Argosy

Annual Report 2019

creat
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- create opportunities to ensure sustainable growth.
- manage all elements of our business to deliver the right outcomes for all our stakeholders.
- own the right assets, with the right attributes in the right locations.

An environmentally focused & sustainable business

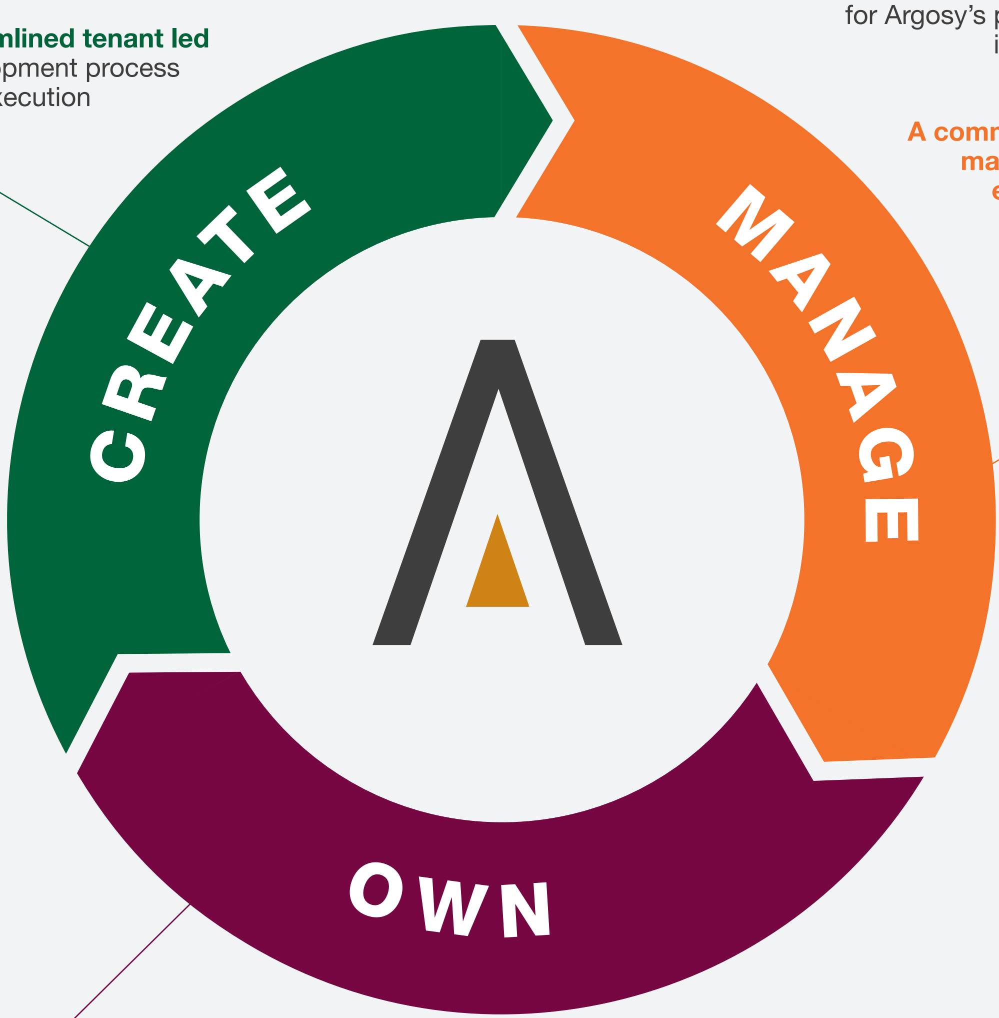
Transition value add properties to drive earnings and capital growth

Streamlined tenant led development process and execution

Strong and valued relationships across all key stakeholders

Safe working environments for Argosy's people and its partners

A commitment to management excellence



A diversified portfolio of high quality, well located assets with growth potential

Real estate with a primary focus on Auckland & Wellington markets

Target off market opportunities or contiguous properties with potential

create

$106.3m

of Value Add developments announced or underway, over 80% of these are Green developments

6 Green Star Built rating

targeted on a new $64m Wellington office development for new Crown tenant, Statistics New Zealand

$35.3m

of strategic acquisitions

$100m

of Green Bonds issued to support our focus on sustainability and development of high quality green assets

manage

15.9%

compound annual total return to investors over 10 years

Our family of

171

tenants across our portfolio

7

Strategic Health & Safety Goals

to provide safer environments for Argosy staff and its partners

92%

of all contractors pre-qualified by Argosy before starting work

own

$1.67b

of high quality commercial real estate

Diversified portfolio of

60

buildings

Industrial 37
Office 16
Retail 7

AKL WLG

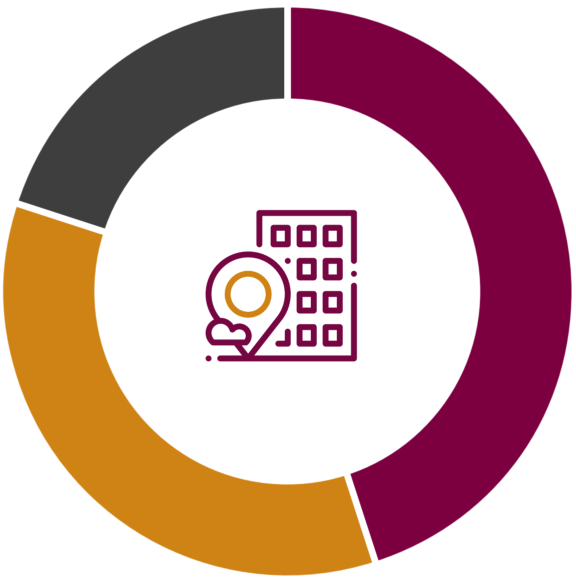
Portfolio weighting
Auckland 72%
Wellington 25%

$169m

of the portfolio classified as Value Add, providing attractive long term organic growth potential

Argosy strives to deliver reliable and attractive returns to shareholders.

Where will we buy?



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

Concentrate on Auckland (65%-75%) and Wellington (20%-30%)

Regional North Island or South Island tenant-driven only (<10%)

Focus on good quality Office, Industrial and Large Format Retail

No international properties
No Leasehold

Target "off-market" acquisitions and avoid competitive processes

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

Target contiguous properties with potential

Value parameters

$10m+

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

10%

No acquisition more than 10% of overall portfolio value

Due diligence

Apply Argosy's due diligence checklist

>70%

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

Development

Developments only for tenants who provide strategic value to Argosy

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

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

We are, and will remain, invested in a portfolio that is diversified by sector, location and tenant mix. Our Investment Strategy and Investment Policy is unchanged (apart from allowing for the management of third-party portfolios) and Argosy's portfolio will continue to consist primarily of Core and Value Add properties.

Core properties are well constructed, well located assets which are intended to be long-term investments (>10 years). The Core properties target is between 75% to 90% of the portfolio by value. Core properties enjoy strong long-term demand (well located and generic), a leasing profile that provides for rental growth of at least CPI and good structural integrity with minimal maintenance capital expenditure required.

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

Investment Policy

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

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

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

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

As at 31 March 2019, Argosy was operating within the parameters of its Investment Policy.

Our diversified portfolio of quality properties has an average value of $27.8 million. This allows the Company to react quickly to changing economic or property market conditions. Liquid properties, which are properties that could potentially be under contract within a short period currently represent approximately 25% of the portfolio or $410 million.

Capital Management

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

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

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.

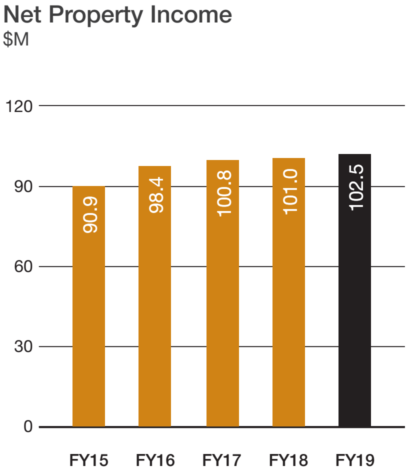
Risk Management

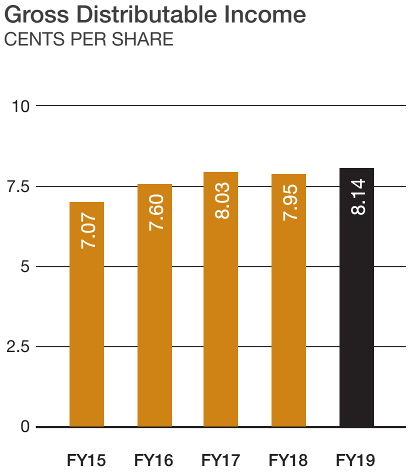
Argosy strives to deliver reliable and attractive returns to shareholders. We take a considered approach to development, acquisition, divestment, leasing and capital management decisions, reflecting our proposition to shareholders as a yield based investment.

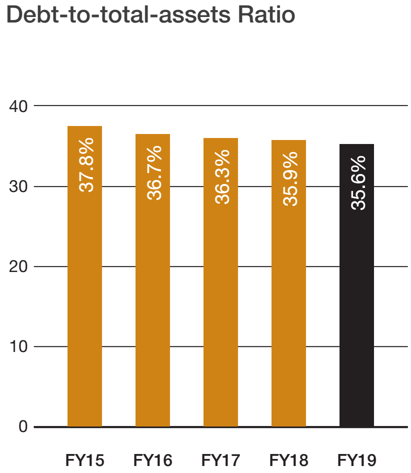
Argosy has a robust risk assessment process. Risk assessment reviews are carried out by a representative cross-section of Argosy's management team at least twice a year in accordance with Argosy's risk management framework. A risk assessment review has three phases: identification of material risks arising 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 and Value Add projects and compliance matters.

Financial Summary







FINANCIAL SUMMARY

	Unit of measure	FY2015	FY2016	FY2017	FY2018	FY2019
Net property income	$m	90.9	98.4	100.8	101.0	102.5
Profit before financial income/(expenses) and other gains/(losses) and tax	$m	83.0	89.4	91.4	91.1	91.5
Revaluation gains on investment property	$m	38.6	42.2	42.3	47.3	70.5
Profit for the year (before taxation)	$m	68.6	83.6	120.4	109.3	143.3
Profit for the year (after taxation)	$m	64.4	78.9	103.6	98.2	133.7
Earnings per share	cents	8.08	9.79	12.69	11.90	16.16
Gross distributable income per share	cents	7.07	7.60	8.03	7.95	8.14
Net distributable income per share	cents	5.97	6.35	6.55	6.62	6.94
Total assets	$m	1,313.2	1,374.9	1,458.6	1,544.8	1,675.1
Debt-to-total-assets ratio	%	37.8	36.7	36.3	35.9	35.6
Net assets backing per share	cents	96	100	106	112	122
Cash dividend per share	cents	6.00	6.03	6.10	6.20	6.28
Shares on issue at year end	m	802.6	812.6	822.9	827.0	827.0
Total equity	$m	768.7	810.4	875.2	926.9	1,009.0

PROPERTY METRICS

	Unit of measure	FY2015	FY2016	FY2017	FY2018	FY2019
Number of tenants	#	192	193	185	176	171
Number of properties[1]	#	68	66	64	61	60
Average property value	$m	19.21	20.72	22.53	24.81	27.80
Net lettable area	sqm	607,799	601,045	606,324	587,766	587,125
Total book value	$m	1,306.4	1,367.6	1,442.2	1,513.1	1,667.0
Weighted average lease term	years	5.54	5.24	5.59	6.08	6.14
Occupancy factor by rental	%	99.2	99.4	98.6	98.8	97.7
Occupancy factor by area	%	99.3	99.6	97.4	99.4	97.8

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

A clear way forward

Michael Smith
CHAIRMAN

“

The Board is pleased to have finished the 2019 financial year with excellent results. We continue to focus on the sustainability of our business and delivering high quality green developments.”

FY19 Total Shareholder Return

35.1%

An excellent result and materially outperforming the sector

7 year Green Bonds

$100m

The first listed property vehicle in New Zealand to issue

On behalf of the Board of Directors, it is my pleasure to present Argosy's 2019 Annual Report.

For the financial year Argosy delivered a total shareholder return of 35.1%, outperforming the property sector by 11.1%. We have continued our focus of greening the portfolio to deliver high quality buildings and have complemented this with the inaugural green bond for the property sector. Our successful $100 million 7 year green bond offer was very well received by investors. Management has continued to reposition the portfolio extremely well through the combination of strategic acquisitions, strategic developments and the ongoing divestment of non Core assets above their book value. Operationally, the team has achieved some great leasing outcomes through the year and continued to address key portfolio vacancies. Management's focus on organic growth opportunities will continue and we have recently announced some green developments which are underway or planned. These will position Argosy very well for the long term.

> "We will continue to focus on our existing portfolio to create long term value for Argosy and its shareholders."
>
> Michael Smith
> CHAIRMAN

With a strong finish to the FY19 year, we are pleased to be able to announce a full year dividend of 6.275 cents per share for this financial year. The increase above guidance reflects our ongoing belief that investors should share in the continued strength of the business. However, we are also cognisant that we must maintain our momentum towards an Adjusted Funds from Operations (AFFO[1]) based dividend policy over the medium term. The dividend for FY20 is therefore expected to be maintained at 6.275 cents per share.

STRATEGY

Our Create, Manage, Own framework, which complements our overall Investment Strategy and Investment Policy, articulates what we do in a transparent way for all our stakeholders to understand. Ultimately, Argosy is about Creating a sustainable business and incremental value, Managing the business for all our stakeholders and Owning the right assets in the right locations. It's a simple message and very clear way forward.

DIVIDENDS

A fourth quarter dividend of 1.5875 cents per share has been declared for the March quarter with imputation credits of 0.3026 cents per share attached. This brings the full year cash dividend to 6.275 cents per share. The fourth quarter dividend will be paid to shareholders on 26 June 2019 and the record date will be 12 June 2019.

The Company remains absolutely focused on delivering sustainable dividends to shareholders. Based on current projections for the portfolio, the Board expects a full year 2020 cash dividend of 6.275 cents per share, consistent with this year. This reflects our wish for shareholders to continue to share in the positive results to date but allows us to maintain our momentum towards an AFFO based dividend policy in the medium term.

Argosy's dividend reinvestment plan remains suspended.

Consistent with our full year result, our accompanying annual result presentation provides details of AFFO.

GOVERNANCE

As you have come to expect, Argosy's Board remains committed to the highest standards of corporate behaviour and accountability. We advocate adherence to corporate best practice in terms of ethical behaviour and disclosure. Argosy's website remains the best place to find all our key policies including Code of Conduct and Ethics, Diversity and Continuous Disclosure Policy. We continue to encourage investors to read these for themselves.

We have maintained our Environmental, Social and Governance reporting disclosures. 2019 is the second year of reporting on our ethnic diversity within our business to illustrate the diverse cultures we embrace and whom we benefit from on a daily basis.

The Board changes signalled in 2018 continued throughout 2019 with the appointment of three new Directors, the retirement of one Director and the resignation of two Directors. Chris Hunter retired as an independent director and subsequently Stuart McLauchlan was appointed as an independent Director. Mark Cross and Andrew Evans both resigned during the year with Chris Gudgeon and Mike Pohio being appointed as independent Directors of the Company.

1 AFFO (Adjusted Funds From Operations) is considered by some investors to represent a measure of dividend sustainability. The annual results presentation released today provides a reconciliation between net distributable income and AFFO.

FY19 Dividend

6.275¢

An increase on the prior year

Annual Meeting

7 Aug

2.00pm at the RNZYS

Looking ahead, the upcoming Annual Meeting of shareholders is scheduled to be held at 2pm on 7 August 2019 at the Royal New Zealand Yacht Squadron, 101 Curran Street, Westhaven Marina, Auckland. Stuart McLauchlan, Chris Gudgeon and Mike Pohio will all retire in accordance with the Company's constitution and the NZX Listing Rules and will be eligible for re-election. In addition, Mike Smith and Peter Brook will also retire and be eligible for re-election.

OUTLOOK

It is expected the next 12-24 months will see the continuation of low interest rates and a lower inflation outlook, along with a positive environment for real estate pricing. Economic growth is forecast to be in the 2.0% to 2.5% range over the medium term, which is lower than previously forecast but still positive. Lower migration, weaker business confidence and changing bank capital requirements, together with a weakening residential housing market are all economic headwinds which need to be carefully navigated.

Argosy is very well placed to weather the changing economic landscape over the medium term. It has a strong balance sheet and a growing, high quality portfolio of diversified properties with an increasing focus on sustainability and green assets. Our Value Add development pipeline will deliver further property, sector and tenant diversification to Argosy and its shareholders. The long-term nature of the leases entered into adds certainty and stability to our cashflows and earnings. Argosy will remain focused on addressing near term lease expiries within the portfolio and ensuring that our tenant retention rate remains high. We will focus on delivering on our strategy to support the creation of long term value for shareholders.

To all our investors, both shareholders and bondholders, thank you all for your continued support over the year and I look forward to updating you further at the Annual Meeting.

MICHAEL SMITH
Chairman

Citibank Level 2 - Predict HQ Boardroom

Staying on course

Peter Mence
CHIEF EXECUTIVE OFFICER

❝

It's really pleasing to deliver another strong performance for our shareholders. Argosy's financial and portfolio position is very sound and we are well positioned to benefit from the opportunities we see ahead. ”

Rental income, earnings and distributable profit all improved on the back of strong leasing and rent review outcomes during the year. Our portfolio metrics have been maintained or improved and the quality of our buildings is high.

We are pleased to report year end occupancy at 97.7% and a weighted average lease term (WALT) of 6.1 years. Furthermore, our revaluation gain of $70.5 million or 4.3% for the year to 31 March reflects the strong operational results delivered by the management team during the year. We also continued to make solid progress at 7 Waterloo Quay. Looking ahead to FY20 and beyond we are excited about the opportunities we see to ensure the sustainability of the business and we will continue to deliver on our strategy.

HIGHLIGHTS

- Net distributable income[2] up 5.0%;
- Net distributable income per share up 4.8%;
- A full year revaluation gain of $70.5 million, an increase of 4.3% on book value;
- Portfolio metrics in excellent shape with WALT at 6.1 years;
- Divestment of $45.4 million of non Core assets significantly above book values;
- Continued solid progress at 7 Waterloo Quay;
- Strategic acquisitions of $35.3 million, adding value to adjacent sites and underpinning longer term strategic growth opportunities;
- Diversified term debt with a successful $100 million 7 year green bond offer;
- Full year dividend of 6.275 cents per share delivered, an increase on previous guidance;
- Lift in net tangible assets (NTA) to $1.22 from $1.12 at the end of the prior period.

FINANCIAL RESULTS

Statement of Comprehensive Income

For the year to 31 March, Argosy reported net property income of $102.5 million for the period, which includes rental loss recoveries from insurers, and is 1.5% higher than the previous period.

Administration expenses were up on the previous period primarily due to additional resourcing/restructuring costs across the business.

Interest expense of $24.3 million was down 4.9% on the previous period as the interest on higher average debt was offset by interest rate savings and higher capitalised interest on developments.

The divestment of non Core assets such as Wagener Place (Auckland), 626 Great South Road (Auckland) and 31 El Prado Drive (Palmerston North) resulted in a total net gain of $6.1 million over book values.

Net profit after tax was $133.7 million compared to $98.2 million in the previous year.

Full year revaluation uplift

$70.5m

Contributing 8.5c of NTA uplift

Annual Valuations

The valuations for the period to 31 March were performed by Colliers International, Jones Lang Lasalle and CBRE. The valuations showed further evidence of improved market conditions since the last desktop valuation performed at the half year. The total revaluation gain for the 12 months to 31 March 2019 was $70.5 million, or 4.3% above book value. The portfolio is 1.3% under-rented excluding market rentals on vacant space.

As a result of the revaluation gain, Argosy's NTA has increased to $1.22, 9% up from $1.12 at 31 March 2018. Following the revaluation, Argosy's portfolio shows a contract yield on values of 6.41% and a yield on fully let market rentals of 6.65%.

"

Our strong revaluation gains continue to reflect the quality of our assets and long leases we have in place."

Peter Mence
CHIEF EXECUTIVE OFFICER

Distributable income

For the year ending 31 March gross distributable income was $67.3 million which was 2.6% higher than the previous year. Gross distributable income per share was 8.14 cents per share compared to 7.95 cents per share in the previous year, up 2.4%.

Net distributable income increased by 5.0% to $57.4 million compared to the previous year. Net distributable income per share increased 4.8% to 6.94 cents per share from 6.62 cents per share in the previous year.

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

	FY19	FY18
Net property income ($000's)	**102,468**	**100,990**
Administration expenses ($000's)	10,938	9,938
Operating profit before tax ($000's)	**91,530**	**91,052**
Gross distributable income ($000's)	67,313	65,589
Net distributable income ($000's)	57,358	54,603
Net distributable income (cents per share)	6.94	6.62
Dividends (cents per share)	6.28	6.20
Net distributable income payout ratio	90%	94%

PORTFOLIO ACTIVITY

Leasing and rent reviews

Argosy's strong leasing and rent review results for the 12 month period have continued to be underpinned by robust Auckland and Wellington property market fundamentals. For the year to 31 March 2019, Argosy completed 44 lease transactions on 81,274m2 of net lettable area, including 21 new leases, 12 renewals and 11 extensions. Significant leasing transaction successes over the financial year include:

- 107 Carlton Gore Road, Auckland, Housing New Zealand, 12 years;
- 320 Ti Rakau Drive, Auckland, Bunnings Limited, 10 years;
- 252 Dairy Flat, Auckland, Albany Toyota, 10 years;
- 147 Gracefield Road, Wellington, Winstone Wallboards, 9 years;
- Albany Lifestyle Centre, Auckland, E Road Limited, 9 years;
- Albany Lifestyle Centre, Auckland, Peterken Enterprises Limited, 6 years;
- 302 Great South Road, Auckland, McDonalds Restaurants NZ Limited, 6 years; and
- 320 Ti Rakau Drive, Auckland, Super Cheap Autos, 5 years.

Following an extremely busy year of leasing activity, Argosy maintained a high occupancy level and at 31 March 2019 occupancy was 97.7% versus 98.8% at 31 March 2018.

We are pleased to announce a new 12-year lease to Housing New Zealand at 107 Carlton Gore Road, Newmarket. The lease for the entire 6,100m2 building is on the back of a $12.0 million redevelopment and refurbishment project which will see the building target both Green Star and NABERSNZ ratings. I talk about this further under Value Add developments in this report.

We have continued to progress leasing at 23 Customs Street, Auckland. We have halved vacancy to 1,500m2. Only levels 6 & 7 and part of level 13 remain vacant and we continue to see interest for this space.

With the successful completion of a number of longer leases with larger tenants, Argosy's WALT at 31 March 2019 was 6.1 years (6.1 years at 31 March 2018). As a management team its very satisfying to deliver a portfolio WALT for the second consecutive year above six years.

Weighted Average Lease Term (WALT)

6.1yrs

Excellent result to maintain at same level year on year

For the financial period, we completed a total of 103 rent reviews on $39.4 million of existing rental income. Rental growth of 4.0% was achieved or 2.8% on an annualised basis on all rents reviewed. The industrial portfolio accounted for 48% of the total rental uplift on 50% of the rent reviewed (30 reviews). The balance was split between office (30%) and retail (22%). The combination of ongoing favourable market fundamentals and sound asset management has helped deliver strong rental growth results. This has been a key contributor to the improvement in net property income for the year.

For the 12 months to 31 March 2019, approximately 42% of all rents reviewed (by income) were fixed reviews, 29% were market reviews and 29% were CPI based.

Acquisitions and value add developments

Ongoing tightness across the New Zealand commercial property markets continued over the second half of the financial year. Despite this, several strategic acquisition and Value Add development opportunities have arisen. In particular, the Wellington office market is delivering some attractive long term opportunities for Argosy.

Over the year, Argosy acquired two properties totalling $35.3 million, being 11 Coliseum Drive in Albany (The Warehouse), for $26.7 million and 133 Roscommon Road, Wiri, for $8.6 million. The Warehouse acquisition allows us to consider several long-term organic growth options across the entire Albany Mega Centre site. The Roscommon Road acquisition is a freehold 15,838m2 industrial yard. The site is leased to NZX listed Turners Automotive Group on a 15 year lease, providing a holding return of 5% with fixed reviews of 2.5% per annum, with a market review in year six.

Subsequent to year end, Argosy acquired 54 Jamaica Drive, Grenada, Wellington, for $3.5 million. This property is adjacent to existing Argosy owned development land at 56 Jamaica Drive and is currently leased to Big Chill with 4.5 years remaining on the lease. With Big Chill's current facilities at capacity, Argosy is progressing discussions and is planning a development on the vacant land to support Big Chill's growing business.

The initial acquisition coupled with the development opportunity delivers upside value to three contiguous sites owned by Argosy. These three transactions are good examples of our strategy in action and how we take a long term approach to creating value for Argosy and its shareholders.

Value Add pipeline

$106.3m

Over 80% of our developments are green projects

Value Add developments

180 Hutt Road, Wellington - Placemakers

Argosy's $10.3 million development and upgrade of the Placemakers property in Hutt Road, Kaiwharawhara is progressing well. Stage 1 comprising 1,300m2 of showroom and office was completed recently. Stage 2 works, comprising the drive through warehouse and hardstand area, will be complete by December 2019. Once these stages are completed, and subject to market demand, works will commence for additional bulk retail space on the vacant site of approximately 2,000m2. This project will be another green development for Argosy, targeting a 4 Green Star Industrial Built rating.

107 Carlton Gore Road, Auckland - Housing New Zealand

Argosy is pleased to announce that Housing New Zealand Corporation (HNZC) will enter into a new 12 year lease commencing 1 March 2020. The lease for the entire 6,100m2 of net lettable area will commence following a $12.0 million dollar building upgrade expected to take approximately six months. The scope of works is similar to the 82 Wyndham Street (5 Green Star Rating) building upgrade completed in 2018, and includes new lighting, air conditioning systems, seismic restraints, foyer refurbishment, end of trip facilities (showers, changing facilities and bike parks), new bathrooms and lift replacement. Upon completion, 107 Carlton Gore Road will be an A Grade building. We will target a Green Star Office Built rating and a NABERSNZ Base Building Rating for this property with a seismic rating of 100% NBS. The end value of the development is expected to be $44.6 million.

8-14 Willis Street, Wellington - Statistics New Zealand

Argosy recently announced it is undertaking a $64 million development at its 8-14 Willis Street property in Wellington's CBD. The development will create a substantially new 11 level, 11,800m2 building that will target a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating. In addition, Argosy has entered into a new 15 year lease with the Crown (Statistics New Zealand) to occupy the entire building, other than the 500m2 ground floor retail component. Construction is expected to take 24 months and be completed by April 2021. On completion 8-14 Willis Street will have an independent valuation of $94 million. The development is projected to deliver an internal rate of return of 8.2% and a 7.2% initial yield.

Stewart Dawsons Corner , Wellington

Argosy is very close to finalising a lease with a major international retailer for this development.

Argosy Chief Executive Officer Peter Mence said "When we look at all of these opportunities, we are very excited about working with all of our new partners. These developments are consistent with our strategy of creating value through the execution of Value Add opportunities. These green developments will see Crown employees benefit from refurbished buildings delivering modern, functional and appealing workspace environments. Argosy investors will benefit from new, high quality tenants and modern buildings in the portfolio together with long leases and the cashflow certainty they bring."

Argosy will continue to pursue these green focused Value Add opportunities to improve overall portfolio quality and add value to shareholders.

> "
> The growing range of financial and non-financial benefits that green buildings deliver for the environment, tenants, landlords and investors is well known."
>
> Saatyesh Bhana
> ASSET MANAGER / SUSTAINABILITY CHAMPION

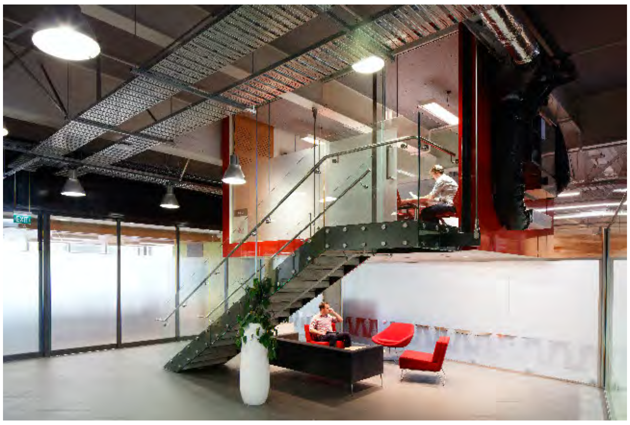
Divestment of non Core Assets

Strong property market fundamentals through the year made it favourable for Argosy to divest non Core assets across Auckland, Wellington and regional markets. Property market conditions remain attractive for vendors allowing us to divest;

- Wagener Place in Auckland for $31.0 million, 13% above book value;
- 626 Great South Road, Greenlane for $10.6 million, 8% above book value; and
- 31 El Prado Drive in Palmerston North for $35.5 million, 25% above book value.

The unconditional sale of 1478 Omahu Road in Hastings did not settle as expected and this property has been reclassified back to non Core from held for sale.

The continued divestment of regional assets means that Argosy has only four properties outside its core Auckland and Wellington markets. At year end, Argosy has categorised approximately 8% or $136.8 million of the portfolio as non Core, which includes the Albany Lifestyle Centre. Argosy will continue its divestment programme over the next 12-18 months to take advantage of current market conditions.



7 WATERLOO QUAY UPDATE

Earthquake Damage and Insurance Claim

Argosy's 14 level property at 7 Waterloo Quay in Wellington sustained damage in the 7.5 magnitude Kaikoura earthquake on 14 November 2016. Soon after the earthquake independent engineers confirmed that the building remained structurally sound, but it suffered damage to fit out and services. Argosy is working with its insurers to progress a significant insurance claim in respect of the earthquake damage and loss of rents.

As with many significant insurance claims for earthquake damage, there will be debate with insurers over the extent of damage, the scope of repair works, the repair methodology and the extent of insurance cover. To support its claim, Argosy commissioned a comprehensive damage survey of 7 Waterloo Quay, detailed damage assessment reports, corresponding reinstatement scopes and a comprehensive reinstatement cost estimate. Argosy recently submitted its cost estimate to insurers and is waiting for a response.

Argosy has also submitted interim claims in respect of reinstatement costs it has incurred and for loss of rents;

- Claims for the cost of reinstatement works undertaken have been submitted based on costs actually incurred. The total claimed from inception of the claim to 31 March 2019 is $39.6 million. These costs relate primarily to limited reinstatement works required to make damaged levels of the building available for reoccupation, and were not able to be agreed with insurers in advance. Further claims will be made in respect of reinstatement works as costs are incurred. We are currently reconciling the above reinstatement costs incurred with the cost estimate submitted to insurers which is based on damage to the building and our insurance policy.
- Claims have been submitted for loss of rents for the two-year period from the date of the earthquake to mid-November 2018, totalling $14.2 million. No further claims in respect of loss of rents are expected.
- From inception of its claim to 31 March 2019 Argosy has received progress payments from insurers of $20.9 million (after a $4.9 million deductible) in relation to its interim claims. Of these, $10.8 million has been allocated to reinstatement of earthquake damage, $1.6 million to expense recoveries and $8.5 million to loss of rents.
- In the period to 31 March 2019 Argosy has recognised progress payments from insurers of $11.1 million. Of these $8.5 million have been allocated to reinstatement of earthquake damage and $2.6 million to loss of rents.

Restructure of New Zealand Post Leases

Damaged levels 1-4 and 7 had been leased to New Zealand Post (Post) until December 2025. As part of a lease termination agreement, Post paid a termination fee of $2.9 million to Argosy on 30 November 2018 and relinquished these floors. This amount, although calculated based on the previous rent from levels 2-4 and 7 through to 31 August 2019, is required by accounting standards to be fully recognised in the year to 31 March 2019.

Reinstatement and seismic works to meet occupancy requirements of prospective tenants

Demand for space at 7 Waterloo Quay from late calendar 2019 has dictated the reinstatement timeframe. To meet demand, Argosy has carried out limited reinstatement works, necessary for reoccupation of the building, without agreement from its insurers. With the exception of level 12, these works were substantially completed by March 2019. Level 12 is expected to be completed by March 2020.

The extent and timing of any further reinstatement works contemplated in the comprehensive repair scopes submitted to insurers will be dependent on reaching agreement with insurers. As with many significant insurance claims, it is uncertain when agreement with insurers will be reached.

With recent changes to the assessment of seismic resilience, seismic strengthening of the building is also considered necessary to maximise the potential from the current strong leasing environment. It is expected that these works will cost approximately $27 million and be complete by November 2019.

Leasing

The office leasing environment in Wellington remains very favourable and Argosy is currently in lease negotiations with a number of Crown organisations. These negotiations are at an advanced stage.

Balance sheet well managed

35.6%

Debt-to-total-assets ratio

Low Gearing Band

30-40%

Targeting the bottom end of the range

CAPITAL MANAGEMENT

Current Leverage

At 31 March 2019, Argosy's debt-to-total-assets ratio, excluding capitalised borrowing costs, was 35.6% versus 35.9% at 31 March 2018. The ratio reflects the net impact of acquisitions and developments during the period, offset by divestments and revaluation gains.

In October 2018, Argosy added $25 million to its banking facilities with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and The Hongkong and Shanghai Banking Corporation. In March 2019, Argosy successfully completed a $100 million 7 year Green Bond offer just prior to its financial year end. As a result, Argosy cancelled $100 million of bank facilities that were due to expire in October 2021. Following this cancellation, the company's total bank debt facility was $550 million ($625 million at 31 March 2018).

Argosy's target gearing band is unchanged at 30% to 40% and continues to provide flexibility depending on financial and property market conditions. Argosy remains well within all bank covenants and currently sits in the middle of the target band. At year end, Argosy's weighted average interest rate was 4.75% versus 4.98% at 31 March 2018.

SUSTAINABILITY

Argosy has an Environmental, Social and Governance Framework (ESG) which recognises the importance sustainable business practices have on the environment and the long-term value it can create for shareholders. Argosy's environmental policy reflects its ambition to create vibrant and sustainable workplaces for its tenants.

Argosy's ESG framework and environmental policy have been further enhanced following the $100 million green bond issue with the establishment of the Green Bond Framework (Framework). The Framework promotes the transition to a sustainable future and aligns with the Green Bond Principles[3].

Argosy believes green buildings have potential to provide both business and environmental benefits including increased marketability, lower operating costs, higher occupancy, higher valuations and improved occupier productivity and well-being.

The collective impact and influence of all these policies and frameworks is to support the delivery of our strategy and greening of Argosy's portfolio over time.

OUTLOOK

After a strong finish to 2019, we have started the 2020 financial year with good momentum. As always, I would like to thank the Board for its continued sound governance and stewardship of the Company. To our management team, thank you all for your ongoing dedication and hard work to deliver excellent results for Argosy and our investors for the 2019 financial year. You continue to exemplify our values and culture on a daily basis.

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

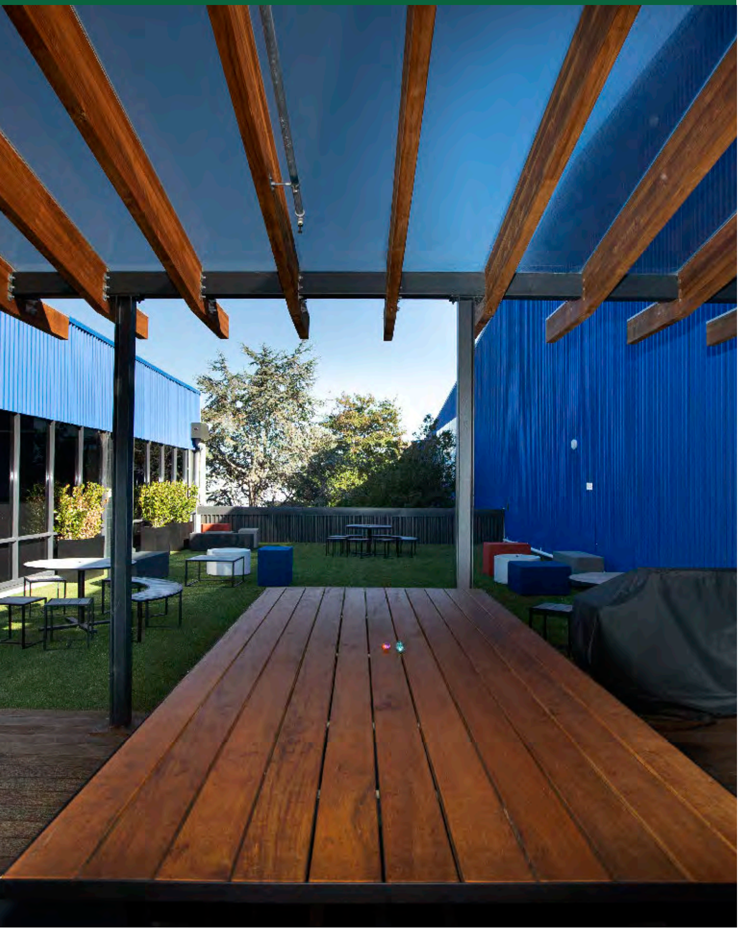
PETER MENCE

Chief Executive Officer

3 Voluntary guidelines that are internationally accepted as the basis for capital markets issuances of green bonds globally.

Create.

"Proactive actions to ensure sustainable growth."



1. Environmentally focused and sustainable business.

We are taking a green or sustainable approach to everything we do in our existing business and also when identifying new opportunities.

2. Streamlined development process and execution.

This is about managing risk by ensuring projects are pre-committed (wherever possible) and well managed to ensure they contribute to Argosy's performance early.

3. Execution of acquisition opportunities.

This is about ensuring we have the right relationships to secure opportunities. This also requires us to have the right people (competence and experience) in the business.

THE ENVIRONMENT

Our focus on the environment and the long-term sustainability of our business has strengthened further over this financial year. Our ESG Framework, which recognises the importance sustainable business practices have on the environment and for long-term value creation to shareholders is now well established. Our Environmental Policy reflects our ambition to create vibrant and sustainable workplaces for our tenants and Argosy believes green buildings have potential to provide both business and environmental benefits. Through this financial year we have used these tools to support delivery on our ESG Framework and we aim to make further progress over the coming year. Our strategy towards greening our portfolio over time remains a high priority and we expect to deliver on this further in the years ahead.

What we do

Argosy has continued to provide working environments to its tenants that deliver increased productivity levels whilst minimising the impact on the environment. We encourage innovation across all our partnerships whether it be our tenants, shareholders or the community – to deliver sustainable outcomes as quickly as possible.

Looking at how we use energy to reduce carbon emissions and finding smarter and more efficient ways of doing things is still top of mind. This year we investigated various ESG reporting software and are implementing a new system which you can read about more below under Argosy's ESG aspirational goals.

First Green Bond issue by a listed property vehicle

Argosy became the first New Zealand listed property vehicle to issue a Green Bond. In March, it completed its offer for $100 million of senior secured fixed rate 7 year green bonds to New Zealand retail and institutional investors. The green bond issue does three key things. First, it helps diversify Argosy's debt funding sources away from pure bank debt. Second, it delivers longer tenor providing greater certainty of funding. Third, it helps reinforce our view on sustainability.

The proceeds of the Green Bonds have been used to refinance existing bank debt that supports Green Assets. Argosy has always been conscious of the impact its business has on the environment and recognises that this is also a consideration for investors and other stakeholders. The bond issue is only the second corporate green bond in the New Zealand market. The bonds were issued on 27 March 2019 and began trading on the NZX debt market the following day.

> We were pleased to be the first listed property vehicle to issue Green Bonds. We firmly believe Green is the way forward for Argosy."

Mike Smith
CHAIRMAN, ARGOSY PROPERTY LIMITED

The green bonds have been issued under green bond principles (GBP) and will be monitored within the Green Bond Framework (GBF) which manages and reports on eligible Green Assets. You can find a copy of the Framework on our website at www.argosy.co.nz.

Investors both in New Zealand and overseas are becoming more sustainability focused (or 'green minded') from an environmental investment perspective. They are demanding more disclosure from organisations around their plans, policies, goals and objectives with respect to sustainability. Our environmental strategy supports this disclosure along with the GBF. Argosy remains a member of the New Zealand Green Building Council (NZGBC), the organisation responsible for issuing independent ratings under the NABERSNZ and GreenStar standards.

What does the market think about sustainability and greening of buildings?

Chief Executive of the NZGBC, Andrew Eagles says "Green buildings are lower carbon emitting and more sustainable. It's fantastic to see the first Green Bond issue by a listed property vehicle. This is leadership and it's great to see NABERSNZ and Green Star as the methodologies for verifying that sustainability standards will be met."

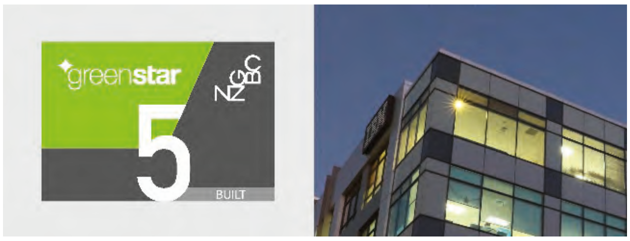
The progress aligns with the zero carbon bill and the increasing importance investors, tenants and owners are placing on sustainability and transparency in New Zealand. It is very much needed. The New Climate Economy, an international initiative comprising former heads of government, estimates that $93 trillion in green bonds is required globally by 2030 to help mitigate climate change. More and more green bonds need to be issued, and more green buildings are needed, in order to change our economy to be lower carbon and more resilient to our changing climate."

What is NABERSNZ?

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

What does Green Star mean?

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



> Argosy's projects such as 82 Wyndham Street and the development at 107 Carlton Gore Road, are showing the way for New Zealand developers."

ANDREW EAGLES
CHIEF EXECUTIVE OFFICER, NEW ZEALAND GREEN BUILDING COUNCIL

82 Wyndham Street, Auckland

The makeover of 82 Wyndham Street in Auckland's CBD was completed in 2018. Argosy took the opportunity to undertake a complete refurbishment of all the building's base services and targeted an upgrade to a minimum 4 Green Star built rating, and a 4 Star NABERSNZ energy efficiency rating.

Through a mixture of innovation and additional specification of services, Argosy achieved a 5 Green Star built rating compared with the target rating of 4. The difference between the targeted rating and the actual rating was achieved through initiatives such as the installation of CO_2 sensors to control the amount of fresh air that enters the building. This means the fresh air will be increased when you have more people in the space to reduce the carbon dioxide levels. Argosy also scored innovation points through the re-use of the existing building, marketing excellence and high use of products with environmental product declarations.

The four-level 6,200m2 building, with three levels of offices and basement parking was constructed in the 1990's as part of the redevelopment that included the old Farmers Department store building, now the Heritage Hotel.

Overall, new services at the property include;

- end of trip facilities to encourage cycling to work with bike racks and showers;

- a variable refrigerant flow air conditioning system with heat recovery allowing for substantial energy savings in partial-load conditions;

- an increase in the building's cooling and fresh air supply so it can cater for a density of one person per eight square metres;

- highly efficient water fixtures and electricity metering to enable usage to be measured for NABERSNZ.

Our aspirational goals

Our ESG Framework sets out the following aspirational environmental goals;

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

We currently have a 4 Star NABERSNZ rating on 143 Lambton Quay, Wellington and 5 star rating at 15-21 Stout Street in Wellington. 82 Wyndham Street is targeting a NABERSNZ Base Build rating of 4 Stars, once we have 12 months of data. On our new developments we are targeting minimum 4 Star NABERSNZ ratings.

2. We will collect energy consumption data (electricity, water and gas) on all buildings

This goal remains in place and has progressed through the year. We continue to identify and source the most appropriate technology to allow us to implement this. We have reviewed various environmental reporting software platforms in terms of reporting, reliability, accuracy, price and value. We are progressing forward with a new data collection system and expect installation across the office portfolio to commence from September 2019.

3. We will develop a Waste Management Plan which will be incorporated into all major projects

This has been successfully used in completed projects and continues to be considered on all future major projects. On the project at Highgate Parkway, Albany, for Mighty Ape we achieved an 87% recycle rate for the project. We are also in the process of developing plans for developments including 8-14 Willis Street and 107 Carlton Gore Road.

107 Cartlon Gore Raod - Newmarket

8-14 Willis Street

This address is located at the centre of Wellington CBD, adjacent to Stewart Dawson Corner. The area is predominantly characterised by office and high street speciality retail.

Argosy recently announced it is undertaking a $64 million development. The development will create a substantially new 11 level, 11,800m2 building that will target a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating. In addition, Argosy has entered into a new 15 year lease with the Crown (Statistics New Zealand) to occupy the entire building, other than the 500m2 ground floor retail component. Construction is expected to take 24 months and be completed by April 2021.

Like many Crown departments, Statistics New Zealand are focused on sustainability and agile working environments. This means creating flexible, adaptable and productive work spaces for employees. The building will be designed to attract and retain staff and encourage creativity and collaboration to deliver a more effective public service. 8-14 Willis Street will incorporate innovative and sustainable features including; rainwater harvesting, chilled beams to deliver heating & cooling, new HVAC system to comply with Green Star requirements and modern end of trip services.

During construction the building will be strengthened to 130% of National Building Standard. On completion, 8-14 Willis Street will have an independent valuation of $94 million. The development is projected to deliver an internal rate of return of 8.1% and a 7.3% initial yield.

Argosy continues to have a strong social responsibility and commitment to actively engage with the communities in which we operate. Shareholders retain high expectations for Argosy to deliver a wider range of outcomes over and above financial returns to them.

SOCIAL & COMMUNITY

Our Community

Argosy continues to deliver through its support of four surf life saving clubs, youth development organisations (Spirit of Adventure Trust) and children with one or more parent in prison (Pillars).

Surf Life Saving

Our four surf lifesaving partners: Red Beach Surf Life Saving Club (SLSC), Hot Water Beach SLSC (Coromandel), Lyall Bay SLSC (Wellington) and Taylors Mistake SLSC (Christchurch), remain fantastic organisations to partner with given the huge value they contribute in keeping communities safe in the water each year.

For the year to 31 March 2019, Argosy donated a total of $45,000 to these organisations.

Argosy continues to value these partnerships and looks forward to working with these clubs and supports the fantastic work that they do in their communities.

Spirit of Adventure Trust

This programme has been building generations of young Kiwis with confidence, resilience and self-esteem since 1972 and over 1,000 Kiwi teenagers get the opportunity to participate in this potentially life changing voyage every year. This year was no different.

Argosy proudly supports the Spirit of Adventure Trust, based in Auckland and contributed a total of $6,100 in FY19 for this initiative. The sponsorship contributed towards the cost of two teenagers, aged 16-18, to participate in the 10-day development voyage on the Spirit of New Zealand.

The Trust identifies worthy recipients who would benefit from the experience but who do not have the means to be able to fund it.

Research studies have been completed on the outcomes of students aboard the ship showing they display increased self-esteem and initiative to take opportunities that life presents to them. Argosy remains very happy to be supporting this programme that delivers such positive outcomes for young people.

2019 recipients - voyage #766 and #767

The two recipients for FY19 came via the INZONE Education Foundation (INZONE). INZONE is a New Zealand registered charitable trust that aims to inspire and support Māori and Pasifika youth to take their place in the cultural, economic and civic leadership of Aotearoa New Zealand. It does this by providing kāinga (hostels) which are "InZone" for high performing schools and they partner with the schools to ensure students achieve top educational outcomes. This year, one participant came from Epsom Girls Grammar and one from Auckland Boys Grammar.

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

Spirit of Adventure - Voyage #766

> Thank you for your continued dedication and support because this trust is changing the lives of many for the better."
>
> —
>
> Participant on voyage #766
> HIGH SCHOOL STUDENT

Snickel Lane - student awarded dream opportunity

Elam School of Fine Arts student Naawie Tutugoro recently won the Snickel Lane Urban Art Award, which provides the opportunity for a student to create and display a public work of art, while developing essential industry skills.

The $10,000 award was established in 2016 by Argosy Property. It is awarded to Creative Arts and Industries students at the University of Auckland, who are in their final year, or undertaking postgraduate studies. Naawie's artwork Level 1, installed at Snickel Lane, explores her interpretation of the word snickel as a "cheeky younger brother" and incorporates vintage and retro elements.

To bring her concept to life she used a combination of clippings from the centenary of the New Zealand Herald and crafted warm, animated characters with a grungy feel.

"There's a sense with Snickel Lane that it's almost a 24/7 kind of place, where corporates come in for coffee in the morning, commuters come in for their snacks and then you've got the evening where people come here after work. It seems like every day is different and it's very social."

Naawie Tutugoro

The project saw Naawie in charge of everything from budgeting to self-promotion. It was also a great chance to network, with members of the public asking her about her art while she was working.

> "I'm sincerely humbled to be supported. To be given space to do something and to make it a reality, it was a really surreal opportunity."
>
> —
>
> Naawie Tutugoro
> CREATIVE STUDENT

Argosy is delighted with the new 2019 art wall. Naawie has introduced a colourful energy and sense of fun to our commercial space.

Pillars

Pillars is one of Argosy's newest community partners. Established 30 years ago, Pillars is a charity dedicated to supporting children of prisoners. In December 2018, Argosy supported Pillars with $5,000. Pillars held a Christmas Party for mentors and mentees at Camp Adair and over 40 mentors and mentees attended. Mentees got to choose between a high ropes course and a mud adventure course, where they could finish up with a huge mud slide. The Argosy team looks forward to a long and prosperous partnership with Pillars and the fantastic work they do for children and young people.

Staff Volunteer Days

Argosy encourages its staff to do volunteer work for a charity of their choice. During the period Argosy staff undertook fundraising to support a variety of well deserving organisations during the year including Pillars, SPCA and The Mankind Project. The total collected by the SPCA Auckland in total over a three day period was $122,000. The volunteer group our staff supported raised $4,307, accounting for almost 3.5% of the total over the 3 days and they did this in just over 4.5 hours.

The Mankind Project, New Zealand works with men and families to build and support the emotionally mature, accountable, and compassionate male role models that our communities need.


MOCHACCINO
COLD BREW
ICED COFFEE
ADD
SOY
ALMOND
FILTER COFFEE

Manage.

"Manage all elements of our business to deliver the right outcomes for all our key stakeholders."

1. Strong and valued relationships across all key stakeholders.

We want to be regarded as a good corporate to work with/for by everyone we interact with.

2. Safe working environments for Argosy's people and its partners.

Zero-harm philosophy. Keeping everyone safe inside the business and outside it.

3. A commitment to management excellence and innovation.

Constantly looking for improvements across the business, from technology to people and processes. Always trying to think ahead of the game and be positioned for the next opportunity.

TENANTS

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

Our Tenant Philosophy

The foundation of this philosophy is unchanged. Our tenant's success is our success. Our buildings need to be modern, comfortable environments which help support our tenant's strategic growth aspirations.

Over the last twelve months we have continued to evolve our thinking from a landlord perspective. We want to ensure the buildings don't just work for our tenants now, but for the next 20 years. Our focus on greening the portfolio continues and we have $86 million in green developments in the pipeline.

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

Strategic Partnerships

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

Argosy completed $49 million in developments in FY18. In FY19 we continued to work with both existing tenants and some potential new tenants, to understand their business and growth aspirations. By doing so we identified a range of potential long term and environmentally sustainable solutions for them.

FY19 sees us with some exciting work ahead including;

- Completion of the $10.3m redevelopment at 180 Hutt Road in Kaiwharawhara, Wellington for Placemakers. Targeting 4 Green Star rating;
- Commencement of the $20.0m development at Stewart Dawsons Corner in Wellington;
- Commencement of the $64m 6 Green Star Built rating development in Wellington, for Statistics New Zealand (15 year lease);
- Commencement of the $12.0m greening of 107 Carlton Gore Road in Auckland, for Housing New Zealand (12 year lease). Targeting minimum 4 Green Star rating;

Targeting 6 Green Star Built Rating on

$64m

Development for Statistics New Zealand at 8-14 Willis Street

We continue to work closely with all our tenants to improve the quality of our portfolio which will ultimately deliver more modern and efficient buildings for our tenants to grow their businesses.

Tenant Communications

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

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

We periodically survey our tenants allowing us to address any concerns they may have. Our online tenant survey results showed we are doing a lot of things very well. Whilst we received great feedback we won't rest on our laurels and are focusing on seeing these results improve further next time.

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

Tenant Diversity

Every tenant is important. Our current family has 171 members across a diverse range of industries. By income the top 10 tenants account for 41.3% of income while the top 30 account for over 67.1%. The diversity of our tenant and income streams provides a high degree of certainty and stability of our earnings and cashflows. We have low exposure to one sector or one large tenant and our diverse portfolio of properties are highly sought after through various economic cycles.

Importantly, when we have leases expiring we generally have existing or new tenants keen to backfill any space. We have seen good examples of this, with the most recent being Housing New Zealand, an existing tenant in Argosy's family backfilling into 107 Carlton Gore Road, Newmarket. Argosy's largest tenant in the portfolio is currently the Ministry of Business, Innovation and Employment accounting for 12.1% of gross property rental income.

> “Strong and valued partnerships are founded on integrity. Being transparent in our dealings allows us to understand how we can deliver real estate solutions for our tenants.”
>
> —
>
> **Peter Mence**
> CHIEF EXECUTIVE OFFICER

Top 10 Tenants	Percentage of income
Ministry of Business, Innovation and Employment	12.1%
General Distributors Limited	6.1%
The Warehouse Limited	4.9%
Cardinal Logistics Limited	4.5%
New Zealand Post Limited	3.0%
Housing New Zealand Corporation	2.7%
Tonkin & Taylor Limited	2.1%
Mitre 10 (New Zealand) Limited	2.0%
Te Puni Kokiri	2.0%
Halls Logistics Limited	1.9%

STAFF

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

Diverse & Vibrant Culture

The diversity of our people will always be a key focus. Our Diversity Policy (which is available on our website) sets out our position and includes measurable objectives to achieve our diversity goals.

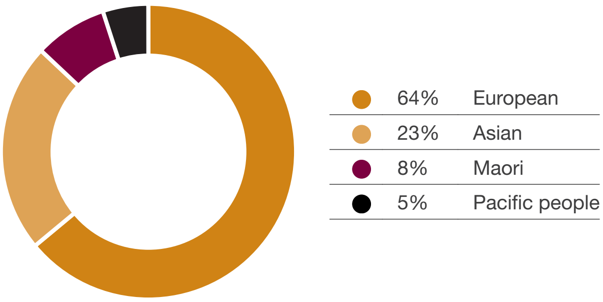
We have provided updated ethnic diversity information on our business to illustrate the diverse cultures we embrace and whom we benefit from in our business.

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

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

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

Ethnic Diversity



> International and local research shows that a diverse and inclusive workplace is more likely to attract high quality applicants, retain staff, and boost productivity.”

RAINBOW TICK FOUNDATION

The Rainbow Tick programme allows businesses and organisations to understand what they are doing well in regard to their Rainbow personnel, what they need to improve, and how to do this. Through the help of the Rainbow Tick a manager can derive the best from an employee by being a good employer.

The Rainbow Tick is a quality improvement cycle designed to make an organisation a safe, welcoming and inclusive place for people of diverse gender identity and sexual orientation.

Argosy is currently undergoing its accreditation process and aims to be certified in FY20. Receiving the Rainbow Tick allows Argosy to demonstrate to current and prospective employees, customers and the wider world that it is a progressive, inclusive and dynamic organisation that reflects the community it operates within.

Staff Wellbeing

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

Mental Health Initiatives

Poor mental health leads to more sick days and poor performance. This also extends to families of staff who may be suffering from poor mental health.

All staff have an obligation to themselves and to their workmates to be aware of mental health issues. One in four people suffer from poor mental health and some do not recognise they have a problem. Awareness/early intervention leads to higher productivity from staff. As part of the ongoing commitment to staff wellbeing Argosy introduced compulsory mental health workshops run by St Johns.

The workshops were designed to;

- increase awareness of mental health issues;
- help identify the signs of mental health issues in the workplace;
- give direction and options for dealing with poor mental health; and
- bring mental health into the forefront of workplace wellbeing.

Following the workshops all of Argosy's staff are now better informed around mental health and the potential signs to be aware of, not just with their work colleagues but also their family and friends.

Developing Our Talent

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

Over the last 12 months, Argosy staff attended the NZ Green Building Councils Green Star Practitioner course. The course is designed to keep industry professionals up-to-date with green building practice, and/or be able to work successfully on a Green Star project.

Argosy also had a staff member train and become certified as a NABERSNZ™ Accredited Assessor. This allows Argosy to perform Certified Ratings on office buildings.

This staff development not only upskills our internal talent and knowledge base but allows Argosy to reduce costs by bringing NABERSNZ building certification requirements "in house" instead of needing to engage external consultants.

- NABERSNZ is an energy efficiency rating system used for office buildings.
- Energy usage data is collected over a period and used to perform a Certified Rating.
- By benchmarking energy efficiency, Argosy and Argosy's tenants can aim for buildings which provide maximum comfort at minimum cost.
- NABERSNZ data will be used to measure and rate the energy performance of office buildings under Green Star Performance.

Future Directors Program

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

Our Values

Our values guide our internal conduct as well as our relationships with external parties. In striving for outstanding performance, we do not compromise our ethics or principles. We place great importance on honesty, integrity, quality and trust.

Our Values

Ethics
Doing the right thing and doing things right

Culture
Creating a fun environment that encourages inclusiveness and teamwork

Respect
Treating all stakeholders with courtesy and understanding

Accountability
Taking ownership and responsibility

Communication
Promoting honest, timely and appropriate communication with all stakeholders

Michael Smith
CHAIRMAN

Director since December 2002[4]

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

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

Peter Brook
DIRECTOR

Director since December 2002[4]

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

Mr Brook holds a Bachelor of Commerce degree from The University of Auckland and is a member of Chartered Accountants Australia and 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. 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 Limited, Dunedin Casinos Limited, Ngai Tahu Tourism Limited, UDC Finance Limited and several other companies. He has been appointed to the EBOS Group Limited board effective 1 July 2019.

Mr McLauchlan is also Chairman of the NZ Sports Hall of Fame, Chairman of AD Instruments Pty Limited and Chairman of 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.

Jeff Morrison
DIRECTOR

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.

Mike Pohio
DIRECTOR

Director since February 2019

Mr Pohio has 25 years of senior executive experience across a range of industries including property, investment, port/logistics and dairy. He currently holds directorships on the boards of NIWA, OSPRI, Panuku Development Auckland, Te Atiawa Iwi Holdings, The Rees Management. He is also Chairman of BNZ Partners, Waikato Region.

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.

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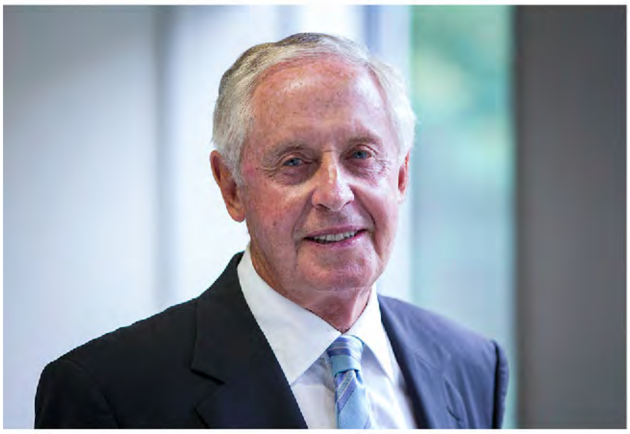
4 On 1 March 2012, Argosy Property Trust converted from a unit trust into a company, Argosy Property Limited, through a corporatisation process. On incorporatisation, the Board of Argosy Property Limited comprised the same directors as the Board of Argosy Property Management Limited, the manager of Argosy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

▲ Michael Smith Chairman

▲ Stuart McLauchlan Director



▲ Peter Brook Director

▲ Jeff Morrison Director

▲ Chris Gudgeon Director

▲ Mike Pohio Director

MANAGEMENT TEAM

▲ Peter Mence
Chief Executive Officer

▲ Dave Fraser
Chief Financial Officer

▲ Anna Hamill
Financial Controller

▲ David Snelling
General Counsel

▲ Steve Freundlich
Head of Investor Relations

▲ Saatyesh Bhana
Asset Manager

▲ Rob Smith
Asset Manager

▲ Warren Cate
Asset Manager

▲ Micky Sutinovski
Asset Manager

▲ Marilyn Storey
Asset Manager

▲ Wade Allen
Leasing Manager

▲ Joanna Sharpe
Asset Manager

▲ Tony Frost
Asset Manager

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

SHAREHOLDERS

We are committed to fostering open and transparent communications with investors, ensuring we deliver to the highest standards and comply with the NZX listing rules. We meet all continuous disclosure obligations to ensure that all investors are fully informed of all information necessary to assess the Company's performance.

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

Our Communication Strategy

Our communication strategy includes;

- Periodic and continuous disclosure to NZX in accordance with the NZX listing rules and Argosy's Continuous Disclosure Policy;
- Information and briefings provided to investors, analysts and media;
- Annual and interim reports, distributed to shareholders and bondholders and made available on the Company's website;
- Annual and interim use of proceeds reports in relation to green bonds in accordance with the prospective disclosure statement;
- Bi-annual Investor Update newsletters;
- The annual shareholders' meeting and any other meetings called to obtain approval for Company actions as appropriate;
- Notices and explanatory memoranda for annual and special meetings;
- Annual Retail investor roadshows;
- The Company's website containing investor related information, including portfolio information, market releases, annual and interim reports, investor presentations and webcasts, share price information, dividend details, notices of shareholder meetings and Argosy's governance policies and charters; and
- Market announcements sent to persons in the investor relations contacts list and published on our website at www.argosy.co.nz.

Governance

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

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

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

The purpose of independent directors is to reassure shareholders that the Board is undertaking its role properly and is diligent in holding management accountable for its performance. By "independent director" we mean independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

As required under Listing Rule 3.3.2, the Board has determined that Peter Brook, Michael Smith, Mike Pohio, Chris Gudgeon, Stuart McLauchlan and Jeff Morrison are considered to be independent directors under the NZX Listing Rules.

Further information on the Board of Directors can be found on page 26 of this report. Our corporate governance policies have been made public and can be viewed on our website.

Annual Meeting

The Board changes signalled in 2018 continued throughout 2019 with the appointment of three new Directors, the retirement of one Director and the resignation of two Directors. Chris Hunter retired as an independent director and subsequently Stuart McLauchlan was appointed as an independent Director. Mark Cross and Andrew Evans both resigned during the year with Chris Gudgeon and Mike Pohio being appointed as independent Directors of the Company.

The 2019 Annual Meeting will be held at the Royal New Zealand Yacht Squadron, 101 Curran Street, Westhaven Marina, Auckland on Wednesday, 7th August 2019, commencing at 2pm.

Stuart McLauchlan, Chris Gudgeon and Mike Pohio will all retire in accordance with the Company's constitution and the NZX Listing Rules and will be eligible for re-election. In addition, Mike Smith and Peter Brook will also retire and be eligible for re-election.

We encourage you to attend the meeting where you will have the opportunity to listen to and meet the Board of Directors in person.

Our Website

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

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

Cities across New Zealand

13

Will be visited over the 3 week roadshow

Accredited contractors

92%

Loaded into the Sitesoft system

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

RETAIL ROADSHOW

As usual, we hold our annual retail investor roadshow each year following the release of our annual results. The 2019 roadshow will be held between 4-21st of June and senior management will visit 13 locations across the country to present the financial results to 31 March 2019 and provide an update on our strategy and portfolio activities.

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

DIVIDEND PAYMENTS

A fourth quarter dividend of 1.5875 cents per share has been declared for the March quarter with imputation credits of 0.3026 cents per share attached. This brings the full year cash dividend to 6.275 cents per share. The fourth quarter dividend will be paid to shareholders on 26 June 2019 and the record date will be 12 June 2019. Argosy's dividend reinvestment plan remains suspended for the time being.

The Company remains absolutely focused on delivering sustainable dividends to shareholders. Based on current projections for the portfolio, the Board expects a full year 2020 cash dividend of 6.275 cents per share, consistent with this year. This reflects our wish for shareholders to continue to share in the positive results to date but allows us to maintain our momentum towards an AFFO[5] based dividend policy in the medium term.

Key Dates

(indicative only and are subject to change)

26 June 2019
Final quarter FY19 dividend payment

7 August
Annual Shareholders Meeting

September 2019
FY20 1st Quarter Dividend Payment

November 2019
FY20 Interim results release

December 2019
FY20 2nd Quarter Dividend Payment

5 AFFO (Adjusted Funds From Operations) is considered by some investors to represent a measure of dividend sustainability. The full year results presentation released today provides a reconciliation between net distributable income and AFFO.

HEALTH & SAFETY

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

We continue to have accurate recording and reporting of workplace incidents, support for worker participation through health and safety representatives and we support the safe and early return to work of injured employees.

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

The introduction of a new contractor management system in 2017 (Sitesoft) has been a large contributor to our improved systems and processes. Sitesoft ensures all work carried out on a building is completed to the highest standards and in the safest way possible. It allows real time notifications of risks, emergency procedures and building information to be passed on to a contractor visiting a building through smart phone technology. Contractors undergo a pre-qualification and induction before work can start. We have 107 contractors and 1,107 contractor staff loaded onto this system, which represents 92% of all contractors.

Work place incidents continue to reduce due to a number of health and safety initiatives introduced, including high risk pre-start meetings and joint interactions between contractors, tenants and Argosy. Argosy continues to meet regularly with its key contractors to discuss new ways of creating a safe working environment for its tenants, contractors and staff. We have also recently started regular meetings with tenants to discuss joint initiatives regarding safe work places for tenant staff and contractors.

Health and Safety Strategic Goals

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

1. We will proactively identify risks and implement actions to eliminate, isolate or minimise the risk of harm;
2. We will consult and actively engage with employees and contractors to ensure they have the training, skills, knowledge and resources to maintain a healthy and safe workplace; All Argosy staff completed a Mental Health Workshop across two days designed to promote preparedness, awareness, and understanding early triggers. The program gives participants the tools and directions to deal with stress and other forms of mental health;
3. We will maintain and continually improve our health and safety system;
4. We will actively encourage our contractors and tenants to demonstrate the same commitment to achieving excellence in health and safety performance as we do;
5. We will support the health and wellbeing of staff and encourage the safe and early return to work of injured or ill employees;
6. We will comply with relevant legislation and regulations; and
7. We will accurately report our incidents and investigate root causes, in a timely manner.

Progress

Below we note health and safety initiatives operating during the year;

- Extending the pre-start project meetings to include any high risk work based on our risk matrix;
- Regularly monitoring risk mitigation controls;
- Providing ongoing training and appropriate equipment to staff;
- Reducing the number of contractors by introducing a 'pre-qualification' process;
- Maintaining a robust health and safety system; and
- Conducting monthly contractor meetings to discuss key health and safety points.

Highgate Parkway, Silverdale, Mighty Ape Head Office / Distribution Warehouse

Own.

"This includes our Investment Strategy and Investment Policy. Owning the right assets in the right location (either now or in the future) with growth potential. Divesting what we don't need and use that capital elsewhere in the business, including green developments."

1. A diversified portfolio of high quality, well located assets with growth potential.

Owning the right assets, with the right attributes in the right locations.

2. Real estate with a primary focus on Auckland & Wellington markets.

Remain focused in these two major metro areas unless there is a strong strategic rationale to consider other locations.

3. Target off market opportunities.

This includes contiguous properties with potential.

PORTFOLIO POSITIONING

Argosy has delivered a higher quality portfolio year on year underpinned by continued high occupancy and solid rent review outcomes. The long WALT remains underpinned by strong leasing results in the industrial portfolio and complemented by long leases with new Crown tenants on green developments.

The last 12 months has seen the property market continue approaching its cyclical peak. As we did in the prior year, we have taken opportunities to divest non Core properties given the attractive market conditions for vendors. We have redeployed the capital to our balance sheet and progressed developments. Our Investment Strategy hasn't changed.

Acquisitions and Value Add Developments

Ongoing tightness across the New Zealand commercial property markets continued over the second half of the financial year. Despite this, several strategic acquisition and Value Add development opportunities have arisen. In particular, the Wellington office market is delivering some attractive long term opportunities for Argosy.

Over the year, Argosy acquired two properties totalling $35.3 million, being 11 Coliseum Drive in Albany (The Warehouse), for $26.7 million and 133 Roscommon Road, Wiri, for $8.6 million. The Warehouse acquisition allows us to consider several long-term organic growth options across the entire Albany Mega Centre site. The Roscommon Road acquisition is a freehold 15,838m2 industrial yard. The site is leased to NZX listed Turners Automotive Group on a 15-year lease, providing a holding return of 5% with fixed reviews of 2.5% per annum, with a market review in year six.

Subsequent to year end, Argosy acquired 54 Jamaica Drive, Grenada, Wellington, for $3.5 million. This property is adjacent to existing Argosy owned development land at 56 Jamaica Drive and is currently leased to Big Chill with 4.5 years remaining on the lease. With Big Chill's current facilities at capacity, Argosy is progressing discussions and is planning a development on the vacant land to support Big Chill's growing business.

The initial acquisition coupled with the development opportunity delivers upside value to three contiguous sites owned by Argosy. These three transactions are good examples of our strategy in action and how we take a long term approach to creating value for Argosy and its shareholders.

Developments underway or planned

$106.3m

With over 80% of these being green projects

DEVELOPMENTS IN PROGRESS

180 Hutt Road, Wellington - Placemakers

Argosy's $10.3 million development and upgrade of the Placemakers property in Hutt Road, Wellington, is progressing well. Stage 1 comprising 1,300m2 of showroom and office was completed recently. Stage 2 works, comprising the drive through warehouse and hardstand area, will be complete by December 2019. Once these stages are completed and subject to market demand, works will commence for additional bulk retail space on the vacant site of approximately 2,000m2. This project will be another green development for Argosy, targeting a 4 Green Star Industrial Built rating.

107 Carlton Gore Road, Auckland - Housing New Zealand

Argosy is pleased to announce that Housing New Zealand Corporation (HNZC) will enter into a new 12 year lease commencing 1 March 2020. The lease for the entire 6,100m2 of net lettable area will commence following a $12.0 million dollar building upgrade expected to take approximately six months. The scope of works is similar to the 82 Wyndham Street (5 Green Star Rating) building upgrade completed in 2018, and includes new lighting, air conditioning systems, seismic restraints, foyer refurbishment, end of trip facilities (showers, changing facilities and bike parks), new bathrooms and lift replacement. Upon completion, 107 Carlton Gore Road will be an A Grade building. We will target a Green Star Office Built rating and a NabersNZ Base Building Rating for this property with a seismic rating of 100% NBS. The end value of the development is expected to be $44.6 million.

8-14 Willis Street, Wellington - Statistics New Zealand

Argosy recently announced it is undertaking a $64 million development at its 8-14 Willis Street property in Wellington's CBD. The development will create a substantially new 11 level, 11,800m2 building that will target a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating. In addition, Argosy has entered into a new 15 year lease with the Crown (Statistics New Zealand) to occupy the entire building, other than the 500m2 ground floor retail component. Construction is expected to take 24 months and be completed by April 2021. On completion 8-14 Willis Street is expected to have an independent valuation of $94 million. The development is projected to deliver an internal rate of return of 8.2% and a 7.2% initial yield.

Stewart Dawsons Corner, Wellington

Argosy is very close to finalising a leasewith a major international retailer for this $20 million development.

Argosy Chief Executive Officer Peter Mence said "When we look at all of these opportunities, we are very excited about working with all of our new partners. These developments are consistent with our strategy of creating value through the execution of Value Add opportunities. These green developments will see Crown employees benefit from refurbished buildings delivering modern, functional and appealing workspace environments."

> Argosy investors will benefit from new, high quality tenants and modern buildings in the portfolio together with long leases and the cashflow certainty they bring."
>
> —
>
> Peter Mence
> CHIEF EXECUTIVE OFFICER

ASSET ALLOCATION

Divestments

Strong property market fundamentals through the year made it favourable for Argosy to divest non Core assets across Auckland, Wellington and regional markets. Property market conditions remain attractive for vendors allowing us to divest;

- Wagener Place in Auckland for $31.0 million, 13% above book value;
- 626 Great South Road, Greenlane for $10.6 million, 8% above book value; and
- 31 El Prado Drive in Palmerston North for $35.5 million, 25% above book value.

The unconditional sale of 1478 Omahu Road in Hastings did not settle as expected and this property has been reclassified back to non Core from held for sale.

The continued divestment of regional assets means that Argosy has only four properties outside its core Auckland and Wellington markets. At year end, Argosy has categorised approximately 8% or $136.8 million of the portfolio as non Core, which includes the Albany Lifestyle Centre. Argosy will continue its divestment programme over the next 12-18 months to take advantage of current market conditions.

7 Waterloo Quay

Update

Argosy's 14 level property at 7 Waterloo Quay in Wellington sustained damage in the 7.5 magnitude Kaikoura earthquake on 14 November 2016. Soon after the earthquake independent engineers confirmed that the building remained structurally sound, but it suffered damage to fit out and services. Argosy is working with its insurers to progress a significant insurance claim in respect of the earthquake damage and loss of rents.

As with many significant insurance claims for earthquake damage, there will be debate with insurers over the extent of damage, the scope of repair works, the repair methodology and the extent of insurance cover. To support its claim, Argosy commissioned a comprehensive damage survey of 7 Waterloo Quay, detailed damage assessment reports, corresponding reinstatement scopes and a comprehensive reinstatement cost estimate. Argosy recently submitted its cost estimate to insurers and is waiting for a response.

Argosy has also submitted interim claims in respect of reinstatement costs it has incurred and for loss of rents:

- Claims for the cost of reinstatement works undertaken have been submitted based on costs actually incurred. The total claimed from inception of the claim to 31 March 2019 is $39.6 million. These costs relate primarily to limited reinstatement works required to make damaged levels of the building available for re-occupation, and were not able to be agreed with insurers in advance. Further claims will be made in respect of reinstatement works as costs are incurred. We are currently reconciling the above reinstatement costs incurred with the cost estimate submitted to insurers which is based on damage to the building and our insurance policy.
- Claims have been submitted for loss of rents for the two-year period from the date of the earthquake to mid-November 2018, totalling $14.2 million. No further claims in respect of loss of rents are expected.

From inception of its claim to 31 March 2019, Argosy has received progress payments from insurers of $20.9 million (after a $4.9 million deductible) in relation to its interim claims. Of these, $10.8 million has been allocated to reinstatement of earthquake damage, $1.6 million to expense recoveries and $8.5 million to loss of rents.

In the period to 31 March 2019, Argosy has recognised progress payments from insurers of $11.1 million. Of these $8.5 million have been allocated to reinstatement of earthquake damage and $2.6 million to loss of rents.

Argosy is working with its insurers to progress a significant insurance claim in respect of the earthquake damage and loss of rents.

Restructure of New Zealand Post leases

Damaged levels 1-4 and 7 had been leased to New Zealand Post (Post) until December 2025. As part of a lease termination agreement, Post paid a termination fee of $2.9 million to Argosy on 30 November 2018 and relinquished these floors. This amount, although calculated based on the previous rent from levels 2-4 and 7 through to 31 August 2019, is required by accounting standards to be fully recognised in the year to 31 March 2019.

Reinstatement and seismic works to meet occupancy requirements of prospective tenants

Demand for space at 7 Waterloo Quay from late calendar 2019 has dictated the reinstatement timeframe. To meet demand, Argosy has carried out limited reinstatement works, necessary for reoccupation of the building, without agreement from its insurers. With the exception of level 12, these works were substantially completed by March 2019. Level 12 is expected to be completed by March 2020.

The extent and timing of any further reinstatement works contemplated in the comprehensive repair scopes submitted to insurers will be dependent on reaching agreement with insurers. As with many significant insurance claims, it is uncertain when agreement with insurers will be reached.

With recent changes to the assessment of seismic resilience, seismic strengthening of the building is also considered necessary to maximise the potential from the current strong leasing environment. It is expected that these works will cost approximately $27 million and be complete by November 2019.

Leasing

The office leasing environment in Wellington remains very favourable and Argosy is currently in lease negotiations with a number of Crown organisations. These negotiations are at an advanced stage.

Net Tangible Assets up 9%

$1.22

On $70.5m revaluation gain, 4.3% above book value

MARKET UPDATE

After another strong year of market activity, we believe that we are now very close to the peak of the property cycle. We don't believe all investors are pricing risk appropriately. As a result, we have continued to take the opportunity to divest assets due to the continued property market strength through the year.

In the Auckland office market rental growth is being impacted by new supply. We see this market as being softer and is reflected in higher incentives. Rental growth is certainly firmer in Wellington. The Wellington market continues to show strong demand with low vacancy for good quality seismically sound space that is well located. There is a shortage of large floor plate / high quality stock with upward rental growth pressure as a result. Prime vacancy is minimal.

Auckland industrial;

- Steady economic growth driving occupier demand. Lower interest rates and offshore capital flows driving yields / cap rates lower;
- Continued low supply forecast with challenges around land supply and congestion in Auckland market;
- Land values are at historic highs;
- New rental benchmarks being set with each new phase as costs of supply increase; and
- Vacancy at historic lows for both prime and secondary (< 2%).

Tenant demand overall remains healthy. Our retail (100% occupancy) and industrial portfolios are full / highly occupied. As in the prior year, we continue to field interest from both existing and potential new tenants about accommodation solutions for their growing businesses. With rising land values continuing to put pressure on the financial viability of certain acquisitions, we will continue to manage this risk very carefully.

Overall, our office and industrial portfolio remains well located and in good shape.

VALUATIONS

The independent work performed and subsequent revaluation resulted in an uplift of $70.5 million, or a 4.3% increase on book values. As a result of the revaluation gain, Argosy's NTA has increased to $1.22, 9% up from $1.12 at 31 March 2018. Following the revaluation, Argosy's portfolio shows a contract yield on values of 6.41% and a yield on fully let market rentals of 6.65%.

LEASING ACTIVITY

Argosy's strong leasing and rent review results for the 12 month period have continued to be underpinned by robust Auckland and Wellington property market fundamentals. For the year to 31 March 2019, Argosy completed 44 lease transactions on 81,274m2 of net lettable area, including 21 new leases, 12 renewals and 11 extensions. Significant leasing transaction successes over the financial year include:

- *107 Carlton Gore Road, Auckland, Housing New Zealand, 12 years*
- *320 Ti Rakau Drive, Auckland, Bunnings Limited, 10 years*
- *252 Dairy Flat, Auckland, Albany Toyota, 10 years*
- *147 Gracefield Road, Wellington, Winstone Wallboards, 9 years*
- *Albany Lifestyle Centre, Auckland, E Road Limited, 9 years*
- *Albany Lifestyle Centre, Auckland, Peterken Enterprises Limited, 6 years*
- *302 Great South Road, Auckland, McDonalds Restaurants NZ Limited, 6 years*
- *320 Ti Rakau Drive, Auckland, Super Cheap Autos, 5 years*

Following an extremely busy year of leasing activity, Argosy maintained a high occupancy level. At 31 March 2019 occupancy was 97.7% versus 98.8% at 31 March 2018.

We are very pleased to announce a new 12-year lease to Housing New Zealand at 107 Carlton Gore Road, Newmarket. The lease for the entire 6,100m2 building is on the back of a $12.0 million redevelopment and refurbishment project which will see the building target both Green Star and NABERSNZ ratings.

We have continued to progress leasing at 23 Customs Street, Auckland. We have halved vacancy to 1,500m2. Only levels 6 & 7 and part of level 13 remain vacant and we continue to see interest for this space.

With the successful completion of a number of longer leases with larger tenants, Argosy's weighted average lease term (WALT) at 31 March 2019 remained at 6.1 years (6.1 years at 31 March 2018). As a management team its very satisfying to deliver a portfolio WALT at the same level on a year on year basis.

RENT REVIEWS

For the financial period, we completed a total of 103 rent reviews on $39.4 million of existing rental income. Rental growth of 4.0% was achieved or 2.8% on an annualised basis on all rents reviewed. The industrial portfolio accounted for 48% of the total rental uplift on 50% of the rent reviewed (30 reviews). The balance was split between office (30%) and retail (22%). The combination of ongoing favourable market fundamentals and sound asset management has helped deliver strong rental growth results. This has been a key contributor to the improvement in net property income for the year.

For the 12 months to 31 March 2019, approximately 42% of all rents reviewed (by income) were fixed reviews, 29% were market reviews and 29% were CPI based.

Annualised rent growth

2.8%

On 103 rent reviews on $39.4 million of existing rental income

Industrial sector contributed

48%

Of rental income increase

Portfolio Statistics

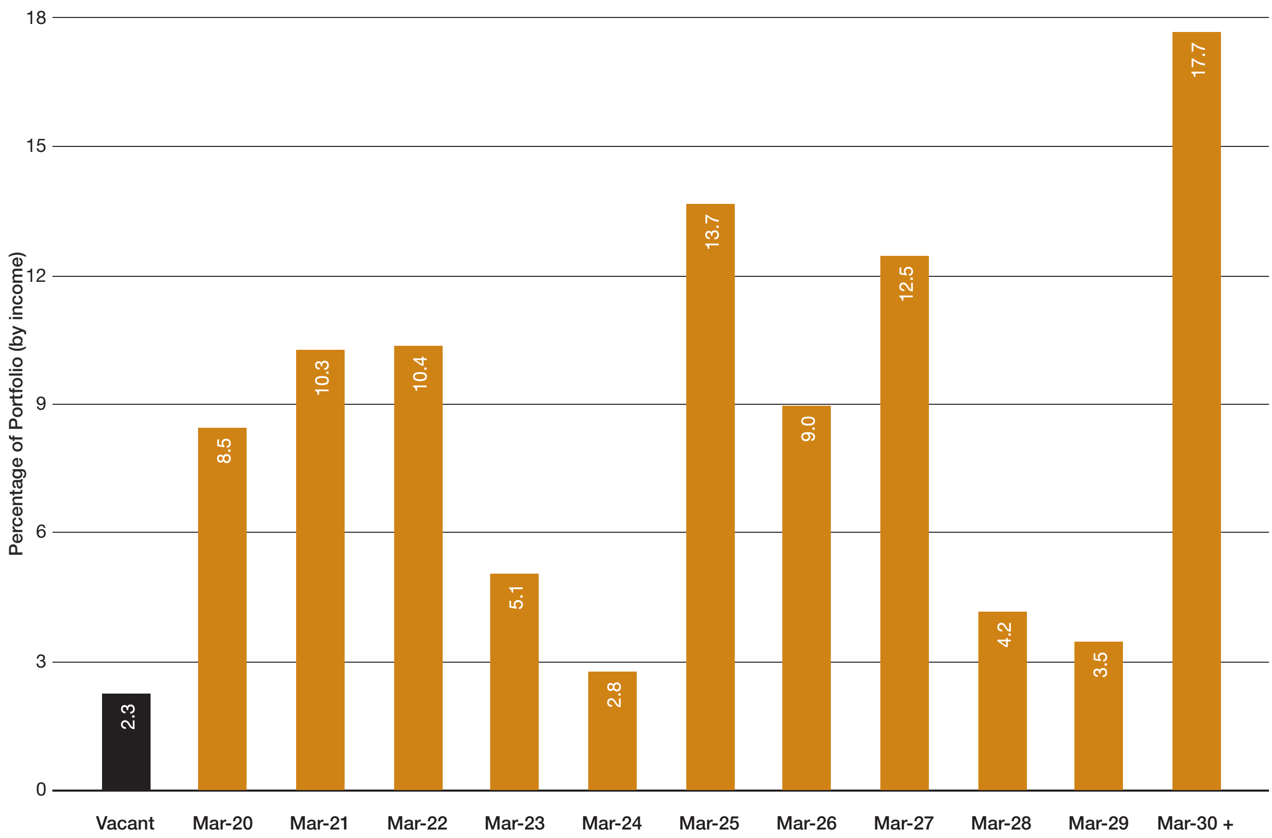
AS AT 31 MARCH 2019

	Unit of measure	Industrial	Office	Retail	TOTAL
Number of buildings	#	37	16	7	60
Market value of assets	$m	738	627	303	1,667
Net lettable area	m2	388,357	123,615	75,153	587,125
Occupancy factor by rent	%	97.8%	96.8%	100.0%	97.7%
Weighted average lease term	years	7.2	4.9	6.0	6.1
Average value	$m	19.9	39.2	43.3	27.8
Passing yield[1]	%	6.15%	6.88%	6.22%	6.41%

1. 7 Waterloo Quay, 8-14 Willis Street and Stewart Dawsons Corner have been excluded from these yield metrics

Lease Expiry Profile

BY RENT



Additional annual rent

$1.58m

On rents reviewed during FY19

Industrial annualised rent growth increase

3.1%

On 30 rent reviews during the year

Rent Reviews
BY SECTOR

	No. of Reviews	Annualised Rent Increase	Increase over Contract ($)
Office	43	2.7%	485,160
Industrial	30	3.1%	750,512
Retail	30	2.4%	345,614
TOTAL	103	2.8%	1,581,286

New Leases completed in FY19
BY SECTOR

	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
Industrial	49,038	5.7	13
Office	22,659	4.7	19
Retail	9,577	6.6	12
TOTAL	81,274	5.3	44

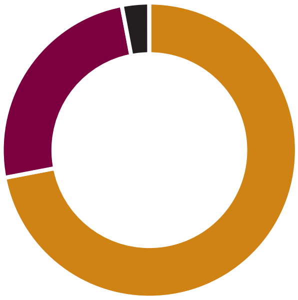
New Leases completed in FY19
BY TYPE

	Floor Area (sqm)	Average Lease Term (years)	No. of Leases
New lease	48,244	6.9	21
Right of renewal	14,867	4.3	12
Extension	18,163	2.1	11
TOTAL	81,274	5.3	44

Total Portfolio Value
BY SECTOR

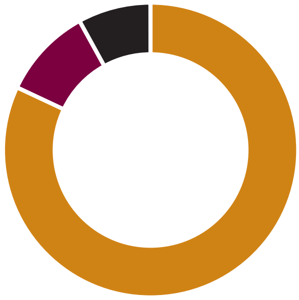
44%	Industrial
38%	Office
18%	Retail

Total Portfolio Value
BY REGION



72%	Auckland
25%	Wellington
3%	Regional

Portfolio Mix
BY TYPE



82%	Core
10%	Value Add
8%	Non Core

Number of buildings

60

Net lettable area (sqm)

587,125

Passing Yield

6.41%

Market Value of buildings ($M)

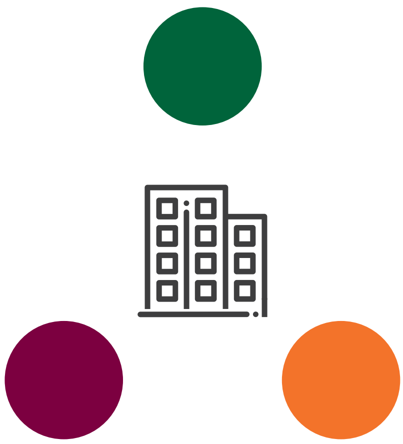
1,667.0

Occupancy By Rent

97.7%

Portfolio WALT (years)

6.1



AUCKLAND

90 - 104 Springs Road, East Tamaki

VALUATION	$ 5,700,000
WALT	7.9
NET LETTABLE AREA (SQM)	3,885
VACANT SPACE (SQM)	–
PASSING YIELD	6.32%

8 Forge Way, Panmure

VALUATION	$ 29,500,000
WALT	11.7
NET LETTABLE AREA (SQM)	4,231
VACANT SPACE (SQM)	–
PASSING YIELD	5.08%

10 Transport Place, East Tamaki

VALUATION	$ 28,900,000
WALT	5.1
NET LETTABLE AREA (SQM)	10,641
VACANT SPACE (SQM)	–
PASSING YIELD	6.80%

1 Rothwell Avenue, Albany

VALUATION	$ 28,400,000
WALT	11.3
NET LETTABLE AREA (SQM)	12,683
VACANT SPACE (SQM)	–
PASSING YIELD	5.67%

4 Henderson Place, Onehunga

VALUATION	$ 26,000,000
WALT	12.3
NET LETTABLE AREA (SQM)	10,841
VACANT SPACE (SQM)	–
PASSING YIELD	5.89%

320 Ti Rakau Drive, East Tamaki

VALUATION	$ 59,000,000
WALT	7.9
NET LETTABLE AREA (SQM)	28,353
VACANT SPACE (SQM)	–
PASSING YIELD	6.45%

1-3 Unity Drive, Albany

VALUATION	$ 10,750,000
WALT	2.5
NET LETTABLE AREA (SQM)	6,204
VACANT SPACE (SQM)	–
PASSING YIELD	6.98%

5 Unity Drive, Albany

VALUATION	$ 7,375,000
WALT	2.0
NET LETTABLE AREA (SQM)	3,046
VACANT SPACE (SQM)	–
PASSING YIELD	4.95%

80 Springs Road, East Tamaki

VALUATION	$ 13,200,000
WALT	0.0
NET LETTABLE AREA (SQM)	9,675
VACANT SPACE (SQM)	9,675
PASSING YIELD	0.00%

211 Albany Highway, Albany

VALUATION	$ 26,200,000
WALT	3.8
NET LETTABLE AREA (SQM)	14,589
VACANT SPACE (SQM)	–
PASSING YIELD	5.57%

80-120 Favona Road, Mangere

VALUATION	$ 90,000,000
WALT	5.4
NET LETTABLE AREA (SQM)	59,386
VACANT SPACE (SQM)	–
PASSING YIELD	7.16%

19 Nesdale Avenue, Wiri

VALUATION	$ 53,500,000
WALT	12.7
NET LETTABLE AREA (SQM)	20,677
VACANT SPACE (SQM)	–
PASSING YIELD	5.55%

15 Unity Drive, Albany

VALUATION	$ 4,525,000
WALT	1.1
NET LETTABLE AREA (SQM)	7,002
VACANT SPACE (SQM)	–
PASSING YIELD	5.55%

12-16 Bell Avenue, Mt Wellington

VALUATION	$ 24,500,000
WALT	1.8
NET LETTABLE AREA (SQM)	14,809
VACANT SPACE (SQM)	–
PASSING YIELD	5.94%

18-20 Bell Avenue, Mt Wellington

VALUATION	$ 15,050,000
WALT	2.2
NET LETTABLE AREA (SQM)	8,941
VACANT SPACE (SQM)	–
PASSING YIELD	5.87%

32 Bell Avenue, Mt Wellington

VALUATION	$ 11,950,000
WALT	1.1
NET LETTABLE AREA (SQM)	8,139
VACANT SPACE (SQM)	–
PASSING YIELD	6.30%

9 Ride Way, Albany

VALUATION	$ 25,400,000
WALT	13.5
NET LETTABLE AREA (SQM)	9,178
VACANT SPACE (SQM)	–
PASSING YIELD	5.67%

2 Allens Road, East Tamaki

VALUATION	$ 5,095,000
WALT	5.5
NET LETTABLE AREA (SQM)	2,920
VACANT SPACE (SQM)	–
PASSING YIELD	6.28%

12 Allens Road, East Tamaki

VALUATION	$ 4,261,000
WALT	2.6
NET LETTABLE AREA (SQM)	2,333
VACANT SPACE (SQM)	–
PASSING YIELD	6.52%

Industrial

106 Springs Road, East Tamaki

VALUATION	$ 6,544,000
WALT	5.5
NET LETTABLE AREA (SQM)	3,846
VACANT SPACE (SQM)	–
PASSING YIELD	6.30%

5 Allens Road, East Tamaki

VALUATION	$ 5,250,000
WALT	2.7
NET LETTABLE AREA (SQM)	2,663
VACANT SPACE (SQM)	–
PASSING YIELD	5.31%

960 Great South Road, Penrose

VALUATION	$ 6,900,000
WALT	0.9
NET LETTABLE AREA (SQM)	3,676
VACANT SPACE (SQM)	–
PASSING YIELD	6.11%

17 Mayo Road, Wiri

VALUATION	$ 27,100,000
WALT	7.8
NET LETTABLE AREA (SQM)	13,351
VACANT SPACE (SQM)	–
PASSING YIELD	5.69%

Cnr William Pickering Drive & Rothwell Avenue, Albany

VALUATION	$ 14,850,000
WALT	1.5
NET LETTABLE AREA (SQM)	7,074
VACANT SPACE (SQM)	–
PASSING YIELD	5.78%

240 Puhinui Road, Manukau

VALUATION	$ 33,400,000
WALT	12.7
NET LETTABLE AREA (SQM)	17,735
VACANT SPACE (SQM)	–
PASSING YIELD	5.49%

Highgate Parkway, Silverdale

VALUATION	$ 29,500,000
WALT	8.9
NET LETTABLE AREA (SQM)	10,581
VACANT SPACE (SQM)	–
PASSING YIELD	5.55%

133 Roscommon Road, Wiri

VALUATION	$ 8,700,000
WALT	14.5
NET LETTABLE AREA (SQM)	15,862
VACANT SPACE (SQM)	–
PASSING YIELD	4.94%

WELLINGTON

180-202 Hutt Road, Kaiwharawhara

VALUATION	$ 12,930,000
WALT	9.43
NET LETTABLE AREA (SQM)	6,019
VACANT SPACE (SQM)	–
PASSING YIELD	7.35%

Cnr Wakefield, Taranaki & Cable Streets

VALUATION	$ 22,000,000
WALT	4.49
NET LETTABLE AREA (SQM)	3,307
VACANT SPACE (SQM)	–
PASSING YIELD	4.12%

147 Gracefield Road, Seaview

VALUATION	$ 15,000,000
WALT	9.01
NET LETTABLE AREA (SQM)	8,018
VACANT SPACE (SQM)	–
PASSING YIELD	6.79%

19 Barnes Street, Seaview

VALUATION	$ 13,250,000
WALT	9.43
NET LETTABLE AREA (SQM)	6,857
VACANT SPACE (SQM)	–
PASSING YIELD	7.74%

39 Randwick Road, Seaview

VALUATION	$ 18,550,000
WALT	2.84
NET LETTABLE AREA (SQM)	16,249
VACANT SPACE (SQM)	–
PASSING YIELD	8.91%

68 Jamaica Drive, Grenada North

VALUATION	$ 16,390,000
WALT	2.34
NET LETTABLE AREA (SQM)	9,609
VACANT SPACE (SQM)	–
PASSING YIELD	7.47%

56 Jamaica Drive, Grenada North

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

OTHER

8 Foundry Drive, Woolston, Christchurch

VALUATION	$ 14,850,000
WALT	10.83
NET LETTABLE AREA (SQM)	7,668
VACANT SPACE (SQM)	–
PASSING YIELD	7.40%

1478 Omahu Road, Hastings

VALUATION	$ 10,050,000
WALT	8.34
NET LETTABLE AREA (SQM)	8,514
VACANT SPACE (SQM)	–
PASSING YIELD	7.49%

223 Kioreroa Road, Whangarei

VALUATION	$ 12,000,000
WALT	2.94
NET LETTABLE AREA (SQM)	9,797
VACANT SPACE (SQM)	–
PASSING YIELD	9.82%

AUCKLAND ▶

99-107 Khyber Pass Road, Grafton

VALUATION	$ 11,560,000
WALT	3.68
NET LETTABLE AREA (SQM)	2,442
VACANT SPACE (SQM)	1,533
PASSING YIELD	2.04%

101 Carlton Gore Road, Newmarket

VALUATION	$ 26,700,000
WALT	1.59
NET LETTABLE AREA (SQM)	4,821
VACANT SPACE (SQM)	–
PASSING YIELD	6.76%

8 Nugent Street, Grafton

VALUATION	$ 50,700,000
WALT	3.87
NET LETTABLE AREA (SQM)	8,125
VACANT SPACE (SQM)	325
PASSING YIELD	6.13%

39 Market Place, Viaduct Harbour

VALUATION	$ 36,800,000
WALT	3.31
NET LETTABLE AREA (SQM)	10,365
VACANT SPACE (SQM)	–
PASSING YIELD	10.02%

105 Carlton Gore Road, Newmarket

VALUATION	$ 30,900,000
WALT	2.11
NET LETTABLE AREA (SQM)	5,312
VACANT SPACE (SQM)	–
PASSING YIELD	7.26%

302 Great South Road, Greenlane

VALUATION	$ 8,700,000
WALT	3.12
NET LETTABLE AREA (SQM)	1,890
VACANT SPACE (SQM)	–
PASSING YIELD	7.04%

308 Great South Road, Greenlane

VALUATION	$ 7,200,000
WALT	1.28
NET LETTABLE AREA (SQM)	1,568
VACANT SPACE (SQM)	–
PASSING YIELD	7.05%

25 Nugent Street, Grafton

VALUATION	$ 13,600,000
WALT	3.64
NET LETTABLE AREA (SQM)	3,028
VACANT SPACE (SQM)	–
PASSING YIELD	6.02%

107 Carlton Gore Road, Newmarket

VALUATION	$ 29,000,000
WALT	12.92
NET LETTABLE AREA (SQM)	6,061
VACANT SPACE (SQM)	–
PASSING YIELD	8.80%

Citibank Centre, 23 Customs Street East

VALUATION	$ 71,500,000
WALT	3.71
NET LETTABLE AREA (SQM)	9,633
VACANT SPACE (SQM)	1,538
PASSING YIELD	5.81%

82 Wyndham Street

VALUATION	$ 44,700,000
WALT	6.67
NET LETTABLE AREA (SQM)	6,012
VACANT SPACE (SQM)	–
PASSING YIELD	5.97%

WELLINGTON ▶

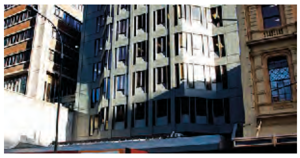
143 Lambton Quay

VALUATION	$ 29,250,000
WALT	6.25
NET LETTABLE AREA (SQM)	6,216
VACANT SPACE (SQM)	–
PASSING YIELD	7.33%

147 Lambton Quay

VALUATION	$ 35,400,000
WALT	1.55
NET LETTABLE AREA (SQM)	8,539
VACANT SPACE (SQM)	134
PASSING YIELD	9.04%

8-14 Willis Street



VALUATION	$ 22,800,000
WALT	0.07
NET LETTABLE AREA (SQM)	5,055
VACANT SPACE (SQM)	–
PASSING YIELD	–

7 Waterloo Quay

VALUATION	$ 96,800,000
WALT	6.72
NET LETTABLE AREA (SQM)	23,841
VACANT SPACE (SQM)	–
PASSING YIELD	–

15-21 Stout Street

VALUATION	$ 111,000,000
WALT	7.32
NET LETTABLE AREA (SQM)	20,709
VACANT SPACE (SQM)	–
PASSING YIELD	6.45%

AUCKLAND

Albany Mega Centre, Albany

VALUATION	$ 123,000,000
WALT	4.52
NET LETTABLE AREA (SQM)	25,155
VACANT SPACE (SQM)	–
PASSING YIELD	6.08%

11 Coliseum Drive, Albany

VALUATION	$ 27,300,000
WALT	6.01
NET LETTABLE AREA (SQM)	8,637
VACANT SPACE (SQM)	–
PASSING YIELD	4.83%

Albany Lifestyle Centre, Albany

VALUATION	$ 87,500,000
WALT	7.65
NET LETTABLE AREA (SQM)	24,955
VACANT SPACE (SQM)	–
PASSING YIELD	6.79%

50 & 54-62 Cavendish Drive, Manukau

VALUATION	$ 28,250,000
WALT	6.02
NET LETTABLE AREA (SQM)	9,939
VACANT SPACE (SQM)	–
PASSING YIELD	6.04%

252 Dairy Flat Highway, Albany

VALUATION	$ 7,900,000
WALT	10.85
NET LETTABLE AREA (SQM)	2,255
VACANT SPACE (SQM)	–
PASSING YIELD	6.26%

WELLINGTON

Stewart Dawsons Corner

VALUATION	$ 18,300,000
WALT	–
NET LETTABLE AREA (SQM)	–
VACANT SPACE (SQM)	–
PASSING YIELD	–

OTHER

Cnr Taniwha & Paora Hapi Streets, Taupo

VALUATION	$ 10,500,000
WALT	3.50
NET LETTABLE AREA (SQM)	4,212
VACANT SPACE (SQM)	–
PASSING YIELD	7.15%

211 Albany Highway - Visy

CONSOLIDATED FINANCIAL STATEMENTS

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	Group 2019 $000s	Group 2018 $000s
Non-current assets			
Investment properties	5	1,667,030	1,513,120
Derivative financial instruments	6	1,857	–
Other non-current assets	7	1,605	469
Total non-current assets		1,670,492	1,513,589
Current assets			
Cash and cash equivalents		2,190	1,274
Trade and other receivables	8	1,474	1,681
Other current assets	9	905	885
		4,569	3,840
Non-current assets classified as held for sale	10	–	27,400
Total current assets		4,569	31,240
Total assets		1,675,061	1,544,829
Shareholders' funds			
Share capital	11	792,620	792,620
Share based payments reserve	12	389	389
Retained earnings	13	215,966	133,884
Total shareholders' funds		1,008,975	926,893
Non-current liabilities			
Interest bearing liabilities	14	593,536	552,800
Derivative financial instruments	6	42,225	32,306
Deferred tax	20	10,114	12,183
Total non-current liabilities		645,875	597,289
Current liabilities			
Trade and other payables	15	15,412	12,240
Derivative financial instruments	6	–	697
Other current liabilities	16	2,595	4,896
Deposit received for non-current assets classified as held for sale		–	1,550
Taxation payable		2,204	1,264
Total current liabilities		20,211	20,647
Total liabilities		666,086	617,936
Total shareholders' funds and liabilities		1,675,061	1,544,829

For and on behalf of the Board

P Michael Smith
Director

Stuart McLauchlan
Director

Date: 22 May 2019

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 2019

	Note	Group 2019 $000s	Group 2018 $000s
Gross property income from rentals		106,815	101,733
Insurance proceeds - rental loss		2,652	5,698
Gross property income from expense recoveries		19,043	17,939
Property expenses		(26,042)	(24,380)
Net property income	4	102,468	100,990
Administration expenses	17	10,938	9,938
Profit before financial income/(expenses), other gains/(losses) and tax		91,530	91,052
Financial income/(expenses)			
Interest expense	18	(24,256)	(25,511)
Gain/(loss) on derivative financial instruments held for trading		(7,366)	(4,125)
Interest income		39	48
		(31,583)	(29,588)
Other gains/(losses)			
Revaluation gains on investment property	5	70,461	47,333
Realised gains/(losses) on disposal of investment property	5	6,073	292
Insurance proceeds - earthquake expenses		–	1,813
Insurance proceeds - reinstatement		8,473	2,282
Earthquake expenses		(1,701)	(3,867)
		83,306	47,853
Profit before income tax attributable to shareholders		143,253	109,317
Taxation expense	19	9,587	11,140
Profit and total comprehensive income after tax		133,666	98,177
All amounts are from continuing operations			
Earnings per share			
Basic and diluted earnings per share (cents)	22	16.16	11.90

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 2019

	Note	Group 2019 $000s	Group 2018 $000s
Shareholders' funds at the beginning of the year		926,893	875,221
Profit and total comprehensive income for the year		133,666	98,177
Contributions by shareholders			
Issue of shares from Dividend Reinvestment Plan	11	–	4,263
Issue costs of shares	11	–	(15)
Dividends to shareholders	13	(51,584)	(50,948)
Equity settled share based payments	12	–	195
Shareholders' funds at the end of the year		1,008,975	926,893

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 2019

	Note	Group 2019 $000s	Group 2018 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		127,700	122,384
Insurance proceeds received		8,775	11,792
Interest received		39	48
Cash was applied to:			
Property expenses		(23,761)	(22,836)
Earthquake expenses		(1,741)	(3,867)
Interest paid		(23,862)	(24,879)
Employee benefits		(6,796)	(6,041)
Taxation paid		(9,948)	(10,555)
Other expenses		(3,459)	(3,734)
Net cash from/(used in) operating activities	21	66,947	62,312
Cash flows from investing activities			
Cash was provided from:			
Sale of properties, deposits and deferrals		77,258	24,830
Cash was applied to:			
Capital additions on investment properties		(89,826)	(60,899)
Capitalised interest on investment properties		(4,936)	(2,200)
Purchase of properties, deposits and deferrals		(36,511)	(6)
Net cash from/(used in) investing activities		(54,015)	(38,275)
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown	14	121,749	83,999
Proceeds from fixed rate green bonds	14	100,000	–
Cash was applied to:			
Repayment of debt	14	(179,768)	(59,725)
Dividends paid to shareholders net of reinvestments		(52,352)	(47,299)
Issue cost of shares		–	(27)
Bond costs		(1,530)	–
Facility refinancing fee		(115)	(679)
Net cash from/(used in) financing activities		(12,016)	(23,731)
Net increase/(decrease) in cash and cash equivalents		916	306
Cash and cash equivalents at the beginning of the period		1,274	968
Cash and cash equivalents at the end of the period		2,190	1,274

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 retail properties throughout New Zealand.

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

2. BASIS OF PREPARATION

Statement of compliance

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

These financial statements were approved by the Board of Directors on 22 May 2019.

Basis of measurement

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

Use of estimates and judgements

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

Functional and presentation currency

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

Basis of consolidation

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

Statement of cash flows

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Insurance income recognition

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

Change in accounting policies

Accounting policies and methods of computation have been applied consistently to all periods and by all Group entities, with the exception of the mandatory adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers, which are effective for annual reporting periods beginning on or after 1 January 2018.

The Group has concluded that the impact of adopting NZ IFRS 9 will not have a material impact for the financial statements. NZ IFRS 9 requires the use of a forward-looking expected credit loss model to determine impairment provisioning on trade receivables which had a negligible impact on transition so opening equity was not adjusted. Refer to Note 8 for details of the expected credit loss at balance date.

NZ IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This standard is not applicable to rental income which makes up the majority of the Group's revenue, however it does apply to operating expense recovery income and management fees. The Group has separately identified the significant performance obligations and revenue streams within Gross property income from rentals and Gross property income from expense recoveries and determined that the quantification of the performance obligations contained within these line items are not material.

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements the following relevant Standards and Interpretations were in issue but not yet effective and have not been applied in preparing these financial statements. These changes are not expected to have a material impact on the financial statements but may affect presentation and disclosure:

NZ IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019) eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheet, with the exception of certain short-term leases and leases of low-value assets. There are minimal changes from the current NZ IAS 17 requirements for lessors. Given the Company is primarily a lessor, this standard is not expected to significantly impact on the Group's financial statements. However, a ground lease exists over 39 Market Place, Viaduct Harbour, Auckland and as the lessee, the Company will recognise a 'right-of-use' asset and corresponding lease liability (representing the obligation to make lease payments) in the Statement of Financial Position.

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

4. SEGMENT INFORMATION

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

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

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

	Industrial		Office		Retail		Total	
	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s
Segment profit								
Net property income[1]	45,125	39,441	40,173	39,411	17,170	22,138	102,468	100,990
Realised gains/(losses) on disposal of investment property	2,644	100	523	(20)	2,906	212	6,073	292
Insurance proceeds - earthquake expenses	–	–	–	1,813	–	–	–	1,813
Insurance proceeds - reinstatement	–	–	8,473	2,282	–	–	8,473	2,282
Earthquake expenses	–	(6)	(1,701)	(3,861)	–	–	(1,701)	(3,867)
	47,769	39,535	47,468	39,625	20,076	22,350	115,313	101,510
Revaluation gains/(losses) on investment property	47,094	39,080	(1,861)	5,601	25,228	2,652	70,461	47,333
Total segment profit[2]	94,863	78,615	45,607	45,226	45,304	25,002	185,774	148,843
Unallocated:								
Administration expenses							(10,938)	(9,938)
Net interest expense							(24,217)	(25,463)
Gain/(loss) on derivative financial instruments held for trading							(7,366)	(4,125)
Profit before income tax							143,253	109,317
Taxation expense							(9,587)	(11,140)
Profit for the year							133,666	98,177

1. Net property income consists of revenue generated from external tenants less property operating expenditure plus insurance proceeds - rental loss.
2. There were no inter-segment sales during the year (31 March 2018: Nil).

4. SEGMENT INFORMATION (CONTINUED)

	Industrial		Office		Retail		Total	
	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s
Segment assets								
Current assets	495	490	1,333	848	151	134	1,979	1,472
Investment properties	737,670	637,569	626,610	577,251	302,750	298,300	1,667,030	1,513,120
Non-current assets classified as held for sale	–	–	–	–	–	27,400	–	27,400
Total segment assets	738,165	638,059	627,943	578,099	302,901	325,834	1,669,009	1,541,992
Unallocated assets							6,052	2,837
Total assets							1,675,061	1,544,829

	Industrial		Office		Retail		Total	
	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s	2019 $000s	2018 $000s
Segment liabilities								
Current liabilities	2,755	2,152	8,038	6,946	1,021	4,437	11,814	13,535
Total segment liabilities	2,755	2,152	8,038	6,946	1,021	4,437	11,814	13,535
Unallocated liabilities							654,272	604,401
Total liabilities							666,086	617,936

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

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

5. INVESTMENT PROPERTIES

Accounting policy – Investment properties

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

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

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

In accordance with the valuation policy of the Group, complete property valuations are carried out at least annually by independent registered valuers. The valuation policy stipulates that the same valuer may not value a building for more than two consecutive years. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

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

5. INVESTMENT PROPERTIES (CONTINUED)

	Industrial 2019 $000s	Office 2019 $000s	Retail 2019 $000s	Group 2019 $000s
Movement in investment properties				
Balance at 1 April	637,569	577,251	298,300	1,513,120
Acquisition of properties	8,615	–	26,693	35,308
Capitalised costs	17,361	60,634	13,035	91,030
Disposals	(35,606)	(9,829)	–	(45,435)
Transfer between segments	61,500	–	(61,500)	–
Change in fair value	47,094	(1,861)	25,228	70,461
Change in capitalised leasing costs	102	1,243	182	1,527
Change in lease incentives	1,035	(828)	812	1,019
Investment properties balance at 31 March	737,670	626,610	302,750	1,667,030

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

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

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

5. INVESTMENT PROPERTY (CONTINUED)

	Group 2019 $000s	Group 2018 $000s
Acquisition of properties		
11 Coliseum Drive, Albany, Auckland	26,693	–
133 Roscommon Road, Wiri, Auckland	8,615	–
	35,308	–
Disposal of properties		
7 Wagener Place, St Lukes, Auckland	27,400	
626 Great South Road, Ellerslie, Auckland	9,829	–
31 El Prado Drive, Palmerston North	32,268	–
246 Puhinui Road, Manukau, Auckland	3,338	–
19 Richard Pearse Drive, Mangere, Auckland	–	7,428
28-30 Catherine Street, Henderson, Auckland	–	5,615
1 Pandora Road, Napier	–	7,500
14 Tunnel Grove, Wellington	–	2,578
	72,835	23,121
Sale proceeds of properties disposed of	80,259	24,125
Net gain/(loss) on disposal	7,424	1,004
Selling costs	(1,351)	(712)
Loss on properties held for sale	–	–
Total gain/(loss) on disposal	6,073	292

5. INVESTMENT PROPERTIES (CONTINUED)

All investment properties were independently valued as at 31 March 2019 in accordance with the Group's accounting policy. The valuations were prepared by independent registered valuers CBRE Limited, Colliers International New Zealand Limited and Jones Lang LaSalle. The total value per valuer was as follows:

	Group 2019 $000s	Group 2018 $000s
CBRE Limited	460,250	304,150
Colliers International New Zealand Limited	994,920	1,111,000
Jones Lang LaSalle	211,860	97,970
	1,667,030	1,513,120

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 2019 are as follows:

		Industrial	Office	Retail	Total
Contract yield[1]	- Average	6.15%	6.88%	6.22%	6.41%
	- Maximum	9.82%	10.02%	7.15%	10.02%
	- Minimum	0.00%	2.04%	4.83%	0.00%
Market yield[1]	- Average	6.46%	7.14%	6.27%	6.65%
	- Maximum	8.42%	10.45%	6.68%	10.45%
	- Minimum	0.00%	5.99%	5.25%	0.00%
Occupancy (rent)		97.75%	96.75%	100.00%	97.71%
Occupancy (net lettable area)		97.51%	97.14%	100.00%	97.75%
Weighted average lease term (years)		7.22	4.94	5.96	6.14
No. of buildings[2]		37	16	7	60
Fair value total (000s)		$737,670	$626,610	$302,750	$1,667,030

1. 7 Waterloo Quay, Stewart Dawsons Corner and 8-14 Willis Street have been excluded from these yield metrics as the rents of these properties included in the valuation reports were based on the completion of the planned remedial and redevelopment work required to be undertaken.
2. Certain titles have been consolidated and treated as one. The total number of buildings excludes properties held for sale.

5. INVESTMENT PROPERTIES (CONTINUED)

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

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

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

6. FINANCIAL INSTRUMENTS

Accounting policy - Non-derivative financial instruments

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

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

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

Accounting policy - Derivative financial instruments

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

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

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

The Group has the following financial instruments:

Group 2019	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	–	2,190	–	2,190
Derivative financial instruments (current and term)	1,857	–	–	1,857
Trade and other receivables	–	1,474	–	1,474
	1,857	3,664	–	5,521
Financial liabilities				
Interest bearing liabilities	–	–	(593,536)	(593,536)
Trade and other payables	–	–	(15,412)	(15,412)
Derivative financial instruments (current and term)	(42,225)	–	–	(42,225)
Other current liabilities	–	–	(2,595)	(2,595)
	(42,225)	–	(611,543)	(653,768)

Group 2018	Derivatives at fair value through profit/ loss $000s	Loans and receivables $000s	Financial liabilities at amortised cost $000s	Total $000s
Financial assets				
Cash and cash equivalents	–	1,274	–	1,274
Trade and other receivables	–	1,681	–	1,681
	–	2,955	–	2,955
Financial liabilities				
Interest bearing liabilities	–	–	(552,800)	(552,800)
Trade and other payables	–	–	(12,240)	(12,240)
Derivative financial instruments (current and term)	(33,003)	–	–	(33,003)
Other current liabilities	–	–	(4,896)	(4,896)
	(33,003)	–	(569,936)	(602,939)

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 50-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 53% of borrowings, after the effect of associated swaps, were at fixed rates (2018: 62%).

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 2019	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]	(593,536)	(20,655)	(365,627)	(153,140)	(4,000)	(4,000)	(108,000)
Trade and other payables	(15,412)	(15,412)	–	–	–	–	–
Derivative financial instruments	(42,225)	(8,738)	(9,008)	(8,852)	(8,150)	(7,531)	(6,192)
Other current liabilities	(2,595)	(2,595)	–	–	–	–	–
	(653,768)	(47,400)	(374,635)	(161,992)	(12,150)	(11,531)	(114,192)

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

Group 2018	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]	(552,800)	(18,643)	(18,643)	(302,734)	(271,387)	–	–
Trade and other payables	(12,240)	(12,240)	–	–	–	–	–
Derivative financial instruments	(33,003)	(7,988)	(6,958)	(6,516)	(6,003)	(5,250)	(4,429)
Other current liabilities	(4,896)	(4,896)	–	–	–	–	–
	(602,939)	(43,767)	(25,601)	(309,250)	(277,390)	(5,250)	(4,429)

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 2019, the Group had active interest rate derivatives (both payer and receiver swaps) with a notional contract amount of $415 million (2018: $345 million). The active derivatives mature over the next 7 years (2018: 7 years). Payer swaps have fixed interest rates ranging from 1.76% to 4.90% (2018: 3.87% to 4.90%). There are no contracts entered into but not yet effective at 31 March 2019 (2018: Nil).

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

The net liability for derivative financial instruments as at 31 March 2019 is $40.4 million (2018: $33.0 million). The mark-to-market increase in the liability for derivative financial instruments is a result of the movement in the interest rate curve during the financial year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

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

	2019 Group Impact on Profit & Loss $000s	2018 Group Impact on Profit & Loss $000s
Increase of 100 basis points	6,361	15,219
Decrease of 100 basis points	(6,816)	(16,426)

7. OTHER NON-CURRENT ASSETS

Accounting policy - Property, plant and equipment

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

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

An impairment loss is recognised immediately in profit or loss.

	Group 2019 $000s	Group 2018 $000s
Property, plant and equipment and software	397	469
Deposits associated with future acquisitions	1,208	–
Total other non-current assets	1,605	469

There was no impairment loss in the current year (2018: 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 2019 $000s	Group 2018 $000s
Trade receivables	1,362	1,758
Loss allowance	(23)	(99)
	1,339	1,659
GST receivable	74	–
Amount receivable from insurance proceeds	61	22
Total trade and other receivables	1,474	1,681

The average credit period on receivables is 2.5 days (2018: 3.0 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 2019 $000s	Group 2018 $000s
0-30 days past due	59	88
31-60 days past due	29	6
Beyond 60 days past due	12	128
	100	222

Included in the Group's trade receivable balance are debtors with a carrying amount of $100,382 (2018: $221,880) 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 2019 $000s	Group 2018 $000s
Balance at the beginning of the year	99	111
(Decrease)/increase in allowance recognised in profit or loss	(76)	(12)
Balance at the end of the year	23	99

9. OTHER CURRENT ASSETS

	Group 2019 $000s	Group 2018 $000s
Accrued Income	7	10
Prepayments	703	599
Other	195	276
Total other current assets	905	885

10. PROPERTY HELD FOR SALE

Accounting policy - Non-current assets classified as held for sale

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

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

No investment properties were subject to an unconditional sale and purchase agreement at balance date (2018: 7 Wagener Place, St Lukes, Auckland $27.4 million).

11. SHARE CAPITAL

	Group 2019 $000s	Group 2018 $000s
Balance at the beginning of the year	792,620	788,372
Issue of shares from Dividend Reinvestment Plan	–	4,263
Issue costs of shares	–	(15)
Total share capital	792,620	792,620

The number of shares on issue at 31 March 2019 was 827,030,390 (2018: 827,030,390).

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

Reconciliation of number of shares (in thousands of shares)	Group 2019 000s	Group 2018 000s
Balance at the beginning of the year	827,030	822,928
Issue of shares from Dividend Reinvestment Plan	–	4,102
Total number of shares on issue	827,030	827,030

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total shareholders' funds equal to $1,009.0 million (2018: $926.9 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.

There were no expenses recognised in the year to 31 March 2019 in relation to equity settled share based payments (2018: $195,000). No rights were exercised during the period.

Grant date	Vesting date	Granted during the year[1]	Weighted average issue price	Balance at the beginning of the year[1]	Vested during the year[1]	Forfeited during the year[1]	Balance at the end of the year[1]
2019							
1 April 2018	1 April 2021	372,689	$1.01	869,157	–	(279,203)[2]	962,643
2018							
1 April 2017	1 April 2020	321,284	$0.99	547,873	–	–	869,157
2017							
1 April 2016	1 April 2019	268,670	$1.17	279,203	–	–	547,873
2016							
1 April 2015	1 April 2018	279,203	$1.13	–	–	–	279,203

1. This is the number of PSRs.
2. The rights forfeited relate to those issued on 1 April 2015.

13. RETAINED EARNINGS

	Group 2019 $000s	Group 2018 $000s
Balance at the beginning of the year	133,884	86,655
Profit for the year	133,666	98,177
Dividends to shareholders	(51,584)	(50,948)
Total retained earnings	215,966	133,884

The annual dividend paid to shareholders was 6.2375 cents per share, paid in one quarterly distribution of 1.55 cents per share and three quarterly distributions of 1.5625 cents per share (2018: annual dividend paid was 6.175 cents per share).

After 31 March 2019, the final dividend was declared. The dividend has not been provided for. Refer to Note 26.

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, they are measured at amortised cost with any difference being recognised in profit or loss over the expected life of the instrument 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 2019 $000s	Group 2018 $000s
Syndicated bank loans	496,189	554,209
Fixed rate green bonds	100,000	–
Borrowing costs	(2,653)	(1,409)
Total interest bearing liabilities	593,536	552,800
Weighted average interest rate on interest bearing liabilities (inclusive of bonds, interest rate swaps, margins and line fees)	4.75%	4.98%

	Group 2019 $000s	Group 2018 $000s
Total interest bearing liabilities at the beginning of the year	552,800	528,795
Fixed rate green bonds issued	100,000	–
Drawdowns from syndicated bank loan	121,749	83,999
Repayments to syndicated bank loan	(179,768)	(59,725)
Additional refinancing fee on interest bearing liabilities	(1,755)	(679)
Refinancing fee on interest bearing liabilities amortised during the year	510	410
Total interest bearing liabilities at the end of the year	593,536	552,800

Syndicated bank loans

	Group 2019 $000s	Group 2018 $000s
ANZ Bank New Zealand Limited	217,966	259,370
Bank of New Zealand	152,779	161,829
The Hongkong and Shanghai Banking Corporation Limited	125,444	133,010
Total syndicated bank loans	496,189	554,209

As at 31 March 2019, the Group had a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited for $550.0 million (2018: $625.0 million) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of $175.0 million, a Tranche B limit of $275.0 million, a Tranche C limit of $25.0 million, a Tranche D limit of $50.0 million and a Tranche E limit of $25.0 million. Tranche A matures on 31 October 2021, Tranche B on 30 September 2020, Tranche C on 31 October 2021, Tranche D on 28 February 2021 and Tranche E on 18 October 2020. The tranche limits and maturity dates remain unchanged from 31 March 2018 with the exception of the Tranche A limit which has reduced from $275.0 million and the introduction of Tranche E.

14. INTEREST BEARING LIABILITIES (CONTINUED)

Fixed rate green bonds

NZX code	Value of Issue $000s	Issue Date	Maturity Date	Interest Rate	Fair Value 2019 $000s
ARG010	100,000	27 March 2019	27 March 2026	4.00%	101,044

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 the bonds is payable in equal instalments on a quarterly basis in March, June, September and December.

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 2019 $000s	Group 2018 $000s
GST payable	–	822
Other creditors and accruals	15,412	11,418
Total trade and other payables	15,412	12,240

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 2019 $000s	Group 2018 $000s
Employee entitlements	456	366
Other liabilities	2,139	4,530
Total other current liabilities	2,595	4,896

17. ADMINISTRATION EXPENSES

	Group 2019 $000s	Group 2018 $000s
Auditor's remuneration:		
Audit of the annual financial statements	153	151
Review of the interim financial statements	28	28
Annual meeting fees	7	7
Employee benefits	6,941	6,329
Other expenses	3,888	3,381
Doubtful debts expense/(recovery)	(76)	(12)
Bad debts	(3)	54
Total administration expenses	10,938	9,938

18. INTEREST EXPENSE

Accounting policy - Interest expense

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

	Group 2019 $000s	Group 2018 $000s
Interest expense	(29,192)	(27,711)
Less amount capitalised to investment properties	4,936	2,200
Total interest expense	(24,256)	(25,511)

Capitalised interest relates to the developments at 180-202 Hutt Road, Kaiwharawhara, 7 Waterloo Quay, Wellington, 99-107 Khyber Pass Road, Grafton and Stewart Dawsons Corner, Wellington (2018: capitalised interest relates to the developments at 8 Foundry Drive, Christchurch, 180-202 Hutt Road, Kaiwharawhara, Highgate Parkway, Silverdale, Auckland, 82 Wyndham Street, Auckland and Stewart Dawsons Corner, Wellington).

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 2019 $000s	Group 2018 $000s
The taxation charge is made up as follows:		
Current tax expense	12,441	11,596
Deferred tax expense	(2,069)	(436)
Adjustment recognised in the current year in relation to the current tax of prior years	(785)	(20)
Total taxation expense recognised in profit/(loss)	9,587	11,140
Reconciliation of accounting profit to tax expense		
Profit before tax	143,253	109,317
Current tax expense at 28%	40,111	30,609
Adjusted for:		
Capitalised interest	(1,382)	(616)
Fair value movement in derivative financial instruments	2,062	1,155
Fair value movement in investment properties	(19,729)	(13,253)
Depreciation	(6,127)	(6,288)
Depreciation recovered on disposal of investment properties	824	585
Tax on accounting gain on disposal of investment properties	(1,700)	(82)
Other	(1,618)	(514)
Current taxation expense	12,441	11,596
Movements in deferred tax assets and liabilities attributable to:		
Investment properties	(494)	747
Fair value movement in derivative financial instruments	(2,062)	(1,155)
Other	487	(28)
Deferred tax expense/(credit)	(2,069)	(436)
Prior year adjustment	(785)	(20)
Total tax expense recognised in profit or loss	9,587	11,140

There were no imputation credits at 31 March 2019 (2018: 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 2018	(9,241)	18,241	3,183	12,183
Charge/(credit) to deferred taxation expense for the year	(2,062)	(494)	487	(2,069)
At 31 March 2019	(11,303)	17,747	3,670	10,114
At 1 April 2017	(8,086)	17,494	3,211	12,619
Charge/(credit) to deferred taxation expense for the year	(1,155)	747	(28)	(436)
At 31 March 2018	(9,241)	18,241	3,183	12,183

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 AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2019 $000s	Group 2018 $000s
Profit after tax	133,666	98,177
Movements in working capital items relating to investing and financing activities	(3,553)	3,116
Non cash items		
Movement in deferred tax liability	(2,069)	(436)
Movement in interest rate swaps	7,366	4,125
Fair value change in investment properties	(70,461)	(47,333)
Movements in working capital items		
Trade and other receivables	207	(380)
Taxation payable	940	407
Trade and other payables	3,172	3,329
Other current assets	(20)	(317)
Other current liabilities	(2,301)	1,624
Net cash from operating activities	66,947	62,312

22. EARNINGS PER SHARE

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

	Group 2019	Restated Group 2018
Profit attributable to shareholders of the Company ($000s)	133,666	98,177
Weighted average number of shares on issue (000s)	827,030	825,101
Basic and diluted earnings per share (cents)	16.16	11.90

On 22 May 2019, a final dividend of 1.5875 cents per share was approved by the Company. The Dividend Reinvestment Plan programme has been suspended by the Board until further notice.

23. DISTRIBUTABLE INCOME

	Group 2019 $000s	Group 2018 $000s
Profit before income tax	143,253	109,317
Adjustments:		
Revaluation gains on investment property	(70,461)	(47,333)
Realised (gains)/losses on disposal of investment properties	(6,073)	(292)
Gain/(loss) on derivative financial instruments held for trading	7,366	4,125
Earthquake expenses	1,701	3,867
Insurance proceeds - earthquake expenses	–	(1,813)
Insurance proceeds - reinstatement	(8,473)	(2,282)
Gross distributable income	67,313	65,589
Tax impact of depreciation recovered on disposal of investment properties and taxable gains on disposal of revenue account properties	1,701	590
Current tax expense	(11,656)	(11,576)
Net distributable income	57,358	54,603
Weighted average number of ordinary shares (000s)	827,030	825,101
Gross distributable income per share (cents)	8.14	7.95
Net distributable income per share (cents)	6.94	6.62

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

24. INVESTMENT IN SUBSIDIARIES

The Company has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2019	Holding 2018
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy No.1 Trust	Non-trading	NZ	100%	100%
Argosy Property Management Limited	Management company	NZ	100%	100%
Argosy Property No.3 Limited	Property investment	NZ	100%	100%
Argosy Property Unit Holdings Limited	Non-trading	NZ	100%	100%

The subsidiaries have the same reporting date as the Company.

25. COMMITMENTS

Accounting policy - Leases

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

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

The Group as a lessor

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

In the event that lease incentives are paid to enter into the operating leases, such incentives are recognised as an asset. The aggregate cost of incentives is recognised as a reduction of rental revenue on a straight-line basis.

The Group as lessee

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

Ground rent

Ground leases exist over 39 Market Place, Viaduct Harbour, Auckland and a small part of 19 Barnes Street, Wellington. The amount paid in respect of the Auckland ground lease during the year was $1.4 million (2018: $1.0 million). The ground lease is generally recoverable from tenants in proportion to their area of occupancy. The Auckland ground lease is renewable in perpetuity with the next rent review in 2026.

Building upgrades and developments

Estimated capital commitments contracted for building projects not yet completed at 31 March 2019 and not provided for were $60.0 million (2018: $64.1 million).

There were no other commitments as at 31 March 2019 (2018: Nil).

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2019 and 2033. The lessee does not have an option to purchase the property at the expiry of the lease.

	Group 2019 $000s	Group 2018 $000s
Within one year	102,514	107,516
One year or later and not later than five years	311,281	321,480
Later than five years	235,123	255,212
	648,918	684,208

25. COMMITMENTS (CONTINUED)

Non-cancellable operating lease payable

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

	Group 2019 $000s	Group 2018 $000s
Within one year	385	373
One year or later and not later than five years	113	261
Later than five years	–	–
	498	634

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

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

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

26. SUBSEQUENT EVENTS

An unconditional sale and purchase agreement was entered to acquire 246 Puhinui Road, Auckland for $12.3 million. Settlement is expected to take place in November 2019.

On 5 April 2019, Argosy settled on the acquisition of 54 Jamaica Drive, Grenada North, Wellington for $3.5 million.

On 22 May 2019, a final dividend of 1.5875 cents per share was approved by the Company. The record date for the final dividend is 12 June 2019 and a payment is scheduled to shareholders on 26 June 2019. Imputation credits of 0.3026 cents per share are attached to the dividend.

27. RELATED PARTY TRANSACTIONS

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

	Group 2019 $000s	Group 2018 $000s
Key management and directors compensation		
Salaries and other short term employee benefits	1,558	1,685
Directors' fees	677	621
Total	2,235	2,306

Independent Auditor's Report

To the Shareholders of Argosy Property Limited

Opinion

We have audited the consolidated financial statements of Argosy Property Limited and its subsidiaries (the 'Group') on pages 48 to 76, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 48 to 76 present fairly, in all material respects, the financial position of the Group as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the consolidated 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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 Matters	How our audit addressed the key audit matter and results
Investment Property Valuations Investment properties valued at $1,667 million are classified into three segments being, Industrial, Office, and Retail as disclosed in note 5 of the consolidated financial statements. The valuation of investment properties is a key audit matter due to the subjective judgements and assumptions in the valuation models. Adjustments are made to observable market data of similar properties to reflect the specific nature and location of the individual properties.	We read the valuation reports for all properties that were subject to revaluation at year end. We checked for any limitations of scope in the valuation reports that would impact the reliability of the valuations. When considered appropriate, discussions were held with the valuers to confirm the valuation approach used. We assessed the valuers' experience and professional accreditations. This included having each valuer confirm to us their independence, qualifications and that the scope of the work undertaken was in line with professional valuation standards and accounting standards. In addition we considered the Group's process for reviewing and challenging

Fair values are calculated using actual and forecast inputs including: market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms.

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

the valuation reports to ensure they accurately reflect the individual characteristics of each property.

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

For the sample selected, key changes in rentals, occupancy, lease costs and lease terms were agreed to underlying lease agreements, and market comparatives where applicable. Yields across the three segments were compared to property industry publications and other observable market data where available.

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

Other information

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

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

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

Directors' responsibilities for the consolidated financial statements

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

In preparing the 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

Andrew Boivin, Partner
for Deloitte Limited
Auckland, New Zealand
22 May 2019

THE COMPANY

Argosy is a limited liability company incorporated under the Companies Act 1993. Argosy shares are listed on the NZX Main Board (NZX code: ARG). Argosy's constitution is available on its website (www.argosy.co.nz) and the New Zealand Companies Office website (www.companies-register.companiesoffice.govt.nz). Argosy has transitioned to the new Listing Rules with effect from 1 January 2019, and its constitution will be updated, to reflect changes in the listing rules, at its next Annual Meeting.

CORPORATE GOVERNANCE PHILOSOPHY

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

Outlined below are the main corporate governance practices in place throughout the year, which, in the Board's opinion, comply with the FMA'S Principles for corporate governance. Argosy also complies with the NZX Corporate Governance Code (1 January 2019), as set out in the Statement on Reporting Against the NZX Code available on its web site (www.argosy.co.nz).

ETHICAL STANDARDS

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

Procedures for dealing with breaches of these policies are contained in the Code of Conduct and Ethics, which forms part of each employee's conditions of employment. Argosy's Code of Conduct and Ethics is available on its website (www.argosy.co.nz).

COMPOSITION OF THE BOARD

Argosy is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Company and returns to shareholders. The constitution provides for there to be not fewer than three Directors. All the members of the Board are non-executive Directors.

ATTENDANCE OF DIRECTORS

Board Meetings attended

Director	Attendance
Michael Smith (Chair)	**10 of 10**
Peter Brook	**10 of 10**
Mark Cross (resigned)	**8 of 9**
Andrew Evans (resigned)	**9 of 9**
Chris Hunter (retired)	**3 of 3**
Jeff Morrison	**10 of 10**
Stuart McLauchlan	**6 of 6**
Chris Gudgeon	**5 of 5**
Mike Pohio	**3 of 3**

Michael Smith, Peter Brook, Jeff Morrison, Stuart McLauchlan, Chris Gudgeon and Mike Pohio were Directors as at 31 March 2019. Brief resumés of our Directors are included in the section headed Manage on page 26.

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.

During the year there were the following changes to the composition of the Board:

- Chris Hunter retired by rotation at the Annual Meeting on 6 August 2018;
- Stuart McLauchlan was appointed immediately after the Annual Meeting on 6 August 2018;
- Chris Gudgeon was appointed with effect from 14 November 2018;
- Mike Pohio was appointed with effect from 1 February 2019; and
- Andrew Evans and Mark Cross each resigned with effect from 19 February 2019.

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 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 the commentary to Recommendation 2.4 of the NZX Corporate Governance Code. In particular, the Board does not consider that the independence of any Director has been affected by the length of time they have been a director.

BOARD AND DIRECTOR PERFORMANCE

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

INSIDER TRADING AND RESTRICTED PERSONS TRADING

Argosy's Directors, Officers and employees, their families and related parties must comply with the Insider Trading and Restricted Persons Trading policy. Amongst other requirements, the policy identifies 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; 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 prospectus for a general public offer of Argosy securities.

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

Trading by Directors, Officers, certain employees, and their associates, requires pretrade approval (with limited exceptions, such as shares acquired under the DRP). Officers and employees must obtain approval from any two Directors or a Director and the Chief Financial Officer and Directors must obtain pre-trade approval from the Chairman (or in the case of the Chairman, the Chairman of the Audit and Risk Committee). The holdings of Directors of shares in Argosy are disclosed in the section headed 'Directors' shareholdings' on page 83 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. The members of the Remuneration Committee are Michael Smith (Chairman), Peter Brook and Jeff Morrison.

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee Meetings Attended

Director	Attendance
Michael Smith (Chair)	**1 of 1**
Peter Brook	**1 of 1**

NOMINATIONS COMMITTEE

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

AUDIT AND RISK COMMITTEE

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

The members of the Audit and Risk Committee are Stuart McLauchlan (Chairman), Peter Brook and Michael Smith.

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

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

ATTENDANCE AT AUDIT AND RISK COMMITTEE

Audit and Risk Committee Meetings Attended

Director	Attendance
Stuart McLauchlan (Chair)	1 of 1
Mark Cross (resigned)	4 of 4
Peter Brook	4 of 4

DIRECTORS' REMUNERATION

Directors' Fees

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

Directors' Remuneration

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

Director	Remuneration
Michael Smith (Chair)	$179,500
Peter Brook	$102,000
Andrew Evans	$75,640
Mark Cross	$93,438
Chris Hunter	$29,704
Jeff Morrison	$90,000
Stuart McLauchlan	$60,577
Chris Gudgeon	$32,347

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

- each Director (other than the Chairman) is paid $85,000 per annum.
- the Chairman is paid $160,000 per annum.
- additional amounts are paid to committee members.

The Audit and Risk Committee Chairman receives $20,000 per annum and its members each receive $12,000 per annum. The Remuneration Committee Chairman receives $7,500 per annum and its members each receive $5,000 per annum. The Remuneration Committee reviews Director remuneration annually and makes recommendations to the Board. Argosy's policy is that Directors' remuneration should generally be in the upper quartile based on market benchmarks. The Board takes advice from independent remuneration specialists when considering any proposal to increase the Directors' fees.

Additional payments may be made from the approved pool of $746,500 to Directors who assume additional responsibilities (including in relation to one-off project work) from time to time beyond the scope of their usual responsibilities. No payments were made in the year to 31 March 2019 (2018: Nil).

No current or former Director received any other benefits from Argosy during the year to 31 March 2019.

GENDER BALANCE

As at 31 March 2019 the gender balance statistics for the Company's Directors, Officers and all employees were as follows:

	Directors	Officers	All employees
Female	0 (2018: 0)	3 (2018: 3)	16 (2018: 16)
Male	6 (2018: 6)	10 (2018: 9)	19 (2018: 15)
Total	6 (2018: 6)	13 (2018: 12)	35 (2018: 31)

Argosy adopted a Diversity Policy with effect from 1 April 2017, which is available on its web site (www.argosy.co.nz). The Board considers that Argosy is achieving its diversity objectives. You can see further information on diversity on page 23 of the Annual Report.

REMUNERATION REPORT

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

Employees Remuneration

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

- fixed remuneration
- variable or 'at risk' components

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

Fixed Remuneration

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

- KiwiSaver employer superannuation contributions
- life and disability insurance
- health insurance
- private use of a company vehicle

Short Term Incentive Scheme (STI)

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

- The STI is based on Company and individual performance measures with stretch performance goals.
- The Company performance measure is based on specific annual Company targets, which are linked to the Company's strategy and approved by the Board.
- Individual goals and performance measures are agreed between each manager and their direct reports, to encourage outstanding performance.
- Measures and stretch performance goals are reviewed each financial year.
- The value of the STI and its weighting between Company and individual performance measures each vary depending on the requirements of each employee's role.
- The STI for each of the Chief Executive Officer and Chief Financial Officer is based solely on Company performance.

Long Term Incentive Scheme (LTI)

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

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

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

- Comparator entities are chosen from the S&P/ NZX All Real Estate Gross Index.
- TSRs of the entities in the comparison group over the performance period (which is three years) will be ranked from highest to lowest.
- If Argosy's TSR over the performance period exceeds the TSR of the company ranked at the 50th percentile in the comparison group, 50% of the PSRs will vest.
- If Argosy's TSR over the performance period exceeds the TSR of the company ranked at the 75th percentile in the comparison group, 100% of the PSRs will vest.
- There is a straight line progression and apportionment between these two points. No shares will vest if the TSR over the performance period is negative.

No PSRs vested in the year ending 31 March 2019.

REMUNERATION

Chief Executive's Remuneration

Chief Executive's Remuneration The Chief Executive's remuneration for the year ended 31 March 2019 is outlined below:

Chief Executive's Remuneration	
Fixed remuneration and other benefits	$656,540
Short Term Incentive	$240,000

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

Employee remuneration

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

Amount of remuneration	Number of employees
$100,001 - $110,000	3
$110,001 - $120,000	1
$120,001 - $130,000	1
$130,001 - $140,000	4
$140,001 - $150,000	2
$150,001 - $160,000	2
$160,001 - $170,000	1
$170,001 - $180,000	1
$220,001 - $230,000	1
$240,001 - $250,000	1
$250,001 - $260,000	1
$260,001 - $270,000	2
$290,001 - $300,000	2
$310,001 - $320,000	1
$660,001 - $670,000	1

Employee remuneration does not include PSRs issued under the Company's LTI scheme that have been granted but which have not vested. (No PSRs vested in the year to 31 March 2019.)

INTERESTS REGISTERS

Directors' shareholdings

Equity and debt securities in which each Director and associated person of each Director held a relevant interest as at 31 March 2019 are listed below:

Director	Holder	Trustees	Interest	Number Shares
Michael Smith	FNZ Custodians Limited for trustees of the Mallowdale Trust	Michael Smith and Dale D'Rose	Non beneficial	592,579
Peter Brook	FNZ Custodians Limited for trustees of the Bayview Trust	Peter Brook, Mary Brook, Samuel Goldwater and Nicholas Goldwater	Non beneficial	360,288
Peter Brook	Peter Brook		Beneficial	195,071
Jeff Morrison	Investment Custodial Services for the trustees of the Suzanne Fisher Trust	Jeff Morrison and Barry Fisher	Non beneficial	437,792
Jeff Morrison	Investment Custodial Services for trustees of the LJ Fisher Trust	Jeff Morrison and Andrew Spencer	Non beneficial	93,000
Jeff Morrison	Trustees of the JM Thompson Trust	Jeff Morrison and Robyn Shearer	Non beneficial	502,577
Jeff Morrison	Trustees of the Dalbeth Family Trust No.2	Audrey Dalbeth, Anthony Hudson, Bronwyn Patterson, William Dalbeth and Jeff Morrison	Non beneficial	97,170
Jeff Morrison	Trustees of the Dalbeth Family Trust No.3	William Dalbeth and Jeff Morrison	Non beneficial	207,600
Jeff Morrison	Trustees of the Dalbeth Family Trust No.4	William Dalbeth and Jeff Morrison	Non beneficial	312,400
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	Investment Custodial Services Limited for the Spirit of Adventure Trust Board		Non beneficial	69,250

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

SENIORS MANAGERS' SHAREHOLDINGS

Equity securities in which each Senior Manager and associated person of each Senior Manager held a relevant interest as at 31 March 2019 are listed below:

Officer	Holder	Trustees	Interest	No. of shares	PSRs vested
Peter Mence	Peter Mence		PSR[1]	610,204	N/A
	Trustees of the Papageno Trust	Peter Mence, Stella McDonald	Non-beneficial	416,077	
Dave Fraser	Dave Fraser		PSR	352,439	N/A

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

DIRECTORS AND SENIOR MANAGERS' SHARE DEALINGS

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

- Dave Fraser disposed of a beneficial interest in 102,212 performance share rights in the Company on 27 June 2018 for nil consideration which expired under the Company's Long Term Incentive Scheme
- Dave Fraser acquired a beneficial interest in 134,168 performance share rights in the Company on 27 June 2018 for nil consideration which were granted under the Company's Long Term Incentive Scheme
- Peter Mence disposed of a beneficial interest in 176,991 performance share rights in the Company on 27 June 2018 for nil consideration which expired under the Company's Long Term Incentive Scheme
- Peter Mence acquired a beneficial interest in 238,521 performance share rights in the Company on 27 June 2018 for nil consideration which were granted under the Company's Long Term Incentive Scheme
- Jeff Morrison acquired a non-beneficial (trust) interest in 130,000 shares in the Company on 8 June 2018 for consideration of $143,637 through an on-market acquisition
- Jeff Morrison acquired a non-beneficial (trust) interest in 46,200 shares in the Company on 13 July 2018 for consideration of $49,665 through an on-market acquisition
- Jeff Morrison acquired a non-beneficial (trust) interest in 74,000 shares in the Company on 13 July 2018 for consideration of $74,000 through an on-market acquisition
- Jeff Morrison disposed of a non-beneficial (trust) interest in 14,000 shares in the Company on 18 December 2017 for consideration of $14,000 through an on-market disposal
- Jeff Morrison disposed of a non-beneficial (trust) interest in 39,000 shares in the Company on 8 February 2018 for consideration of $39,000 through an on-market disposal
- Jeff Morrison disposed of a non-beneficial (trust) interest in 31,000 shares in the Company on 23 February 2018 for consideration of $31,000 through an on-market disposal
- Jeff Morrison acquired a non-beneficial (trust) interest in 16,400 shares in the Company on 24 August 2018 for consideration of $17,958 through an on-market acquisition
- Jeff Morrison acquired a non-beneficial (trust) interest in 200,000 green bonds issued by the Company on 27 March 2019 for consideration of $200,000 through the Company's green bond offer
- Jeff Morrison acquired a non-beneficial (trust) interest in 200,000 green bonds issued by the Company on 27 March 2019 for consideration of $200,000 through the Company's green bond offer
- Jeff Morrison acquired a non-beneficial (trust) interest in 300,000 green bonds issued by the Company on 27 March 2019 for consideration of $300,000 through the Company's green bond offer
- Jeff Morrison acquired a non-beneficial (trust) interest in 300,000 green bonds issued by the Company on 27 March 2019 for consideration of $300,000 through the Company's green bond offer

DIRECTORS' INTERESTS

The Directors have declared interests in the entities listed below.

Director	Position	Company/Organisation
Michael Smith	Director	Greymouth Petroleum Limited
	Director	Maui Capital Indigo Fund
	Director	Maui Capital Aqua Fund
	Indirect interest	Partners Life Limited
Peter Brook	Trustee	Melanesia Mission Trust Board
	Chairman	Trust Investments Management Limited
	Chairman	Burger Fuel Worldwide Limited
	Chairman	Generate Investment Management Limited
Stuart McLauchlan	Director	GS McLauchlan & Co Limited
	Director	Scenic Circle Hotels Limited
	Director	Dunedin Casinos Limited
	Director	Ad Instruments Pty Limited
	Director	Ngai Tahu Tourism Limited
	Director	Scott Technology Limited
	Director	UDC Finance Limited
	Director	Ebos Group Limited[1]
	Member	Marsh Limited Advisory Board
Mike Pohio	Director	National Institute of Water and Atmospheric Research Limited
	Director	OSPRI New Zealand Limited
	Director	Panuku Development Auckland Limited
	Director	Ngai Tahu Holdings
	Director	Te Atiawa (Taranaki) Holdings Limited
	Director	Te Atiawa Iwi Holdings Management Limited
	Director	The Rees Management
	Chairman	BNZ Partners, Waikato Region
Jeff Morrison	Trustee	Spirit of Adventure Trust
Peter Mence	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited
Dave Fraser	Director	Argosy Property No. 3 Limited
	Director	Argosy Property No. 1 Limited
	Director	Argosy Property Unit Holdings Limited
	Director	Argosy Property Management Limited

1. Effective 1 July 2019

INFORMATION USED BY DIRECTORS

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

INDEMNITIES AND INSURANCE

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

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

EXTERNAL AUDIT FIRM GUIDELINES

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

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

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

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

NZX RULINGS AND WAIVERS

The Company transitioned to the new NZX Listing Rules on 1 January 2019, and it relies on the class waivers and rulings for NZX Main Board and Debt Market Transition dated 19 November 2018. The Company did not apply to NZX for, nor rely on, any other rulings or waivers during the year to 31 March 2019.

DONATIONS

The Company made the following sponsorship payments during the year to 31 March 2019:

- $10,000 Hotwater Beach Surf Life Saving Club Inc.;
- $10,000 Taylors Mistake Surf Life Saving Club Inc.;
- $10,000 Lyall Bay Surf Life Saving Club Inc.;
- $15,000 Red Beach Surf Life Saving;
- $6,100 Spirit of Adventure Trust;
- $5,000 Pillars New Zealand.

No other member of the Group made donations in the year to 31 March 2019.

ARGOSY SUBSIDIARIES – DIRECTORS

As at 31 March 2019:

- Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property No. 1 Limited. Andrew Evans ceased to be a director on 19 February 2019.
- Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property No. 3 Limited. Andrew Evans ceased to be a director on 19 February 2019.
- Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property Management Limited. Andrew Evans ceased to be a director on 19 February 2019.
- Michael Smith, Peter Brook, Peter Mence and David Fraser were the directors of Argosy Property Unit Holdings Limited.

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

20 LARGEST REGISTERED FINANCIAL PRODUCT HOLDERS AS AT 31 MARCH 2019

Rank	Holder Name	Total	Percentage
1	FNZ Custodians Limited	60,769,117	7.34
2	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	48,647,542	5.88
3	Citibank Nominees (New Zealand) Limited - NZSCD <CNOM90>	45,390,802	5.48
4	Accident Compensation Corporation - NZCSD <Acci40>	42,280,416	5.11
5	National Nominees New Zealand Limited - NZCSD <NNLZ90>	39,144,945	4.73
6	HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN5>	33,297,344	4.02
7	BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>	30,644,815	3.70
8	JPMORGAN Chase Bank Na NZ Branch-Segregated Clients Acct - NZCSD <CHAM24>	22,829,495	2.76
9	Investment Custodial Services Limited <A/C C>	22,451,930	2.71
10	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	21,381,390	2.58
11	Forsyth Barr Custodians Limited <1-Custody>	19,917,464	2.40
12	ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD <PNTT90>	18,882,555	2.28
13	Custodial Services Limited <A/C 3>	11,660,305	1.40
14	ANZ Wholesale Property Securities - NZCSD <PNLR90>	8,963,439	1.08
15	New Zealand Depository Nominee Limited <A/C 1> Cash Account	8,412,598	1.01
16	Custodial Services Limited <A/C 2>	7,381,880	0.89
17	Custodial Services Limited <A/C 4>	7,287,382	0.88
18	University Of Otago Foundation Trust	7,133,363	0.86
19	Christine Anne Mansell & Douglas Tony Brown <Harvan A/C>	6,975,000	0.84
20	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	6,701,203	0.81

INVESTOR STATISTICS

SUBSTANTIAL PRODUCT HOLDERS AS AT 31 MARCH 2019

	Date notice filed	No of shares	% of total issued shares
Accident Compensation Corporation	5 Oct 2018	43,227,084	5.227

The total number of shares on issue in the Company as at 31 March 2019 was 827,030,390. The only class of shares on issue as at 31 March 2019 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 2019 and may not be that substantial holder's current relevant interest.

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2019

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	185	2.23	85,352	0.01
1,000 to 1,999	229	2.76	297,708	0.04
2,000 to 4,999	868	10.46	3,064,007	0.37
5,000 to 9,999	1,553	18.71	11,327,005	1.37
10,000 to 49,999	4,176	50.31	93,717,921	11.33
50,000 to 99,999	749	9.02	49,512,302	5.99
100,000 to 499,999	464	5.59	82,678,225	10.00
500,000 to 999,999	32	0.39	20,834,464	2.51
1,000,000 +	44	0.53	565,513,406	68.38
Total	8,300	100.00	827,030,390	100.00

DISTRIBUTION OF BONDHOLDERS AS AT 31 MARCH 2019

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
5,000 to 9,999	43	10.85	233,000	0.23
10,000 to 49,999	260	65.66	4,978,000	4.98
50,000 to 99,999	52	13.13	2,815,000	2.82
100,000 to 499,999	29	7.32	4,907,000	4.91
500,000 to 999,999	2	0.51	1,249,000	1.25
1,000,000 +	10	2.53	85,818,000	85.81
Total	396	100.00	100,000,000	100.00

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 31 MARCH 2019

Director	No of shares (non beneficial)	No of shares (beneficial)	No of bonds (non beneficial)
Michael Smith	592,579		
Peter Brook	360,288	195,071	
Jeff Morrison	1,785,789		1,000,000

DIRECTORS' STATEMENT

The Board is responsible for preparing the Annual Report. This report is dated 22 May 2019 and is signed on behalf of the Board of Argosy Property Limited by Michael Smith, Chairman and Stuart McLauchlan, Director.

P Michael Smith
Director

Stuart McLauchlan
Director

DIRECTORS

Argosy Property Limited

Michael Smith, Auckland (Chair)
Peter Brook, Auckland
Chris Gudgeon, Auckland
Stuart McLauchlan, Dunedin
Jeff Morrison, Auckland
Mike Pohio, Tauranga

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Deloitte

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Russell McVeagh

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Telephone: (09) 367 8000
Facsimile: (09) 367 8163

BANKERS TO THE COMPANY

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Auckland 1141

Bank of New Zealand Limited

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Auckland 1142

The Hongkong and Shanghai Banking Corporation Limited

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