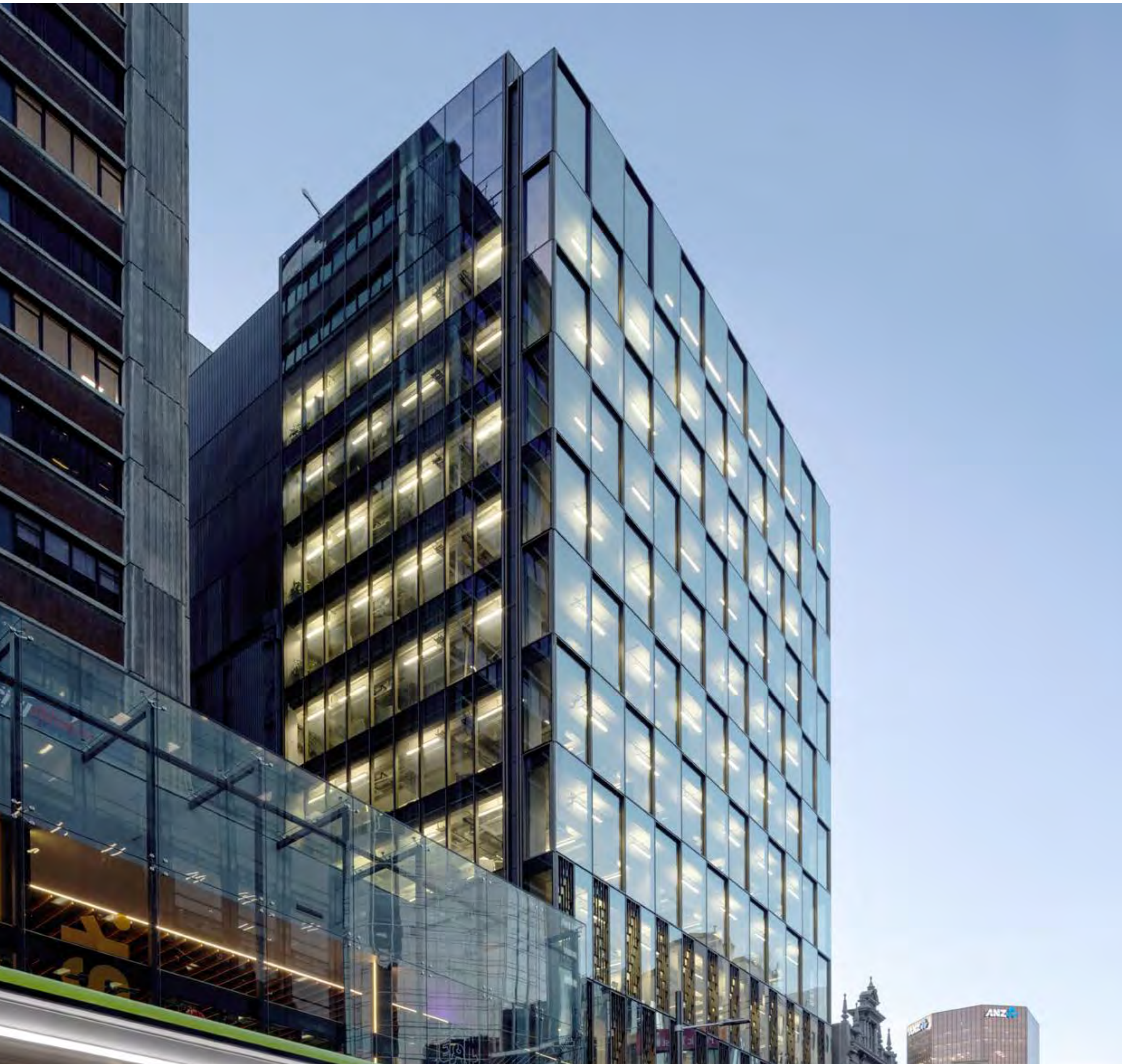
Argosy

The business of being green

Annual Report 2023



Leading the way

At Argosy we're focused on *building a better future* by creating vibrant and sustainable spaces for our tenants, and their staff, to prosper while also reducing our impact on the planet.

Sustainability is at the heart of what we do as a business and how we plan to grow. This is evident by our growing portfolio of green buildings, designed to reduce carbon emissions and waste and to minimise energy usage.

In the last seven years we've completed nine green redevelopments representing over 75,000m^2 of space. Our green builds adopt innovative products and approaches to bring our existing buildings in line with world leading green standards.

What makes our approach truly unique from many others in our sector is that we primarily target retro-fitting existing buildings to make them more energy efficient.

This unique approach has a double impact, increasing New Zealand's energy efficient green buildings while also reducing the number of non-green buildings.

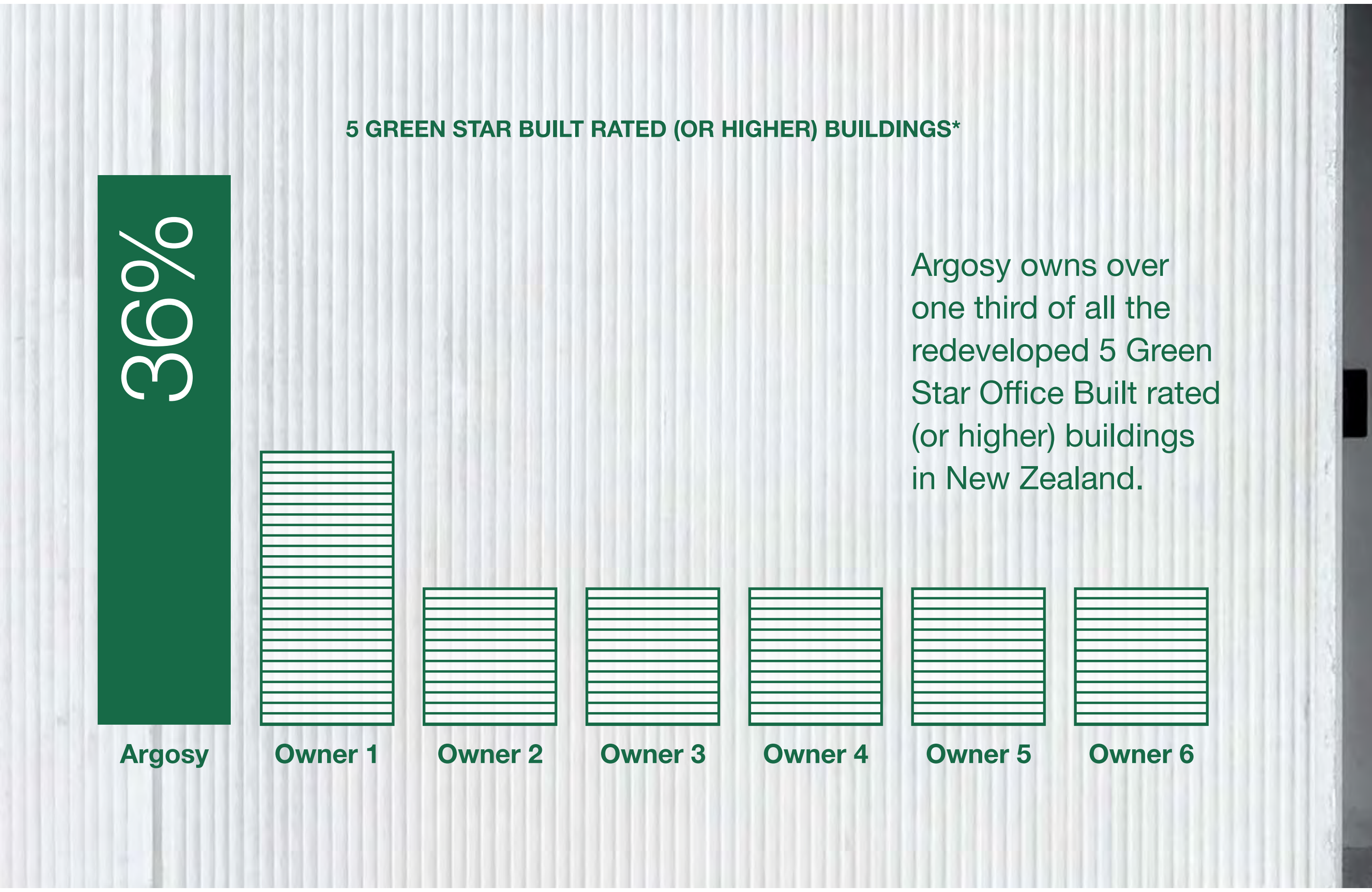
Today 31% of our portfolio by value is green.

Our goal is to have over 50% of our portfolio in green buildings by 2031.

Driven by tenant demand

Many of our tenants are on their own green journey, looking to do right by their people, by their communities and by the environment. They're looking for productive work environments that enhance their people's wellbeing, are energy efficient and also allow them to operate with a lower carbon footprint. We adopt a number of sustainable practices to support these tenant goals, including:

- Solar panels to reduce traditional energy usage.
- Metering systems to monitor electricity and water usage.
- Rainwater collection systems, for toilets and irrigation.
- Low water use gardens and landscaping.
- Intelligent LED lighting with occupancy and daylight controls.
- Attractive outdoor spaces to encourage staff wellbeing.
- End-of-trip facilities, including showers, bike racks and stretch areas, that support people's healthy lifestyle choices.

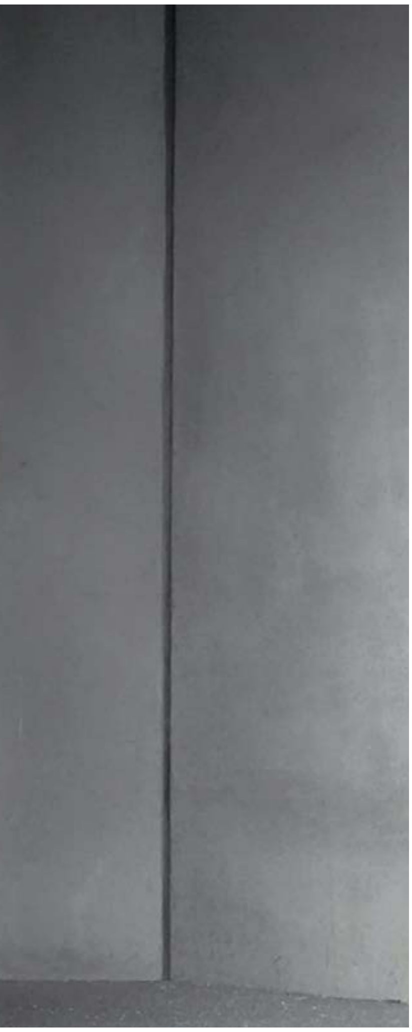


*Defined as reused or redeveloped buildings not new builds. NZGBC data as at 31 March 2023.

Our approach to sustainability is driven by the needs of our tenants, seeing us attract quality tenants across diversified industries. This growing tenant demand for green buildings is reflected in the longer-term value of our green properties. For us sustainability is good business.

What is a Green Star rating?
A Green Star rating is an independent evaluation that assesses your project against criteria set by the New Zealand Green Building Council. Green Star ratings can be from zero (assessed) to 6 Stars (World Leadership). This system takes a holistic approach that not only looks at direct environmental impacts like water and energy, but also accounts for waste management, public transport and management.

What is a NABERSNZ rating?
NABERSNZ is a system for rating the energy efficiency of office buildings. It is an independent tool, backed by the New Zealand government. A NABERSNZ Certified Rating gives a star rating, from 0 to 6, that clearly shows your building's energy performance compared to others.



Market-leader in retro-fitting existing buildings

Our results

15-21 Stout Street, Wellington

CURRENT NABERSNZ RATING
5.5 Star Energy Base Build

GREEN STAR RATING
5 Star Office Built

82 Wyndham Street, Auckland

CURRENT NABERSNZ RATING
6.0 Star Energy Base Build

GREEN STAR RATING
5 Star Office Built

Highgate Parkway, Auckland

CURRENT NABERSNZ RATING
n/a[1]

GREEN STAR RATING
5 Star Industrial Built

107 Carlton Gore Road, Auckland

CURRENT NABERSNZ RATING
5.0 Star Energy Base Build

GREEN STAR RATING
5 Star Office Built

14 green buildings

8-14 Willis Street, Wellington

CURRENT NABERSNZ RATING
Targeting 5 Star

GREEN STAR RATING
Targeting 6 Star

1. NABERSNZ rating not available for industrial buildings.

Note: Green Buildings are defined under Argosy's Green Bond Framework which can be found on its website www.argosy.co.nz under Investor Centre.

99 Khyber Pass Road, Auckland

CURRENT NABERSNZ RATING
5.0 Star Energy Base Build

GREEN STAR RATING
–

23 Customs Street, Auckland

CURRENT NABERSNZ RATING
4.5 Star Energy Base Build

GREEN STAR RATING
–

1-3 Unity Drive, Auckland

CURRENT NABERSNZ RATING
n/a[1]

GREEN STAR RATING
Targeting 4 Star

105 Carlton Gore Road

CURRENT NABERSNZ RATING
Targeting 5 Stars

GREEN STAR RATING
Targeting 6 Star

18-20 Bell Avenue, Auckland

CURRENT NABERSNZ RATING
n/a[1]

GREEN STAR RATING
Targeting 4 Star

12-16 Bell Avenue, Auckland

CURRENT NABERSNZ RATING
n/a[1]

GREEN STAR RATING
Targeting 4 Star

308 Great South Road, Auckland

CURRENT NABERSNZ RATING
4.5 Star Energy Base Build

GREEN STAR RATING
–

143 Lambton Quay, Wellington

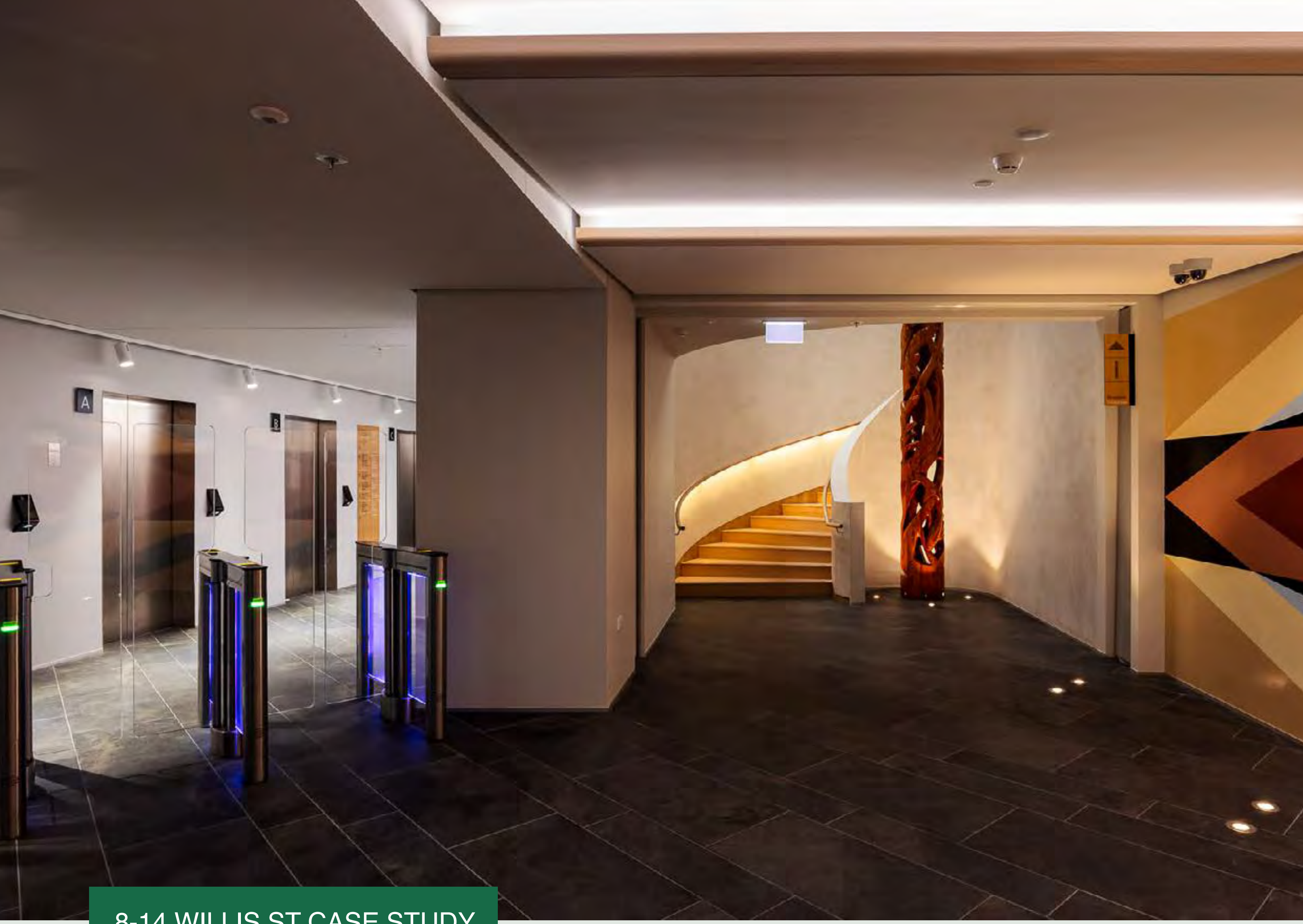
CURRENT NABERSNZ RATING
Renewal pending

GREEN STAR RATING
5 Star Office Built

5 Allens Road

CURRENT NABERSNZ RATING
n/a[1]

GREEN STAR RATING
Targeting 4 Star



8-14 WILLIS ST CASE STUDY

Building a better future

> "Argosy and Stats NZ have created a great workplace for our people. We are really pleased with 8 Willis."
>
> **Helen Cooper,**
> **Head of Workplace Environments**
> STATS NZ

In the first half of the 2023 financial year Argosy completed the redevelopment of 8-14 Willis Street/360 Lambton Quay in Wellington – including the workspace for Stats NZ, the Ministry for the Environment and a number of high street speciality retail tenants. The development featured innovative design with a focus on creating resilient and sustainable workspaces for the future.

Argosy implemented a number of optimisation measures to balance cost, programme and the requirement for large open plan floor plates. One of the key innovations was the combination of an automated process to tune the buildings seismic performance that resulted in the use and most efficient placement of 4,000kN dampers throughout the building to control the building's lateral drift – significantly reducing the amount of structure that previously may have been required to achieve a 130% NBS rating.

"By working collaboratively with the team at Stats NZ, it's allowed us to deliver a fantastic result for them and their people."

Marilyn Storey,
Head of Development
ARGOSY

Stats NZ
Stats NZ collects information from people and organisations through censuses and surveys. Stats NZ uses this data to publish news stories and insights about Aotearoa New Zealand, and support others to use the information.

The design team in collaboration with Argosy, the contractor and Stats NZ implemented a number of solutions and technologies to position the building as a comfortable and sustainable workplace.

In addition to these sustainability features the Stats NZ fitout was integrated into the project to minimise construction waste and inefficiency; while supporting the tenant's aspiration to inform the building design to best reflect the culture and values of the organisation and to create a meaningful workplace identity.

Argosy is targeting a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating for the building. If certified, 8 Willis Street will become Wellington's and Argosy's first 6 Star rated building which is quite an achievement.

6 Stars is defined as "world leading" in environmentally sustainable building practice and epitomises the highest standard of quality in design and what is actually built. The modern, innovative features of the building include: roof top solar panels, rain water harvesting, chilled beams to deliver both cooling & heating concurrently and a new HVAC system to meet Green Star requirements. Modern end of trip facilities were also included as part of the development, including e-bike chargers.

Total NLA

16,776m²

Retail NLA

3,100m²

Term

15 years

2023 highlights

ADJUSTED FUNDS FROM OPERATIONS

$58.1m

OCCUPANCY

99.3%

WEIGHTED AVERAGE LEASE TERM (WALT)

5.4yrs

FULL YEAR DIVIDEND
↑ 1.5%

6.65cps

NET TANGIBLE ASSETS

$1.58

GEARING

35.1%

INDUSTRIAL SECTOR WEIGHTING

53%

PERCENTAGE OF INDUSTRIAL PORTFOLIO LOCATED IN AUCKLAND

87%

GOVERNMENT SECTOR RENTAL INCOME

34%

Sustainability

5 Star

NABERSNZ energy ratings achieved on two buildings

Toitū

Net Carbonzero Certification (for 2022)

31%

Green assets, % of portfolio

6 Star

Green Built certification target for 8-14 Willis Street

>90%

Landfill diversion tracking for 105 Carlton Gore Road

Social

$93,000

in community support

32 beds

and bedding packs donated to Variety

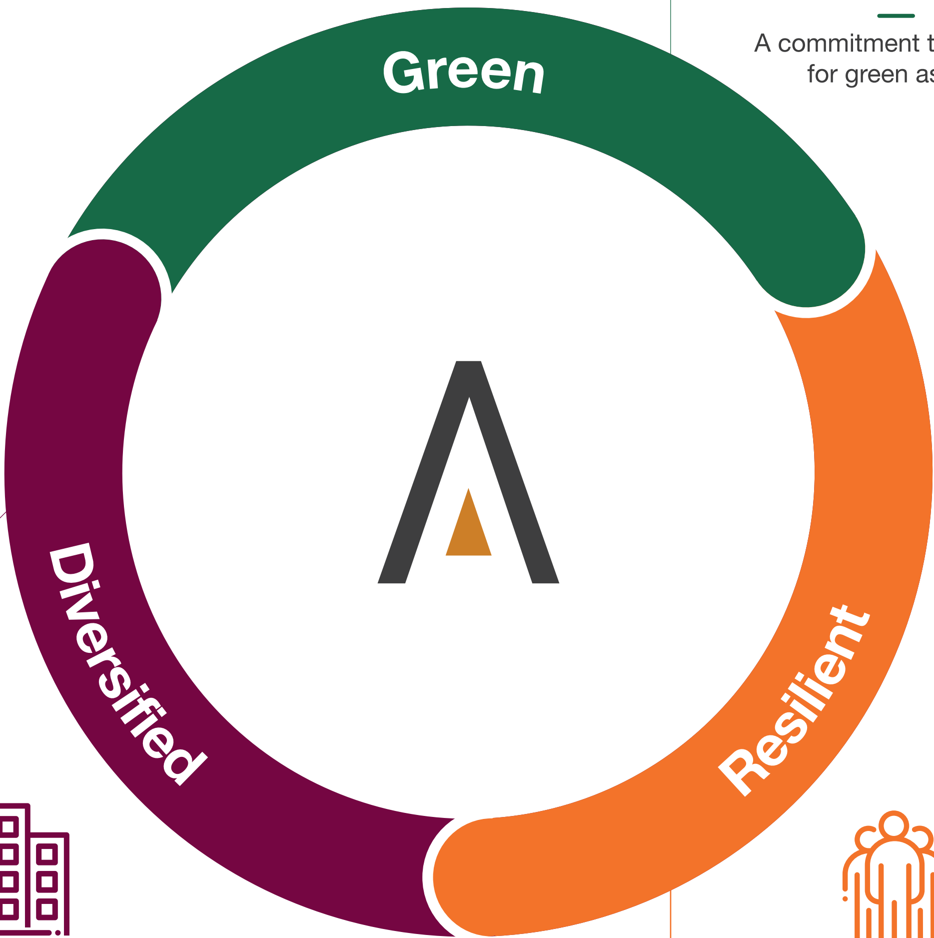
Building a better future

Proactive delivery of sustainable growth.

A business culture that is environmentally focused

Executing green Value Add portfolio opportunities to drive earnings and capital growth

A commitment to funding for green assets



Owning the right assets with the right attributes in the right New Zealand locations.

A diversified asset allocation across sectors to reduce volatility and widen growth opportunities

Targeting strategic growth opportunities with green potential and a focus on the Auckland Industrial and Wellington Government Office markets

Maintaining a portfolio of high quality, well located Core assets with growth potential

A business that is adaptable and responsive to change.

Maintaining strong and valued relationships across all stakeholders

A commitment to management excellence delivering earnings and dividend growth

Ensuring safe working environments for Argosy and its partners

Top: 39 Market Place, Bottom: Snickel Lane.

Building a Better Future

Jeff Morrison
CHAIRMAN

"The Argosy Board is pleased with the way management and staff have delivered another solid result and continued to execute on the Company's asset allocation strategy, increasing its Industrial weighting and reducing its weighting to Office."

FY23 full year dividend

6.65cps

A 1.5% increase on the prior period

FY24 dividend guidance

6.65cps

Inline with FY23 dividend

On behalf of the Board of Directors, it is my pleasure to present Argosy's 2023 Annual Report.

Inflation and interest rates have, and continue to be, an obvious concern and this is reflected in market volatility across the sector. Management is constantly reviewing the portfolio and the resilience of tenants and underlying rental income, and is comfortable with the current position. Government tenancies comprise 34% of total rent, providing a high degree of earnings certainty. Tenant retention and occupancy ratios have been particularly pleasing in a challenging year.

CBRE research indicates the bottom-up fundamentals of the Auckland Industrial and Wellington Office sectors remain strong, and Argosy's exposure to these sectors also helps support the company's earnings and consequently the dividends it is able to pay.

Earnings are underpinned by a solid capital position. Argosy's interest rate management strategy sees it with less than 30% floating debt exposure, which is prudent in the current environment. Furthermore, the Board remains comfortable that Argosy has sufficient funding capacity to accommodate medium term development requirements and any further adverse property valuation movements.

Market data suggests that the long-standing strategy of focusing on sustainable spaces is being rewarded through increasing tenant enquiry for sustainable buildings, in both the Auckland and Wellington markets. This underscores our long-held view that the local market is now catching up with international trends and that the resilience of revenue streams is, and will continue to be, enhanced by the increased number of green buildings in the portfolio.

Our ongoing commitment to greening the portfolio, primarily through redevelopment, is also driving higher revenue streams and stronger tenant retention levels. There is a growing preference by tenants for sustainable green rated buildings. Furthermore, Management is reporting increased anecdotal evidence of growing rental premiums being achieved for green buildings and expects this to increase over time. The formal opening of our green development at 8-14 Willis Street was a highlight during the year. A 6 Star Green Built Rating is being targeted for this building.

Strategy

Argosy remains focused on building a better future. We will do this through our commitment to sustainability and greening our portfolio, meeting tenant demand, through redevelopment of existing buildings and development of new ones. We remain weighted to the Auckland Industrial market, where half of our portfolio is positioned to leverage from attractive long term structural trends.

As we look ahead to FY24, the economic environment is looking more challenging for business and for consumers. We remain focused on delivering on key objectives that will support earnings and dividend sustainability. This includes completing existing developments and associated leasing up, commencing our new green industrial projects, and addressing residual vacancies and near term expiries. Our big strategic goals, particularly around greening the portfolio, will support resilient and sustainable dividend growth to shareholders over the long term.

Governance

Argosy's Annual Shareholders Meeting (ASM) will be held as a hybrid meeting on 20 June at 2pm at the Royal New Zealand Yacht Squadron in Auckland. Argosy continues to utilise the hybrid functionality of the ASM. It allows shareholders to attend virtually and participate in all elements of the meeting including questions and answers and completing all voting.

Martin Stearne and Rachel Winder will retire in accordance with the Company's constitution and the NZX Listing Rules and will be eligible for re-election.

Dividends

A fourth quarter dividend of 1.6625 cents per share has been declared for the March quarter with imputation credits of 0.01801 cents per share attached. This brings the full year dividend to 6.65 cents per share in line with previous guidance. The dividend will be paid to shareholders on 21 June 2023 and the record date will be 7 June 2023. The Dividend Reinvestment Plan remains suspended by the Board until further notice.

Looking ahead, it is clear that the New Zealand economy will face challenges during the remainder of FY24. With this in mind, the Board has decided to maintain the dividend at the current level, so dividend guidance for FY24 is for a pay-out of 6.65 cents per share.

Outlook

With strong foundations in place, Argosy starts the FY24 year in very good shape both from a capital and business position. Whilst the near term operating environment is going to be challenging, the company remains focused on its strategy of delivering a sustainably focused (green), resilient and diversified business that creates long term value for shareholders.

JEFF MORRISON
Chairman

A sustainable focus

Peter Mence
CHIEF EXECUTIVE OFFICER

Dave Fraser
CHIEF FINANCIAL OFFICER

"We finished FY23 with some excellent operational results across the business following a summer blotted with extreme weather and inflation concerns. We are well positioned to start FY24 strongly."

Net Property Income

$112.8m

Up 7.3% for the period

Operationally, the business is in good shape with several new leases and renewals already addressed, particularly the renewal with General Distributors at Favona Road. The Auckland Office leasing market has proven more resilient than many expected, particularly in the green building segment.

Master Planning continues at our two green Value Add industrial precincts at Mt Richmond and Neilson Street. We continue to receive strong market enquiry for these properties which will underpin our green development pipeline over the medium term.

Highlights

Key highlights for the period include:

- Net property income for the period of $112.8 million, up 7.3%;
- Net distributable income of $64.2 million;
- High year end occupancy (99.3%) and WALT (5.4 years);
- $146.6 million annual revaluation loss, down 6.4% on book value, resulting in a net loss after tax of $80.8 million;
- NTA per share of $1.58 from $1.74 at 31 March 2022;
- Strong portfolio leasing and rent review outcomes, including 3.6% annualised rental growth on rents reviewed;
- Continued focus on sustainability with several green developments completed and 105 Carlton Gore Road nearing completion;
- A full year dividend of 6.65 cents per share, a 1.5% increase over FY22; and
- FY24 dividend guidance of 6.65 cents per share.

Financial Results

Statement of Comprehensive Income

For the 12 months to 31 March, Argosy reported net property income of $112.8 million for the period, up $7.6 million or 7.3% compared with the prior comparable period.

Net property income was bolstered by solid like for like rental growth, the contribution from 100 Maui Street and development income.

Net interest expense of $36.3 million was up $10.7 million on the prior comparable period, primarily due to higher floating rates, higher overall debt levels and lower capitalised interest.

Annual valuations for the year to 31 March 2023 were performed by CBRE Limited, and Colliers International New Zealand Limited. The total unrealised revaluation loss for the year to 31 March was $146.6 million or 6.4% on book value. In general, portfolio capitalisation rate softening of 68 basis points to 5.84% was offset to some extent by market rental growth. Of the annual decline $23.5 million was recognised in the interim result at 30 September 2022.

By sector, Industrial decreased $49.1 million or 4.2%. The Office portfolio declined by $79.0 million or 8.9%, and Large Format Retail declined by $18.5 million or 8.2%. The portfolio was 10.8% under-rented, excluding market rent on vacant space.

As a result of the FY23 revaluations, Argosy's NTA declined to $1.58 from $1.74 at 31 March 2022. Following the revaluation, Argosy's portfolio shows a contract yield on values of 5.60% and a yield on fully let market rentals of 6.21%.

The revaluation loss contributed to a net loss after tax of $80.8 million, compared to a net profit of $236.2 million in FY22.

Distributable Income

Net distributable income for the year was $64.2 million compared to $64.7 million in the prior comparable period.

Portfolio Metrics, Rent Reviews and Leasing

During the second half of the year the economic landscape became more challenging. However, the team delivered some excellent results around the key operating metrics of occupancy, rental growth and leasing.

As at 31 March, Argosy's WALT was a healthy 5.4 years and portfolio occupancy was 99.3% up from 98.7% as at the prior year end.

For the year to 31 March, Argosy completed 106 rent reviews, achieving annualised rental growth of 3.6%. These reviews were achieved on rents totalling $73.0 million.

On rents subject to review by sector, Argosy achieved annualised rental growth of 3.4% for Industrial rent reviews, 3.5% for Office rent reviews and 4.7% for Large Format Retail rent reviews.

For the year to 31 March, 65% of rents reviewed were subject to fixed reviews, 22% were market reviews and 13% were CPI based.

Argosy completed 36 leasing transactions across 97,500m^2 of NLA over the year to 31 March. Lease transactions were made up of new leases (16), extensions (4), renewals (16).

Key leasing transaction successes over the financial year include:

- General Distributors, 80-120 Favona Road, 46,828m^2
- McLarens Group (NZ) Limited, Citigroup, 988m^2
- Debonaire Furniture Limited, 39 Randwick Road, 4,142m^2
- Visypet (NZ) Limited, 211 Albany Highway, 15,191m^2
- Hospitality Services Limited, Citigroup, 656m^2
- Briscoes Group, Albany Mega Centre, 5,650m^2
- Ministry for the Environment, 8 Willis Street, 2,245m^2
- Lighting Direct, Albany Mega Centre, 571m^2

The team worked very hard over the back end of the financial year and attracted and retained some great tenants for Argosy.

Recent CBRE data indicates that, while a quieter twelve months ahead is expected, the Auckland Industrial sector remains very attractive with strong bottom-up fundamentals, including low vacancy and strong rental growth. Industrial remains very much a resilient sector and has some of the best forecast returns through to 2026.

Argosy's portfolio is 53% weighted to Industrial, and it is clear that our pipeline of green Value Add development Industrial sites will further enhance portfolio quality and resilience over the longer term.

Debt-to-total-assets at 31-March[1]

35.1%

Middle of target 30-40% band

Weighted average debt tenor

3.2yrs

Includes bonds

Value Add Developments

105 Carlton Gore Road, Newmarket

This $35 million redevelopment is nearing completion with a target date of 1 June 2023. The remaining focus is on interior finishes including integrated tenancy fitout on the ground floor, part Level 3 and all of Level 4. The building is currently ~50% leased and Argosy is in exclusive negotiations with potential new tenants for both Level 2 (1,055m²) and the balance of part Level 3. This would only leave Level 1 available for lease.

Mt Richmond, Mt Wellington

Master Planning continues at this 10.6 hectare Value Add green development site in the central industrial precinct of Mt Wellington, only 15km from Auckland CBD. The industrial estate is targeting a minimum 6 Green Star rating with high stud options ranging from 4,000m² – 18,000m², ample parking, café and state of the art end-of-trip facilities. Resource consents have been lodged and are being processed by Auckland Council. Stage 1 (earthworks consents) are expected to be uplifted imminently. Stage 2 (structure) consents are expected to be uplifted in the coming weeks.

We are getting some very good interest from a range of good quality tenants across a diverse range of sectors.

Neilson Street, Onehunga

Neilson Street is the second of Argosy's Value Add green development sites. It is strategically located 8km from the Auckland CBD with excellent access to both motorway networks. The site will offer 5 Green Star high stud office/warehouse options from 3,500m² – 7,000m².

The Neilson Street location is generating strong interest and we are negotiating with top quality tenants. There is a lot of market demand for modern, well located and sustainable buildings. Developments such as this, coupled with attractive market fundamentals, means we are well placed to benefit.

Divestment of non Core Assets

During the year, Argosy settled the sale of 25 Nugent Street in Auckland, for $22.0 million (at a 28% premium to the then book value). At year end, there are a small number of assets which are earmarked for sale as they no longer meet Argosy's investment criteria (totalling approximately $66.0 million).

Capital Management

As at 31 March, Argosy's debt to total assets ratio, excluding capitalised borrowing costs, was 35.1% compared to 31.1% at 31 March 2022. The ratio reflects the net impact of revaluation losses, acquisitions and development activity during the period.[1] Argosy's year end gearing sits towards the middle of its target gearing band of 30-40%, and well below its bank covenant of 50%.

During the period Argosy increased and extended its syndicated bank facilities with ANZ Bank of New Zealand Limited, Bank of New Zealand Limited, The Hongkong and Shanghai Banking Corporation, Commonwealth Bank of Australia and Westpac New Zealand Limited. Argosy also announced that Industrial and Commercial Bank of China Limited (ICBC) joined the syndicate. The total amount of the bank facility has increased by $20 million and is now $475 million.

Argosy's weighted average debt tenor, including bonds, was 3.2 years (3.5 years at 31 March 2022) with the nearest tranche of bank debt expiring in April 2025. Its weighted average interest rate was 5.39% (4.14% at 31 March 2022).

Outlook

As a management team, we are conscious of balancing near term results with delivery of our longer term strategic goals. For FY24, we will continue to focus on working with our customers, addressing expiries and leasing vacancy within the portfolio.

The growing tenant demand evident for high quality and vibrant spaces to support their business requirements validates our confidence in the long term strategy.

These green projects will provide impetus to our goal of half our portfolio being green by 2031. The combination of these short and long term focus areas will underpin the delivery of our strategy and sustainable distributions to shareholders.

We look forward to updating all our stakeholders at our Annual Meeting in June.

PETER MENCE

Chief Executive Officer

DAVE FRASER

Chief Financial Officer

1 The ratio excludes the right of use asset at 39 Market Place of $40.1 million, recorded in the period under NZ IFRS 16.

Investment Policy Framework

Argosy has a Clearly Defined Investment Framework

Argosy is, and will remain, invested in a portfolio that is diversified by sector, location and tenant mix. The Investment Strategy is unchanged and 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 of more than 10 years. The Core properties target is between 75% to 90% of the portfolio by value. Core properties are well located with strong long-term generic 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

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

The Investment Policy clearly defines what properties Argosy will seek to own by setting the boundaries within which it 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 are either Core or offer potential to move to Core in the medium-term).

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

Investment Policy target bands also reflect development opportunities over the medium-term and the effect on overall portfolio composition. The Industrial target is 55-65%, Office is 25-35% and the Large Format Retail target is 5-15%.

Argosy's diversified portfolio of quality properties has an average value of $39.7 million. Liquid properties, which are properties that could potentially be under contract within a short period, currently represent 22% of the portfolio or $475 million.

Capital Management

The optimal capital structure for Argosy is one that enables it 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.

Argosy's debt-to-total assets ratio target band remains at 30-40%. This band allows Argosy 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.

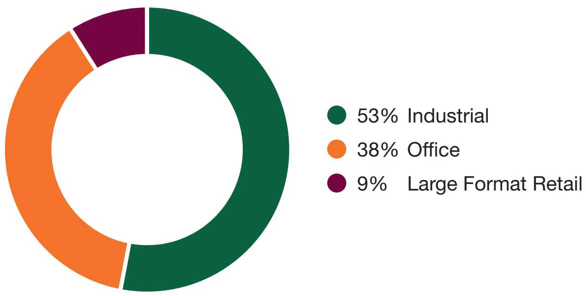
Risk Management

Argosy strives to deliver reliable and attractive returns to shareholders. It takes a considered approach to development, acquisition, divestment, leasing and capital management decisions, reflecting its proposition to shareholders as a yield-based investment.

Argosy has a robust risk assessment process. Risk assessment reviews are carried out by a representative cross-section of Argosy's management team at least twice a year in accordance with Argosy's Risk Management Framework. A risk assessment review has three phases: identification of material risks arising from Argosy's operation; assessment of the probability and consequences of the risk; and development of controls to achieve a level of residual risk that is within Argosy's risk appetite.

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

Portfolio Mix by Sector



"Our Investment Policy is a key pillar of our strategy of creating a green, resilient and diversified portfolio."

Peter Mence
CEO

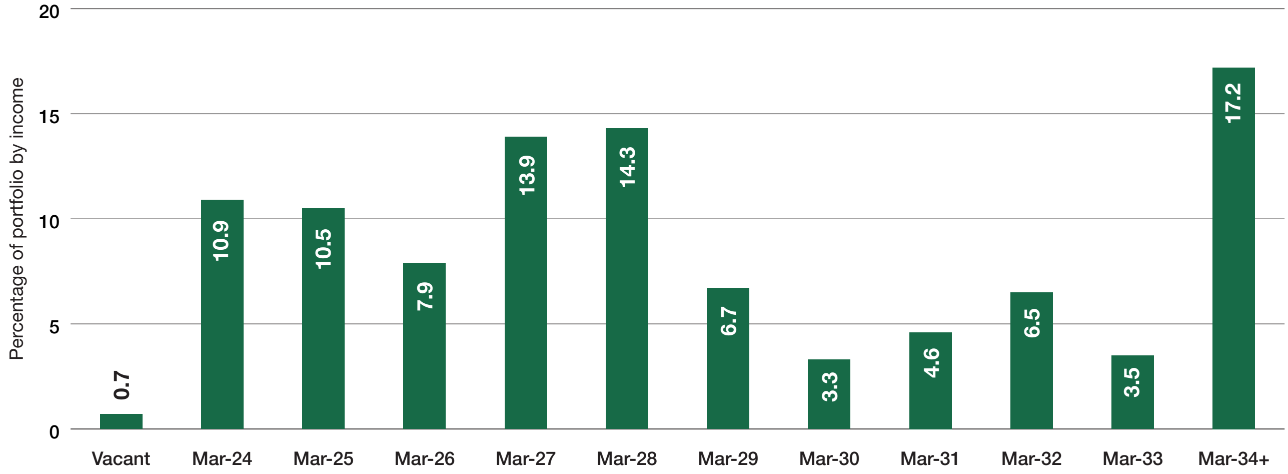
Numbers at a glance

Artists' impression, 224 Neilson Street, Auckland.

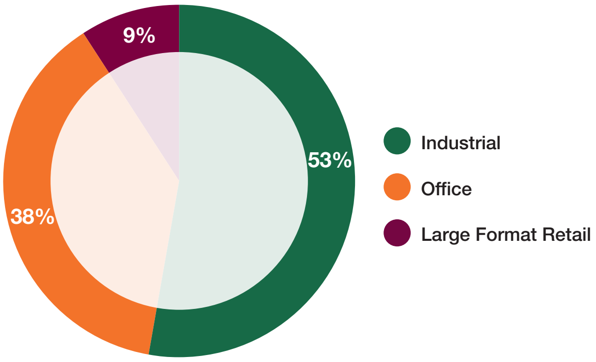
	Unit of measure	Industrial	Office	Large Format Retail	Total
Number of buildings	no.	35	15	4	54
Market value of assets	$m	1,128	811	206	2,145
Net lettable area	m^2	461,600	131,889	50,204	643,693
Occupancy factor by rent	%	100.0	98.5	100.0	99.3
Weighted average lease term	years	6.1	5.2	2.9	5.4
Average value	$m	32.2	54.1	51.5	39.7
Passing yield[1]	%	5.07	6.10	6.51	5.60

1. Passing yield excludes 105 Carlton Gore Road, 39 Market Place and 224 Neilson Street.

Lease Expiry Profile BY RENT



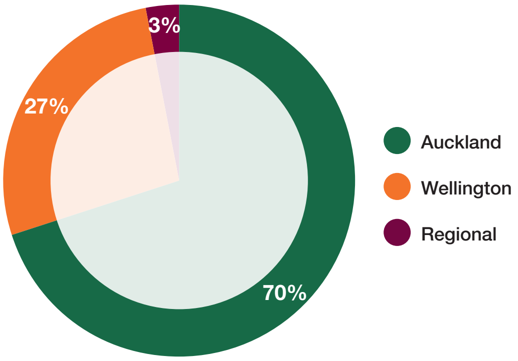
Total Portfolio Value BY SECTOR



Rent reviews in FY23 BY SECTOR

	No. of Reviews	Annualised Rent Increase	Increase over Contract ($)
Industrial	37	3.4%	2,103,280
Office	47	3.5%	1,022,581
Large Format Retail	22	4.7%	689,790
TOTAL	**106**	**3.6%**	**3,815,651**

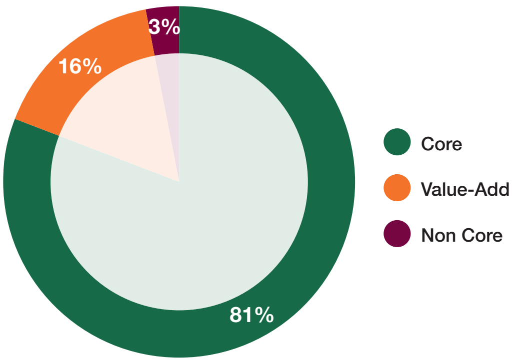
Total Portfolio Value BY REGION



New leases completed in FY23 BY SECTOR

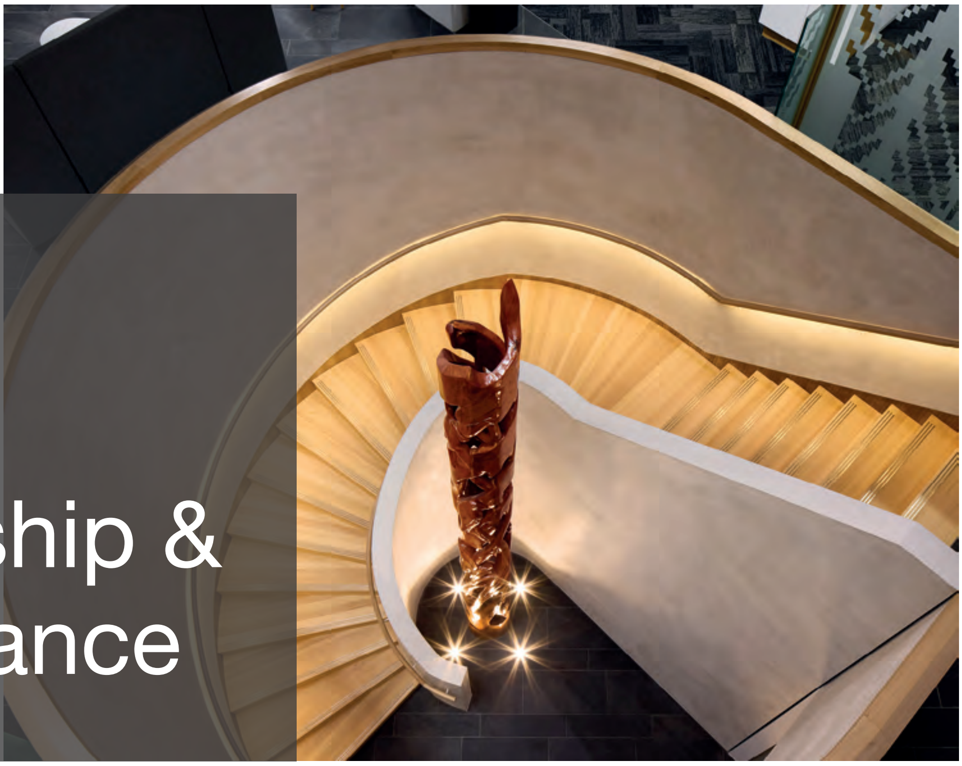
	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
Office	13,537	4.7	20
Industrial	76,348	8.1	8
Large Format Retail	7,615	5.3	8
TOTAL	**97,500**	**6.8**	**36**

Portfolio Mix BY TYPE



New leases completed in FY23 BY TYPE

	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
New lease	8,468	5.6	16
Right of renewal	87,564	7.2	16
Extension	1,468	1.9	4
TOTAL	**97,500**	**6.8**	**36**



Our Leadership & Governance

Ethics & Values

Argosy's approach

Our values guide our internal conduct as well as our relationships with external parties. 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** – Inspiring trust in our actions by doing the right thing.
- **Culture** – Creating a fun environment that encourages inclusiveness and teamwork.
- **Respect** – Treating all stakeholders with courtesy and understanding.
- **Accountability** – Taking ownership and responsibility.
- **Communication** – Promoting effective communication to all stakeholders.

Governance

Argosy will maintain the highest standards of corporate behaviour and accountability.

Argosy's approach

The Company is committed to fostering open and transparent communications with investors, ensuring it delivers to the highest standards and complies with the NZX listing rules.

Argosy is proactive in meeting all its continuous disclosure obligations to ensure that all investors are fully informed of all material information necessary to assess the Company's performance.

Argosy upholds 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. Argosy's website contains key governance policies which support the delivery of the highest standards of corporate behaviour. Policies include but are not limited to;

- Code of conduct and ethics;
- Conflicts of interests;
- Reporting against the NZX code;
- Diversity;
- Sustainability;
- Insider trading; and
- Shareholder communications.

Performance

Argosy regularly reviews the performance, skills and structure of its Board and committees to ensure independent and effective governance.

Annual Meeting

20 June

Hybrid meeting to be held in Auckland

Annual Retail Roadshow starts

21 June

13 city Retail Roadshow commences

Annual Meeting

Argosy's Annual Shareholders Meeting (ASM) will be held as a hybrid meeting on 20 June at 2pm at the Royal New Zealand Yacht Squadron in Auckland. Argosy continues to utilise the hybrid functionality of the ASM. It allows shareholders to attend virtually and participate in all elements of the meeting including questions and answers and completing all voting.

Martin Stearne and Rachel Winder will retire in accordance with the Company's constitution and the NZX Listing Rules and will be eligible for re-election. As usual, all shareholders are encouraged to attend the meeting where you will have the opportunity to listen to and meet the Board of Directors in person.

Retail Roadshow

The 2023 Retail Roadshow schedule has been released. Chief Executive Officer Peter Mence will visit 13 cities around New Zealand from 21 June to 13 July.

The Retail Roadshow remains a key engagement tool for Management to meet directly with shareholders and update them on the business performance, sustainability objectives and 10-year strategic plan.

Argosy shareholders have always shown a great understanding of the business and the listed property space generally.

Key Dates

(indicative only and subject to change)

20 June 2023

Annual Shareholders Meeting.

21 June 2023

Final quarter FY23 dividend payment.

June 2023

Annual Retail Roadshow commences 21 June. Concludes Friday 13 July.

September 2023

FY24 1st Quarter Dividend Payment.

November 2023

FY24 Interim results release.

December 2023

FY24 2nd Quarter Dividend Payment.

Board of Directors

Jeff Morrison
Chair

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.

Chris Gudgeon
Director

Director since November 2018

Mr Gudgeon has been involved in property investment, development and construction in New Zealand for more than 25 years. He was previously Chief Executive of Kiwi Property Group and Capital Properties NZ Ltd. He is currently a director of Crown Infrastructure Partners and Ngāti Whātua Ōrākei Whai Rawa Limited. Mr Gudgeon holds an MBA from the Wharton School, University of Pennsylvania and a Bachelor of Engineering degree from The University of Canterbury. He is a Fellow of the Royal Institute of Chartered Surveyors and is a past President of Property Council New Zealand.

Stuart McLauchlan
Director

Director since August 2018

Mr McLauchlan is a Senior Partner of GS McLauchlan & Co Business Advisors and Accountants, a prominent businessman and company director. He is a Director of Scenic Hotels Group Limited, Dunedin Casinos Limited, EBOS Group Limited and several other companies. Mr McLauchlan is also Chairman of the NZ Sports Hall of Fame, AD Instruments Pty Limited and Scott Technology Limited. He is also a past President of the New Zealand Institute of Directors. Mr McLauchlan is a qualified accountant with a Bachelor of Commerce degree from the University of Otago, an FCA from Chartered Accountants Australia and New Zealand and is a Chartered Fellow of the New Zealand Institute of Directors.

Mike Pohio
Director

Director since February 2019

Mr Pohio has 25 years of senior executive and governance experience across a range of industries including property, investment, port/logistics and dairy. He is the Chairman of Ngāi Tahu Holdings Corporation (NTHC), Mana Ahuriri Holdings Limited Partnership and Rotoiti 15 Investments LP. He is also a director on the Board of Te Atiawa Iwi Holdings. Mr Pohio holds an MBA from IMD, Lausanne, an FCA from Chartered Accountants Australia and New Zealand and is a Chartered Member of the New Zealand Institute of Directors.

Martin Stearne
Director

Director since March 2020

Mr Stearne has over 20 years commercial and capital markets experience, primarily gained during his time at Jarden and its predecessors from 1995 until 2015. He currently holds appointments to the NZX Listing Subcommittee, the Takeovers Panel and the Investment Committee of the Impact Enterprise Fund. He is a member of INFINZ and IceAngels. Mr Stearne holds a B.Sc (Hons) in maths and a B.Com in finance from the University of Otago. He is also a member of the New Zealand Institute of Directors.

Rachel Winder
Director

Director since August 2019

Mrs Winder has over 20 years commercial property experience including development, strategy, portfolio management, and financial management. Her experience spans both commercial and government, particularly construction, telecommunications and financial services. Mrs Winder has a particular interest in how property strategy can be an enabler for business performance. Currently consulting across a range of entities, Rachel holds an MBA from the University of Otago and a Bachelor of Property from Auckland University. She is also a member of Property Council New Zealand and the New Zealand Institute of Directors.

Senior Management Team

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

Peter Mence
Chief Executive Officer

Peter is the Chief Executive of Argosy Property Limited. An engineer by background, Peter has 40 years of experience in the property industry working with Progressive Enterprises, Challenge Properties, Richard Ellis and Green and McCahill. Peter joined Armstrong Jones (NZ) in 1994 and was appointed General Manager of Argosy (then known as ING Property Trust) in 2007. Instrumental in the rebranding and internalisation of the company's management Peter was appointed Chief Executive of the business in 2009.

Peter is a Fellow of the Property Institute and is a past lecturer in Advanced Property Management at The University of Auckland and is a past President of the Property Council of New Zealand. He is a current Trustee of Saint Andrews Village, and the New Zealand Sailing Trust.

In 2013 Peter was honoured with the Stuart McIntosh award in recognition of his contribution to the University of Auckland.

In 2021, Peter was honoured as the Property Council New Zealand Members' Laureate, a lifetime membership awarded once a year to the industry's most respected leaders.

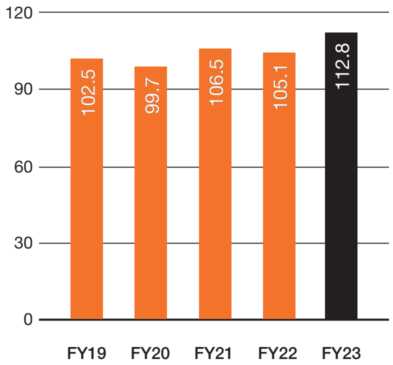
Dave Fraser
Chief Financial Officer

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

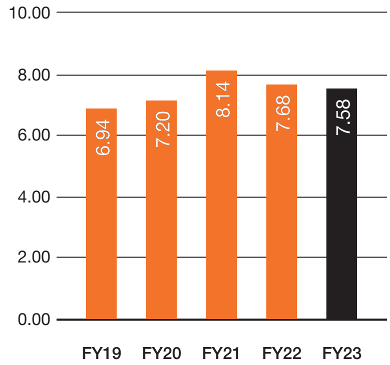
Dave has spent over 30 years in senior financial and general management roles both in New Zealand and overseas, including six years in Japan as a senior vice president with the Jupiter Group.

He has broad experience in strategic and operational planning, business development, debt restructures, equity raisings and merger and acquisitions. In addition to being a qualified Chartered Accountant, Dave has Bachelor of Commerce and Master of Business Administration degrees from The University of Auckland.

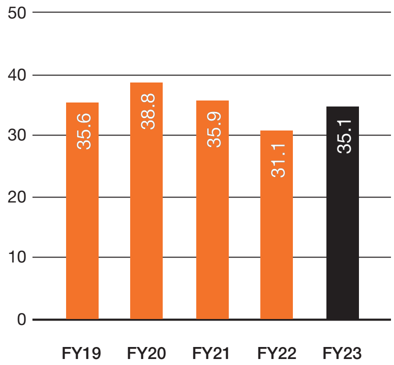
Net Property Income
$m



Net Distributable Income
Cents Per Share



Debt-to-total-assets Ratio
percentage



FINANCIAL SUMMARY

	Unit of measure	FY2019	FY2020	FY2021	FY2022	FY2023
Net property income	$m	102.5	99.7	106.5	105.1	112.8
Profit before financial income/(expenses) and other gains/(losses) and tax	$m	91.5	88.2	95.6	93.3	102.0
Revaluation gains on investment property	$m	70.5	59.9	157.7	163.7	(146.6)
Profit for the year (before taxation)	$m	143.3	123.9	248.4	241.2	(70.9)
Profit for the year (after taxation)	$m	133.7	119.1	241.7	236.2	(80.8)
Earnings per share	cents	16.16	14.40	29.04	28.01	(9.55)
Gross distributable income per share	cents	8.14	7.91	8.61	8.03	8.11
Net distributable income per share	cents	6.94	7.20	8.14	7.68	7.58
Total assets	$m	1,675.1	1,929.6	2,156.8	2,291.5	2,212.6
Debt-to-total-assets ratio	%	35.6	38.8	35.9	31.1	35.1
Net assets backing per share	cents	122	130	153	174	158
Cash dividend per share	cents	6.28	6.35	6.45	6.55	6.65
Shares on issue at year end	m	827.0	827.2	839.5	846.6	846.7
Total equity	$m	1,009.0	1,075.8	1,280.6	1,472.1	1,335.7

PROPERTY METRICS

	Unit of measure	FY2019	FY2020	FY2021	FY2022	FY2023
Number of tenants	no.	171	177	157	157	158
Number of properties[1]	no.	60	59	55	53	54
Average property value	$m	27.8	31.6	36.6	41.7	39.7
Net lettable area	sqm	587,125	584,932	632,872	629,449	643,693
Total book value	$m	1,667.0	1,866.9	2,010.8	2,207.5	2,144.8
Weighted average lease term	years	6.14	6.09	5.51	5.67	5.39
Occupancy factor by rental	%	97.7	98.8	99.0	98.7	99.3
Occupancy factor by area	%	97.8	98.3	99.3	99.4	99.5

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

9 Ride Way Auckland

CONSOLIDATED FINANCIAL STATEMENTS

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note	Group 2023 $000s	Group 2022 $000s
Non-current assets			
Investment properties	5	2,184,899	2,247,715
Derivative financial instruments	6	14,818	12,157
Other non-current assets	7	183	246
Total non-current assets		2,199,900	2,260,118
Current assets			
Cash and cash equivalents	6	2,057	1,663
Trade and other receivables	6,8	5,166	4,306
Derivative financial instruments	6	122	–
Other current assets	9	5,190	3,459
Taxation receivable		202	–
		12,737	9,428
Investment property classified as held for sale	5,10	–	22,000
Total current assets		12,737	31,428
Total assets	4	2,212,637	2,291,546
Shareholders' funds			
Share capital	11	820,069	819,857
Share based payments reserve	12	673	385
Retained earnings	13	514,953	651,880
Total shareholders' funds		1,335,695	1,472,122
Non-current liabilities			
Interest bearing liabilities	14	759,991	696,475
Derivative financial instruments	6	36,252	41,515
Non-current lease liabilities	25	39,953	40,074
Deferred tax	20	18,059	12,687
Total non-current liabilities		854,255	790,751
Current liabilities			
Trade and other payables	15	18,796	21,999
Taxation payable		–	331
Current lease liabilities	25	121	116
Derivative financial instruments	6	–	747
Other current liabilities	16	3,770	3,280
Deposit received for investment property classified as held for sale	10	–	2,200
Total current liabilities		22,687	28,673
Total liabilities		876,942	819,424
Total shareholders' funds and liabilities		2,212,637	2,291,546

For and on behalf of the Board

Jeff Morrison
Director

Stuart McLauchlan
Director

Date: 16 May 2023

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 2023

	Note	Group 2023 $000s	Group 2022 $000s
Gross property income from rentals		124,323	112,462
Gross property income from expense recoveries		20,212	19,108
Property expenses		(31,760)	(26,425)
Net property income	4	112,775	105,145
Administration expenses	17	10,792	11,813
Profit before financial income/(expenses), other gains/(losses) and tax		101,983	93,332
Financial income/(expenses)			
Interest expense	18	(36,414)	(25,647)
Gain/(loss) on derivative financial instruments held for trading		7,295	12,383
Interest income		126	18
		(28,993)	(13,246)
Other gains/(losses)			
Revaluation gains/(losses) on investment property	5	(146,557)	163,662
Realised gains/(losses) on disposal of investment property	5	(369)	(2,558)
Settlement for failed sale of investment property		3,000	–
		(143,926)	161,104
Profit/(loss) before income tax attributable to shareholders		(70,936)	241,190
Taxation expense	19	9,897	5,040
Profit/(loss) and total comprehensive income/(loss) after tax		(80,833)	236,150
All amounts are from continuing operations.			
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (cents)	22	(9.55)	28.01

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 2023

	Note	Group 2023 $000s	Group 2022 $000s
Shareholders' funds at the beginning of the year		1,472,122	1,280,635
Profit/(loss) and total comprehensive income/(loss) for the year		(80,833)	236,150
Contributions by shareholders			
Issue of shares from Dividend Reinvestment Plan	11	–	10,189
Issue costs of shares	11	–	(42)
Dividends to shareholders	13	(56,094)	(55,016)
Equity settled share based payments	12	500	206
Shareholders' funds at the end of the year		1,335,695	1,472,122

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 2023

		Group 2023 $000s	Group 2022 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		145,804	133,876
Interest received		126	18
Settlement for failed sale of investment property		3,000	–
Cash was applied to:			
Property expenses		(32,907)	(25,336)
Interest paid		(31,853)	(22,571)
Interest paid for ground lease		(2,009)	(2,020)
Employee benefits		(6,245)	(5,658)
Taxation paid		(4,581)	(880)
Other expenses		(4,308)	(3,970)
Net cash from/(used in) operating activities	21	67,027	73,459
Cash flows from investing activities			
Cash was provided from:			
Sale of properties, deposits and deferrals		19,919	95,627
Cash was applied to:			
Capital additions on investment properties		(54,267)	(59,868)
Capitalised interest on investment properties		(3,509)	(5,134)
Purchase of properties, deposits and deferrals		(33,177)	(40)
Net cash from/(used in) investing activities		(71,034)	30,585
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown	14	101,616	51,629
Cash was applied to:			
Repayment of debt	14	(38,577)	(110,351)
Dividends paid to shareholders net of reinvestments		(56,573)	(45,052)
Issue cost of shares		(10)	(44)
Repayment of lease liabilities		(116)	(110)
Bond costs		(63)	(51)
Facility refinancing fee		(378)	(164)
Swap contract termination payment		(1,498)	–
Net cash from/(used in) financing activities		4,401	(104,143)
Net increase/(decrease) in cash and cash equivalents		394	(99)
Cash and cash equivalents at the beginning of the period		1,663	1,762
Cash and cash equivalents at the end of the period		2,057	1,663

The notes to the accounts form part of and are to be read in conjunction with these 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 Large Format Retail properties, predominantly in Auckland and Wellington.

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 16 May 2023.

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 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. MATERIAL ACCOUNTING POLICIES

Change in accounting policies

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

New accounting standards adopted

At the date of authorisation of these financial statements, the Group has not applied any new and revised NZ IFRS standards and amendments that have been issued but are not yet effective.

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 segments and assess their performance.

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

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

	Industrial		Office		Large Format Retail		Total	
	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s
Segment profit/(loss)								
Net property income[1]	52,749	50,200	47,046	43,583	12,980	11,362	112,775	105,145
Realised gains/(losses) on disposal of investment properties	(1)	(694)	(333)	–	(35)	(1,864)	(369)	(2,558)
Settlement for failed sale of investment property	–	–	–	–	3,000	–	3,000	–
	52,748	49,506	46,713	43,583	15,945	9,498	115,406	102,587
Interest on ground lease	–	–	(2,009)	(2,015)	–	–	(2,009)	(2,015)
Revaluation gains/(losses) on investment properties	(49,108)	144,748	(78,998)	9,082	(18,451)	9,832	(146,557)	163,662
Total segment profit/(loss)[2]	3,640	194,254	(34,294)	50,650	(2,506)	19,330	(33,160)	264,234
Unallocated:								
Administration expenses							(10,792)	(11,813)
Net interest expense							(34,279)	(23,614)
Gain/(loss) on derivative financial instruments held for trading							7,295	12,383
Profit/(loss) before income tax							(70,936)	241,190
Taxation expense							(9,897)	(5,040)
Profit/(loss) for the year							(80,833)	236,150

1. Net property income consists of revenue generated from external tenants less property operating expenditure.
2. There were no inter-segment sales during the year (31 March 2022: Nil).

4. SEGMENT INFORMATION (CONTINUED)

	Industrial		Office		Large Format Retail		Total	
	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s
Segment assets								
Current assets	2,584	1,572	6,115	4,241	869	1,506	9,568	7,319
Investment properties	1,127,775	1,126,975	851,174	897,540	205,950	223,200	2,184,899	2,247,715
Non-current assets classified as held for sale	–	–	–	22,000	–	–	–	22,000
Total segment assets	1,130,359	1,128,547	857,289	923,781	206,819	224,706	2,194,467	2,277,034
Unallocated assets							18,170	14,512
Total assets							2,212,637	2,291,546

	Industrial		Office		Large Format Retail		Total	
	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s	2023 $000s	2022 $000s
Segment liabilities								
Current liabilities	3,994	2,745	8,848	16,166	1,738	2,093	14,580	21,004
Non-current liabilities	–	–	39,953	40,074	–	–	39,953	40,074
Total segment liabilities	3,994	2,745	48,801	56,240	1,738	2,093	54,533	61,078
Unallocated liabilities							822,409	758,346
Total liabilities							876,942	819,424

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than cash and cash equivalents, derivatives, 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 to earn rental income.

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.

Following the adoption of NZ IFRS 16 on 1 April 2019, a right-of-use asset and investment were recognised on the ground lease that exists over 39 Market Place, Viaduct Harbour, Auckland.

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.

	Industrial 2023 $000s	Office 2023 $000s	Large Format Retail 2023 $000s	Group 2023 $000s
Movement in investment properties				
Balance at 1 April	1,126,975	897,540	223,200	2,247,715
Acquisition of property	33,220	–	–	33,220
Capitalised costs	17,528	33,388	1,326	52,242
Change in fair value	(49,108)	(78,998)	(18,451)	(146,557)
Change in capitalised leasing costs	(168)	(125)	(31)	(324)
Change in lease incentives	(672)	(631)	(94)	(1,397)
Investment properties at 31 March	1,127,775	851,174	205,950	2,184,899
Less lease liability (39 Market Place)	–	(40,074)	–	(40,074)
Investment properties at 31 March excluding NZ IFRS 16 lease adjustments	1,127,775	811,100	205,950	2,144,825

5. INVESTMENT PROPERTIES (CONTINUED)

	Industrial 2022 $000s	Office 2022 $000s	Large Format Retail 2022 $000s	Group 2022 $000s
Movement in investment properties				
Balance at 1 April	984,950	854,335	213,200	2,052,485
Capitalised costs	8,786	58,096	357	67,239
Transfer to properties held for sale	–	(22,000)	–	(22,000)
Disposals	(10,743)	–	–	(10,743)
Change in fair value	144,748	9,082	9,832	163,662
Change in capitalised leasing costs	(24)	(559)	(19)	(602)
Fair value changes on lease liability	–	(1,385)	–	(1,385)
Principal repayment of lease liability	–	(110)	–	(110)
Change in lease incentives	(742)	81	(170)	(831)
Investment properties at 31 March	1,126,975	897,540	223,200	2,247,715
Less lease liability (39 Market Place)	–	(40,190)	–	(40,190)
Investment properties at 31 March excluding NZ IFRS 16 lease adjustments	1,126,975	857,350	223,200	2,207,525
Held for sale at 31 March	–	22,000	–	22,000
Total investment properties at 31 March including held for sale excluding NZ IFRS 16 lease adjustments	1,126,975	879,350	223,200	2,229,525

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.

	Group 2023 $000s	Group 2022 $000s
Acquisition of properties		
100 Maui Street, Pukete, Hamilton	33,220	–
	33,220	–
Disposal of properties		
25 Nugent Street, Grafton, Auckland	22,024	–
Albany Lifestyle Centre, Albany, Auckland	–	87,455
1478 Omahu Road, Hastings	–	10,743
	22,024	98,198
Sale proceeds of properties disposed of	22,000	97,600
Net gain/(loss) on disposal	(24)	(598)
Selling costs	(345)	(1,960)
Total gain/(loss) on disposal	(369)	(2,558)

5. INVESTMENT PROPERTIES (CONTINUED)

All investment properties were independently valued as at 31 March 2023 in accordance with the Group's valuation policy. The valuations were prepared by independent registered valuers Colliers International New Zealand Limited and CBRE Limited. The total value per valuer was as follows:

	Group 2023 $000s	Group 2022 $000s
Bayleys Valuation Limited	–	90,800
Colliers International New Zealand Limited	1,180,225	1,426,900
CBRE Limited	964,600	577,875
Jones Lang LaSalle	–	111,950
	2,144,825	2,207,525

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 fitout.

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 2023 are as follows:

		Industrial	Office	Large Format Retail	Total
Contract yield[1]	- Average	5.07%	6.10%	6.51%	5.60%
Market yield[1]	- Average	5.68%	6.96%	6.29%	6.21%
Occupancy (rent)		100.0%	98.5%	100.0%	99.3%
Occupancy (net lettable area)		100.0%	97.7%	100.0%	99.5%
Weighted average lease term (years)		6.1	5.2	2.9	5.4
No. of buildings[2]		35	15	4	54
Fair value total (000s)		$1,127,775	$811,100	$205,950	$2,144,825
Total (000s)		$1,127,775	$811,100	$205,950	$2,144,825

1. 105 Carlton Gore Road, 224 Neilson Street and 39 Market Place have been excluded from the yield metrics. 105 Carlton Gore Road has been valued on the basis of the completion of the redevelopment currently underway, the 224 Neilson Street valuation is based on land only and the 39 Market Place valuation is based on discounted cash flow methodology.
2. Certain titles have been consolidated and treated as one.

5. INVESTMENT PROPERTIES (CONTINUED)

Investment property metrics for the year ended 31 March 2022 are as follows:

		Industrial	Office	Large Format Retail	Total
Contract yield[1]	- Average	4.67%	6.04%	5.61%	5.23%
Market yield[1]	- Average	4.87%	6.29%	5.62%	5.43%
Occupancy (rent)		100.0%	97.4%	98.9%	98.7%
Occupancy (net lettable area)		100.0%	97.4%	99.0%	99.4%
Weighted average lease term (years)		6.0	6.0	3.1	5.7
No. of buildings[2]		34	15	4	53
Fair value total (000s)		$1,126,975	$857,350	$223,200	$2,207,525
Held for sale (000s)		–	$22,000	–	$22,000
Total (000s)		$1,126,975	$879,350	$223,200	$2,229,525

1. 8-14 Willis Street/360 Lambton Quay and 105 Carlton Gore Road have been excluded from the yield metrics as the rents of these properties included in the valuation reports were based on the completion of the planned redevelopment work. The property held for sale has also been excluded from these yield metrics. The fair value of 8-14 Willis Street/360 Lambton Quay was based on the completed redevelopment less the costs to complete.
2. Certain titles have been consolidated and treated as one. The total number of buildings excludes the property held for sale.

6. FINANCIAL INSTRUMENTS

Accounting policy - Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings (comprising of interest bearing liabilities and lease liabilities) 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 2023	Derivatives at fair value through profit/(loss) $000s	Financial assets measured at amortised cost $000s	Financial liabilities measured at amortised cost $000s	Total $000s
Financial assets				
Cash and cash equivalents	–	2,057	–	2,057
Derivative financial instruments (current and term)	14,940	–	–	14,940
Trade and other receivables	–	5,166	–	5,166
	14,940	7,223	–	22,163
Financial liabilities				
Interest bearing liabilities	–	–	(759,991)	(759,991)
Trade and other payables	–	–	(18,796)	(18,796)
Derivative financial instruments (current and term)	(36,252)	–	–	(36,252)
Lease liabilities (current and term)	–	–	(40,074)	(40,074)
Other current liabilities	–	–	(3,770)	(3,770)
	(36,252)	–	(822,631)	(858,883)

Group 2022	Derivatives at fair value through profit/(loss) $000s	Financial assets measured at amortised cost $000s	Financial liabilities measured at amortised cost $000s	Total $000s
Financial assets				
Cash and cash equivalents	–	1,663	–	1,663
Derivative financial instruments (current and term)	12,157	–	–	12,157
Trade and other receivables	–	4,306	–	4,306
	12,157	5,969	–	18,126
Financial liabilities				
Interest bearing liabilities	–	–	(696,475)	(696,475)
Trade and other payables	–	–	(21,999)	(21,999)
Derivative financial instruments (current and term)	(42,262)	–	–	(42,262)
Lease liabilities (current and term)	–	–	(40,190)	(40,190)
Other current liabilities	–	–	(3,280)	(3,280)
	(42,262)	–	(761,944)	(804,206)

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 both floating-to-fixed and fixed-to-floating 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 40-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 71.4% of borrowings, after the effect of associated swaps, were at fixed rates (2022: 57.1%).

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 2023	Carrying Amount $000s	Less than 1 year $000s	1-2 years $000s	2-3 years $000s	3-4 years $000s	4-5 years $000s	5+ years $000s
Financial liabilities							
Interest bearing liabilities[1]	(759,991)	(37,944)	(197,944)	(248,682)	(261,659)	(126,604)	–
Trade and other payables	(18,796)	(18,796)	–	–	–	–	–
Derivative financial instruments	(36,252)	(6,942)	(6,100)	(5,366)	(3,941)	(1,701)	(93)
Lease liabilities	(40,074)	(2,125)	(2,125)	(2,125)	(2,125)	(2,125)	(114,139)
Other current liabilities	(3,770)	(3,770)	–	–	–	–	–
	(858,883)	(69,577)	(206,169)	(256,173)	(267,725)	(130,430)	(114,232)

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

Group 2022	Carrying Amount $000s	Less than 1 year $000s	1-2 years $000s	2-3 years $000s	3-4 years $000s	4-5 years $000s	5+ years $000s
Financial liabilities							
Interest bearing liabilities[1]	(696,475)	(19,352)	(97,360)	(218,689)	(200,997)	(104,442)	(126,604)
Trade and other payables	(21,999)	(21,999)	–	–	–	–	–
Derivative financial instruments	(42,262)	(4,332)	(4,349)	(4,071)	(1,712)	(2,030)	(885)
Lease liabilities	(40,190)	(2,125)	(2,125)	(2,125)	(2,125)	(2,125)	(118,281)
Other current liabilities	(3,280)	(3,280)	–	–	–	–	–
	(804,206)	(51,088)	(103,834)	(224,885)	(204,834)	(108,597)	(245,770)

1. The undiscounted cashflows on interest bearing liabilities 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 2023, the Group had active interest rate derivatives (both payer and receiver swaps) with a notional contract amount of $770 million (2022: $725 million). The active derivatives mature over the next 5 years (2022: 6 years). Payer swaps have fixed interest rates ranging from 1.37% to 4.90% (2022: 0.93% to 4.90%). Swaps with a notional amount of $150 million have been entered into but are not yet effective at 31 March 2023 (2022: $55 million).

Interest rate swaps are measured at the 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 2023 is $21.3 million (2022: $30.1 million). The mark-to-market decrease 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.

	Group 2023 Impact on Profit & Loss $000s	Group 2022 Impact on Profit & Loss $000s
Increase of 100 basis points	132	(3,144)
Decrease of 100 basis points	(158)	3,204

7. OTHER NON-CURRENT ASSETS

Accounting policy - Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated 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 impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where it is not possible to estimate the recoverable mount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment is recognised immediately in profit or loss.

	Group 2023 $000s	Group 2022 $000s
Property, plant and equipment and software	183	246
Total other non-current assets	183	246

There was no impairment in the current year (2022: 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 to reflect an estimate of amounts that the Group will not be able to collect in accordance with 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 2023 $000s	Group 2022 $000s
Trade receivables	1,725	1,306
Loss allowance	(50)	(86)
	1,675	1,220
Amount receivable from insurance proceeds	212	92
Other receivables	3,279	2,994
Total trade and other receivables	5,166	4,306

The average credit period on receivables is 3.2 days (2022: 3.1 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 unless there is information suggesting that particular amounts are recoverable. 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 non-recoverable amounts, determined by reference to relevant factors, conditions, and information at reporting date including past default experience.

Aged past due but not impaired trade receivables

	Group 2023 $000s	Group 2022 $000s
0-30 days past due	54	374
31-60 days past due	50	79
Beyond 60 days past due	14	77
	118	530

Included in the Group's trade receivable balance are debtors with a carrying amount of $118,036 (2022: $530,312) 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 loss allowance

	Group 2023 $000s	Group 2022 $000s
Balance at the beginning of the year	86	131
(Decrease)/increase in allowance recognised in profit or loss	(36)	(45)
Balance at the end of the year	50	86

9. OTHER CURRENT ASSETS

	Group 2023 $000s	Group 2022 $000s
Prepayments	4,809	3,041
Other	381	418
Total other current assets	5,190	3,459

10. PROPERTY HELD FOR SALE

No investment property was subject to an unconditional sale and purchase agreement at 31 March 2023 (31 March 2022: 25 Nugent Street, Grafton, Auckland ($22.0 million)).

11. SHARE CAPITAL

	Group 2023 $000s	Group 2022 $000s
Balance at the beginning of the period	819,857	809,230
Issue of shares from Dividend Reinvestment Plan	–	10,189
Issue costs of shares	–	(42)
Issue of shares from equity settled share based payments	212	480
Total share capital	820,069	819,857

The number of shares on issue at 31 March 2023 was 846,723,895 (2022: 846,550,602).

All shares are fully paid and rank equally with one vote attached and carry the right to dividends.

Reconciliation of number of shares (in 000s of shares)	Group 2023	Group 2022
Balance at the beginning of the period	846,551	839,528
Issue of shares from Dividend Reinvestment Plan	–	6,704
Issue of shares from share based payments	173	319
Total number of shares on issue	846,724	846,551

11. SHARE CAPITAL (CONTINUED)

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total shareholders' funds equal to $1,335.7 million (2022: $1,472.1 million).

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 2023 in relation to equity settled share based payments was $500,000 (2022: $206,400). A total of 173,293 (2022: 318,573) PSRs vested during the year and each PSR was converted to one ordinary share at an issue price of $1.23.

Grant date	Vesting date	Granted during the year[1]	Weighted average issue price	Balance at the beginning of the period[1]	Vested during the period[1]	Forfeited during the period[1]	Balance at the end of the period[1]
2023							
1 April 2022	1 April 2025	299,844	$1.38	1,026,806	(173,293)	(127,043)[2]	1,026,314
2022							
1 April 2021	1 April 2024	281,621	$1.44	1,117,874	(318,573)	(54,116)[3]	1,026,806
2021							
1 April 2020	1 April 2023	444,849	$0.90	994,309	–	(321,284)[4]	1,117,874
2020							
1 April 2019	1 April 2022	300,336	$1.25	962,643	(156,579)	(112,091)[5]	994,309

1. This is the number of PSRs.
2. The rights forfeited relate to those issued on 1 April 2019.
3. The rights forfeited relate to those issued on 1 April 2018.
4. The rights forfeited relate to those issued on 1 April 2017.
5. The rights forfeited relate to those issued on 1 April 2016.

13. RETAINED EARNINGS

	Group 2023 $000s	Group 2022 $000s
Balance at the beginning of the year	651,880	470,746
Profit/(loss) for the year	(80,833)	236,150
Dividends to shareholders	(56,094)	(55,016)
Total retained earnings	514,953	651,880

The annual dividend paid to shareholders was 6.6250 cents per share, paid in three quarterly distributions of 1.6625 cents per share, and one quarterly distribution of 1.6375 cents per share (2022: annual dividend paid was 6.5250 cents per share).

After 31 March 2023, the final dividend was declared. The dividend has not been provided for. Refer to note 27.

14. INTEREST BEARING LIABILITIES

Accounting policy - Interest bearing liabilities

All interest bearing liabilities are initially measured at fair value net of transaction costs. Subsequent to initial recognition, using the effective interest method.

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

	Group 2023 $000s	Group 2022 $000s
Syndicated bank loans	438,167	375,128
Fixed rate green bonds	325,000	325,000
Borrowing costs	(3,176)	(3,653)
Total interest bearing liabilities	759,991	696,475
Weighted average interest rate on interest bearing liabilities (inclusive of bonds, interest rate swaps, margins and line fees)	5.39%	4.14%

	Group 2023 $000s	Group 2022 $000s
Total interest bearing liabilities at the beginning of the year	696,475	754,521
Drawdowns from syndicated bank loans	101,616	51,629
Repayments to syndicated bank loans	(38,577)	(110,351)
Additional refinancing fee on interest bearing liabilities	(441)	(191)
Refinancing fee on interest bearing liabilities amortised during the year	918	867
Total interest bearing liabilities at the end of the year	759,991	696,475

14. INTEREST BEARING LIABILITIES (CONTINUED)

Syndicated bank loans

	Group 2023 $000s	Group 2022 $000s
ANZ Bank New Zealand Limited	121,583	80,064
Bank of New Zealand	10,792	80,040
The Hongkong and Shanghai Banking Corporation Limited	70,000	70,000
Commonwealth Bank of Australia	50,000	70,000
Westpac New Zealand Limited	125,792	75,024
Industrial and Commercial Bank of China	60,000	–
Total syndicated bank loans	438,167	375,128

As at 31 March 2023, the Group had a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand, The Hongkong and Shanghai Banking Corporation Limited, Commonwealth Bank of Australia, Westpac New Zealand Limited and Industrial and Commercial Bank of China for $475.0 million (31 March 2022: $455.0 million) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of $160.0 million, a Tranche B limit of $125.0 million, a Tranche D limit of $110.0 million and a Tranche I limit of $80.0 million.

Tranche A matures on 1 April 2025, Tranche B on 1 October 2025, Tranche D on 1 October 2026 and Tranche I on 19 May 2026.

The limits for Tranches B and I remain unchanged from 31 March 2022. The Tranche A limit increased from $80.0 million to $160.0 million and the Tranche D limit increased from $90.0 million to $110.0 million. Tranche C was cancelled. The Tranche A maturity date increased by two years, while the maturity dates for Tranches B, D and I all increased one year from 31 March 2022.

Fixed rate green bonds

NZX code	Value of Issue $000s	Issue Date	Maturity Date	Interest Rate	Fair Value $000s
ARG010	100,000	27 March 2019	27 March 2026	4.00%	93,821
ARG020	100,000	29 October 2019	29 October 2026	2.90%	90,207
ARG030	125,000	27 October 2020	27 October 2027	2.20%	104,444

The fair value of the fixed rate green bonds is based on the listed market price at balance date and is therefore classified as Level 1 in the fair value hierarchy. Interest on ARG010 bonds is payable in equal instalments on a quarterly basis in March, June, September and December. Interest on ARG020 and ARG030 bonds is payable in equal instalments on a quarterly basis in April, July, October and January.

The green bonds are secured by way of mortgage over the investment properties of the Group.

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 2023 $000s	Group 2022 $000s
GST payable	1,070	785
Other creditors and accruals	17,726	21,214
Total trade and other payables	18,796	21,999

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 2023 $000s	Group 2022 $000s
Employee entitlements	744	733
Other liabilities	3,026	2,547
Total other current liabilities	3,770	3,280

17. ADMINISTRATION EXPENSES

	Group 2023 $000s	Group 2022 $000s
Auditor's remuneration:		
Audit of the annual financial statements	165	160
Review of the interim financial statements	46	43
Annual meeting fees	6	11
Employee benefits	6,527	7,347
Other expenses	4,062	4,265
Doubtful debts expense/(recovery)	(36)	(45)
Bad debts	22	32
Total administration expenses	10,792	11,813

18. INTEREST EXPENSE

Accounting policy - Interest expense

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

	Group 2023 $000s	Group 2022 $000s
Interest expense	(37,914)	(28,766)
Interest on ground lease (39 Market Place)	(2,009)	(2,015)
Less amount capitalised to investment properties	3,509	5,134
Total interest expense	(36,414)	(25,647)

Capitalised interest relates to the developments at 8-14 Willis Street/360 Lambton Quay, Wellington and 105 Carlton Gore Road, Newmarket, Auckland (2022: Capitalised interest relates to the developments at 8-14 Willis Street/360 Lambton Quay, Wellington and 105 Carlton Gore Road, Newmarket, 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 2023 $000s	Group 2022 $000s
The taxation charge is made up as follows:		
Current tax expense	3,777	4,980
Deferred tax expense	5,372	884
Adjustment recognised in the current year in relation to the current tax of prior years	748	(824)
Total taxation expense recognised in profit or loss	9,897	5,040
Reconciliation of accounting profit/(loss) tax expense		
Profit/(loss) before tax	(70,936)	241,190
Current tax expense at 28%	(19,862)	67,533
Adjusted for:		
Capitalised interest	(983)	(1,438)
Fair value movement in derivative financial instruments	(2,042)	(3,467)
Fair value movement in investment properties	41,036	(45,825)
Restructure of financial instruments	(1,561)	–
Deductible repairs and maintenance expenditure capitalised for accounting purposes	(2,039)	(4,975)
Depreciation	(9,597)	(8,154)
Depreciation recovered/(loss) on disposal of investment properties	33	1,202
Tax on accounting gain/(loss) on disposal of investment properties	103	716
Settlement for failed sale of investment property	(828)	–
Other	(483)	(612)
Current taxation expense	3,777	4,980
Movements in deferred tax assets and liabilities attributable to:		
Investment properties	1,384	(3,030)
Fair value movement in derivative financial instruments	3,603	3,467
Other	385	447
Deferred tax expense	5,372	884
Prior year adjustment	748	(824)
Total tax expense recognised in profit or loss	9,897	5,040

As part of the measures to provide relief for businesses during the Covid-19 pandemic, the Government reintroduced depreciation deductions for commercial and industrial buildings effective from 1 April 2020.

There were no imputation credits at 31 March 2023 (2022: 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 2022	(8,430)	16,022	5,095	12,687
Charge/(credit) to deferred taxation expense for the year	3,603	1,384	385	5,372
At 31 March 2023	(4,827)	17,406	5,480	18,059
At 1 April 2021	(11,897)	19,052	4,648	11,803
Charge/(credit) to deferred taxation expense for the year	3,467	(3,030)	447	884
At 31 March 2022	(8,430)	16,022	5,095	12,687

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/(LOSS) AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2023 $000s	Group 2022 $000s
Profit/(loss) after tax	(80,833)	236,150
Movements in working capital items relating to investing and financing activities	9,063	3,457
Non cash items		
Movement in deferred tax liability	5,372	884
Movement in interest rate swaps	(7,295)	(12,383)
Fair value change in investment properties	146,557	(163,662)
Movements in working capital items		
Trade and other receivables	(860)	(2,371)
Taxation receivable	(533)	3,052
Trade and other payables	(3,203)	8,003
Other current assets	(1,731)	539
Other current liabilities	490	(210)
Net cash from operating activities	67,027	73,459

22. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) 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 2023	Group 2022
Profit/(loss) attributable to shareholders of the Company ($000s)	(80,833)	236,150
Weighted average number of shares on issue (000s)	846,697	843,207
Basic and diluted earnings/(loss) per share (cents)	(9.55)	28.01
Weighted average number of ordinary shares		
Issued shares at beginning of period (000s)	846,551	839,528
Issued shares at end of period (000s)	846,724	846,551
Weighted average number of ordinary shares (000s)	846,697	843,207

On 16 May 2023, a final dividend of 1.6625 cents per share was approved by the Board. The Dividend Reinvestment Plan programme has been suspended by the Board until further notice.

23. DISTRIBUTABLE INCOME AND ADJUSTED FUNDS FROM OPERATIONS

	Group 2023 $000s	Group 2022 $000s
Profit/(loss) before income tax	(70,936)	241,190
Adjustments:		
Revaluation (gains)/losses on investment property	146,557	(163,662)
Realised (gains)/losses on disposal of investment properties	369	2,558
(Gain)/loss on derivative financial instruments held for trading	(7,295)	(12,383)
Gross distributable income	68,695	67,703
Tax impact of depreciation recovered on disposal of investment properties	33	1,202
Current tax expense	(4,525)	(4,156)
Net distributable income	64,203	64,749
Weighted average number of ordinary shares (000s)	846,697	843,207
Gross distributable income cents per share	8.11	8.03
Net distributable income cents per share	7.58	7.68
Net distributable income	64,203	64,749
Amortisation of tenant incentives and leasing costs	2,742	4,649
Funds from operations (FFO)	66,945	69,398
Capitalisation of tenant incentives and leasing costs	(1,023)	(1,103)
Maintenance capital expenditure	(6,446)	(5,843)
7 Waterloo Quay façade repairs	–	(14,496)
Swap contract termination payment	(1,498)	–
Maintenance capital expenditure recovered through sale	107	376
Adjusted funds from operations (AFFO)	58,085	48,332
FFO cents per share	7.91	8.23
AFFO cents per share	6.86	5.73
Dividends paid/payable in relation to period	6.65	6.55
Dividend payout ratio to FFO	84%	80%
Dividend payout ratio to AFFO	97%	114%

From 1 April 2022, the Company's dividend policy is based on adjusted funds from operations (AFFO). AFFO is based on the Property Council of Australia Voluntary Best Guidelines for disclosing FFO and AFFO as interpreted by the Company and amended to include maintenance capital expenditure recovered through sales.

FFO and AFFO are non-GAAP measures and may not be directly comparable with other entities.

24. INVESTMENT IN SUBSIDIARIES

The Company has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2023	Holding 2022
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy Property Management Limited	Management company	NZ	100%	100%

The subsidiaries have the same reporting date as the Company.

25. LEASES

Accounting policy - Leases

The Group as a lessee

Argosy do not recognise right of use assets or lease liabilities for short term leases or low value leases. Lease payments for these leases are recognised as an expense on a straight line basis over the lease term.

Where Argosy identifies a lease, the following treatment is applied:

Right of use assets are measured at cost comprising the amount of the initial lease liability, any payments made before the commencement of the lease, direct costs and any restoration costs. Right of use assets are disclosed within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Some right of use assets meet the definition of investment properties. Refer note 5 for policies and disclosure on investment properties.

Lease liabilities are measured at the net present value of the lease payments. These payments include fixed lease payments, amount expected to be payable under residual value guarantees, variable lease payments that are based on an index or rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

These lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent to initial measurement, each lease payment is allocated between the principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The maturity analysis of lease liabilities is presented in note 6.

The Group as a lessor

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

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.

When a contract includes both lease and non-lease components, consideration is allocated to each component under the contract.

25. LEASES (CONTINUED)

Lease liabilities

Lease liabilities relate to the ground lease at 39 Market Place, Viaduct Harbour, Auckland.

	Group 2023 $000s	Group 2022 $000s
Opening balance	40,190	41,685
Fair value adjustment	–	(1,385)
Lease liability interest expense	2,009	2,015
Ground rent paid	(2,125)	(2,125)
Total lease liabilities	40,074	40,190

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2023 and 2037. The lessee does not have an option to purchase the property at the expiry of the lease.

	Group 2023 $000s	Group 2022 $000s
Within one year	120,282	117,840
One year or later and not later than five years	358,313	329,495
Later than five years	216,912	236,205
Total operating lease receivable	695,507	683,540

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

26. COMMITMENTS

Building upgrades and developments

Estimated capital commitments contracted for building projects not yet completed at 31 March 2023 and not provided for were $20.1 million (2022: $37.7 million).

There were no other commitments as at 31 March 2023 (2022: Nil).

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.

27. SUBSEQUENT EVENTS

On 16 May 2023, a final dividend of 1.6625 cents per share was approved by the Board. The record date for the final dividend is 7 June 2023 and a payment is scheduled to shareholders on 21 June 2023. Imputation credits of 0.0180 cents per share are attached to the dividend.

28. 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 2023 $000s	Group 2022 $000s
Key management and directors compensation		
Salaries and other short term employee benefits	1,843	1,707
Share based payments	212	480
Directors' fees	728	723
Total	2,783	2,910

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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'), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 30 to 57, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and vote scrutineering at the Annual Shareholders' Meeting, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group 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.

We determined materiality for the Group financial statements as a whole to be $3.4 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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
Investment property valuations As disclosed in note 5 of the consolidated financial statements, investment properties were valued at $2,185 million as at 31 March 2023. The investment properties are classified into three segments being, Industrial, Office, and Large Format Retail. The methods used for assessing fair values include the capitalisation of contract income, capitalisation of market income and discounted cash flow methodologies. Fair values are calculated using actual and forecasted inputs and assumptions including market rentals and growth, maintenance and capital expenditure requirements, an assessment of yields, discount rates, occupancy, leasing costs and weighted average lease terms. Adjustments are made to observable market data of similar properties to reflect the specific nature and location of the individual properties. The Group's policy is to engage independent registered valuers to perform valuations for each of the properties on at least an annual basis. The valuation of investment properties is a key audit matter due to the subjective judgements and assumptions in the valuation process.	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. These discussions related to the general market, as well as specific properties identified by us. We assessed the valuers' experience and professional accreditations. This included having each of the valuers confirm their independence, qualifications and that the scope of work undertaken was in line with professional valuation standards and financial reporting standards. In addition, we considered the Group's process for reviewing and challenging the valuation reports to ensure that they accurately reflected the individual characteristics of each property. The major inputs to the valuation process were tested across a sample of properties. For the sample selected, key changes in rental assumptions, occupancy, capitalisation rates and terms were agreed to underlying lease agreements and to market comparatives where relevant. Yields across the three segments were compared to property industry publications and other observable market data where available. For a sample of properties, ownership was confirmed through property title searches. Our internal valuation specialists were used in assessing the appropriateness of the valuation methodology.

Deloitte.

Other information	The Board of Directors are responsible on behalf of the Group for the other information. The other information comprises the information 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.
Board of 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 determine 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 consolidated 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

Peter Gulliver
Partner
for Deloitte Limited
Auckland, New Zealand
16 May 2023

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.companiesoffice.govt.nz).

CORPORATE GOVERNANCE PHILOSOPHY

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

Outlined below are the main corporate governance practices in place throughout the year. In the Board's opinion, as at 31 March 2023, the Company complied with the recommendations set by the NZX Corporate Governance Code (1 April 2023), except as set out in the Company's Statement on Reporting Against the NZX Code, which is available on the Company's website (www.argosy.co.nz).

ETHICAL STANDARDS

Argosy's Code of Conduct and Ethics 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 and ensure Argosy's Directors, Officers and employees are 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 independent non-executive Directors. 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.

ATTENDANCE OF DIRECTORS

Board Meetings Attended

Director	Attendance
Jeff Morrison (Chair)	6 of 6
Stuart McLauchlan	6 of 6
Chris Gudgeon	6 of 6
Mike Pohio	6 of 6
Rachel Winder	6 of 6
Martin Stearne	6 of 6

Jeff Morrison, Stuart McLauchlan, Chris Gudgeon, Mike Pohio, Rachel Winder and Martin Stearne were Directors as at 31 March 2023. Brief resumés of Argosy's current Directors are included in the section headed "Our Leadership & Governance" on pages 24-25.

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 2.6.1 of the NZX Listing Rules, the Board has determined that all of the Directors were, in its view, independent directors as at the balance date as none of them had a disqualifying relationship with the Company. In making this determination the Company has considered the factors referred to in table 2.4 of the NZX Corporate Governance Code and determined that none of them applied during the year to 31 March 2023.

BOARD SKILLS

The skills matrix (on the right) presents the Board's assessments of its skills and experience against criteria identified as necessary in the context of Argosy's business and the wider commercial environment in which it operates. It helps guide the assessment of the skills and diversity that the Board has or is looking for, provides an opportunity to identify gaps in skills that the Board seeks of current Directors and is part of the Board's planning for development, renewal and succession. The matrix will be reviewed regularly, to ensure the Board's collective skills and experience are aligned with the needs of Argosy's business and developments in the commercial environment. Beyond the variety of technical skills and experience listed below, the Board seeks to work as a team with different personalities and viewpoints, who will respectfully challenge Management and each other to support the long term success of the Company.

Skills / Experience		Total
Property Industry	● ● ● ●	4/6
Commercial	● ● ● ● ●	5/6
Financial	● ● ● ● ●	5/6
Legal	● ● ●	3/6
Capital Markets	● ● ● ●	4/6
ESG	● ● ● ●	4/6
Strategy	● ● ● ● ● ●	6/6
Risk Management	● ● ●	3/6

Criteria for the skills assessment are outlined in the following table:

Property Industry Experience	Experience in property including but not limited to investment and divestment, leasing, development and management.
Commercial Experience	Broad range of commercial/entrepreneurial/business experience.
Financial	Qualifications and experience in accounting and/or finance and the ability to: • analyse key financial statements • critically assess financial feasibility and performance • contribute to strategic financial planning • oversee budgets and the efficient use of resources • oversee funding arrangements
Legal	General experience with legal principles around property, capital raising and funds management. Experience in corporate and commercial law, including major contracts.
Capital Markets	Knowledge of capital markets and experience with raising funds via the capital markets. Knowledge and awareness of the objectives and preferences of institutional and retail investors.
ESG	Experience in best practice corporate governance structures, policies and processes.
Strategy	Business strategy skills, including oversight, development and execution, business sustainability, and capital allocation and planning.
Risk Management	Ability to identify, mitigate and manage key risks to the organisation in a wide range of areas including legal, regulatory and operational (including health and safety).

BOARD AND DIRECTOR PERFORMANCE

The Board will, regularly, critically evaluate 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. The Board also regularly reviews and evaluates the performance of each standing committee to ensure it is operating consistently with its constitution and delegations.

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 three 'black-out periods' where trading in the Company's shares is prohibited (with limited exceptions, such as a 'special circumstances' trading application). 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 each year; from the close of trading on 31 August until the day following the half year announcement date each year; and 30 days prior to release of a product disclosure statement for a general public offer of Argosy securities.

The black-out periods do not affect ongoing fixed participation in the Dividend Reinvestment Plan (DRP).

Trading by Directors, Officers, certain employees, and their associates, 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 securities in Argosy are disclosed in the section headed 'Directors' Shareholdings and Bondholdings' on page 66 to 67 of this report. 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. As at 31 March 2023 Jeff Morrison (Chairman), Stuart McLauchlan and Martin Stearne were members of the Committee.

The Committee's charter, which sets out its responsibilities in more detail, is available on Argosy's website (www.argosy.co.nz).

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee Meetings Attended

Director	Attendance
Jeff Morrison (Chair)	2 of 2
Stuart McLauchlan	2 of 2
Martin Stearne	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.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) COMMITTEE

In 2021, the Board established an ESG Committee responsible for identifying and considering ESG matters in relation to the Company and its operations including climate change risks. As at 31 March 2023 Mike Pohio (Chairman) and Rachel Winder were members of the Committee.

The Committee's charter, which sets out its responsibilities in more detail, is available on Argosy's website (www.argosy.co.nz).

ATTENDANCE AT ESG COMMITTEE MEETINGS

ESG Committee Meetings Attended

Director	Attendance
Mike Pohio (Chair)	4 of 4
Rachel Winder	4 of 4

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. As at 31 March 2023 Stuart McLauchlan (Chairman), Jeff Morrison, Chris Gudgeon and Martin Stearne were members of the Committee.

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. The Committee's charter, which sets out its responsibilities in more detail, is available on Argosy's website (www.argosy.co.nz).

ATTENDANCE AT AUDIT AND RISK COMMITTEE

Audit and Risk Committee Meetings Attended

Director	Attendance
Stuart McLauchlan (Chair)	4 of 4
Jeff Morrison	4 of 4
Chris Gudgeon	4 of 4
Martin Stearne	4 of 4

DIRECTORS' REMUNERATION

Directors' Fees

The current total Directors' fee pool approved by ordinary resolution at the Company's 2021 Annual Meeting is $828,000 per annum. The approved fee pool includes an unallocated amount of $100,000 that provides flexibility to remunerate Directors who assume additional responsibilities (including one-off project work) from time to time beyond the scope of their usual responsibilities.

Directors' Remuneration

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

Director	Remuneration
Jeff Morrison (Chair)	$184,500
Stuart McLauchlan	$118,500
Martin Stearne	$110,500
Mike Pohio	$107,500
Chris Gudgeon	$104,500
Rachel Winder	$102,500

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 $92,500 per annum;
- the Chairman is paid $160,000 per annum; and
- 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 ESG Committee Chairman receives $15,000 and its members each receive $10,000 per annum. The Remuneration Committee Chairman receives $12,500 per annum and its members each receive $6,000 per annum. The Remuneration Committee reviews Director remuneration annually and makes recommendations to the Board. 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 $828,000 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. In the year to 31 March 2023 no such additional payments were made to Directors (2022: $7,583).

No current or former Director received any other benefits from Argosy during the year to 31 March 2023 (2022: Nil).

GENDER BALANCE

As at 31 March 2023 the gender balance statistics for the Company's Directors, Officers and all employees were as follows:

Gender Diversity

	Directors	Officers	All employees
Female	1 (2022: 1)	3 (2022: 3)	16 (2022: 13)
Male	5 (2022: 5)	10 (2022: 10)	21 (2021: 22)
Total	6 (2022: 6)	13 (2022: 13)	37 (2021: 35)

As at 31 March 2023, the age statistics for the Company's Directors, Officers and all employees were as follows:

	Directors	Officers	All employees
Under 30	Nil (2022: Nil)	Nil (2021: Nil)	4 (2022: 4)
30-50 yrs	2 (2022: 2)	7 (2022: 7)	17 (2022: 17)
Over 50	4 (2022: 4)	6 (2022: 6)	16 (2022: 14)

Argosy has adopted a Diversity Policy which is available on its website (www.argosy.co.nz). This policy was updated during the year to include gender diversity targets for 2026. The Board considers that Argosy is making good progress with its diversity objectives. You can see further information on diversity on page 14 of the 2023 Sustainability 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 high performance aligned to business objectives, strategy, shareholder interests and investment performance.

Employee 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 executives.

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; and
- 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 for all employees other than the CEO and CFO 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 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 has established an LTI scheme for senior executives. The scheme remunerates senior executives for sustained performance over a three year period. 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.

173,293 PSRs vested in the year ending 31 March 2023 and a corresponding number of shares in the Company were issued to senior executives. These PSRs vested in May 2022 because the Company's TSR exceeded the 50th percentile in the comparison group over the applicable three-year period.

REMUNERATION

Chief Executive's Remuneration

The Chief Executive's remuneration for the year ended 31 March 2023 is outlined below:

Chief Executive's Remuneration	
Fixed remuneration and other benefits	$714,908
Short Term Incentive	$318,500
Long Term Incentive	$135,862
Total	**$1,169,270**

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. 110,908 PSRs issued to the Chief Executive vested during the year to 31 March 2023.

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 following table:

Amount of remuneration	Number of employees
$100,001 - $110,000	
$120,001 - $130,000	1
$130,001 - $140,000	4
$140,001 - $150,000	1
$150,001 - $160,000	1
$160,001 - $170,000	2
$170,001 - $180,000	1
$180,001 - $190,000	
$190,001 - $200,000	2
$210,001 - $220,000	2
$230,001 - $240,000	
$240,001 - $250,000	2
$260,001 - $270,000	2
$270,001 - $280,000	
$280,001 - $290,000	2
$290,001 - $300,000	2
$310,001 - $320,000	2
$370,001 - $380,000	1
$390,001 - $400,000	1
$470,001 - $480,000	1
$880,001 - $890,000	1

Employee remuneration does not include PSRs issued under the Company's LTI scheme that have been granted but which have not vested. 62,385 PSRs issued to employees (excluding the Chief Executive) vested in the year to 31 March 2023 and these are included in the value of remuneration and other benefits in the table above.

INTERESTS REGISTERS

Directors' Shareholdings and Bondholdings

Equity and debt securities in which each Director and associated person of each Director held a relevant interest as at 31 March 2023 are listed below:

Director	Holder	Trustees	Interest	Number of Shares
Chris Gudgeon	Trustees of the Twinrock Trust	CW Gudgeon, JC Gudgeon and PB Guise	Non beneficial	18,100
Mike Pohio	Trustees of the Pohio Family Trust	Michael Eric Pohio, Karen Elizabeth Pohio and Ruby Trustees Limited	Non beneficial	50,000
Rachel Winder	Rachel Winder		Beneficial	14,000
Martin Stearne	FNZ Custodians Limited for the trustees of the MW and LJ Stearne Family Trust	Martin William Stearne and Tobias Edward Groser	Non beneficial	150,000
Stuart McLauchlan	JBWere (NZ) Nominees Limited		Beneficial	51,398
Jeff Morrison	Investment Custodial Services for the trustees of the Suzanne Fisher Trust	Jeff Morrison and Barry Fisher	Non beneficial	401,821
Jeff Morrison	Investment Custodial Services for trustees of the LJ Fisher Trust	Jeff Morrison and Andrew Spencer	Non beneficial	30,768
Jeff Morrison	Trustees of the JM Thompson Trust	Jeff Morrison and Robyn Shearer	Non beneficial	329,160
Jeff Morrison	Trustees of the Dalbeth Family Trust No.3	William Dalbeth and Jeff Morrison	Non beneficial	218,070
Jeff Morrison	Trustees of the Dalbeth Family Trust No.4	William Dalbeth and Jeff Morrison	Non beneficial	334,300
Jeff Morrison	FNZ Custodians Limited for Stephen Fisher, Virginia Fisher and Jeffrey Morrison as trustees of the Stephen and Virginia Fisher Trust	Stephen Fisher, Virginia Fisher and Jeff Morrison	Non beneficial	66,000
Jeff Morrison	Trustees of the Margaret Claire Dotchin-Knight Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	5,000
Jeff Morrison	Trustees of the Joanne Elizabeth Dotchin Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	5,000
Jeff Morrison	Trustees of the Jonathan Napier & Dulcie Elizabeth Dotchin Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	5,000
Jeff Morrison	Investment Custodial Services Limited for Jeffrey Robert Morrison and Noeline Morrison as trustees of the J&N Morrison Family Trust	Jeffrey Robert Morrison and Noeline Morrison	Beneficial	172,322
Jeff Morrison	Investment Custodial Services Limited for the Spirit of Adventure Trust Board		Non beneficial	69,250

Director	Holder	Trustees	Interest	Number of ARG010 Bonds
Jeff Morrison	JM Thompson Charitable Trust	Robyn Maree Shearer and Jeffrey Robert Morrison	Non beneficial	300,000
Jeff Morrison	WT Dalbeth Family Trust No.3	William Thomas Dalbeth & Jeffrey Robert Morrison	Non beneficial	200,000
Jeff Morrison	Dalbeth Family Trust No.2	William Thomas Dalbeth & Jeffrey Robert Morrison	Non beneficial	200,000
Jeff Morrison	WT Dalbeth Family Trust No.4	William Dalbeth and Jeffrey Morrison	Non beneficial	300,000

Director	Holder	Trustees	Interest	Number of ARG020 Bonds
Jeff Morrison	FNZ Custodians Limited for Stephen Fisher, Virginia Fisher and Jeffrey Morrison as trustees of the Stephen and Virginia Fisher Trust	Stephen Fisher, Virginia Fisher and Jeffrey Morrison	Non beneficial	125,000

Director	Holder	Trustees	Interest	Number of ARG030 Bonds
Jeff Morrison	FNZ Custodians Limited for Stephen Barry Fisher, Virginia Jane Fisher and Jeffrey Morrison as trustees of the Stephen and Virginia Fisher Trust	Stephen Barry Fisher, Virginia Jane Fisher and Jeffrey Morrison	Non beneficial	150,000
Jeff Morrison	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin as trustees of the Margaret Claire Dotchin-Knight Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	60,000
Jeff Morrison	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin as trustees of the Joanne Elizabeth Dotchin Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	60,000
Jeff Morrison	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin as trustees of the Jonathan Napier & Dulcie Elizabeth Dotchin Trust	Jeff Morrison, John Sieprath, Jon Dotchin and Dulcie Dotchin	Non beneficial	60,000

SENIOR MANAGERS' SHAREHOLDINGS

Equity securities in which each Senior Manager and associated persons of each Senior Manager held a relevant interest as at 31 March 2023 are listed below:

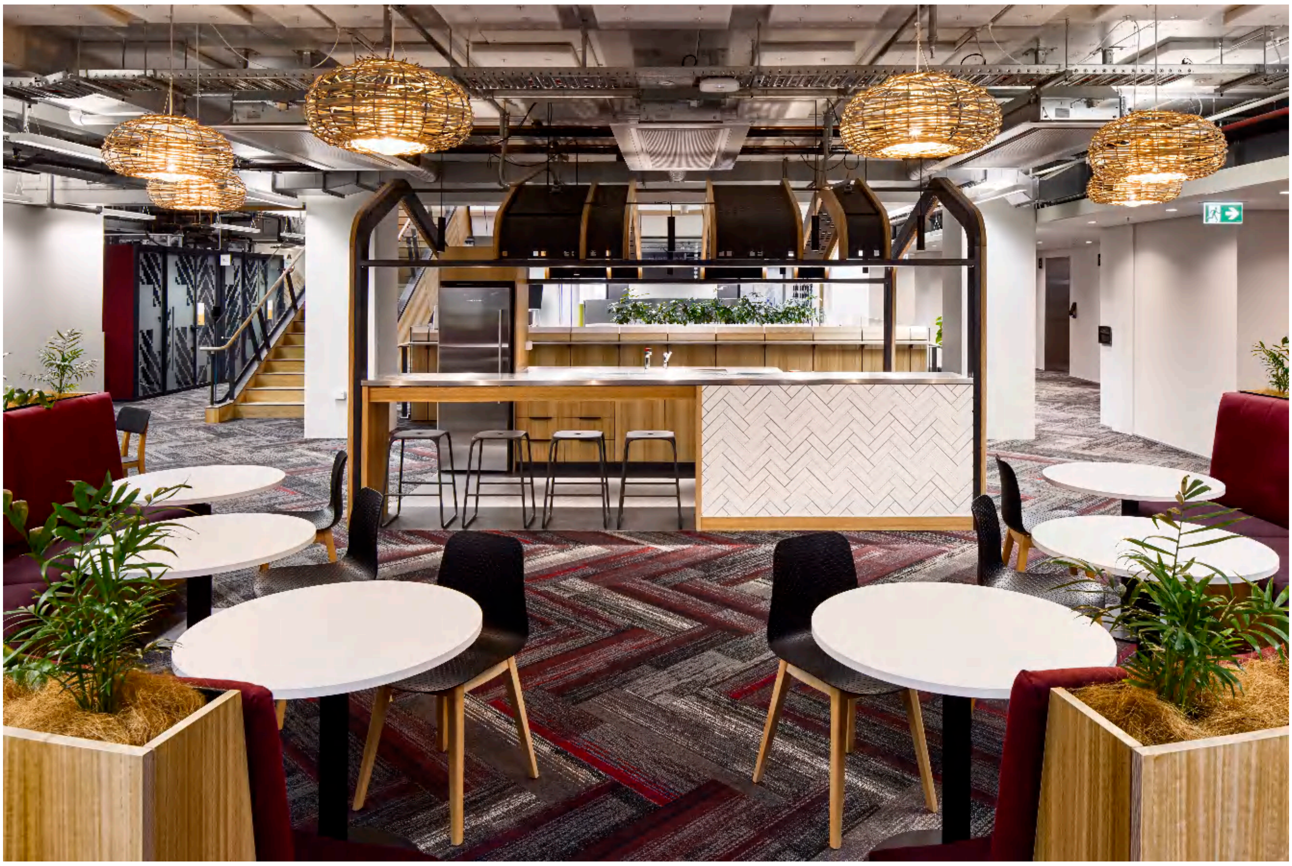
Officer	Holder	Trustees	Interest	No. of shares
Peter Mence	Peter Mence		2020 PSR[1]	287,356
			2021 PSR[1]	180,005
			2022 PSR[1]	188,926
	Peter Mence		Beneficial	432,615
	Trustees of the Papageno Trust	Peter Mence, Stella McDonald	Non beneficial	416,077
	Sharesies Nominee Limited as nominee for Peter Donald Mence	Sharesies Nominee Limited	Beneficial	93,728
Dave Fraser	Dave Fraser		2020 PSR[1]	157,493
			2021 PSR[1]	101,616
			2022 PSR[1]	110,918
	Dave Fraser		Beneficial	421,123

1. Performance Share Rights issued under the Company's Long Term Incentive Scheme.

DIRECTORS AND SENIOR MANAGERS' SHARE AND BOND DEALINGS

The Directors and Senior Managers entered into the following dealings which relate to the acquisition of shares and bonds in the Company during the year:

- Dave Fraser acquired a beneficial interest in 20,000 shares in the Company on 27 June 2022 for consideration of $24,332 through an on-market acquisition.



8-14 Willis Street, Wellington.

- Dave Fraser acquired a beneficial interest in 20,000 shares in the Company on 23 June 2022 for consideration of $23,850 through an on-market acquisition.
- Dave Fraser acquired a beneficial interest in 10,000 shares in the Company on 23 June 2022 for consideration of $12,000 through an on-market acquisition.
- Dave Fraser acquired a beneficial interest in 50,000 shares in the Company on 22 June 2022 for consideration of $59,823 through an on-market acquisition.
- Dave Fraser acquired a beneficial interest in 62,385 shares in the Company on 27 May 2022 for consideration of $1 which were issued upon vesting of performance share rights under the Company's Long Term Incentive Scheme.
- Dave Fraser disposed of a beneficial interest in 108,121 performance share rights in the Company on 18 May 2022 for nil consideration which expired under the Company's Long Term Incentive Scheme.
- Dave Fraser acquired a beneficial interest in 110,918 performance share rights in the Company on 18 May 2022 for nil consideration which were granted under the Company's Long Term Incentive Scheme.
- Stuart McLauchlan acquired a beneficial interest in 30,000 shares in the Company on 28 February 2023 for consideration of $33,750 through an on-market acquisition.
- Peter Mence acquired a beneficial interest in 52,989 shares in the Company on 30 June 2022 for consideration of $65,784 through an on-market acquisition.
- Peter Mence acquired a beneficial interest in 110,908 shares in the Company on 27 May 2022 for consideration of $1 which were issued upon vesting of performance share rights under the Company's Long Term Incentive Scheme.
- Peter Mence disposed of a beneficial interest in 192,215 performance share rights in the Company on 18 May 2022 for nil consideration which expired under the Company's Long Term Incentive Scheme.
- Peter Mence acquired a beneficial interest in 188,926 performance share rights in the Company on 18 May 2022 for nil consideration which were granted under the Company's Long Term Incentive Scheme.
- Jeff Morrison acquired a non-beneficial (professional trustee) interest in 20,000 ARG010 Green Bonds on 14 December 2022 for consideration of $18,983 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (professional trustee) interest in 25,423 shares in the Company on 9 December 2022 for consideration of $29,586 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (professional trustee) interest in 25,000 ARG010 Green Bonds on 30 November 2022 for consideration of $23,596 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (professional trustee) interest in 200,000 ARG010 Green Bonds on 30 November 2022 for consideration of $188,769 through an on-market acquisition.
- Jeff Morrison acquired a non-beneficial (professional trustee) interest in 100,000 shares in the Company on 22 June 2022 for consideration of $119,950 through an on-market acquisition.

DIRECTORS' INTERESTS

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

Director	Position	Company/Organisation
Stuart McLauchlan	Chairman	Analog Digital Instruments Limited
	Chairman	Scott Technology Limited
	Director	GS McLauchlan & Co Limited
	Director	Scenic Hotels Group Limited
	Director	Dunedin Casinos Limited
	Director	Ebos Group Limited
	Member	Marsh Limited Advisory Board
Mike Pohio	Chairman	Ngai Tahu Holdings
	Chairman	Rotoiti 15 Investment Limited Partnership
	Chairman	Mana Ahuriri Holdings Limited Partnership
	Director	Te Atiawa (Taranaki) Holdings Limited
	Director	Te Atiawa Iwi Holdings Management Limited
Jeff Morrison (Chair)	Trustee	Spirit of Adventure Trust
Chris Gudgeon	Director	Crown Infrastructure Partners Limited
	Director	Ngati Whatua Orakei Whai Rawa Ltd
	Director	Whai Rawa GP Ltd
	Director	Whai Rawa Kainga Development Ltd
	Director	Ngati Whatua Orakei Housing Trustee Ltd
	Member	Kiwirail Holdings Ltd Property Committee
	Member	Niwa Future Property Programme Committee
	Adviser	Dialog Property (NZ) Limited
Rachel Winder	Director	Auckland Thoroughbred Racing Inc
	Director	Current Trading Company Limited
Martin Stearne	Director and Shareholder (100%)	Encore Advisory Limited
	Director	Impact Ventures CI Limited
	Member	Takeovers Panel
	Member	Impact Enterprise Fund Investment Committee
	Member	NZX Listing Sub-committee
Peter Mence	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Management Limited
Dave Fraser	Director	Argosy Property No. 1 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 also has an External Auditor Independence Policy containing procedures to ensure the independence of the Company's external auditor. Argosy's External Auditor Independence Policy is available on its website (www.argosy.co.nz).

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 External 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.

Deloitte is the Company's current external auditor.

NZX RULINGS AND WAIVERS

The Company did not apply to NZX for, nor rely on, any rulings or waivers during the year to 31 March 2023.

DONATIONS

The Company paid $92,891 across the following sponsorship payments during the year to 31 March 2023:

- $7,500 Hotwater Beach Surf Life Saving Club Inc.;
- $7,500 Taylors Mistake Surf Life Saving Club Inc.;
- $15,000 Red Beach Surf Life Saving;
- $7,500 St Clair Surf Life Saving;
- $7,500 Lyall Bay Surf Life Saving Club Inc.;
- $11,000 Keystone Trust
- $6,087 Spirit of Adventure Trust;
- $10,000 Pillars New Zealand;
- $5,000 The University of Auckland (Argosy Scholarship);
- $10,000 Variety - the Childrens Charity Incorporated;
- $3,500 Next Generation Sport; and
- $2,304 all other sponsorships.

No other member of the Group made donations in the year to 31 March 2023.

ARGOSY SUBSIDIARIES – DIRECTORS

As at 31 March 2023:

- Jeff Morrison, Peter Mence and Dave Fraser were the directors of Argosy Property No. 1 Limited; and
- Jeff Morrison, Peter Mence and Dave Fraser were the directors of Argosy Property Management Limited.

No director of any Argosy subsidiary received additional remuneration or benefits in respect of their directorships. Other than the entries set out under the heading "Directors' Interests", there were no entries made in the Interests Registers of Argosy's subsidiaries during the accounting period.

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 2023

Rank	Holder Name	Total	Percentage
1	FNZ Custodians Limited	77,457,507	9.14
2	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	74,561,274	8.80
3	Accident Compensation Corporation - NZCSD <ACCI40>	72,835,823	8.60
4	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	38,405,634	4.53
5	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	30,841,173	3.64
6	HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN45>	29,849,819	3.52
7	JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD <CHAM24>	26,795,288	3.16
8	Forsyth Barr Custodians Limited <1-Custody>	26,271,283	3.10
9	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	23,782,780	2.80
10	Investment Custodial Services Limited <A/C C>	23,490,695	2.77
11	Custodial Services Limited <A/C 4>	18,511,597	2.18
12	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	16,931,451	1.99
13	JBWere (NZ) Nominees Limited <NZ Resident A/C>	9,621,176	1.13
14	BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>	8,005,054	0.94
15	Christine Anne Mansell & Douglas Tony Brown <Harvan A/C>	7,317,000	0.86
16	Simplicity Nominees Limited - NZCSD	7,304,625	0.86
17	PT (Booster Investments) Nominees Limited	7,118,965	0.84
18	Jarden Custodians Limited <A/C 7>	6,701,731	0.79
19	Adminis Custodial Nominees Limited	6,347,056	0.74
20	National Nominees Limited - NZCSD <NNLZ90>	6,289,096	0.74

SUBSTANTIAL PRODUCT HOLDERS AS AT 31 MARCH 2023

	Date notice filed	No of shares	% of total issued shares
Accident Compensation Corporation	9 February 2023	70,401,435	8.315
Salt Funds Management	2 March 2023	44,429,493	5.247

The total number of shares on issue in the Company as at 31 March 2023 was 846,723,895. The only class of shares on issue as at 31 March 2023 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 2023 and may not be that substantial holder's current relevant interest.

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2023

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	253	3.27	100,916	0.01
1,000 to 1,999	268	3.45	349,015	0.04
2,000 to 4,999	853	10.99	2,927,372	0.35
5,000 to 9,999	1,446	18.63	10,454,133	1.23
10,000 to 49,999	3,721	47.94	82,588,427	9.75
50,000 to 99,999	712	9.17	47,426,274	5.60
100,000 to 499,999	437	5.63	78,890,794	9.32
500,000 to 999,999	30	0.39	20,461,214	2.42
1,000,000+	41	0.53	603,525,750	71.28
Total	7,761	100.00	846,723,895	100.00

20 LARGEST REGISTERED HOLDERS OF ARG010 BONDS AS AT 31 MARCH 2023

Rank	Holder Name	Total	Percentage
1	Forsyth Barr Custodians Limited <1-Custody>	19,568,000	19.56
2	FNZ Custodians Limited	19,464,000	19.46
3	Custodial Services Limited <A/C 4>	14,985,000	14.98
4	National Nominees Limited - NZCSD <NNLZ 90>	10,000,000	10.00
5	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	6,000,000	6.00
6	Investment Custodial Services Limited <A/C C>	3,747,000	3.74
7	FNZ Custodians Limited <DTA Non Resident A/C>	2,267,000	2.26
8	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	2,028,000	2.02
9	Hobson Wealth Custodian Limited <Resident Cash Account>	1,893,000	1.89
10	Forsyth Barr Custodians Limited <Account 1 E>	1,577,000	1.57
11	NZPT Custodians (Grosvenor) Limited - NZCSD <NZPG40>	1,350,000	1.35
12	Forsyth Barr Custodians Limited <A/C 1 NRLAIL>	1,135,000	1.13
13	Westpac Banking Corporate Nz Financial Markets Group -NZCSD <WPAC40>	625,000	0.62
14	ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	504,000	0.50
15	Andrew Patrick Cunningham & Elizabeth Anne Cunningham	500,000	0.50
16	Hugh Mccracken Ensor	500,000	0.50
17	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	499,000	0.49
18	Frimley Foundation	350,000	0.35
19	JN & HB Williams Foundation	350,000	0.35
20	Carlton Cornwall Bowls Incorporated	250,000	0.25

DISTRIBUTION OF ARG010 BONDHOLDERS AS AT 31 MARCH 2023

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
5,000 to 9,999	50	11.44	274,000	0.28
10,000 to 49,999	289	66.13	5,684,000	5.68
50,000 to 99,999	61	13.96	3,466,000	3.47
100,000 to 499,999	26	5.95	3,843,000	3.84
500,000 to 999,999	2	0.46	1,000,000	1.00
1,000,000+	9	2.06	85,733,000	85.73
Total	437	100.00	100,000,000	100.00

20 LARGEST REGISTERED HOLDERS OF ARG020 BONDS AS AT 31 MARCH 2023

Rank	Holder Name	Total	Percentage
1	Forsyth Barr Custodians Limited <1-Custody>	18,327,000	18.32
2	FNZ Custodians Limited	15,034,000	15.03
3	Custodial Services Limited <A/C 4>	14,267,000	14.26
4	National Nominees Limited - NZCSD <NNLZ90>	7,850,000	7.85
5	Hobson Wealth Custodian Limited <Resident Cash Account>	7,837,000	7.83
6	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	6,100,000	6.10
7	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	6,000,000	6.00
8	Mint Nominees Limited - NZCSD <NZP440>	2,700,000	2.70
9	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	2,384,000	2.38
10	Investment Custodial Services Limited <A/C C>	1,940,000	1.94
11	Westpac Banking Corporate Nz Financial Markets Group -NZCSD <WPAC40>	1,931,000	1.93
12	Forsyth Barr Custodians Limited <Account 1 E>	1,746,000	1.74
13	NZPT Custodians (Grosvenor) Limited - NZCSD <NZPG40>	1,700,000	1.70
14	Commonwealth Bank Of Australia - NZCSD <CBAANZ>	1,449,000	1.44
15	ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	1,205,000	1.20
16	Hobson Wealth Custodian Limited <Equities DTA Account>	739,000	0.73
17	JBWere (NZ) Nominees Limited <NZ Resident A/C>	590,000	0.59
18	FNZ Custodians Limited <DTA Non Resident A/C>	569,000	0.56
19	Henry & William Williams Memorial Trust Incorporated	534,000	0.53
20	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	510,000	0.51

DISTRIBUTION OF ARG020 BONDHOLDERS AS AT 31 MARCH 2023

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
5,000 to 9,999	15	9.93	88,000	0.10
10,000 to 49,999	80	52.98	1,602,000	1.60
50,000 to 99,999	27	17.88	1,581,000	1.58
100,000 to 499,999	17	11.26	2,524,000	2.52
500,000 to 999,999	5	3.31	2,932,000	2.93
1,000,000+	7	4.64	91,273,000	91.27
Total	151	100.00	100,000,000	100.00

20 LARGEST REGISTERED HOLDERS OF ARG030 BONDS AS AT 31 MARCH 2023

Rank	Holder Name	Total	Percentage
1	Custodial Services Limited <A/C 4>	22,207,000	17.76
2	Forsyth Barr Custodians Limited <1-Custody>	20,502,000	16.40
3	FNZ Custodians Limited	16,002,000	12.80
4	Hobson Wealth Custodian Limited <Resident Cash Account>	9,958,000	7.96
5	Westpac Banking Corporate NZ Financial Markets Group -NZCSD <WPAC40>	7,787,000	6.22
6	National Nominees Limited - NZCSD <NNLZ90>	7,000,000	5.60
7	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	6,750,000	5.40
8	Bank Of New Zealand - Treasury Support <BNZW40>	3,105,000	2.48
9	Pin Twenty Limited <Kintyre A/C>	3,000,000	2.40
10	Queen Street Nominees Acf Pie Funds - NZCSD	2,850,000	2.28
11	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	2,525,000	2.02
12	ANZ Bank New Zealand Limited - NZCSD <NBNZ40>	2,240,000	1.79
13	JBWere (NZ) Nominees Limited <NZ Resident A/C>	1,847,000	1.47
14	Investment Custodial Services Limited <A/C C>	1,481,000	1.18
15	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	1,462,000	1.16
16	FNZ Custodians Limited <DTA Non Resident A/C>	1,368,000	1.09
17	Falstaff Investments Limited	1,000,000	0.80
18	Forsyth Barr Custodians Limited <Account 1 E>	807,000	0.64
19	Hobson Wealth Custodian Limited <Equities DTA Account>	625,000	0.50
20	Public Trust Rif Nominees Limited - NZCSD	505,000	0.40

DISTRIBUTION OF ARG030 BONDHOLDERS AS AT 31 MARCH 2023

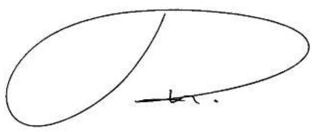
Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
5,000 to 9,999	23	9.03	125,000	0.09
10,000 to 49,999	163	63.92	3,322,000	2.66
50,000 to 99,999	30	11.76	1,722,000	1.38
100,000 to 499,999	24	9.41	4,458,000	3.57
500,000 to 999,999	5	1.96	2,932,000	2.35
1,000,000+	10	3.92	112,441,000	89.95
Total	255	100.00	125,000,000	100.00

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 31 MARCH 2023

Director	No. of shares (non beneficial)	No. of shares (beneficial)	No. of bonds (non beneficial)
Stuart McLauchlan		51,398	
Chris Gudgeon	18,100		
Martin Stearne	150,000		
Mike Pohio	50,000		
Rachel Winder		14,000	
Jeff Morrison	1,464,369	172,322	1,655,000

DIRECTORS' STATEMENT

The Board is responsible for preparing the Annual Report. This report is dated 16 May 2023 and is signed on behalf of the Board of Argosy Property Limited by Jeff Morrison, Chairman and Stuart McLauchlan, Director.



Jeff Morrison
Chairman

Stuart McLauchlan
Director

DIRECTORS

Argosy Property Limited

Chris Gudgeon, Auckland
Stuart McLauchlan, Dunedin
Jeff Morrison, Auckland
Mike Pohio, Christchurch
Rachel Winder, Auckland
Martin Stearne, Auckland

MANAGEMENT

Peter Mence, Chief Executive Officer
Dave Fraser, Chief Financial Officer

REGISTERED OFFICE

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

Commonwealth Bank of Australia

ASB North Wharf
12 Jellicoe Street
Auckland 1010

Westpac New Zealand Limited

Westpac New Zealand Ltd
PO Box 934
Shortland Street
Auckland 1140

Industrial and Commercial Bank of China (New Zealand) Limited

PO Box 106656
Commerce Street
Auckland 1143

BOND SUPERVISOR

The New Zealand Guardian Trust Company Limited

PO Box 274
Shortland Street
Auckland 1140

Top: 7 Waterloo Quay, Wellington.

Argosy

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