,272)	–	–	–	–	–
	(569,856)	(37,906)	(295,243)	(14,745)	(264,982)	(5,335)	(4,658)

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

To manage the Group's exposure to interest rate risk on variable rate instruments, the Group has implemented a hedging strategy that uses interest rate swaps that have a range of maturities. At 31 March 2018, the Group had active interest rate derivatives with a notional contract amount of $345 million (2017: $345 million). The active derivatives mature over the next 7 years (2017:8 years) and have fixed interest rates ranging from 3.87% to 4.90% (2017: 3.87% to 4.90%). There are no contracts entered into but not yet effective at 31 March 2018 (2017: Nil).

Interest rate swaps are measured at present value of future cash flows estimated and discounted based on applicable yield curves derived from observable market interest rates. Accepted market best practice valuation methodology using mid-market interest rates at 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.

The net liability for derivative financial instruments as at 31 March 2018 is $33 million (2017: $28.88 million). The mark-to-market increase in the liability for derivative financial instruments is a result of the movement in the interest rate curve during the financial year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

The sensitivity analysis below details the potential future impact of reasonably possible changes in the observable inputs over the next financial period. It has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the reporting date.

	2018 Group Impact on Profit & Loss $000s	2017 Group Impact on Profit & Loss $000s
Increase of 100 basis points	15,219	17,937
Decrease of 100 basis points	(16,426)	(19,476)

7. OTHER NON-CURRENT ASSETS

Accounting policy - 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.

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

An impairment loss is recognised immediately in profit or loss.

	Group 2018 $000s	Group 2017 $000s
Property, plant and equipment and software	469	518
Total other non-current assets	469	518

There was no impairment loss in the current year (2017: Nil).

8. TRADE AND OTHER RECEIVABLES

Accounting policy - Trade and other receivables

Trade and other receivables are initially recognised 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.

	Group 2018 $000s	Group 2017 $000s
Trade receivables	1,758	1,399
Allowance for doubtful debts	(99)	(111)
	1,659	1,288
Amount receivable from insurance proceeds	22	13
Total trade and other receivables	1,681	1,301

The average credit period on receivables is 3.0 days (2017: 3.4 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. 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.

Aged past due but not impaired trade receivables

	Group 2018 $000s	Group 2017 $000s
0-30 days past due	88	73
31-60 days past due	6	13
Beyond 60 days past due	128	26
	222	112

Included in the Group's trade receivable balance are debtors with a carrying amount of $221,880 (2017: $122,409) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful debts

	Group 2018 $000s	Group 2017 $000s
Balance at the beginning of the year	111	37
Amounts written off as uncollectible	(54)	(13)
(Decrease) / increase in allowance recognised in profit or loss	42	87
Balance at the end of the year	99	111

9. OTHER CURRENT ASSETS

	Group 2018 $000s	Group 2017 $000s
Accrued Income	10	11
Prepayments	599	477
Other	276	80
Total other current assets	885	568

10. PROPERTY HELD FOR SALE

Accounting policy - Non-current assets classified as 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 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.

7 Wagener Place, St Lukes, Auckland ($27,399,618), was subject to unconditional sale and purchase agreements at balance date (2017: 28-30 Catherine Street, Henderson, Auckland ($5,615,000) and 19 Richard Pearse Drive and 26 Ascot Avenue, Mangere ($7,427,875)).

11. SHARE CAPITAL

	Group 2018 $000s	Group 2017 $000s
Balance at the beginning of the year	788,372	777,514
Issue of shares from Dividend Reinvestment Plan	4,263	10,900
Issue costs of shares	(15)	(42)
Total share capital	792,620	788,372

The number of shares on issue at 31 March 2018 was 827,030,390 (2017: 822,928,249).

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.

Reconciliation of number of shares (in thousands of shares)	Group 2018 000s	Group 2017 000s
Balance at the beginning of the year	822,928	812,616
Issue of shares from Dividend Reinvestment Plan	4,102	10,312
Total number of shares on issue	827,030	822,928

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total shareholders' funds equal to $926.9m (2017: $875.2m).

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

The Board's intention is to maintain the debt-to-total-assets ratio between 30-40% 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 optimisation of debt and equity. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall strategy during the year.

12. SHARE BASED PAYMENTS RESERVE

Accounting policy - Share based payments

The fair value of performance share rights (PSRs) are recognised as an expense in the statement of financial performance over the vesting period of the rights with a corresponding entry to the share based payments reserve.

PSRs were offered to senior executives, commencing 1 April 2015. Under the scheme, PSRs are issued to participants which give them the right to receive ordinary shares in the Company after a three year period, subject to certain vesting and other conditions being met. The vesting of the PSRs is subject to the Company achieving a positive total shareholder return (measured against the Company's share price on the date of the issue of the PSRs, and including dividends) over a three year measurement period. The total number which actually vest will be dependent on the relative ranking of the Company's total shareholder returns against a comparator group of listed entities determined by the Board from the S&P/NZX All Real Estate Gross Index.

The total expense recognised in the year to 31 March 2018 in relation to equity settled share based payments was $195,000 (2017: $129,400). No rights were exercised or forfeited during the period.

Grant date	Vesting date	Granted during the year[1]	Weighted average issue price	Balance at the beginning of the year[1]	Vested during the year	Forfeited during the year	Balance at the end of the year[1]
2018							
1 April 2017	1 April 2020	321,284	$0.99	547,873	–	–	869,157
2017							
1 April 2016	1 April 2019	268,670	$1.17	279,203	–	–	547,873
2016							
1 April 2015	1 April 2018	279,203	$1.13	–	–	–	279,203

1. This is the number of PSRs.

13. RETAINED EARNINGS

	Group 2018 $000s	Restated Group 2017 $000s
Balance at the beginning of the year	86,655	32,825
Profit for the year	98,177	103,641
Dividends to shareholders	(50,948)	(49,811)
Total retained earnings	133,884	86,655

The annual dividend paid to shareholders was 6.175 cents per share, paid in first quarterly distributions of 1.525 cents per share and the other three quarterly distributions of 1.550 cents per share. (2017: annual dividend was 6.10 cents per share).

After 31 March 2018, the final dividend was declared. The dividend has not been provided for. Refer to Note 26.

14. BORROWINGS

Accounting policy - Bank borrowings

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

Borrowing costs are the costs incurred in establishing the bank facility. These costs are amortised over the life of the facility at the effective interest rate.

	Group 2018 $000s	Group 2017 $000s
ANZ Bank New Zealand Limited	259,370	264,967
Bank of New Zealand	161,829	158,980
The Hongkong and Shanghai Banking Corporation Limited	133,010	105,987
Borrowing costs	(1,409)	(1,139)
Total borrowings	552,800	528,795
Shown as:		
Term	552,800	528,795

	Group 2018 $000s	Group 2017 $000s
Total borrowings at the beginning of the year	528,795	502,323
Drawdowns during the year	83,999	89,488
Repayments during the year	(59,725)	(63,471)
Additional facility refinancing fee	(679)	–
Facility refinancing fee amortised during the year	410	455
Total borrowings at the end of the year	552,800	528,795

As at 31 March 2018, the Group had a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited for $625,000,000 (2017: $550,000,000) secured by way of mortgage over the investment properties of the Group. The facility included a Tranche A limit of $275,000,000, a Tranche B limit of $275,000,000, a Tranche C limit of $25,000,000 and a Tranche D limit of $50,000,000. Tranche A matures on 31 October 2021, Tranche B on 30 September 2020, Tranche C on 31 October 2021, and Tranche D on 28 February 2021 (2017: Tranche A ($275,000,000) matured on 30 September 2018 and Tranche B ($275,000,000) matured on 30 September 2020).

The weighted average interest rate on borrowings (including margin and line fee and interest rate swaps) as at 31 March 2018 was 4.98% (2017: 4.88%).

15. TRADE AND OTHER PAYABLES

Accounting policy - Trade and other payables

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

	Group 2018 $000s	Group 2017 $000s
GST payable	822	691
Other creditors and accruals	11,418	8,220
Total trade and other payables	12,240	8,911

16. OTHER CURRENT LIABILITIES

Accounting policy - Employee benefits

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

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

	Group 2018 $000s	Group 2017 $000s
Employee entitlements	366	344
Other liabilities	4,530	2,928
Total other current liabilities	4,896	3,272

17. ADMINISTRATION EXPENSES

	Group 2018 $000s	Group 2017 $000s
Auditor's remuneration:		
Audit of the annual financial statements	151	151
Review of the interim financial statements	28	28
Annual meeting fees	7	7
Employee benefits	6,329	5,912
Other expenses	3,381	3,143
Doubtful debts expense/(recovery)	(12)	74
Bad debts	54	13
Total administration expenses	9,938	9,328

18. INTEREST EXPENSE

Accounting policy - Financial income and expenses

Finance expenses comprise interest expense on borrowings and gains and losses on hedging instruments that are recognised in profit or loss. Interest expense on borrowings is recognised using the effective interest method. Finance income comprises interest income using the effective interest method.

	Group 2018 $000s	Group 2017 $000s
Interest expense	(27,711)	(26,351)
Less amount capitalised to investment properties	2,200	471
Total interest expense	(25,511)	(25,880)

Capitalised interest relates to the Polarcold development at 8 Foundry Drive, Christchurch, the Placemaker development at 180-202 Hutt Road, Kaiwharawhara, the Mighty Ape development at Highgate Parkway, Silverdale, Auckland, the development at 82 Wyndham Street, Auckland and the development at Stewart Dawsons Corner (2017: capitalised interest relates to the Polarcold development at 8 Foundry Drive, Christchurch and the Mighty Ape development at Highgate Parkway, Silverdale, Auckland).

19. TAXATION

Accounting policy - Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

	Group 2018 $000s	Restated Group 2017 $000s
The taxation charge is made up as follows:		
Current tax expense	11,596	13,224
Deferred tax expense	(436)	3,667
Adjustment recognised in the current year in relation to the current tax of prior years	(20)	(111)
Total taxation expense recognised in profit/(loss)	11,140	16,780
Reconciliation of accounting profit to tax expense		
Profit before tax	109,317	120,421
Current tax expense at 28%	30,609	33,718
Adjusted for :		
Capitalised interest	(616)	(132)
Fair value movement in derivative financial instruments	1,155	(3,089)
Fair value movement in investment properties	(13,253)	(11,849)
Depreciation	(6,288)	(5,632)
Depreciation recovered on disposal of investment properties	503	259
Other	(514)	(51)
Current taxation expense	11,596	13,224
Movements in deferred tax assets and liabilities attributable to:		
Investment properties	747	512
Fair value movement in derivative financial instruments	(1,155)	3,089
Other	(28)	66
Deferred tax expense/(credit)	(436)	3,667
Prior year adjustment	(20)	(111)
Total tax expense recognised in profit or loss	11,140	16,780

Imputation credits at 31 March 2018 were Nil (2017: Nil).

20. DEFERRED TAX

Accounting policy - 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 it will be consumed over its useful life.

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:

	Interest rate swaps $000s	Investment property $000s	Other $000s	Total $000s
At 1 April 2017	(8,086)	17,494	3,211	12,619
Charge/(credit) to deferred taxation expense for the year	(1,155)	747	(28)	(436)
At 31 March 2018	(9,241)	18,241	3,183	12,183
At 1 April 2016	(11,175)	16,982	3,145	8,952
Charge/(credit) to deferred taxation expense for the year	3,089	512	66	3,667
At 31 March 2017	(8,086)	17,494	3,211	12,619

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.

Investment properties are valued each year by independent valuers (as outlined in Note 5). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered and changes in fair value relies on the split provided by the valuers.

It is assumed that all fixtures and fittings will be sold at their tax book value.

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

	Group 2018 $000s	Restated Group 2017 $000s
Profit after tax for the year	98,177	103,641
Movements in working capital items relating to investing and financing activities	916	387
Non cash items		
Movement in deferred tax liability	(436)	3,667
Movement in interest rate swaps	4,125	(11,031)
Fair value change in investment properties	(47,333)	(42,317)
Movements in working capital items		
Trade and other receivables	(380)	2,980
Taxation payable	407	575
Trade and other payables	3,329	(1,519)
Other current assets	(317)	(295)
Other current liabilities	1,624	681
Net cash from operating activities	60,112	56,769

22. EARNINGS PER SHARE

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

	Group 2018	Restated Group 2017
Profit attributable to shareholders of the Company ($000s)	98,177	103,641
Weighted average number of shares on issue (000s)	825,101	816,693
Basic and undiluted earnings per share (cents)	11.90	12.69

On 22 May 2018, a final dividend of 1.55 cents per share was approved by the Company. The Dividend Reinvestment Plan programme has been suspended by the Board until further notice.

23. DISTRIBUTABLE INCOME

	Group 2018 $000s	Restated Group 2017 $000s
Profit before income tax	109,317	120,421
Adjustments:		
Revaluation gains on investment property	(47,333)	(42,317)
Realised (gains)/losses on disposal of investment properties	(292)	(2,712)
Derivative fair value (gain)/loss	4,125	(11,031)
Earthquake expenses	3,867	1,231
Insurance proceeds - earthquake expenses	(1,813)	–
Insurance proceeds - reinstatement	(2,282)	–
Gross distributable income	65,589	65,592
Tax impact of depreciation recovered on disposal of investment properties and taxable gains on disposal of revenue account properties	590	1,042
Current tax expense	(11,576)	(13,113)
Net distributable income	54,603	53,521
Weighted average number of ordinary shares (000s)	825,101	816,693
Gross distributable income per share - (cents per share)	7.95	8.03
Net distributable income per share - (cents per share)	6.62	6.55

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

24. INVESTMENT IN SUBSIDIARIES

The Company has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2018	Holding 2017
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy No.1 Trust	Property investment	NZ	100%	100%
Argosy Property Management Limited	Management company	NZ	100%	100%
Argosy Property No.3 Limited	Property investment	NZ	100%	100%
Argosy Property Unit Holdings Limited	Holding company	NZ	100%	100%

The subsidiaries have the same reporting date as the Company.

25. COMMITMENTS

Accounting policy - 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.

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

The Group as a lessor

Rental income from operating leases is recognised in the period to which it relates. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised to property expenses 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.

The Group as lessee

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

Ground rent

Ground leases exist over 39 Market Place, Viaduct Harbour, Auckland and a small part of 19 Barnes Street, Wellington. The amount paid in respect of the Auckland ground lease during the year was $1.0 million (2017: $1.0 million). The annual ground lease commitment is $1.0 million and is generally recoverable from tenants in proportion to their area of occupancy. The Auckland ground lease is renewable in perpetuity with the next renewal date in 2019.

Building upgrades and developments

Estimated capital commitments contracted for building projects not yet completed at 31 March 2018 and not provided for were $64.1 million (2017: $48.8 million).

There were no other commitments as at 31 March 2018 (2017: Nil).

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2018 and 2032. The lessee does not have an option to purchase the property at the expiry of the period.

	Group 2018 $000s	Group 2017 $000s
Within one year	107,516	105,260
One year or later and not later than five years	321,480	294,244
Later than five years	255,212	213,278
	684,208	612,782

25. COMMITMENTS (CONTINUED)

Non-cancellable operating lease payable

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

	Group 2018 $000s	Group 2017 $000s
Within one year	373	416
One year or later and not later than five years	261	492
Later than five years	–	–
	634	908

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

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

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

26. SUBSEQUENT EVENTS

On 22 May 2018, a final dividend of 1.55 cents per share was approved by the Company. The record date for the final dividend is 13 June 2018 and a payment is scheduled to shareholders on 27 June 2018. Imputation credits of 0.37439 cents per share are attached to the dividend.

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries , which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Group 2018 $000s	Group 2017 $000s
Key management and directors compensation		
Salaries and other short term employee benefits	1,685	1,393
Directors' fees	621	565
Total	2,306	1,958

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Argosy Property Limited

Opinion

We have audited the consolidated financial statements of Argosy Property Limited and its subsidiaries (the 'Group') on pages 46 to 73, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 46 to 73 present fairly, in all material respects, the financial position of the Group as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Company that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined the quantitative materiality for our audit of the Group's financial statements as a whole to be $3.3 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter and results
Investment Property Valuations Investment properties valued at $1,513 million are classified into three segments being, Industrial, Office, and Retail as disclosed in note 5 of the financial statements. The valuation of investment properties is a key audit matter due to the subjective judgements and assumptions in the valuation models. Adjustments are made to observable market data of similar properties to reflect the specific nature and location of the individual properties. Fair values are calculated using actual and forecast inputs including: market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms.	We read the valuation reports for all properties that were subject to revaluation at year end. We checked for any limitations of scope in the valuation reports that would impact the reliability of the valuations. When considered appropriate, discussions were held with the valuers to confirm the valuation approach used. We assessed the valuers' experience and professional accreditations. This included having each valuer confirm to us their independence, qualifications and that the scope of the work undertaken was in line with professional valuation standards and accounting standards. In addition we considered the Group's process for reviewing and challenging the valuation reports to ensure they accurately reflect the individual characteristics of each property.

In the 2017 financial year, NZ Post House sustained damage due to the Kaikoura earthquake. As a result the building is valued in the 2018 financial year taking into account the estimated costs to reinstate the building to its pre-earthquake condition.

The Group's policy is to engage external valuers to perform valuations for each of the properties on at least an annual basis. The valuation methods used for assessing the fair value include a combination of the capitalisation of contract income, capitalisation of market income and discounted cash flow methodologies.

The key inputs to the valuations were tested across a sample of properties including those where the fair value had moved significantly from the previous year. This included understanding the key drivers of those movements and challenging the reasonableness of those key drivers.

For the sample selected, key changes in rentals, occupancy, lease costs and lease terms were agreed to underlying lease agreements, and market comparatives where applicable. Yields across the three segments were compared to property industry publications and other observable market data where available. In addition, we assessed the Group's estimated costs to re-instate NZ Post House to its pre-earthquake condition.

Our internal valuation specialists were used in assessing the appropriateness of the valuation methodology.

Other information

The Board of Directors are responsible on behalf of the Group for other information. The other information comprises the information included in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Board of Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on Use

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Boivin, Partner
for Deloitte Limited
Auckland, New Zealand
22 May 2018

THE COMPANY

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

CORPORATE GOVERNANCE PHILOSOPHY

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

Outlined below are the main corporate governance practices in place throughout the year, which , in the Board's opinion, comply with the FMA'S Principles for corporate governance. Argosy also complies with the NZX Corporate Governance Code 2017, as set out in the Statement on Reporting Against the NZX Code available on its web site (www.argosy.co.nz).

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. Argosy's Code of Conduct and Ethics is available on its website (www.argosy.co.nz).

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 nonexecutive Directors. The members of the Board are listed below and their brief resumés are included in the section headed 'Board of Directors' on page 22.

ATTENDANCE OF DIRECTORS

Board Meetings attended

Michael Smith (Chair)	8 of 8
Peter Brook	8 of 8
Mark Cross	8 of 8
Andrew Evans	8 of 8
Chris Hunter	8 of 8
Jeff Morrison	8 of 8

All of the above persons were Directors as at 31 March 2018.

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

INDEPENDENT DIRECTORS

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

In determining whether a Director is independent, the Board considers whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement. In accordance with Rule 3.3.2 of the NZX Main Board Listing Rules, the Board has determined that all of the Directors were, in its view, independent directors as at balance date as none of them had a disqualifying relationship with the Company. Subsequent to the balance date, and as at the date of this report, the Board determined that Mr Cross has ceased to be an independent director as he is a director of Milford Funds Limited which has subsequently (on 19 April 2018) disclosed that it manages funds with a substantial product holding (5.0%) in Argosy.

BOARD AND DIRECTOR PERFORMANCE

The Board has an annual performance assessment in which the Board critically evaluates its own performance, and its own processes and procedures to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role. Individual Directors are evaluated by a process whereby the Board determines questions to be asked of each Director about him or herself and about each other including the Chair, each Director answers the questions in writing, and the responses are collected and collated by the Chair who then discusses the results with each Director. The Chair's own position is discussed with the Chair of the Audit and Risk Committee and/or the rest of the Board. These evaluations will be carried out within three months of year end.

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.

Ongoing fixed participation in the Dividend Reinvestment Plan (DRP) is generally available throughout the year. However, at the date of this report the DRP has been suspended .

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 and Risk Committee). The holdings of Directors of shares in Argosy are disclosed in the section headed 'Directors' shareholdings' on page 79.

Argosy's Insider Trading and Restricted Persons Trading Policy is available on its website (www.argosy.co.nz).

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. Argosy's board committee constitutions are available on its website (www.argosy.co.nz).

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 and incentive schemes. The members of the Remuneration Committee are Michael Smith (Chairman), Peter Brook and Jeff Morrison.

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee Meetings Attended

Michael Smith (Chair)	2 of 2
Peter Brook	2 of 2
Jeff Morrison	2 of 2

NOMINATIONS COMMITTEE

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

AUDIT AND RISK COMMITTEE

The Board has established an Audit and Risk Committee, which is responsible for overseeing the financial, accounting and risk management responsibilities of the Company. The minimum number of members on the Audit and Risk 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 and Risk Committee are Mark Cross (Chairman), Peter Brook and Michael Smith.

The Audit and Risk Committee assists the Board in fulfilling its corporate governance and disclosure responsibilities with particular reference to financial matters, external audit and risk management, 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;

— the 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 applicable 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;

— monitoring compliance with the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013, the Companies Act 1993 and the NZX Main Board Listing Rules; and

— overseeing the Company's risk management policy and framework and monitoring compliance.

ATTENDANCE AT AUDIT AND RISK COMMITTEE

Audit and Risk Committee Meetings Attended

Mark Cross (Chair)	4 of 4
Peter Brook	4 of 4
Michael Smith	4 of 4

DIRECTORS' REMUNERATION

Directors' Fees

The current total Directors' fee pool approved by ordinary resolution at the Company's 2017 Annual Meeting is $746,500 per annum.

Directors' Remuneration

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

Michael Smith (Chair)	$171,841
Peter Brook	$97,468
Andrew Evans	$81,872
Mark Cross	$101,874
Chris Hunter	$81,875
Jeff Morrison	$86,091

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

— each Director (other than the Chairman) is paid $85,000 per annum.

— the Chairman is paid $160,000 per annum.

— additional amounts are paid to committee members.

The Audit and Risk Committee Chairman receives $20,000 per annum and its members each receive $12,000 per annum. The Remuneration Committee Chairman receives $7,500 per annum and its members each receive $5,000 per annum.

The Remuneration Committee reviews Director remuneration annually and makes recommendations to the Board. Argosy's policy is that Directors' remuneration should generally be in the upper quartile based on market benchmarks. The Board takes advice from independent remuneration specialists when considering any proposal to increase the Directors' fees.

Additional payments may be made from the approved pool of $746,500 to Directors who assume additional responsibilities (including in relation to one-off project work) from time to time beyond the scope of their usual responsibilities. No payments were made in the year to 31 March 2018 (2017: Nil).

GENDER BALANCE

As at 31 March 2018 the gender balance statistics for the Company's Directors, Officers and all employees were as follows:

	Directors	Officers	All employees
Female	0 (2017: 0)	3 (2017: 3)	15 (2017: 16)
Male	6 (2017: 6)	9 (2017: 9)	15 (2017: 15)
Total	6 (2017: 6)	12 (2017: 12)	30 (2017: 31)

Argosy adopted a Diversity Policy with effect from 1 April 2017, which is available on its web site (www.argosy.co.nz). The Board considers that Argosy is achieving its diversity objectives. You can see further information on diversity on page 21 of the Annual Report.

REMUNERATION REPORT

Under the guidance of the Remuneration Committee, the Board has established a remuneration framework which is designed to attract, retain and reward individual employees to deliver premium performance aligned to business objectives, strategy, shareholder interests and investment performance.

Employees Remuneration

An employee's remuneration is comprised of the following components:

— fixed remuneration

— variable or 'at risk' components

The fixed remuneration component (including salary, KiwiSaver contributions, health and disability benefits and vehicles) is designed to reward employees for their skills and experience and the accountability of their role. The variable component is comprised of a short-term incentive scheme for all permanent employees and a long-term incentive scheme for eligible senior employees.

Fixed Remuneration

Fixed remuneration is the primary basis for remunerating the Company's employees. Each employee's fixed remuneration is determined based on their responsibilities, capability, performance and market benchmarks. Fixed remuneration for permanent employees is comprised of their base salary and benefits. Benefits may include:

— KiwiSaver employer superannuation contributions

— life and disability insurance

— health insurance

— private use of a company vehicle

Short Term Incentive Scheme (STI)

The STI is a discretionary variable pay scheme for permanent employees, designed to reward participants for high performance and the Company's success over the financial year.

— The STI is based on Company and individual performance measures with stretch performance goals.

— The Company performance measure is based on specific annual Company targets, which are linked to the Company's strategy and approved by the Board.

— Individual goals and performance measures are agreed between each manager and their direct reports, to encourage outstanding performance.

— Measures and stretch performance goals are reviewed each financial year.

— The value of the STI and its weighting between Company and individual performance measures each vary depending on the requirements of each employee's role.

— The STI for each of the Chief Executive Officer and Chief Financial Officer is based solely on Company performance.

Long Term Incentive Scheme (LTI)

The Company established an LTI scheme for senior executives with effect from 1 April 2015. The scheme remunerates senior executives for sustained performance over the medium term. Under the LTI scheme, the Company may issue performance share rights (PSRs) to eligible employees each year (currently the Chief Executive Officer and Chief Financial Officer).

Each PSR entitles its holder to one share in Argosy on its vesting date, subject to meeting LTI performance measures. Each PSR has a vesting date three years after commencement of the financial year in which it is issued.

The LTI performance measure is a comparison of the Company's Total Shareholder Return (TSR) against the TSR of a comparator group of listed entities determined by the Board.

— Comparator entities are chosen from the S&P/ NZX All Real Estate Gross Index.

— TSRs of the entities in the comparison group over the performance period (which is three years) will be ranked from highest to lowest.

— If Argosy's TSR over the performance period exceeds the TSR of the company ranked at the 50th percentile in the comparison group, 50% of the PSRs will vest.

— If Argosy's TSR over the performance period exceeds the TSR of the company ranked at the 75th percentile in the comparison group, 100% of the PSRs will vest.

— There is a straight line progression and apportionment between these two points. No shares will vest if the TSR over the performance period is negative.

No PSRs vested in the year ending 31 March 2018.

REMUNERATION

Chief Executive's Remuneration

The Chief Executive's remuneration for the year ended 31 March 2018 is outlined below:

Fixed remuneration and other benefits	$653,113
Short Term Incentive	$240,000
Total	$893,113

The Chief Executive's remuneration does not include the value of PSRs issued under the Company's LTI scheme which have been granted but have not yet vested.

Employee 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 of Argosy Property Limited or the Chief Executive who received remuneration and any other benefits in their capacity as employees of $100,000 per annum or more, are set out in the table opposite:

Amount of remuneration	Number of employees
$100,001 - $110,000	2
$110,001 - $120,000	1
$130,001 - $140,000	3
$140,001 - $150,000	2
$150,001 - $160,000	2
$170,001 - $180,000	1
$230,001 - $240,000	2
$250,001 - $260,000	2
$260,001 - $270,000	1
$280,001 - $290,000	2
$340,001 - $350,000	1
$630,001 - $640,000	1

Employee remuneration does not include PSRs issued under the Company's LTI scheme that have been granted but which have not vested. (No PSRs vested in the year to 31 March 2018.)

INTERESTS REGISTERS

Directors' shareholdings

Equity securities in which each Director and associated person of each Director held a relevant interest as at 31 March 2018 are listed below:

Director	Holder	Trustees	Interest	Number Shares
Michael Smith	FNZ Custodians Limited for trustees of the Mallowdale Trust	Michael Smith and Dale D'Rose	Non beneficial	592,579
Peter Brook	Peter Brook	N/A	Beneficial	195,071
Peter Brook	FNZ Custodians Limited for trustees of the Bayview Trust	Peter Brook, Mary Brook, Samuel Goldwater, Nicholas Goldwater	Non beneficial	360,288
Mark Cross	Alpha Investment Partners Limited	Alpha Investment Partners Limited	Non beneficial[1]	50,000
Andrew Evans	Trustees of the Hardwick Trust	Andrew Evans & The Hardwick Trustees Limited	Non beneficial	110,828
Andrew Evans	Graeme Horsley #3 Trust	Graeme Horsley, Susan Horsley, Andrew Evans	Non beneficial	18,976
Jeff Morrison	Investment Custodial Services for the trustees of the Suzanne Fisher Trust	Jeff Morrison and Barry Fisher	Non beneficial	435,002
Jeff Morrison	Investment Custodial Services for trustees of the LJ Fisher Trust	Jeff Morrison and Andrew Spencer	Non beneficial	93,000
Jeff Morrison	Turstees of the JM Thompson Trust	Jeff Morrison, Robyn Shearer	Non beneficial	372,577
Jeff Morrison	Trustees of the Dalbeth Family Trust No.2	Audrey Dalbeth, Anthony Hudson, Bronwyn Patterson, William Dalbeth, Jeff Morrison	Non beneficial	80,770
Jeff Morrison	Trustees of the Dalbeth Family Trust No.3	William Dalbeth, Jeff Morrison	Non beneficial	161,400
Jeff Morrison	Trustees of the Dalbeth Family Trust No.4	William Dalbeth and Jeff Morrison	Non beneficial	238,400
Jeff Morrison	FNZ Custodians Limited for Stephen Fisher, Virginia Fisher and Jeff Morrison as trustees of the Stephen and Virginia Fisher Trust	Stephen Fisher, Virginia Fisher and Jeff Morrison	Non beneficial	150,000
Jeff Morrison	Investment Custodial Services Limited for the Spirit of Adventure Trust Board		Non beneficial	69,250

1. Power to exercise, or control the exercise of, the right to vote attached to 20% or more of the voting products of Alpha Investment Partners Limited, as a shareholder of Alpha Investment Partners Limited

SENIORS MANAGERS' SHAREHOLDINGS

Equity securities in which each Senior Manager and associated person of each Senior Manager held a relevant interest as at 31 March 2018 are listed below:

Officer	Holder	Trustees	Interest	No. of shares	PSRs vested
Peter Mence	Peter Mence		PSR**	548,674	N/A
	Peter Mence, Stella McDonald as trustees fo the Papageno Trust			416,077	
Dave Fraser	Dave Fraser		PSR**	320,483	N/A
** Performance Share Rights issued under the Company's Long Term Incentive Scheme					

DIRECTORS AND SENIOR MANAGERS' SHARE DEALINGS

The Directors and Senior Managers 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 2,023 shares in the Company on 29 June 2017 for consideration of $2,095.03 under the Company's dividend reinvestment plan.
- Peter Brook acquired a beneficial interest in 50,000 shares in the Company on 28 July 2017 for consideration of $52,000 through an on-market acquisition.
- Peter Brook acquired a beneficial interest in 2,837 shares in the Company on 28 September 2017 for consideration of $2,935.73 under the Company's dividend reinvestment plan.
- Peter Brook acquired a beneficial interest in 2,832 shares in the Company on 20 December 2017 for consideration of $2,979.70 under the Company's dividend reinvestment plan.
- Mark Cross acquired a non-beneficial (trust) interest in 50,000 shares in the Company on 6 December 2017 for consideration of $52,500 through an on-market acquisition.
- Andrew Evans acquired a non-beneficial (trust) interest in 1,561 shares in the Company on 29 June 2017 for consideration of $1,617.20 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 1,612 shares in the Company on 28 September 2017 for consideration of $1,667.91 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a non-beneficial (trust) interest in 1,609 shares in the Company on 20 December 2017 for consideration of $1,692.89 under the Company's dividend reinvestment plan.
- Dave Fraser acquired 119,915 PSRs on 26 June 2017 under the Company's Long Term Incentive Scheme.
- Peter Mence acquired 201,369 PSRs on 26 June 2017 under the Company's Long Term Incentive Scheme.
- Peter Mence acquired a non-beneficial interest in 416,077 shares in the Company on 24 August 2017 for nil consideration as an executor and trustee of a deceased's estate.
- Jeff Morrison acquired a non-beneficial (trust) interest in 69,250 shares in the Company on 3 May 2017 for consideration of $69,942.50 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (trust) interest in 5,419 shares in the Company on 28 September 2017 for consideration of $5,607.11 under the Company's dividend reinvestment plan.
- Jeff Morrison acquired a non-beneficial (trust) interest in 28,000 shares in the Company on 4 July 2017 for consideration of $29,416.30 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (trust) interest in 48,000 shares in the Company on 4 July 2017 for consideration of $50,420.80 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (trust) interest in 5,409 shares in the Company on 20 December 2017 for consideration of $5,691.10 under the Company's dividend reinvestment plan.
- Jeff Morrison acquired a non-beneficial (trust) interest in 5,249 shares in the Company on 29 June 2017 for consideration of $5,436.63 under the Company's dividend reinvestment plan.

DIRECTORS' INTERESTS

The Directors have declared interests in the entities listed below.

Director	Position	Company/Organisation
Michael Smith	Director	Greymouth Petroleum Limited
	Director	Maui Capital Indigo Fund
	Director	Maui Capital Aqua Fund
	Indirect interest	Partners Life Limited
Peter Brook	Trustee	Melanesia Mission Trust Board
	Chairman	Trust Investments Management Limited
	Chairman	Burger Fuel Worldwide Limited
	Chairman	Generate Investment Management Limited
Mark Cross	Director	Alpha Investment Partners Limited
	Director	Aspect Productivity Technology Limited
	Director	Emcee Squared Limited
	Chairman	Superannuation Investments Limited
	Chairman	MFL Mutual Fund Limited
	Chairman	Milford Asset Management Limited
	Director	Milford Funds Limited
	Board member	Triathlon New Zealand Inc.
	Director	Genesis Energy Limited
	Director	Milford Private Wealth Limited
	Director	Virsae Group Limited
	Director	Z Energy Limited
	Director	Chorus Limited
	Director	Milford Capital Investments Limited
	Director	Milford Private Equity Limited
	Director	MPE II GP Limited
Andrew Evans	Director	NorthWest Healthcare Properties Management
	Director	Holmes Group Limited
	Director	Holmes Fire & Safety Limited
	Director	Trust Investments Management Limited
	Director	Holmes GP Fire Limited
	Director	Hughes & Cossar Limited
	Director	Westbrooke Capital Partners Limited
	Director	Infinity Investment Group Limited
Chris Hunter	Director	NZ Strong Group Limited
	Director	NZ Strong Construction Limited
Jeff Morrison	Trustee	Spirit of Adventure Trust
Peter Mence	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited
Dave Fraser	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited

INFORMATION USED BY DIRECTORS

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

INDEMNITIES AND INSURANCE

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

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

EXTERNAL AUDIT FIRM GUIDELINES

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

The Audit and Risk 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.

NZX RULINGS AND WAIVERS

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

DONATIONS

The Company made the following sponsorship payments during the 2018 financial year:

— $10,000 Hotwater Beach Surf Life Saving Club Inc.

— $10,000 Taylors Mistake Surf Life Saving Club Inc.

— $10,000 Lyall Bay Surf Life Saving Club Inc.

— $15,000 Red Beach Surf Life Saving

No other member of the Group made donations in the 2018 financial year.

ARGOSY SUBSIDIARIES – DIRECTORS

As at 31 March 2018:

— Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property No. 1 Limited.

— Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property No. 3 Limited.

— Michael Smith, Peter Brook, Andrew Evans, Peter Mence and David Fraser were the directors of Argosy Property Management Limited.

— Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property Unit Holdings Limited.

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

20 LARGEST REGISTERED FINANCIAL PRODUCT HOLDERS AS AT 31 MARCH 2018

Rank	Holder Name	Total	Percentage
1	New Zealand Central Securities Depository Limited	331,890,630	40.13
2	FNZ Custodians Limited	55,295,843	6.68
3	Investment Custodial Services Limited <A/C C>	22,786,081	2.75
4	Forsyth Barr Custodians Limited <1-Custody>	18,941,829	2.29
5	Custodial Services Limited <A/C 3>	15,008,786	1.81
6	Custodial Services Limited <A/C 2>	8,433,769	1.01
7	University Of Otago Foundation Trust	6,998,563	0.84
8	Christine Anne Mansell & Douglas Tony Brown <Harvan A/C>	6,956,024	0.84
9	New Zealand Depository Nominee Limited <A/C 1> Cash Account	6,844,352	0.82
10	PT (Booster Investments) Nominees Limited	6,794,915	0.82
11	Peter John Whiting & Janet Graham Whiting & Peter Austin Gowing <Whiting Family A/C>	6,210,100	0.75
12	Custodial Services Limited <A/C 4>	6,008,633	0.72
13	Southern Capital Limited	5,500,000	0.66
14	JBWere (NZ) Nominees Limited <NZ Resident A/C>	4,934,925	0.59
15	Custodial Services Limited <A/C 18>	3,704,712	0.44
16	Jarden Custodians Limited <A/C 7>	3,200,000	0.38
17	Jarden Custodians Limited <A/C 6>	3,000,000	0.36
18	Custodial Services Limited <A/C 1>	2,937,671	0.35
19	Barry Winston Jones & Jocelyn Elma Jones & Heritage Trustee Company Ltd <Winston Investment A/C>	2,713,344	0.32
20	FNZ Custodians Limited <DRP NZ A/C>	2,630,322	0.31

5 LARGEST FINANCIAL PRODUCT HOLDERS DISCLOSED BY THE NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED AS AT 31 MARCH 2018

Rank	Holder Name	No of Shares
1	HSBC Nominees (New Zealand) Limited - NZCSD	58,096,202
2	Citibank Nominees (New Zealand) Limited - NZCSD	40,967,334
3	National Nominees (New Zealand) Limited - NZCSD	40,811,624
4	Accident Compensation Corporation - NZCSD	38,766,438
5	BNP Paribas Nominees (NZ) Limited - NZCSD	31,252,753

SUBSTANTIAL PRODUCT HOLDERS AS AT 31 MARCH 2018

	Date notice filed	No of shares	% of total issued shares
ANZ New Zealand Investments Limited	13-Dec-17	41,531,723	5.028
Milford Funds Limited	19-Apr-18	41,366,866	5.002

The total number of shares on issue in the Company as at 31 March 2018 was 827,030,390. The only class of shares on issue as at 31 March 2018 was ordinary shares. The number and percentage of shares shown are as advised in the substantial security holder notice to the Company disclosed by 31 March 2018 and may not be that substantial holder's current relevant interest.

DISTRIBUTION OF FINANCIAL PRODUCT HOLDERS AND FINANCIAL PRODUCT HOLDINGS AS AT 31 MARCH 2018

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	172	1.99	75,829	0.01
1,000 to 1,999	235	2.73	305,300	0.04
2,000 to 4,999	917	10.63	3,228,167	0.39
5,000 to 9,999	1,614	18.72	11,746,917	1.42
10,000 to 49,999	4,366	50.63	97,156,462	11.75
50,000 to 99,999	769	8.92	51,044,671	6.17
100,000 to 499,999	473	5.49	85,945,882	10.39
500,000 to 999,999	34	0.39	22,606,068	2.73
1,000,000 +	43	0.50	554,921,094	67.10
Total	8,623	100.00	827,030,390	100.00

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 31 MARCH 2018

Director	No of shares non beneficial	No of shares beneficial
Michael Smith	592,579	–
Peter Brook	360,288	195,071
Mark Cross	50,000	–
Andrew Evans	129,804	–
Chris Hunter	–	–
Jeff Morrison	1,600,399	

DIRECTORS' STATEMENT

The Board is responsible for preparing the Annual Report. This report is dated 22 May 2018 and is signed on behalf of the Board of Argosy Property Limited by Michael Smith, Chairman and Mark Cross, Director.

P Michael Smith
Director

Mark Cross
Director

Directory

DIRECTORS

Argosy Property Limited

Michael Smith, Auckland (Chair)
Peter Brook, Auckland
Mark Cross, Auckland
Andrew Evans, Auckland
Chris Hunter, Auckland
Jeff Morrison, Auckland

REGISTERED OFFICE

Argosy Property Limited

39 Market Place
Auckland 1010
PO Box 90214
Victoria Street West
Auckland 1142
Telephone: (09) 304 3400
Facsimile: (09) 302 0996

REGISTRAR

Computershare Investor Services Limited

159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
Telephone: (09) 488 8777
Facsimile: (09) 488 8787

AUDITOR

Deloitte

Deloitte Centre
80 Queen Street
Private Bag 115-003
Auckland 1010
Telephone: (09) 303 0700
Facsimile: (09) 303 0701

LEGAL ADVISORS

Harmos Horton Lusk Limited

Vero Centre
48 Shortland Street
PO Box 28
Auckland 1010
Telephone: (09) 921 4300
Facsimile: (09) 921 4319

Russell McVeagh

Vero Centre
48 Shortland Street
PO Box 8
Auckland 1140
Telephone: (09) 367 8000
Facsimile: (09) 367 8163

BANKERS TO THE COMPANY

ANZ Bank New Zealand Limited

ANZ House
23–29 Albert Street
PO Box 6243
Auckland 1141

Bank of New Zealand Limited

Deloitte Centre
80 Queen Street
Private Bag 99208
Auckland 1142

The Hongkong and Shanghai Banking Corporation Limited

HSBC House
1 Queen Street
PO Box 5947
Wellesley Street
Auckland 1141

Argosy

39 Market Place
Po Box 90214, Victoria Street West, Auckland 1142
P / 09 304 3400
F / 09 302 0996
www.argosy.co.nz