Argosy

ANNUAL REPORT 2012

Internalisation
ACHIEVED WITH SIGNIFICANT COST SAVINGS

Corporatisation
ACHIEVED IN FEBRUARY 2012

Property values
INCREASED FOR THE SECOND SUCCESSIVE YEAR

60 lease transactions
COMPLETED COMPRISING 38 NEW LEASES AND 22 RENEWALS OR EXTENSIONS

KEY FINANCIAL RESULTS

DIVIDEND

6.0cents

Dividend of 6.0 cents per share for the 12 months to 31 March 2012. Guidance for 2013 is 6.0 cents

NET PROPERTY INCOME

$71.2m

Net property income $71.2 million

NET DISTRIBUTABLE INCOME

$33.4m

Net distributable income $33.4 million

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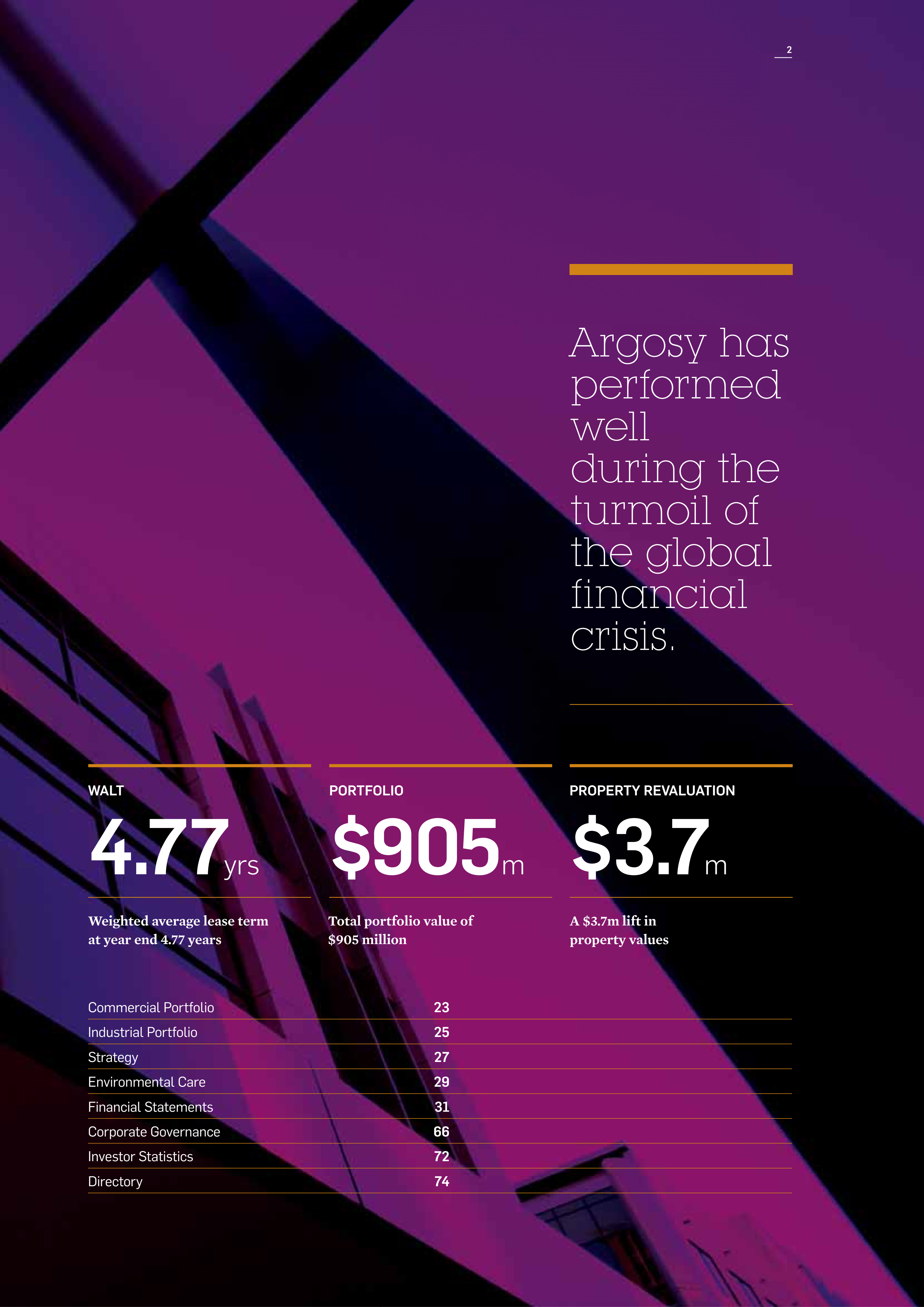

Argosy has performed well during the turmoil of the global financial crisis.

WALT

4.77 yrs

Weighted average lease term at year end 4.77 years

PORTFOLIO

$905 m

Total portfolio value of $905 million

PROPERTY REVALUATION

$3.7 m

A $3.7m lift in property values

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It is significant that Argosy has been able to demonstrate the strengths of a well-diversified portfolio during a period of financial and economic uncertainty.

On 24 May 2012, Argosy Property Limited announced an audited net distributable income of $33.4 million which, despite the sale of 15 properties during the year, is comparable to the previous year's $33.5 million.

A number of milestones have been achieved over the past 12 months. The successful internalisation of the management contract in August 2011 has delivered significant savings which have improved earnings. The subsequent corporatisation of the business, moving from a unit trust structure to a company structure has delivered further savings and improved operating efficiency while providing greater protection to investors, with the business now subject to the controls of the takeover code.

The sale of properties during the period led to lower annual rental income and slightly reduced net property income of $71.2 million (2011: $72.3 million).

As at 31 March 2012, Argosy's total assets were $929.3 million, while debt (excluding capitalised borrowing costs) stood at $384.6 million. The debt-to-total-assets ratio of 41.4% compares with the 42.3% at 31 March 2011. Argosy remained well within all bank covenants.

The Company achieved an audited profit after tax of $1.9 million (2011: $26.3 million) for the year to 31 March 2012. As outlined in the Chief Executive's Report, the reduced profit after tax reflects significant one-off costs in relation to internalisation, an unsolicited merger proposal, corporatisation and the decision to accelerate the write-down of an intangible asset, which was previously being amortised over a period of 10 years.

Offsetting these one-off costs is a net credit of $1.5 million resulting from the permanent impairment of the Company's single Christchurch property (as a result of the earthquake) and the insurance proceeds.

DIVIDEND POLICY

Aided by savings generated from internalised management, the Directors have announced a final quarter dividend of 1.50 cents per share. This will be paid on 27 June 2012 with a record date of 13 June 2012. A discount of 2.5% will be applied to the share price for participants in the Dividend Reinvestment Plan.

The full-year dividend of 6.0 cents per share is in line with guidance levels and the Board's new dividend policy.

The full-year dividend of 6.0 cents per share paid fully from distributable operating earnings is a good result for the business, following a busy year for the Company on internalisation and corporatisation and challenging economic conditions.

The Board is pleased to confirm that, based on current projections for the portfolio, a distribution at 6.0 cents per share is expected to continue for the year to 31 March 2013.

SHARE PRICE PERFORMANCE

Argosy's share price performance exceeded both the NZX50 and the NZX Gross Property Index for the year, which is a pleasing result.

CAPITAL MANAGEMENT

Argosy's ongoing strategy of a diversified property portfolio with assets positioned at the liquid end of the property market has allowed the Company to manage debt levels appropriately through judicious asset sales.

The alternative to asset sales would have been a capital raising at a time when there was uncertainty in the global and domestic markets and the unit price was trading at a significant discount to net asset backing. Given the probability of non-participation from some shareholders as a result of other effects of the financial crisis, a capital management strategy based on capital raising would have disadvantaged a significant number of investors.

The intention is to bring the ratio of debt-to-total-assets to below 40% in the medium term. The divestment of vacant land and under-yielding assets will be the immediate strategy to reduce debt levels.

VALUATIONS

The Company is pleased to report that, for the second year in succession, the revaluation of the property portfolio has resulted in an increase in property values. The increase this year is $3.7 million (2011: $2.1 million). The Company's portfolio following the revaluation, including vacant land, shows a passing yield on values of 8.02% (2011: 8.28%) and a yield of 8.24% (2011: 8.18%) on the assessed market rentals.

CORPORATE STRUCTURE AND GOVERNANCE

Internalisation

The internalisation of Argosy's management was approved by unit holders at the Annual General Meeting (AGM) on 30 August 2011. It was completed on the same day, with the majority of staff transferring to a new manager, controlled by unit holders. As part of the internalisation process, Argosy relocated its office to a Company-owned building (39 Market Place, Auckland) in December 2011.

Corporatisation

On 21 February 2012, the corporatisation of the Argosy Property Trust (the Trust) was approved by an overwhelming majority of unit holders at an Extraordinary General Meeting. All unit holders with a registered address in New Zealand and Australia had their units in the Trust redeemed and had shares in Argosy Property Limited transferred to them.

Governance

At the AGM, Trevor Scott was reappointed as an independent Director of the former manager, a role in which he had served since the inception of the Trust in 2002. Trevor is now a Director of Argosy Property Limited.

I would like to welcome Mark Cross to the Board. Mark has replaced the Honourable Philip Burdon, who resigned in February after many years of distinguished service to Argosy.

I would also like to particularly thank the two independent Directors, Trevor Scott and Peter Brook, for their outstanding work during the internalisation process.

LOOKING AHEAD

The Company's portfolio remains well placed with diverse, quality properties in strong locations. The income streams are diversified by use and by tenant, with the largest tenant in the portfolio contributing only 3.3% of total income. The portfolio location weighting is centred on Auckland (74%) and does not include any large exposure in provincial centres (12%).

It is significant that Argosy has been able to demonstrate the strengths of a well-diversified portfolio during a period of financial and economic uncertainty. The improved management structure following internalisation and corporatisation and initiatives to improve portfolio performance will provide a solid platform for the future.

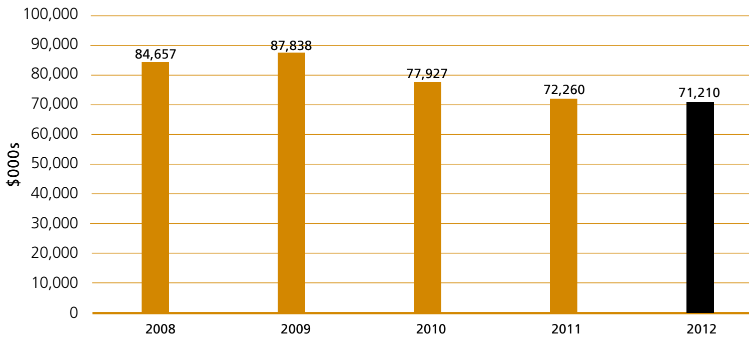
As advised to shareholders at the AGM, the Board will actively consider selective growth opportunities, accretive to shareholders.

The Board would like to thank all shareholders for their support over the past year. We look forward to continuing our work for you in the year ahead.

P M Smith

P Michael Smith
Chairman, Argosy Property Limited

NET PROPERTY INCOME



FINANCIAL SUMMARY

	2008 $000s	2009 $000s Restated	2010 $000s Restated	2011 $000s	2012 $000s
Net property income	84,657	87,838	77,927	72,260	**71,210**
Profit before financial income/(expenses) and other gains/(losses)	75,445	64,045	68,245	63,762	**36,610**
Revaluation gains/(losses)	43,041	(89,901)	(82,761)	2,126	**3,658**
Profit/(loss) for the year (after taxation)	71,748	(63,094)	(59,100)	26,686	**1,949**
Earnings per share – cents per share	13.49	(12.15)	(11.05)	4.85	**0.35**
Net distributable Income				33,519	**33,371**
Investment properties, plant and equipment	1,167,317	1,059,343	932,641	960,607	**905,249**
Total assets	1,214,115	1,081,807	950,004	975,171	**929,265**
Debt-to-total-assets ratio (excluding capitalised borrowing costs)	37.7%	39.7%	40.1%	42.3%	**41.4%**
Cash dividend – cents per share	8.70	8.00	7.50	7.00	**6.00**
Securities on issue at year end	514,275	529,704	539,328	549,186	**558,517**
Net assets backing per share – cents per share	136	109	98	93	**87**
Total equity	700,528	593,758	526,594	511,732	**488,446**

PROPERTY METRICS

	2008	2009	2010	2011	2012
Occupancy factor (rent)	99.1%	95.8%	96.6%	96.3%	**94.1%**
Occupancy factor (sqm)	99.1%	97.8%	97.1%	96.8%	**92.5%**
Weighted average lease term	4.65	4.24	4.23	4.92	**4.77**
Number of tenants	336	286	294	294	**232**
Number of properties*	104	93	81	74	**65**
Average property size ($m's)	$10.69	$10.36	$11.43	$12.82	**$13.93**
Net lettable area (sqm)	593,267	582,962	549,881	547,483	**463,656**

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

While we expect that there will continue to be challenges ahead, the Company is well-positioned to make the most of future opportunities for growth.

During the year, Argosy Property Limited has successfully moved to an internalised management structure with significant savings being achieved.

The more demonstrable alignment between the interests of management and investors has been well received. Following unit holder approval at an Extraordinary General Meeting in February, the business moved to a corporate structure and is now an internally managed, listed property company.

Despite lower occupancy and the sale of properties, net property income for the year to 31 March 2012 was $71.2 million – only 1.5% down on the prior period.

Net distributable income for the year to 31 March 2012 was $33.4 million, which was in line with the $33.5 million recorded last year.

Earnings before finance costs, property revaluations and tax were $36.6 million, compared to $63.8 million the year before.

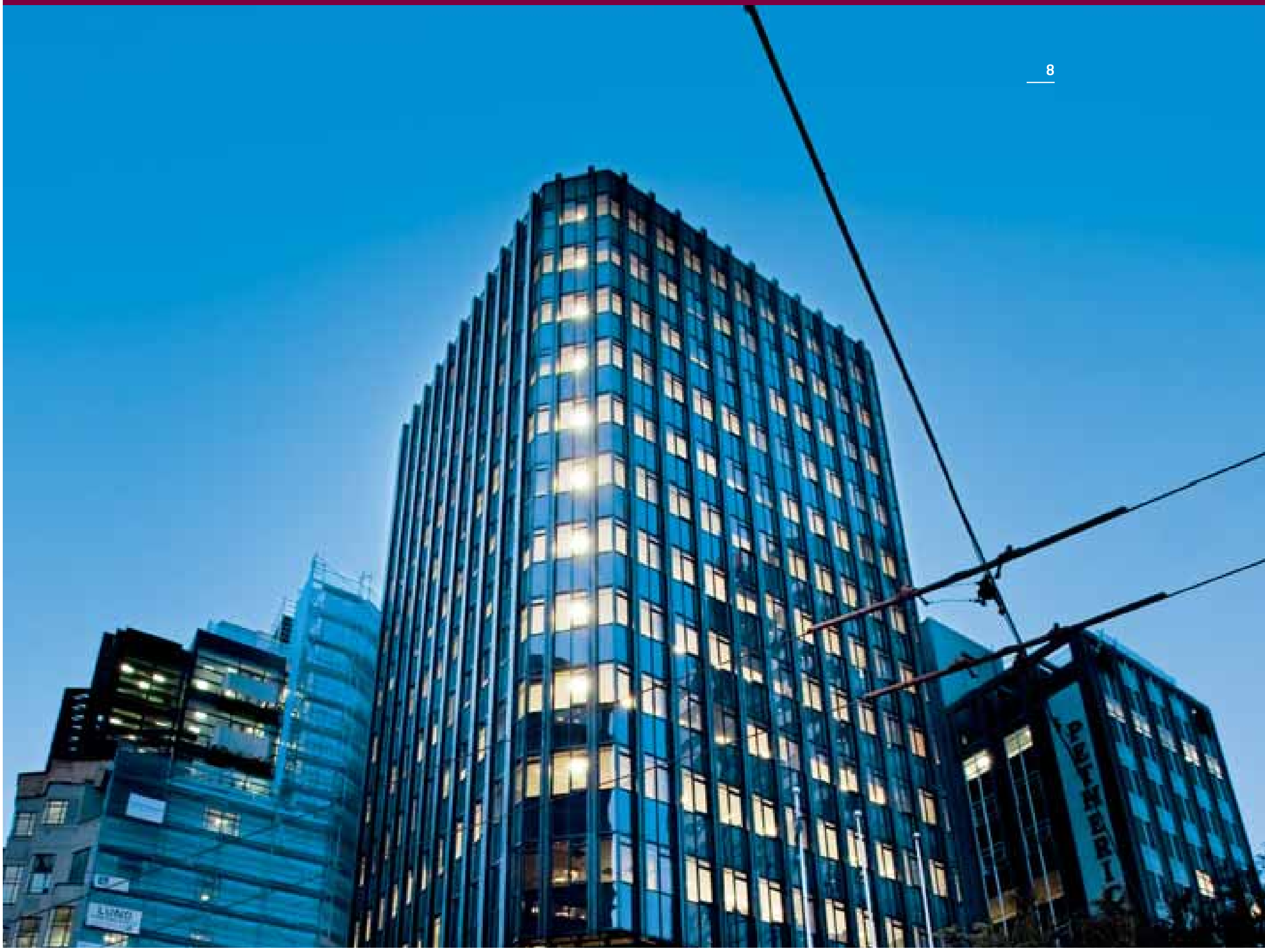
The difference is primarily due to a number of significant one-off costs during the year. These include internalisation costs of $21.7 million, unsolicited merger proposal costs of $0.5 million, corporatisation costs of $0.8 million and the impairment of an intangible of $6.0 million. The latter is the accelerated write-down of an external management contract following the internalisation of the property management function.

These one-off costs were partly offset by the net positive impact of $1.5 million from the insurance proceeds less impairment of the Company's single Christchurch property, which suffered earthquake damage.

OPERATING ENVIRONMENT

The leasing environment continues to improve in most sectors with vacancy rates dropping slowly. Lower projected levels of occupier demand should be offset to some degree by supply being below historical averages.

The development market for new industrial buildings remains competitive and there is an increase in the number of buyers, resulting in firmer yields.



One of the strengths of Argosy's portfolio during the global financial crisis has been the liquidity available through the lower average value of assets. This is illustrated by the Company's ability to carry out asset sales rather than raise capital in a weakened market.

Some of the key market factors are:

- Auckland's commercial property market indicators should improve during 2012, with moderately positive net absorption.
- Wellington's commercial occupation will be affected by government fiscal restraints. Securing the Department of Internal Affairs until June 2017 and Te Puni Kokiri until December 2018, has removed the most significant lease expiry risks for Argosy in this market.
- Seismically stable buildings will have a competitive advantage in the Wellington market in the future.
- The retail sector continues to face challenges, but activity levels for 2012 are expected to improve and tenant sales were strong in the last quarter of 2011.
- The industrial sector has shown some growth in recent times, but this appears to have flattened in line with the new supply projected for this sector. The Auckland market has solid net absorption levels and investor demand for well-leased property is strong.

PORTFOLIO MANAGEMENT

The primary focus of the property management team remains to position the portfolio for the future. The property management team has enormous experience to draw from to ensure that appropriate decisions are made across all sectors and locations. Occupancy is the key to maintaining property values and this presents a real focus and opportunity for Argosy in the short term.

PORTFOLIO ACTIVITY

Argosy's portfolio has delivered stable performance with positive movements offsetting the negatives, underlining the value of a well-diversified portfolio. Although the leasing market is continuing to present challenges, enquiry levels recently have been encouraging.

Argosy's property management team actively manages property assets and tenant relationships. With the largest tenant in the portfolio representing only 3.3% of total income, the returns to shareholders would not be profoundly affected by any single tenancy termination or failure. While this means that there are a large number of lease transactions to complete in the next two years, the Company has been able to achieve solid tenant retention figures.

Occupancy

At year end, the occupancy within the portfolio was 94.1% by rental. This is an area of real opportunity for Argosy. Management remains focused on improving the occupancy profile of the portfolio and on addressing leases that are coming up for expiry.

Leasing

During the year, 60 lease transactions were completed (excluding car parks). This comprised 38 new leases and 22 renewals or lease extensions. The weighted average lease term (WALT) at 31 March 2012 was 4.77 years (2011: 4.92 years).

Capital projects

Major refurbishment projects are well under way at Argosy's two largest Wellington office towers, Te Puni Kokiri (143 Lambton Quay) and TSB Tower (46 Waring Taylor Street). New leases have been agreed with the key tenants – Te Puni Kokiri and the Department of Internal Affairs. With constrained growth from the government sector potentially reducing the relative contribution of the Wellington office portfolio, the new leases were especially important in securing this sector of the portfolio.

Divestments

Fifteen properties were sold during the year, realising $56 million which was in line with book value. At 31 March 2012, the Company had a portfolio of 65 properties worth $905m.

The sale of the underperforming Porirua retail centre at a price 6.2% above book value was significant in improving our portfolio quality. This property had a higher risk of vacancy and would have required over $6 million of capital expenditure had it been retained. The changes in the catchment area as a result of roading and other economic effects lowered the projected growth profile of the asset.

Over the past three years, Argosy has gradually realigned its investment focus away from many provincial locations, as these carry a heightened risk profile in periods of constrained economic activity. Instead, the Company has increased the concentration of assets in the Auckland area. This reflects the lesser risk profile of Auckland in terms of both longer-term tenant demand and the size of the prospective buyer market, if and when asset sales are desired.

One of the strengths of Argosy's portfolio during the global financial crisis has been the liquidity available through the lower average value of assets. This is illustrated by the Company's ability to carry out asset sales rather than raise capital in a weakened market. Argosy will maintain a number of assets in a liquid price range to retain this flexibility. Following on from the sale of vacant land and under-yielding assets, sales will be driven by normal asset management activity.

Active management of property assets and tenant relationships has kept the risk profile of the Argosy property portfolio low.

Development

Argosy obtained full ownership of the Manawatu Business Park (MBP) project in November 2010. The project works are now substantially complete. In April 2011, Argosy sold investment properties to the value of $8.6 million in this business park. A further $25.4 million of vacant land is under either contract for sale or option, with settlements ranged progressively over the next three years.

A final price adjustment for development of the MBP is to take place following the completion of subdivision works and the issue of titles. This caters for any potential changes to final costs of the subdivision work. If payment is required from either Argosy or the former joint venture partner following the adjustment, this is to take place at valuation by an exchange of land which is held as security.

One of the outstanding subdivision costs affecting the final price adjustment is the calculation and payment of development levies to the Palmerston North City Council. The final calculation of development levies will have a significant effect on the overall calculation of subdivision costs. The level of the development levies is currently the subject of discussion and negotiation with the Palmerston North City Council.

Christchurch property

Argosy owns one Christchurch industrial property at 8 Foundry Drive, Woolston. One of the two cold stores and the warehouse portions of this property have been permanently damaged by earthquakes. The Company has insurance in place for the reinstatement cost of these buildings and is in the process of negotiating a final settlement with NZI Insurance. The value of the property has been permanently impaired by $8.45 million, while other income includes $9.94m of estimated insurance proceeds. The residual buildings and land will be marketed for sale.

Valuations

The year end results include the property revaluations as at 31 March 2012. It is pleasing to observe positive revaluation results for the second year running. The revaluation gain in the year ending 31 March 2012 was $3.7 million, compared to $2.1 million in 2011. In a number of instances, the results demonstrate incremental value additions to the portfolio achieved through the Company's active management approach.

Seismic ratings

All Wellington assets have been subject to an initial assessment by structural engineers and none have been identified as a risk. Minor works are required to achieve a 70% rating for two buildings (Stewart Dawson Corner and 180 - 202 Hutt Road, Kaiwharawhara). Initial assessments will be completed within six months on all Auckland properties.

OUTLOOK

The property market continues to be challenging. However, enquiry levels are more solid and there are encouraging signs of ongoing improvements in occupancy and rental growth. Following divestments during the year with a focus on lower-yielding assets, the property portfolio is more robust and of better quality than it was a year ago, and the Company is well positioned to move forward in the year ahead.

I wish to thank the team at Argosy for their hard work and dedication over the past 12 months. Despite sometimes difficult circumstances, they excelled.

Peter Mence
Chief Executive Officer, Argosy Property Limited

The Board of Directors (the Board) has overall responsibility for the management of Argosy.

The Board reviews all aspects of portfolio, asset and financial management strategy, formulates and reviews compliance programmes, and approves transactions and capital expenditures. Argosy's performance against budget is monitored by the Board, as is the performance of the responsibilities delegated by the Board to various parties.

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

MICHAEL SMITH
Chairman

Mr Smith was employed by Lion Nathan Limited for 29 years. During that time, he held a number of senior executive positions with the Lion Nathan Group and was a Director of the parent company for 16 years. Mr Smith is a Director of a number of public and private companies, including Hauraki Private Equity No. 2 Fund and Maui Capital Limited. Mr Smith is also Chairman of The Lion Foundation. His previous directorships include Lion Nathan Limited, Fonterra Co-operative Group Limited, Auckland International Airport Limited, OnePath Holdings (NZ) Limited and Fisher & Paykel Healthcare Corporation Limited.

PETER BROOK
Director

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

MARK CROSS
Director

Mr Cross has over 20 years' experience in investment banking, specialising in mergers and acquisitions in New Zealand, Australia and more recently the United Kingdom. He is currently a Director of MFL Mutual Fund Limited and Superannuation Investments Limited, as well as a number of other private companies. He is a member of the New Zealand Institute of Chartered Accountants.

ANDREW EVANS
Director

Mr Evans is highly experienced in commercial real estate and asset management, having held the position of Managing Director of ING Property Trust Managment Limited for four years until stepping down in 2007. Mr Evans is a Director of Vital Healthcare Management Limited, Holmes Group Limited and Holmes Fire & Safety Limited. In addition, Mr Evans is a past National President of the Property Council of New Zealand and a foundation member of the New Zealand Property Institute.

TREVOR SCOTT
Director

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

Image (from left): Trevor Scott, Peter Brook, Mike Smith, Mark Cross and Andrew Evans

Our people are an integral part of our business.

The Argosy team is made up of eleven well-qualified and experienced property professionals who perform at the highest level in the industry. They are supported by an equally committed and competent finance and accounting staff of nine.

PETER MENCE
Chief Executive Officer

Peter's property career spans over 30 years working with firms such as Progressive Enterprises, Challenge Properties, Green & McCahill and CB Richard Ellis. An engineer by background, Peter joined OnePath (NZ) Limited in 1994 and was appointed General Manager of Argosy Property in 2007. He has been an integral part of the management of Argosy since 2003 and is responsible for overall performance. Peter is a Fellow of the New Zealand Property Institute and a past lecturer in Advanced Property Management at The University of Auckland.

DAVE FRASER
Chief Financial Officer

Dave joined the team in 2011 and oversees the financial and corporate activities of the Company. Dave has 25 years' experience in senior financial and general management roles, both in New Zealand and overseas including six years in Japan as a Senior Vice President/ Corporate Officer with Jupiter Shop Channel – a subsidiary of the Jupiter Programming Group. Dave has considerable experience in strategic and operational planning, business development and mergers and acquisitions. Dave has BCom and MBA degrees from The University of Auckland and is a Chartered Accountant.

DAVID SNELLING
Company Secretary

David joined Argosy late in 2011 after holding legal roles at Russell McVeagh, Kensington Swan, BDO and Inland Revenue. A qualified lawyer, David graduated from Victoria University with LLB (Hons) and BCA degrees. David is responsible for managing corporate compliance and providing legal support to the property management team.

SCOTT LUNNY
Financial Controller

Scott has been with Argosy Property Limited since July 2006 and has over 14 years' experience in the banking, managed funds and property industries. Prior to joining Argosy, Scott spent two years working for various fund managers in the United Kingdom and five years in the managed funds division of ING New Zealand. Scott is a Chartered Accountant and has a Bachelor of Business Studies degree as well as a postgraduate Diploma in Business and Administration, majoring in Finance. Scott is responsible for the financial and management reporting and budgeting functions of the Company.

Image (from left): Tony Frost, Marilyn Storey, David Snelling, Peter Mence, Saatyesh Bhana, Scott Lunny, Dave Fraser and Warren Cate

WARREN CATE
Asset Manager

Warren is responsible for a wide variety of properties in the Argosy portfolio. In addition to strategic management and financial performance accountabilities, Warren's extensive property industry experience is utilised to good effect in the investigation and analysis of many of our property acquisition initiatives. After graduating from The University of Auckland with a Bachelor of Engineering degree, Warren has held a wide variety of roles in the industry for over 20 years, including a property general management position at Magnum Corporation. Warren joined the team in 1995, making him one of its longest-serving members.

TONY FROST
Asset Manager

Tony's extensive property career includes a wide variety of property and development management roles in private and public sector entities.

Tony joined the team in 2007 and has responsibility for a varied portfolio of Argosy's properties. In addition to strategic management and financial performance accountabilities, Tony is particularly effective at investigating and analysing development projects, using his extensive property industry experience to enhance many of our portfolio initiatives.

Tony has a Diploma in Valuation from The University of Auckland, is a Registered Valuer and a member of the Property Management Institute.

SAATYESH BHANA
Asset Manager

Saatyesh is responsible for the strategic management and financial performance of a portfolio of properties predominantly located in the Wellington region.

Saatyesh began his property career in his home town of Wellington 15 years ago, and has worked with a wide variety of private sector and listed property businesses. Joining in 2005, initially as cover for parental leave, Saatyesh has been a valuable addition to the Argosy team.

Saatyesh graduated from Massey University in 1996 with a BBus degree, specialising in Valuation and Property Management.

MARILYN STOREY
Asset Manager

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

Marilyn is responsible for a mix of properties across our portfolio, including development work. On top of her excellent experience, Marilyn is also well qualified with a MBA and Bachelor degrees in both property and commerce. Marilyn joined Argosy after operating her own property project consulting business.

Argosy Property Limited's portfolio is well positioned for the Company to take advantage of a recovering market.

PORTFOLIO STATISTICS

	TOTAL PROPERTIES	COMMERCIAL	INDUSTRIAL	RETAIL
Number of Buildings	65	16	37	12
Market Value of Assets ($m)	$905.25	$255.25	$329.53	$320.47
Net Lettable Area (sqm)	463,656	81,506	249,423	132,727
WALT (years)	4.77	3.53	4.80	5.85
Average Value ($m)	$13.93	$15.95	$8.91	$26.71
Passing Yield	8.02%	9.03%	7.25%	8.00%
Vacancy (by rent)	5.93	7.14	8.84	1.87

Following the Company's long-term strategy, the portfolio continues to be fine-tuned with a number of divestments, moving the portfolio closer to the optimal property mix.

At the same time, the Company is actively managing current leases to meet tenant requirements, negotiating renewals and securing new lease contracts. Working closely with current and potential tenants creates opportunities to ensure occupancy levels are high and lease terms long.

In the Wellington commercial market, Argosy secured two major renewals over the last year. In Auckland, reduced supply is expected to have a positive effect on commercial rentals. The industrial sector is stable and the signal from retail is that more activity can be expected.

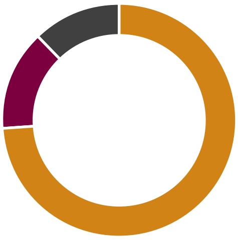
INVESTMENT POLICY

Argosy's policy is to invest primarily in a diversified portfolio of good quality, well-tenanted properties. The weight of the portfolio is being centred in Auckland and Wellington, with limited exposure in provincial areas. Vacant land, where there is no income generated, is targeted to not exceed 5% of the Company's portfolio by value. The aim is to grow income through active management of the portfolio.

TOTAL PORTFOLIO VALUE
BY SECTOR

35% Retail
28% Commercial
37% Industrial

TOTAL PORTFOLIO VALUE
BY REGION



74% Auckland
14% Wellington
12% Regional

AUCKLAND PORTFOLIO VALUE
BY AREA

31% North
12% South
32% Central
6% West
19% East

OCCUPANCY, LEASING AND WALT

Improving occupancy presents Argosy with a real opportunity to drive profitability.

Despite the challenging economic conditions of recent years, the Company achieved a high level of capacity utilisation, relative to the broad property market, with an occupancy level by rental of 94.1% at year end and a weighted average lease term (WALT) of 4.77 years. Occupancy will continue to be a primary focus for Argosy, as portfolio values are fundamentally affected by the weighted average lease term and projected incentive levels.

The weighted average lease term across the various portfolio sectors is represented in the chart on page 20.

During the year, 60 lease transactions were completed (excluding car parks), including 22 renewals or lease extensions and 38 new leases. A total of 84 rental reviews were completed resulting in an increased annual rental of $1,073,650.

Leasing successes since balance date have further improved this position and negotiations on many expiring leases are already well advanced.

VALUATIONS

The property portfolio was revalued at year end and this resulted in an increase in value of $3.7 million.

Over the last year, 15 properties were sold with a view to improving the positioning of the Argosy portfolio. Most notably, the Porirua retail centre was sold at 6.2% above book value.

NEW LEASES AND LEASE EXTENSIONS
BY SECTOR

	Floor Area (sqm)	Average Lease Term (years)
Commercial	11,027	3.22
Industrial	63,973	4.98
Retail	10,714	0.42
Total	85,714	4.65

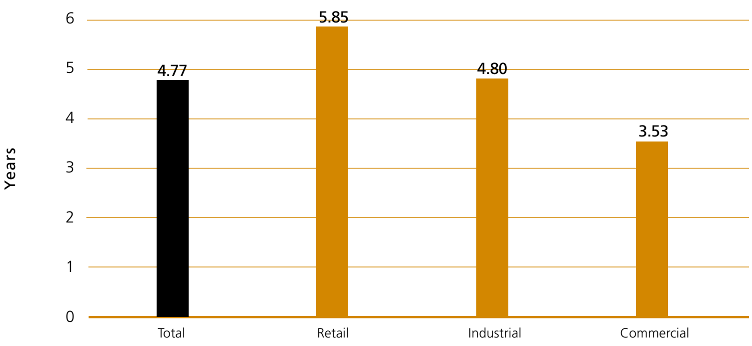
NEW LEASES AND LEASE EXTENSIONS
BY TYPE

	Floor Area (sqm)	Average Lease Term (years)
New lease	54,579	1.43
Right of renewal	25,185	8.00
Extension	5,950	1.14
Total	85,714	4.69

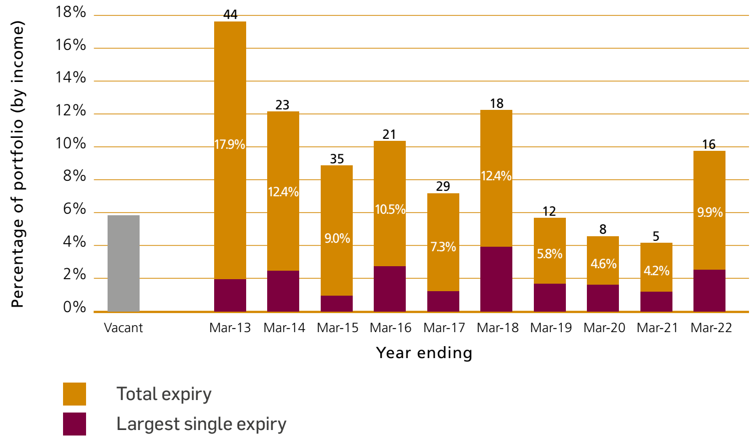
RENT REVIEWS
BY SECTOR

	Number of Reviews	Annualised Rent Increase	Increase over Contract
Commercial	29	2.8%	$233,128
Industrial	16	3.2%	$419,003
Retail	39	1.2%	$421,519
Total	84	2.3%	$1,073,650

WALT HOLDING
BY SECTOR



LEASE MATURITY EXPIRY BY RENT
AS AT 31 MARCH 2012



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

RETAIL

The sector is heavily impacted by the domestic economy and the slow-down in retail spending has been felt by the retail sector for some time. While the retail sector continues to face challenges, the expectation for 2012 is for improved activity and rental rates, particularly with bulk retail centres.

Tenant trading turnover levels during the Christmas period were stronger than expected. Overall annual retail sales to December were 8% up on last year and 2.2% up for the quarter. The top performers were in footwear, followed by DIY and clothing.

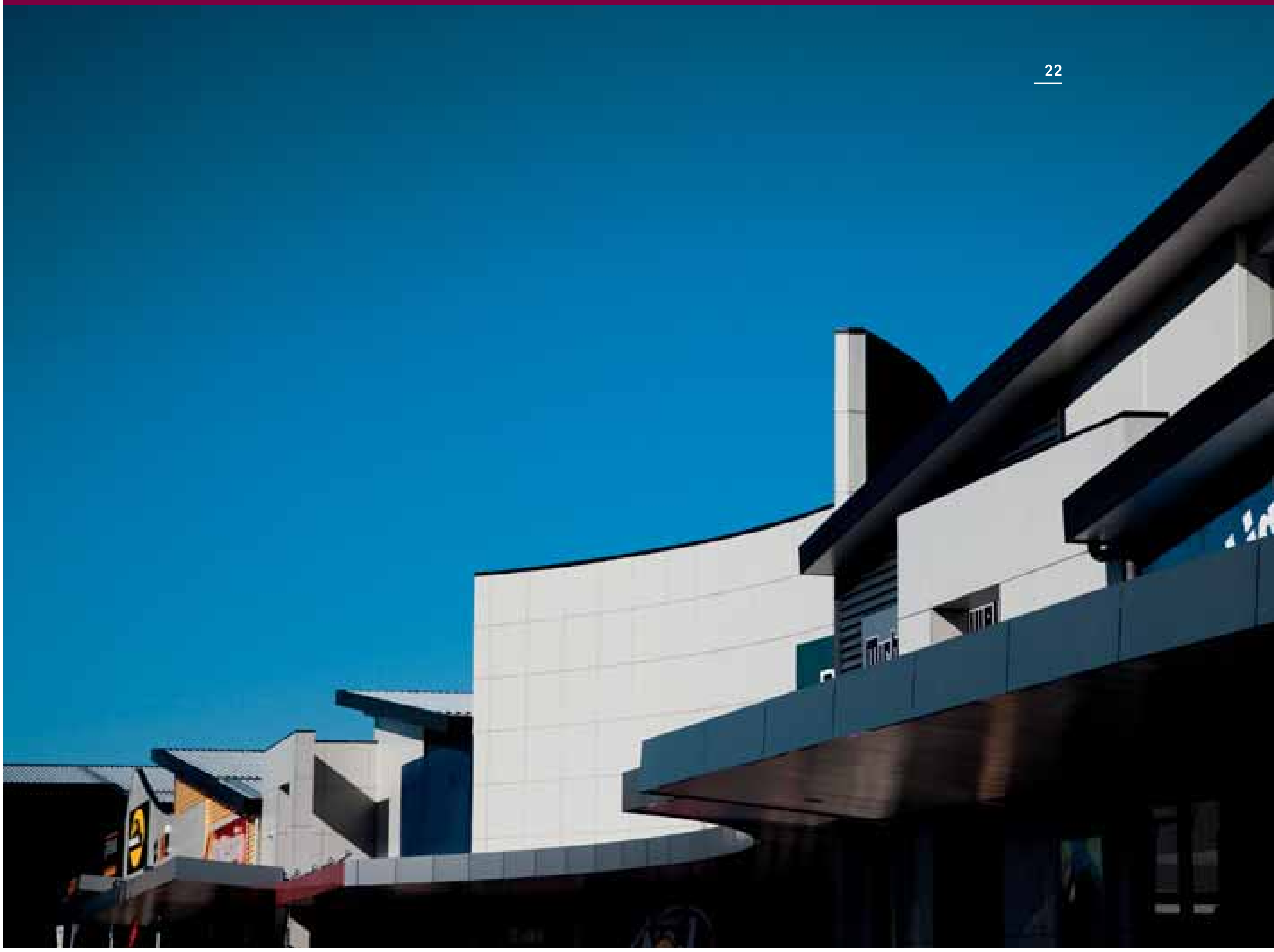
During the weaker retail periods, Argosy has restructured a number of leases. In the short term, this reduced rental income in some locations. As the market improves, a commensurate increase in rental income levels is expected, which should impact positively on future revaluations.

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

- Improving enquiry levels.
- Soft tenant rental expectations.
- Importance of tenant due diligence, with a quality focus.
- Increasing investor demand.

Following a significant revision of the tenancy mix, the Waitakere Mega Centre is now fully let. It is performing extremely well and demand for space from tenants exceeds the available supply.

Property Address	Valuation $000s	Weighted Average Lease Term (years)	Net Lettable Area (sqm)	Vacant Space (sqm)	Passing Yield	Major Tenant
Auckland						
Waitakere Mega Centre	$40,200	5.70	18,028	–	9.16%	Coles Myer New Zealand Holdings Ltd
28–30 Catherine Street, Henderson	$5,790	5.37	2,427	–	8.47%	Appliance Shed Ltd
Albany Mega Centre, Albany	$79,100	5.00	24,503	–	8.01%	Farmers Trading Co Ltd
320 Ti Rakau Drive, East Tamaki	$35,700	5.47	26,669	585	8.55%	Bunnings Ltd (Retail)
The Homemakers Centre, Albany (E1–E3 incl freehold land)	$74,425	8.25	25,035	504	6.87%	Mitre 10 New Zealand Ltd
7 Wagener Place, St Lukes	$22,200	5.07	7,056	–	8.56%	The Warehouse Ltd
39 Cavendish Drive, Manukau City	$14,600	0.84	8,171	–	8.25%	The Warehouse Ltd
Taupo						
Cnr Taniwha and Paora Hape Streets	$7,800	9.99	4,187	–	8.58%	The Warehouse Ltd
Palmerston North						
Main Street, Palmerston North	$2,450	–	2,340	2,340	–	Vacant
Wellington						
Stewart Dawsons Corner	$16,100	6.23	1,752	–	8.15%	Foot Locker New Zealand Inc
180–202 Hutt Road, Kaiwharawhara	$8,450	6.37	6,019	–	8.54%	Fletcher Distribution Ltd
Porirua Mega Centre, 2–10 Semple Street, Porirua	$13,650	4.84	6,540	–	8.36%	Smiths City (Southern) NZ Ltd
	$320,465	5.85	132,727	3,429	8.00%	



RETAIL PORTFOLIO
STATISTICS

NUMBER OF BUILDINGS

12

MARKET VALUE OF ASSETS ($M)

$320.47

VACANCY FACTOR (BY RENT)

1.87%

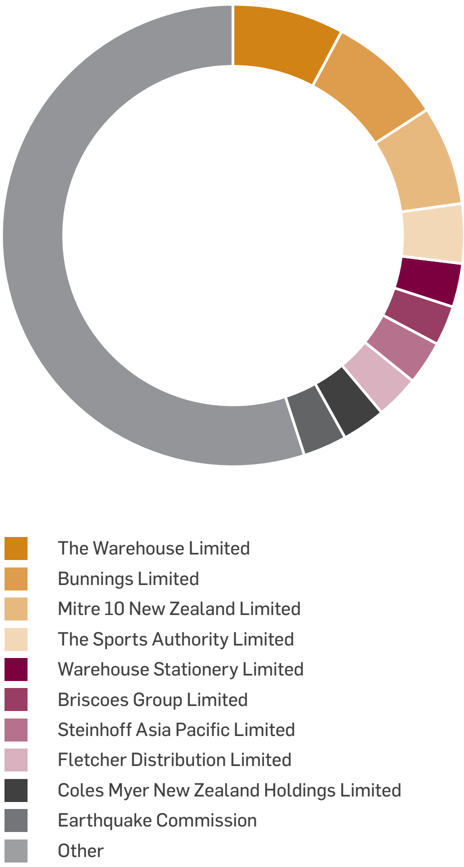
WALT (YEARS)

5.85

PASSING YIELD

8.00%

TOP 10 RETAIL TENANTS
BY PERCENTAGE OF RENTAL INCOME



COMMERCIAL

The year has been characterised by the cancellation and deferral of new development projects. This has reduced the projected supply of new space to the market. Combined with surprisingly positive net absorption levels, the office market has a somewhat brighter future than had previously been suggested.

Lease enquiry levels since Christmas remain higher than they were last year and the Argosy asset management team has presented a large number of proposals to tenants. Many of these will inevitably be tenants who have little real intention of relocating and only enquire to apply pressure to their existing landlord. However, a degree of success is already evident, with post balance date leasing activity improving the portfolio occupancy rate.

Tenants appear to be increasingly concerned with the presentation of premises, and a greater focus on upgrading premises and entry areas has improved tenant interest.

Current enquiry continues to be dominated by smaller domestic businesses rather than international corporates. A number of enquiries from potential tenants who are considering leasing more space than they currently occupy gives a strong indication that some of the excess capacity in the market has been filled.

The absorption in the Wellington market is reducing as a result of current government policy, lowering projections for rental growth. At the same time, insurance costs in the city increased significantly. This had a real impact, given that most tenants in this market have gross leases under which the owner is responsible for all building costs. All these factors conspired to lower current returns and reduce values in Wellington.

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

- Reduction in proposed new supply in Auckland, largely due to the decision by ANZ not to build a new building downtown.
- Positive but weak net absorption.
- Fringe demand remains relatively soft.
- The beginnings of demand for increased space.
- Tenants are more discerning of premise quality.
- Yields have firmed due to the improved leasing market and increased confidence.

The year ahead may see some office stock removed from the market for conversion to other uses, e.g. residential or entertainment and leisure. In addition, the impact of the heightened awareness of structural integrity in the event of an earthquake will be most obvious in this sector.

Property Address	Valuation $000s	Weighted Average Lease Term (years)	Net Lettable Area (sqm)	Vacant Space (sqm)	Passing Yield	Major Tenant
Auckland						
99–107 Khyber Pass Road	$5,700	2.24	2,463	931	6.19%	Franklin Plumbers & Builders Supplies Ltd
8 Pacific Rise, Mt Wellington	$10,300	3.08	3,638	373	8.58%	AsureQuality Ltd
Old City Markets, 39 Market Place	$32,500	8.00	10,647	2,546	7.95%	National Institute of Water and Atmospheric Research
105 Carlton Gore Road, Newmarket	$21,700	2.64	5,311	–	9.45%	Tonkin & Taylor Ltd
56 Cawley Street, Ellerslie	$11,600	2.34	5,402	1,246	9.24%	James & Wells
302 Great South Road, Greenlane	$6,000	5.69	1,890	–	8.59%	McDonalds Restaurants (NZ) Ltd
308 Great South Road, Greenlane	$4,475	3.58	1,571	–	6.97%	Pacific Brands Holdings (NZ) Ltd
626 Great South Road, Ellerslie	$6,650	2.75	2,647	766	7.36%	International Accreditation NZ
25 Nugent Street, Grafton	$6,850	5.71	3,028	1,091	5.60%	Schindler Lifts NZ Ltd
65 Upper Queen Street	$6,425	2.74	2,612	–	10.48%	Two Degrees Mobile Ltd
107 Carlton Gore Road, Newmarket	$20,300	1.14	6,136	–	9.73%	Arawata Assets Ltd
Citigroup Centre, 23 Customs Street East	$33,600	1.86	9,544	–	9.54%	Citibank Group/USA Embassy
IBM Centre, 82 Wyndham Street	$21,600	1.42	6,154	426	9.97%	IBM New Zealand Ltd
Wellington						
143 Lambton Quay	$21,500	6.80	6,216	–	8.35%	Te Puni Kokiri
46 Waring Taylor Street	$33,100	4.77	9,015	–	9.22%	Department of Internal Affairs
Manpower House, 8–14 Willis Street	$12,950	1.23	5,232	–	12.06%	Earthquake Commission
	$255,250	3.53	81,506	7,379	9.03%	

COMMERCIAL PORTFOLIO
STATISTICS

NUMBER OF BUILDINGS
16

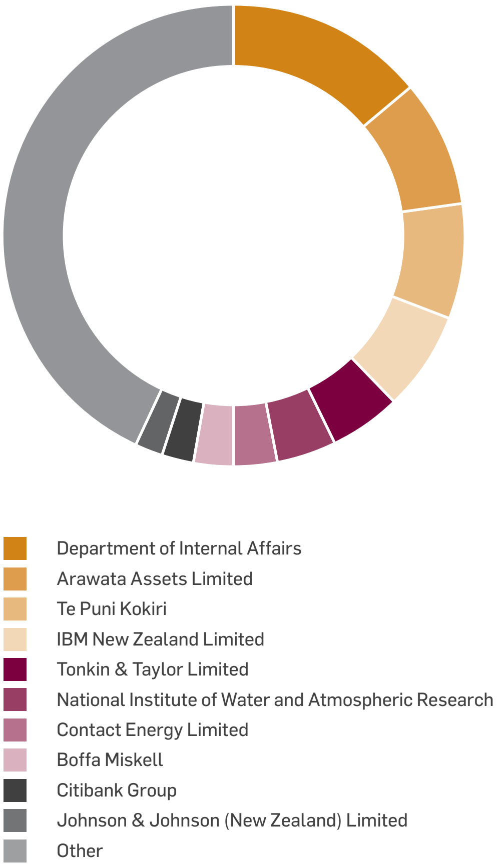
MARKET VALUE OF ASSETS ($M)
$255.25

VACANCY FACTOR (BY RENT)
7.14%

WALT (YEARS)
3.53

PASSING YIELD
9.03%

TOP 10 COMMERCIAL TENANTS
BY PERCENTAGE OF RENTAL INCOME



INDUSTRIAL

Over the past year, industrial rents in the market have remained stable despite a continuing decline in vacancy levels. This rental inertia has resulted in relatively flat revaluations for this sector across the Argosy portfolio. Prime industrial yields have firmed slightly, with some flow-on effect to yields for secondary property.

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

- Solid net absorption in Auckland.
- Increasing owner-occupier activity, particularly in light of low interest rates.
- Strong investor demand for well-leased property.
- Continued light enquiry in manufacturing.
- New supply proposals in the market.

The industrial market has shown a moderate level of enquiry towards the end of last year, but leasing commitment has been challenging to secure. We expect this to continue for the next quarter, although better results are expected in the latter part of 2012.

INDUSTRIAL PORTFOLIO STATISTICS

NUMBER OF BUILDINGS
37

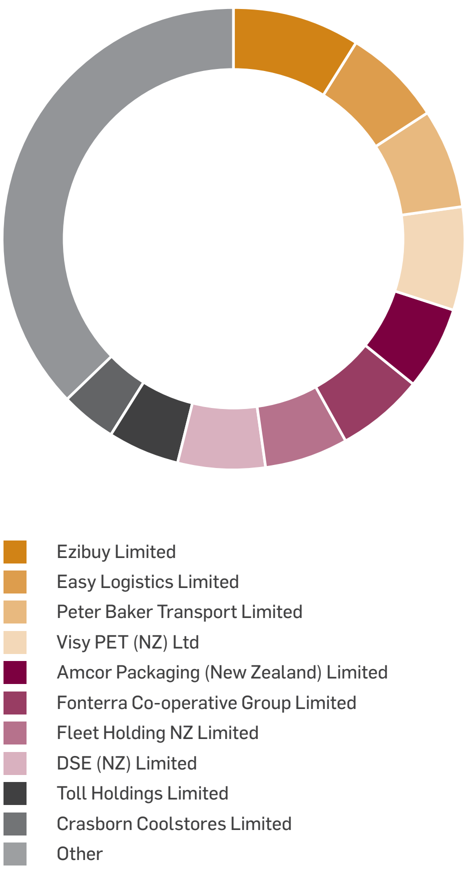
MARKET VALUE OF ASSETS ($M)
$329.53

VACANCY FACTOR (BY RENT)
8.84%

WALT (YEARS)
4.80

PASSING YIELD
7.25%

TOP 10 INDUSTRIAL TENANTS BY PERCENTAGE OF RENTAL INCOME



Property Address	Valuation $000s	Weighted Average Lease Term (years)	Net Lettable Area (sqm)	Vacant Space (sqm)	Passing Yield	Major Tenant
Whangarei						
Rewarewa Road, Whangarei	$11,370	9.94	10,117	–	9.26%	Toll Holdings Ltd
Auckland						
67 Dalgety Drive, Manukau City	$4,100	5.00	3,698	–	8.66%	RLA Polymers Pty Ltd
90–104 Springs Road, East Tamaki	$3,190	0.42	3,875	–	9.06%	Goodyear Dunlop Tyres (NZ) Ltd
Cnr William Pickering Drive and Bush Road	$6,900	0.08	4,862	4,394	0.69%	Sealegs International Ltd
Forge Way, Panmure	$12,000	1.46	4,231	–	11.39%	Fleet Holding (NZ) Ltd
10 Transport Place, East Tamaki	$21,750	12.18	10,818	–	8.55%	Easy Logistics Ltd
1 Rothwell Avenue, Albany	$11,840	1.55	10,760	1,772	7.37%	Complete Entertainment Services Ltd
211 Albany Highway, Albany	$15,750	1.25	14,703	–	9.44%	Amcor Packaging (New Zealand) Ltd
4 Henderson Place, Onehunga	$11,200	3.17	10,417	–	9.07%	Redeal Ltd
1–3 Unity Drive, Albany	$8,100	3.42	6,204	–	8.48%	Alto Packaging Ltd
5 Unity Drive, Albany	$4,100	4.00	3,046	–	8.54%	Sealegs International Ltd
80 Springs Road, East Tamaki	$8,490	1.00	9,865	–	9.44%	Fisher & Paykel Appliances Ltd
9 Ride Way, Albany	$15,200	4.79	8,459	–	7.34%	Amcor Packaging (New Zealand) Ltd
1 Allens Road, East Tamaki	$2,850	2.92	1,900	94	7.89%	New Zealand Couriers Ltd
2 Allens Road, East Tamaki	$3,450	2.33	2,920	–	8.11%	Henkel New Zealand Ltd
12 Allens Road, East Tamaki	$2,300	–	2,372	2,372	–	Vacant
106 Springs Road, East Tamaki	$4,250	2.20	3,986	–	8.62%	Henkel New Zealand Ltd
5 Allens Road, East Tamaki	$2,500	0.67	2,664	–	9.26%	Thermo Fisher Scientific New Zealand Ltd
960 Great Sth Road, Penrose	$4,270	3.00	3,676	–	8.27%	Gough, Gough & Hamer Investments Ltd
Mayo Road, Wiri, Auckland	$16,250	6.02	13,351	–	8.20%	DSE (NZ) Ltd
Cnr William Pickering Dr and Rothwell Ave	$8,500	2.09	7,074	–	8.69%	Electrix Ltd
19 Richard Pearse Drive and 26 Ascot Ave	$5,900	5.04	3,619	371	5.75%	Freight Plus Ltd
12–16 Bell Avenue	$12,650	–	14,809	14,809	–	Vacant
18–20 Bell Avenue	$8,800	9.00	8,428	–	9.40%	Peter Baker Transport Ltd
32 Bell Avenue	$8,500	9.08	8,639	–	9.08%	Peter Baker Transport Ltd
Wagener Place	$10,500	5.00	5,297	–	5.20%	Argosy Unit Holdings Ltd
Palmerston North						
239 Railway Road	$4,180	6.03	3,829	–	10.86%	Valor Ideal Ltd
Lot 24 El Prado Drive	$21,200	3.92	24,656	–	10.48%	Ezibuy Ltd
3 El Prado Drive	$1,010	5.67	1,325	–	8.64%	Budget Plastics Ltd
Lot 13 Neil Lane	$3,060	1.25	3,232	–	9.31%	Fonterra Co-operative Group Ltd
57 Valor Drive	$2,700	4.91	1,780	–	8.11%	Vestas New Zealand Wind Technology Ltd
North East Industrial Park	$33,729	–	–	–	–	Vacant Land
Napier/Hastings						
1 Pandora Road, Napier	$8,680	1.33	18,431	–	10.36%	Fonterra Co-operative Group Ltd
1478 Omahu Road, Hastings	$8,915	1.33	8,515	–	11.82%	Crasborn Coolstores Ltd
Wellington						
Cnr Wakefield, Taranaki and Cable Streets	$12,800	11.49	3,307	–	7.08%	BP Oil New Zealand Ltd
205–221 Wakefield Street	$4,500	–	1,460	–	–	Tournament Parking Ltd
Christchurch						
8 Foundry Drive	$4,050	7.00	3,098	–	11.47%	Polarcold Stores Ltd
	$329,534	4.80	249,423	23,812	7.25%	

The core strategic focus for Argosy Property Limited remains risk mitigation, debt reduction and portfolio positioning for the future.

Risk mitigation is achieved through maintaining a diversified, quality portfolio and through active management of tenant relationships.

The largest tenant in the portfolio is the Department of Internal Affairs, which accounts for only 3.3% of gross property rental. As a result, the expiry of a lease or the failure of any tenant will not result in a significant reduction in rental income for Argosy.

Discerning stock selection and active management of tenant relationships translates directly into shareholder returns and reduced risk levels. A key focus area in the next 12 months will be to increase occupancy levels. This represents a real earnings opportunity for Argosy.

Argosy is very focused on maintaining a diversified portfolio of quality properties that keeps the average property value across the portfolio at $10-20 million. Having these relatively liquid assets enables the Company to react quickly to changing market conditions without the need for potentially dilutive capital raisings when the market is weak.

DEBT REDUCTION

The strength of Argosy's particular portfolio of properties has been clearly demonstrated over the years since the global financial crisis hit.

Argosy has managed lending covenants by selling property, thus avoiding the need for expensive capital raising to the detriment of shareholders who could have found participation difficult or impossible. With stability in property values returning to the market over the last two years, it is expected that Argosy will be less active in property sales.

The Company's aim is to reduce the debt-to-total-assets ratio to under 40% in the medium term. Selling property in the current market can potentially dilute earnings, so the immediate strategy for reducing debt levels will be through divesting vacant land or under-yielding assets.

PORTFOLIO POSITIONING

Ideally, the portfolio must be positioned to deliver strong and reliable returns to Argosy shareholders – an aim which can be best achieved through well-located and well-managed property investments. This requires a thorough understanding of any potential changes in tenant requirements, so that properties can be altered to meet those requirements or, alternatively, be sold and replaced if making the necessary changes would be uneconomic.

An increasingly important factor in property investment, both domestically and globally, is the requirement for environmentally sustainable and energy-efficient design. *(See the case study on page 30.)*

The Argosy asset management team has extensive experience to ensure that the appropriate decisions are made in the management of the portfolio. It is essential to manage tenancy relationships to ensure that tenants are treated appropriately and that any opportunities to add value or security of lease income are realised.

Argosy will continue to maintain a well-balanced, diversified portfolio by sector. The Company will also continue to carefully monitor regional assets to ensure that there is opportunity for rental growth.

Argosy targets the acquisition of individual properties having a value between $10 million and $100 million, provided the average value across the portfolio remains at the targeted levels. The Company will also consider larger portfolio and corporate acquisitions and properties that have strategic benefit and are accretive to shareholders.

Argosy Property Limited recognises that certain natural resources are finite and must therefore be used responsibly.

As a business, we are committed to managing our impact on the environment and believe that we have an important role to play in contributing to sustainable development.

Within our Argosy offices, we make small but meaningful contributions such as ensuring that all recyclable goods are recycled and paper wastage is at a minimum. However, it is in our business approach and practices that our environmental care finds its strongest expression.

OUR BUILDING MANAGEMENT POLICY

As a responsible investor, Argosy is keen to ensure that each of our investments includes initiatives to enhance environmentally sustainable features in the strategic plan for each individual building. For us, the initiative to produce environmentally responsible developments is a fundamental requirement of any project, be it a new development or a retrofit.

This approach brings the benefits that it:

- Reduces operating costs.
- Provides a better environment for the occupants.
- Mitigates the functional obsolescence of an investment.
- Increases tenant demand for our buildings with an accompanying increase in our property values.

We are committed to finding innovative and better ways of making our new and existing buildings more environmentally sound.

To date, these initiatives include harvesting rainwater for reuse, installing bicycle racks to encourage the use of this environmentally friendly form of transport and bringing the operation of services such as lifts and air conditioning in line with green operating standards.

For us, the initiative to produce environmentally responsible developments is a fundamental requirement of any project.

"By working with Argosy, we are maximising the best solutions available, which will benefit both parties in the years to come."

– Murray McLeod, Te Puni Kokiri

CASE STUDY
TE PUNI KOKIRI, 143 LAMBTON QUAY, WELLINGTON

BACKGROUND

This building on Lambton Quay was originally built in the 1930s. In 1988, it was significantly redeveloped, with three new floors added. Nearly 25 years later, a further upgrade was required. Argosy has used this opportunity to enhance the sustainability characteristics of this heritage building, bringing it firmly into the 21st century.

APPROACH

As an investment company, Argosy took a longer-term view than a developer would. We established the project goals in consultation with the tenant, Te Puni Kokiri. The parties agreed to focus on energy efficiency, while, at the same time, providing Te Puni Kokiri with a premium working environment. This partnership approach has allowed Argosy to provide the benefits of a new building together with the character of the existing building, at a competitive rental.

The project includes replacement of all building service technology with a new building management system that controls all service functions to achieve maximum efficiency of operation.

FEATURES

New features in the building include:

- Upgraded air conditioning.
- Heat-reclaim technology.
- Auto-responsive local control units.
- Energy-efficient lighting with automatic switch-off if rooms are empty.
- Environmentally friendly ceiling and floor tiles.

The previous air-conditioning system used conventional chillers to provide cold water to the air-conditioning units. In this process, the chillers discharged heat into the atmosphere. The new energy-efficient chiller features heat-reclaim technology that captures the heat that was previously lost into the atmosphere. This heat is then used to boost the water temperature in the boiler system. To make best use of this technology, the old boiler has been replaced with three smaller, energy-efficient condensing boilers.

Local control units have been installed in the ceiling space with new air diffusers fitted in the ceiling grid. These control units respond differently depending on whether a room or space is occupied, automatically going into economy mode when the area is unoccupied. The fans in these control units can run at variable speeds, changing automatically according to the demand in that room.

New energy-efficient light fittings with high light dispersion provide an even level of illumination across the floor. Lights along the perimeter of the building are controlled with daylight sensors. When it is bright and sunny outside and sufficient natural light is coming through the windows, these peripheral lights dim to save electricity. The lights in the open-plan areas and corridors are typically controlled by occupancy sensors.

A new suspended ceiling grid and acoustic tiles have been installed; they absorb sound and reflect light, providing a light and open feel to the space. All ceiling and floor tiles were selected not only for their aesthetics and functionality, but also for their environmental credentials.

RESULT

Based on one completed floor, the indications are that an 18% reduction in energy use will be achieved.

The Te Puni Kokiri project meets the requirements for a 4-star 'As Built' Green Building Certificate and an application for this certification has been lodged. Unlike an 'As Designed' rating, which pertains only to the characteristics of the design without any consideration of its execution, the 'As Built' rating confirms that the building actually performs as designed, in accordance with the standards prescribed by the New Zealand Green Building Council.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Note	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Non-current assets					
Investment properties	5	905,249	–	948,687	–
Other non-current assets	7	77	745,721	6,067	809,467
Derivative financial instruments	6	790	790	–	–
Investment in subsidiary	29	–	20,000	–	20,000
Deferred tax	22	–	18,297	–	7,836
Total non-current assets		906,116	784,808	954,754	837,303
Current assets					
Cash and cash equivalents		1,285	48	1,339	12
Trade and other receivables	8	16,787	–	3,478	4
Other current assets	9	226	46	124	21
Taxation receivable		4,851	6,805	3,556	6,805
		23,149	6,899	8,497	6,842
Non-current assets classified as held for sale	10	–	–	11,920	–
Total current assets		23,149	6,899	20,417	6,842
Total assets		929,265	791,707	975,171	844,145
Equity holders funds					
Share capital	11	552,322	552,322	545,070	545,070
Hedging reserves	12	(6,903)	(6,903)	(8,958)	(8,958)
Retained earnings/(accumulated losses)	13	(56,973)	(210,388)	(24,380)	(146,975)
Total equity holders' funds		488,446	335,031	511,732	389,137
Non-current liabilities					
Borrowings	15	382,009	382,009	410,874	410,874
Derivative financial instruments	6	37,170	37,170	26,804	26,804
Deferred tax	22	12,584	–	15,420	–
Total non-current liabilities		431,763	419,179	453,098	437,678
Current liabilities					
Trade and other payables	16	6,748	3,051	8,689	4,652
Other current liabilities	17	2,308	34,446	1,652	12,678
Total current liabilities		9,056	37,497	10,341	17,330
Total liabilities		440,819	456,676	463,439	455,008
Total equity holders' funds and liabilities		929,265	791,707	975,171	844,145

For and on behalf of the Board

P Michael Smith
Director

Trevor Scott
Director

Date: 24 May 2012

The notes on pages 36 - 64 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Gross property income from rentals		76,166	–	79,072	–
Gross property income from expense recoveries		13,650	23	12,883	28
Property expenses		(18,606)	(1)	(19,695)	(109)
Net property income	4	71,210	22	72,260	(81)
Recharges charged to subsidiaries		–	30,914	–	29,064
Distribution received from subsidiaries		–	–	–	18,870
Other income	18	9,937	–	594	–
Total income		81,147	30,936	72,854	47,853
Administration expenses	20	7,039	4,660	7,775	7,306
Management contract amortisation and cancellation costs	7	6,037	–	1,317	–
Management rights buy-out		19,978	19,978	–	–
Internalisation related costs		1,705	1,705	–	–
Costs related to unsolicited merger proposal		483	483	–	–
Corporatisation related costs		799	799	–	–
Other expenses	19	8,496	–	–	–
Total expenses before finance income/(expenses) and other gains/(losses)		44,537	27,625	9,092	7,306
Profit before financial income/(expenses) and other gains/(losses)		36,610	3,311	63,762	40,547
Financial income/(expense)					
Interest expense		(31,046)	(31,041)	(29,808)	(29,064)
Loss on derivative financial instruments held for trading		(9,027)	(9,027)	(6,434)	(6,187)
Transfer from hedge reserve		(3,404)	(3,404)	(1,215)	(1,215)
Finance income		251	30	287	13
		(43,226)	(43,442)	(37,170)	(36,453)
Other gains					
Revaluation gains on investment property	5	3,658	–	2,126	–
(Loss)/profit before income tax		(2,958)	(40,131)	28,718	4,094
Taxation (credit)/expense	21	(4,907)	(11,260)	2,032	(3,564)
Profit/(loss) for the year		1,949	(28,871)	26,686	7,658
Other comprehensive income					
Movement in cash flow hedge reserve	12	2,854	2,854	1,165	1,165
Income tax expense relating to other comprehensive income	21	(799)	(799)	(598)	(598)
Total other comprehensive income after tax		2,055	2,055	567	567
Total comprehensive income/(loss) after tax		4,004	(26,816)	27,253	8,225
Profit/(loss) for the year is attributable to:					
Equity holders		1,949	(28,871)	26,335	7,658
Minority interest		–	–	351	–
		1,949	(28,871)	26,686	7,658
Total comprehensive income/(loss) for the year is attributable to:					
Equity holders		4,004	(26,816)	26,902	8,225
Minority interest		–	–	351	–
		4,004	(26,816)	27,253	8,225
All amounts are from continuing operations					
Earnings per security					
Basic and diluted earnings per security (cents)	24	0.35		4.85	

The notes on pages 36 - 64 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Equity holders' funds at the beginning of the year		511,732	389,137	526,594	412,893
Profit/(loss) for the year		1,949	(28,871)	26,686	7,658
Movement in cash flow hedge reserve		2,055	2,055	567	567
Total comprehensive income for the year		4,004	(26,816)	27,253	8,225
Contributions by equity holders					
Issue of securities from Dividend Reinvestment Plan	11	8,066	8,066	6,800	6,800
Issue costs of securities	11	(14)	(14)	(12)	(12)
Redemption of overseas securities	11	(800)	(800)	–	–
Dividends to equity holders	13	(34,542)	(34,542)	(38,769)	(38,769)
Acquisition of non-controlling interest	26	–	–	(10,134)	–
Equity holders' funds at the end of the year		488,446	335,031	511,732	389,137

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Cash flows from operating activities					
Cash was provided from:					
Property income		91,509	–	90,802	–
Interest received		251	30	311	13
Cash was applied to:					
Property expenses		(18,330)	–	(17,456)	–
Management and trustee fees		(3,668)	(3,664)	(5,820)	(5,820)
Interest paid		(30,772)	(30,767)	(28,924)	(28,137)
Close of swaps contracts		–	–	(2,270)	(2,270)
Tax paid		(22)	(2)	(1,494)	–
Employee benefits		(1,587)	–	–	–
Management rights buy-out		(19,978)	(19,978)	–	–
Internalisation related costs		(1,705)	(1,705)	–	–
Costs related to unsolicited merger proposal		(483)	(483)	–	–
Corporatisation related costs		(576)	(576)	–	–
Other expenses		(2,357)	(2,358)	(1,720)	(1,041)
Net cash from/(used in) operating activities	23	12,282	(59,503)	33,429	(37,255)
Cash flows from investing activities					
Cash was provided from:					
Sale of properties		56,258	–	18,005	–
Cash was applied to:					
Capital additions on investment properties		(11,758)	–	(15,553)	–
Purchase of properties		–	–	(33,148)	–
Net cash from/(used in) investing activities		44,500	–	(30,696)	–
Cash flows from financing activities					
Cash was provided from:					
Debt drawdown		38,057	38,057	429,307	429,307
Advances from subsidiaries		–	116,430	–	4,582
Cash was applied to:					
Repayment of debt		(65,912)	(65,912)	(397,972)	(362,682)
Dividends paid to equity holders		(26,420)	(26,475)	(31,905)	(31,990)
Issue cost of securities		(14)	(14)	(12)	(12)
Repurchase of securities prior to corporatisation		(800)	(800)	–	–
Facility refinancing fee		(1,747)	(1,747)	(2,042)	(1,993)
Net cash (used in)/from financing activities		(56,836)	59,539	(2,624)	37,212
Net increase/(decrease) in cash and cash equivalents		(54)	36	109	(43)
Cash and cash equivalents at the beginning of the year		1,339	12	1,230	55
Cash and cash equivalents at the end of the year		1,285	48	1,339	12

The notes on pages 36 - 64 form part of and are to be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

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

On 30 August 2011, Argosy Property Trust's (the "Trust") unitholders approved the internalisation of the management of the Trust by purchasing the management rights from the previous manager, a wholly owned subsidiary of OnePath (NZ) Limited.

On 29 February 2012, APL transitioned from a unit trust to a company after a unitholder vote on 21 February 2012. This transition has had no impact on the financial statements as APL is a continuing entity and the majority of security owners have not changed (unitholders with registered addresses outside New Zealand and Australia redeemed units upon transition). Therefore the comparative information remains unchanged.

These financial statements include those of APL and its subsidiaries (the "Group").

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of measurement

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

Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRSs requires the use of certain critical accounting estimates that affect the application of policies and reported amount of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Note 5 – valuation of investment property
Note 6 – valuation of derivative financial instruments
Note 22 – deferred tax (and taxation in Note 21)

Functional and presentation currency

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

These financial statements were approved by the Board of Directors on 24 May 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The Group's financial statements incorporate the financial statements of APL and its controlled subsidiaries as set out in Note 26. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiaries are included in the consolidated statement of comprehensive income from the date of acquisition which is the date the Company became entitled to income from the subsidiaries acquired. All significant intercompany transactions are eliminated on consolidation.

Acquisition of non-controlling interests

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

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

Investment properties

Investment property is property held either to earn rental income, for capital appreciation or for both. Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

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

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

Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

No internally generated intangible assets are recognised in the Group's financial statements.

Amortisation is recognised on a straight-line basis over an asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Non-current assets held for sale

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

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

Statement of cash flows

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

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

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

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

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Financial Instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the financial instrument within the timeframe established by the market concerned, and are initially measured at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Measurement

Except for derivatives (interest rate swaps), financial instruments are initially measured at fair value plus directly attributable costs. Subsequently these instruments are measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other payables

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

Bank borrowings

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

Fair value estimation

The fair value of interest rate swaps is based on valuation techniques that use market observable inputs. Note 6 of these financial statements provides information on the key observable inputs that management have applied in reaching their estimates of the fair values of interest rate swaps and also provides a sensitivity analysis detailing the potential future impacts of reasonably possible changes in those observable inputs over the next financial period.

The carrying values of the other financial instruments are a reasonable approximation of their fair values.

Derivative financial instruments

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

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

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

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

Hedging

Derivatives (interest rate swaps) are held for risk management purposes as described below. The Company and Group no longer apply hedge accounting. However, the cumulative gains and losses relating to derivatives that were previously designated as effective hedges are recognised in profit or loss when the forecast transactions are ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gains and losses that were previously recognised in equity are recognised immediately in profit or loss.

Financial income and expenses

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

Finance expenses comprise interest expense on borrowings and gains and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Leases

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

The Group as lessor

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

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

In the event that lease incentives are paid to enter into the operating leases, such incentives are recognised as an asset. The aggregate cost of incentives is recognised as a reduction of rental revenue on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessee

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

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

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

Recognition of other income

Dividend revenue from investments is recognised when the Group's right to receive the payment has been established.

Management fees are recognised in the period in which the services are performed.

Employee Benefits

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

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

Taxation

Income tax expense

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Under NZ IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it and includes a presumption that an investment property is recovered entirely through sale unless all of its useful life will be consumed.

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. None of these are expected to have a material impact on the financial statements but may affect presentation and disclosure;

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. SEGMENT INFORMATION

The principal business activity of the Company and its subsidiaries is to invest in New Zealand properties. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

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

	Industrial		Commercial		Retail		Total	
	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s
Segment profit/(loss)								
Net property income	23,752	24,573	21,436	21,747	26,022	25,940	71,210	72,260
Administration expenses	(1,112)	(2,431)	(888)	(1,639)	(1,152)	(2,229)	(3,152)	(6,299)
Other income/(expenses)	799	158	346	–	296	436	1,441	594
Finance income/(expenses)	125	(2)	1	–	40	(335)	166	(337)
	23,564	22,298	20,895	20,108	25,206	23,812	69,665	66,218
Revaluation gains/(losses) on investment properties	721	8,322	1,350	(3,120)	1,587	(3,076)	3,658	2,126
Total segment profit/(loss)	24,285	30,620	22,245	16,988	26,793	20,736	73,323	68,344
Unallocated:								
Administration expenses							(9,924)	(2,793)
Finance income/(expenses)							(30,961)	(29,184)
Unrealised interest rate swaps gains/(losses)							(12,431)	(7,649)
Management rights buyout							(19,978)	–
Internalisation related costs							(1,705)	–
Costs related to unsolicited merger proposal							(483)	–
Corporatisation related costs							(799)	–
Profit/(loss) before income tax							(2,958)	28,718
Taxation							4,907	(2,032)
Profit/(loss) for the year							1,949	26,686

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Net property income consists of revenue generated from external tenants less property operating expenditure.

There were no inter-segment sales during the year (31 March 2011: Nil).

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

	Industrial		Commercial		Retail		Total	
	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s
Segment assets								
Current assets	16,345	2,423	305	400	400	765	17,050	3,588
Investment properties	329,534	341,217	255,250	262,640	320,465	344,830	905,249	948,687
Non-current assets classified as held for sale	–	11,920	–	–	–	–	–	11,920
Total segment assets	345,879	355,560	255,555	263,040	320,865	345,595	922,299	964,195
Unallocated assets:							6,966	10,976
Total assets							929,265	975,171

	Industrial		Commercial		Retail		Total	
	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s	2012 $000s	2011 $000s
Segment liabilities								
Current liabilities	1,513	2,731	1,763	1,486	893	893	4,169	5,110
Total segment liabilities	1,513	2,731	1,763	1,486	893	893	4,169	5,110
Unallocated liabilities							436,650	458,329
Total liabilities							440,819	463,439

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

- all assets are allocated to reportable segments other than cash and cash equivalents, derivatives, management contract and tax assets.
- all liabilities are allocated to reportable segments other than borrowings, derivatives, current tax and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Movement in investment properties				
Balance at 1 April	941,372	–	920,633	–
Acquisition of properties	–	–	33,158	–
Capitalised costs	6,289	–	7,071	–
Disposals	(44,046)	–	(9,696)	–
Impairment of earthquake damaged property	(8,450)	–	–	–
Transfer to properties held for sale	–	–	(11,920)	–
Change in fair value	3,658	–	2,126	–
Balance at 31 March	898,823	–	941,372	–
Deferred initial direct costs/lease incentives				
Balance at 1 April	7,315	–	5,286	–
Change during the year	(889)	–	2,029	–
Balance at 31 March	6,426	–	7,315	–
Total investment properties	905,249	–	948,687	–

Deferred initial direct costs/lease incentives

This amount represents costs incurred with the negotiation of operating leases for the Group's investment property portfolio and which are being amortised over the term of those leases.

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Acquisition of properties				
Freehold Block E, Albany City, Auckland	–	–	22,615	–
2/7 Wagener Place, St Lukes, Auckland	–	–	10,543	–
	–	–	33,158	–
Disposal of properties		–	–	–
2 Carmont Place, Mt Wellington, Auckland	4,508	–	–	–
28 Catherine Street, Henderson, Auckland	600	–	–	–
25 College Hill, Auckland	12,009	–	–	–
501 Ti Rakau Drive, East Tamaki, Auckland	6,729	–	–	–
7 Maui Street, Hamilton	2,347	–	–	–
Main Street, Palmerston North	1,902	–	–	–
5 Tutu Place, Porirua, Wellington	3,322	–	–	–
9 Tutu Place, Porirua, Wellington	6,892	–	–	–
10 Tutu Place, Porirua, Wellington	2,876	–	–	–
1 Semple Street, Porirua, Wellington	2,861	–	–	–
Lot 20 El Prado Drive, Palmerston North (Vacant Land)	–	–	330	–
308 Port Hills Road, Woolston, Christchurch	–	–	6,722	–
792 Great South Road, Manukau, Auckland	–	–	9,795	–
	44,046	–	16,847	–
Sale proceeds of properties disposed of	44,353		17,455	
Net Gain/(Loss) on disposal	307	–	608	–

During the year, the Group also settled the five properties that were held for sale at 31 March 2011 for $11,920,000.

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

Valuation of investment properties

All investment properties were independently valued as at 31 March 2012 in accordance with the Group's accounting policy. The valuations were prepared by independent registered valuers Jones Lang LaSalle, CB Richard Ellis, Darroch Limited, Colliers International New Zealand and Bayleys. The total value per valuer was as follows:

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Darroch Limited	116,150	–	120,750	–
CB Richard Ellis Limited	207,395	–	131,720	–
Colliers International New Zealand Limited	441,304	–	508,917	–
Bayleys Valuations Limited	46,350	–	–	–
Jones Lang LaSalle	94,050	–	187,300	–
	905,249	–	948,687	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. The most common and accepted methods for assessing the current market value are the Capitalisation of Contract and Market Income approaches and the Discounted Cash Flow approach. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, vacancy and leasing costs.

In deriving a market value under each approach, all assumptions are based where possible, on market based evidence and transactions for properties with similar investment fundamentals, locations, conditions and quality of construction and fit out. The market value adopted is a weighted combination of the Capitalisation of Contract or Market Income and Discounted Cash Flow approaches.

Principal assumptions, the methodology of which are unchanged from last year, in establishing the valuation include the capitalisation rate, occupancy and the lease term with the below table identifying the respective levels adopted by the Valuers within the Group's sectors.

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

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

Investment properties for the year ended 31 March 2011 are as follows:

		Industrial	Commercial	Retail	Total
Contract capitalisation rate	– Average	7.83%	9.23%	8.00%	8.28%
	– Maximum	11.64%	10.16%	12.09%	12.09%
	– Minimum	0.00%	6.13%	6.27%	0.00%
Market capitalisation rate	– Average	7.56%	9.36%	7.90%	8.18%
	– Maximum	10.40%	11.05%	11.18%	11.18%
	– Minimum	0.00%	8.03%	5.86%	0.00%
Occupancy (net lettable area)		96.17%	94.67%	99.07%	96.75%
Occupancy (rent)		96.67%	93.64%	98.41%	96.31%
Weighted average lease term		5.01	3.92	5.71	4.92
No. of buildings[1]		38	17	19	74
Fair value total ($000s)		$341,217	$262,640	$344,830	$948,687

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

2012	Derivatives at fair value through profit/loss $000	Derivatives used for hedging $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets					
Cash and cash equivalents	–	–	1,285	–	1,285
Trade and other receivables	–	–	16,787	–	16,787
Derivative financial instruments	790	–	–	–	790
	790	–	18,072	–	18,862
Financial liabilities					
Revolving credit facility	–	–	–	(382,009)	(382,009)
Trade and other payables	–	–	–	(6,748)	(6,748)
Derivative financial instruments	(37,170)	–	–	–	(37,170)
Other current liabilities	–	–	–	(2,308)	(2,308)
	(37,170)	–	–	(391,065)	(428,235)

2011	Derivatives at fair value through profit/loss $000	Derivatives used for hedging $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets					
Cash and cash equivalents	–	–	1,339	–	1,339
Trade and other receivables	–	–	3,478	–	3,478
Derivative financial instruments	–	–	100	–	100
	–	–	4,917	–	4,917
Financial liabilities					
Revolving credit facility	–	–	–	(410,874)	(410,874)
Trade and other payables	–	–	–	(8,689)	(8,689)
Derivative financial instruments	(20,571)	(6,233)	–	–	(26,804)
Other current liabilities	–	–	–	(1,652)	(1,652)
	(20,571)	(6,233)	–	(421,215)	(448,019)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS (CONTINUED)

The Company has the following financial instruments:

2012	Derivatives at fair value through profit/loss $000	Derivatives used for hedging $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets					
Cash and cash equivalents	–	–	48	–	48
Trade and other receivables	–	–	–	–	–
Derivative financial instruments	790	–	–	–	790
Advances to subsidiaries	–	–	745,721	–	745,721
	790	–	745,769	–	746,559
Financial liabilities					
Revolving credit facility	–	–	–	(382,009)	(382,009)
Trade and other payables	–	–	–	(3,051)	(3,051)
Derivative financial instruments	(37,170)	–	–	–	(37,170)
Advances to subsidiaries	–	–	–	(34,446)	(34,446)
	(37,170)	–	–	(419,506)	(456,676)

2011	Derivatives at fair value through profit/loss $000	Derivatives used for hedging $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Financial assets					
Cash and cash equivalents	–	–	12	–	12
Trade and other receivables	–	–	4	–	4
Advances to subsidiaries	–	–	809,366	–	809,366
	–	–	809,382	–	809,382
Financial liabilities					
Revolving credit facility	–	–	–	(410,874)	(410,874)
Trade and other payables	–	–	–	(4,652)	(4,652)
Derivative financial instruments	(20,571)	(6,233)	–	–	(26,804)
Advances to subsidiaries	–	–	–	(12,678)	(12,678)
	(20,571)	(6,233)	–	(428,204)	(455,008)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Risk management

The use of financial instruments exposes the Group to credit, interest rate and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk relates to the risk that the counterparty to a financial instrument may default on its obligations to the Group, resulting in financial loss.

Group

The Group's main exposure to credit risk arises from trade receivables and transactions with financial institutions, and is summarised on page 46. There are no significant concentrations of credit risk in specific receivables due to receivables mainly comprising a large number of tenants in the Group's property portfolio and the Group policy to limit the amount of credit exposure to any financial institution.

The Group manages its exposure to credit risk from trade receivables through its credit policy which includes performing credit evaluations on customers requiring credit. The Group does not hold any collateral in respect of balances past due. Details of impairment losses relating to trade receivables together with the ageing of receivables is provided in Note 8.

The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. Cash deposits are placed with the ANZ National Bank Limited and Bank of New Zealand.

Company

The Company's main exposure to credit risk arises from advances to its subsidiaries as set out in Notes 7 and 26.

Interest rate risk

Interest rate risk arises from long term borrowings (refer Note 15). Variable rate borrowings expose the group to cash flow interest rate risk while fixed rate borrowings expose the group to fair value interest rate risk.

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

The Group's policy is to maintain a range of approximately 70%-100% of its borrowings in fixed interest rate instruments unless otherwise instructed by the Board of Directors. At year end, 94% of borrowings, after the effect of associated swaps, were at fixed rates (2011: 57%).

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly arises from the Group's obligations in respect of long term borrowings, derivatives and trade and other payables. In addition, the Company's exposure also includes advances from subsidiaries. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available (refer Note 15).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Group 2012	Weighted average interest rate	Carrying Amount	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities								
Borrowings	3.83%	(382,009)	(14,729)	(17,645)	(14,615)	(385,234)	–	–
Trade and other payables		(6,748)	(6,748)	–	–	–	–	–
Derivative financial instruments		(37,170)	(9,231)	(8,832)	(8,130)	(7,642)	(7,129)	(11,584)
Other current liabilities		(2,308)	(2,308)	–	–	–	–	–
		(428,235)	(33,016)	(26,477)	(22,745)	(392,876)	(7,129)	(11,584)

Group 2011	Weighted average interest rate	Carrying Amount	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities								
Borrowings	4.07%	(410,874)	(16,799)	(16,799)	(421,340)	–	–	–
Trade and other payables		(8,689)	(8,689)	–	–	–	–	–
Derivative financial instruments		(26,804)	(9,629)	(8,347)	(6,928)	(5,699)	(3,381)	(2,609)
Other current liabilities		(1,652)	–	–	–	–	–	–
		(448,019)	(35,117)	(25,146)	(428,268)	(5,699)	(3,381)	(2,609)

Company 2012	Weighted average interest rate	Carrying Amount	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities								
Borrowings	3.83%	(382,009)	(14,729)	(17,645)	(14,615)	(385,234)	–	–
Trade and other payables		(3,051)	(3,051)	–	–	–	–	–
Derivative financial instruments		(37,170)	(9,231)	(8,832)	(8,130)	(7,642)	(7,129)	(11,584)
Advances from subsidiaries		(34,446)	(34,446)	–	–	–	–	–
		(456,676)	(61,457)	(26,477)	(22,745)	(392,876)	(7,129)	(11,584)

Company 2011	Weighted average interest rate	Carrying Amount	Less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	5+ years $000
Financial liabilities								
Borrowings	4.07%	(410,874)	(16,799)	(16,799)	(421,340)	–	–	–
Trade and other payables		(4,652)	(4,652)	–	–	–	–	–
Derivative financial instruments		(26,804)	(9,629)	(8,347)	(6,928)	(5,699)	(3,381)	(2,609)
Advances from subsidiaries		(12,678)	(12,678)	–	–	–	–	–
		(455,008)	(43,758)	(25,146)	(428,268)	(5,699)	(3,381)	(2,609)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Derivative Financial Instruments

The Group has a syndicated revolving credit facility with ANZ National Bank Limited, Bank of New Zealand and the Hong Kong and Shanghai Banking Corporation of $450,000,000 (2011: 450,000,000) – refer Note 15.

To manage the Group and Company's exposure to interest rate risk on variable rate instruments, the Group has implemented a hedging strategy that uses interest rate swaps that have a range of maturities. Details of the contracts are below:

Maturing	Group and Company 2012		Group and Company 2011	
	Nominal Value $	Contracted Rate %	Nominal Value $	Contracted Rate %
2013	–	–	17,000,000	6.79%
2015	130,000,000	2.93%	141,000,000	7.37%
2018	17,000,000	5.25%	–	–
2019	–	–	25,000,000	5.97%
2020	151,000,000	6.63%	50,000,000	6.51%
2021	65,000,000	6.53%	–	–
	363,000,000		233,000,000	

Interest rate swaps are measured at present value of future cash flows estimated and discounted based on applicable yield curves derived from observable market interest rates (actual rates used were between 2.50% and 4.41%). Accepted market best practice valuation methodology using mid-market interest rates at the balance date is used, provided from sources perceived to be reliable and accurate. Interest rate swaps have been classified into Level 2 of the fair value hierarchy on the basis that the valuation techniques used to determine the values at balance date use observable inputs.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the reporting date.

	2012 Group and Company		2011 Group and Company	
	Impact on Profit & Loss $	Impact on Equity $	Impact on Profit & Loss $	Impact on Equity $
Increase of 100 basis points	18,632,387	–	8,014,822	1,826,366
Decrease of 100 basis points	(20,016,656)	–	(8,723,650)	(1,916,525)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

7. OTHER NON-CURRENT ASSETS

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Management fee buyout	–	–	6,037	101
Property, plant and equipment	77	–	30	–
Advances to subsidiaries	–	745,721	–	809,366
Total other non-current assets	77	745,721	6,067	809,467

The equity holders of the Company agreed to terminate contracts relating to the management of properties held by Argosy Property No 6 Limited (formerly ING Properties Limited), a wholly-owned subsidiary of the Group, at a meeting of unitholders on 13 October 2005, as indicated in the Urbus takeover documents. The termination of the management contracts enabled Argosy Property No. 6 Limited to be charged management fees on a basis consistent with the other Company subsidiaries and resulted in the capitalisation of the cost of buying out the previous management contract. The contracts were being amortised over a period of 10 years.

In October 2011, as part of the half-year reporting process, it was determined that there was an impairment to the value of the buyout payment as the benefit arising from the differential management fees was no longer applicable following internalisation of the management of the company. $548,826 was amortised during the year and an impairment loss of $5,488,262 was recognised and immediately expensed in the profit or loss.

8. TRADE AND OTHER RECEIVABLES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Trade receivables	1,137	–	2,033	4
Allowance for doubtful debts	(241)	–	(286)	–
	896	–	1,747	4
Amount receivable from unsettled sales of properties	134	–	288	–
Amount receivable from joint venture partner (Note 26)	5,564	–	1,443	–
Amount receivable from insurance proceeds	10,193	–	–	–
Total trade and other receivables	16,787	–	3,478	4

The average credit period on receivables is 5 days (2011: 12 days). The Group is entitled to charge interest on trade receivables as determined in each individual lease agreement. Interest is charged on receivables over 90 days on a case by case basis at the Group's effective interest rate plus 5% per annum. The Group has provided for 50% of all receivables over 90 days that are considered doubtful. This amount increases to 100% of any receivable that is determined as being not recoverable. Trade receivables less than 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Aged past due but not impaired trade receivables				
30-60 Days	234	–	195	–
60-90 Days	99	–	90	–
Beyond 90 days	395	–	349	–
	728	–	634	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Included in the Company's trade receivable balance are debtors with a carrying amount of $728,562 (2011: $634,984) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Movement in the allowance for doubtful debts				
Balance at the beginning of the year	286	–	124	–
Amounts written off as uncollectible	(36)	–	(68)	–
Increase in allowance recognised in profit or loss	(9)	–	230	–
Balance at end of the year	241	–	286	–

9. OTHER CURRENT ASSETS

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Retentions	–	–	100	–
Accrued Income	15	15	–	–
Prepayments	71	31	24	21
Others	140	–	–	–
Total other current assets	226	46	124	21

10. PROPERTY HELD FOR SALE

No investment properties (2011: five properties for $11,920,000) were subject to a sale and purchase agreement at balance date.

11. SHARE CAPITAL

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Balance at the beginning of the year	545,070	545,070	538,282	538,282
Issue of securities from Dividend Reinvestment Plan	8,066	8,066	6,800	6,800
Issue costs of securities	(14)	(14)	(12)	(12)
Redemption of overseas securities	(800)	(800)	–	–
Total securities on issue	552,322	552,322	545,070	545,070

The number of securities on issue at 31 March 2012 was 558,517,286 (2011: 549,185,785).

On 29 February 2012, the Company completed the corporatisation process. All Trust units on issue (other than units held by unitholders with registered addresses outside of New Zealand and Australia, and 100 units held by the Company and one of its wholly owned subsidiaries) were redeemed with those equity holders receiving one share in APL for every unit held in the Trust.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

11. SHARE CAPITAL (CONTINUED)

APL was listed with the shares being quoted on the NZSX from 1 March 2012.

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

	Group 2012	Company 2012	Group 2011	Company 2011
(in thousands of securities)				
Balance at the beginning of the year	549,186	549,186	539,328	539,328
Issue of securities from Dividend Reinvestment Plan	10,283	10,283	9,858	9,858
Redemption of overseas securities	(952)	(952)	–	–
Total number of securities on issue	558,517	558,517	549,186	549,186

Capital risk management

The Group's capital includes shares, reserves and retained earnings with total equity holders' funds sitting at $488.4m (2011: $511.7m).

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 bring the debt-to-total-assets ratio to below 40% in the medium term. The Group's banking covenants require that the aggregate principal amount of the loan outstanding does not exceed 50% (to reduce to 45% from 30 June 2012) of the fair value of property at all times. All banking covenants have been met during the year.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall strategy during the year.

12. HEDGING RESERVES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Balance at the beginning of the year	(8,958)	(8,958)	(9,525)	(9,525)
Gain on revaluation of cashflow hedges	(550)	(550)	(50)	(50)
Transferred to financial income/(expense)	3,404	3,404	1,215	1,215
Movement in cash flow hedge reserve	2,854	2,854	1,165	1,165
Effect on reserve balance due to change in income tax rate from 30% to 28%	–	–	(248)	(248)
Tax on fair value (losses)/gains on cashflow hedges	(799)	(799)	(350)	(350)
Total hedging reserves	(6,903)	(6,903)	(8,958)	(8,958)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. RETAINED EARNINGS

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Balance at the beginning of the year	(24,380)	(146,975)	(13,819)	(115,864)
Profit/(loss) for the year	1,949	(28,871)	26,335	7,658
Discount on purchase of minority interest	–	–	1,873	–
Dividends to equity holders	(34,542)	(34,542)	(38,769)	(38,769)
Total retained earnings	(56,973)	(210,388)	(24,380)	(146,975)

Dividends to equity holders

	Group & Company 2012 CPS	Group & Company 2011 CPS
Interim	4.50	5.25
Imputation credits	–	0.19
	4.50	5.44
Final	1.50	1.75
Imputation credits	–	–
	1.50	1.75
Total	6.00	7.00
Imputation credits	–	0.19
	6.00	7.19

After 31 March 2012, the final dividend was declared. The dividend has not been provided for and there are no income tax consequences.

14. BUSINESS COMBINATION

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15. BORROWINGS

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
ANZ National Bank Limited	240,350	240,350	257,759	257,759
Bank of New Zealand	96,140	96,140	103,104	103,104
Hong Kong and Shanghai Banking Corp	48,070	48,070	51,552	51,552
Borrowing costs	(2,551)	(2,551)	(1,541)	(1,541)
Total borrowings	382,009	382,009	410,874	410,874
Shown as:				
Term	382,009	382,009	410,874	410,874

The Company has a syndicated revolving facility with ANZ National Bank Limited, Bank of New Zealand and The Hong Kong and Shanghai Banking Corp of $450,000,000 (31 March 2011: $450,000,000) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of $400,000,000 and a Tranche B limit of $50,000,000. Tranche A expires on 30 June 2015. Tranche B expires on 30 June 2013.

The contractual interest rate on the borrowings as at 31 March 2012 was 3.83% per annum (2011: 4.07%).

The Group also pays a line fee of between 0.925% and 1.15% per annum on Tranche A and between 1.00% and 1.275% per annum on Tranche B (2011: between 1.05% and 1.20% per annum on the total facility).

The weighted average interest rate on borrowings (including margin and line fee and interest rate swaps) as at 31 March 2012 was 7.2% (2011: 7.57%).

16. TRADE AND OTHER PAYABLES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Manager's fee accrued	–	–	491	491
GST payable	792	(113)	508	(97)
Other creditors and accruals	5,956	3,164	7,690	4,258
Total trade and other payables	6,748	3,051	8,689	4,652

17. OTHER CURRENT LIABILITIES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Employee entitlements	145	–	–	–
Advances from subsidiaries	–	34,446	–	12,678
Other liabilities	2,163	–	1,652	–
Total current liabilities	2,308	34,446	1,652	12,678

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

18. OTHER INCOME

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Realised gains on disposal	–	–	594	–
Net income from insurance proceeds	9,937	–	–	–
Total other income	9,937	–	594	–

19. OTHER EXPENSES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Realised losses on disposal	46	–	–	–
Impairment expense	8,450	–	–	–
Total other expenses	8,496	–	–	–

20. ADMINISTRATION EXPENSES

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Auditors' remuneration:				
Audit of the statutory financial statements	138	138	239	239
Non audit -related services[1]	21	21	33	33
Employee benefits	1,839	–	–	–
Other expenses	1,898	1,352	1,437	1,201
Doubtful debts expense	(45)	–	162	–
Bad debts	36	–	71	–
Management fees	2,884	2,884	5,548	5,548
Trustee fees	268	265	285	285
Total administration expenses	7,039	4,660	7,775	7,306

[1] In 2012, $21,084 was paid to Deloitte during the year for services rendered in relation to the internalisation and corporatisation of the company (2011: $33,240 was paid to Deloitte to undertake a model review).

Total employee benefits include salaries, incentive payments and other benefits.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. TAXATION

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
The taxation charge is made up as follows:				
Current taxation	–	–	406	(2,601)
Adjustment recognised in the current year in relation to the current tax of prior years	(1,272)	–	(1,755)	290
Total current taxation (credit)/expense	(1,272)	–	(1,349)	(2,311)
Recognition of tax losses	(8,614)	(17,537)	(1,307)	–
Deferred tax expense relating to the origination and reversal of temporary differences	4,979	6,277	6,038	(1,564)
Impact of change in tax rate to 28%	–	–	(1,350)	311
Total deferred tax expense/(credit)	(3,635)	(11,260)	3,381	(1,253)
Total tax expense/(credit) recognised in profit/(loss)	(4,907)	(11,260)	2,032	(3,564)
Reconciliation of accounting profit to tax expense				
Profit/(loss) before tax	(2,958)	(40,131)	28,718	4,094
Current tax expense/(credit) at 28% (2011: 30%)	(828)	(11,237)	8,615	1,228
Adjusted for:				
Non–taxable income	(2,782)	–	–	(5,661)
Expenditure not deductible for tax purposes	2,590	224	–	–
Fair value movement on investment properties	(2,281)	–	(3,870)	–
Other	(334)	(247)	(958)	579
Current taxation expense/(credit)	(3,635)	(11,260)	3,787	(3,854)
Adjustment recognised in the current year in relation to the current tax of prior years	(1,272)	–	(1,755)	290
Total tax expense/(credit) recognised in profit or loss	(4,907)	(11,260)	2,032	(3,564)
Deferred tax recognised in other comprehensive income				
Deferred tax arising from revaluations of derivative financial instruments treated as cash flow hedges	799	799	350	350
Impact of change in tax rate to 28%	–	–	248	248
Total tax recognised in other comprehensive income	799	799	598	598
Imputation credits				
Imputation credits at beginning of year	619	619	155	155
Prior period adjustment	11	(619)	4	4
New Zealand tax payments, net of refunds	22	–	1,470	1,470
Imputation credits attached to dividends received	5	–	6	6
Imputation credits attached to dividends paid	–	–	(1,008)	(1,008)
Other	1	–	(8)	(8)
Total imputation credits at end of year	658	–	619	619

The corporate tax rate in New Zealand changed from 30% to 28% with effect from 1 April 2011.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon during the current and prior reporting years:

	Losses carried forward $000s	Interest rate swaps $000s	Revaluation of building $000s	Accruals $000s	Total $000s
At 1 April 2011	(1,307)	(6,933)	19,210	4,450	15,420
Credit to equity holders funds for the year	–	799	–	–	799
Charge/(credit) to profit and loss for the year	(8,614)	6,243	694	(1,958)	(3,635)
At 31 March 2012	(9,921)	109	19,904	2,492	12,584
At 1 April 2010 (Restated)	–	(6,777)	16,109	2,110	11,442
Credit to equity holders funds for the year	–	598	–	–	598
Charge/(credit) to profit and loss for the year	(1,307)	(754)	3,101	2,340	3,380
At 31 March 2011	(1,307)	(6,933)	19,210	4,450	15,420

Taxable losses carried forward of $35,430,816 (2011: $4,670,454) have been recognised in the Group's balance of deferred tax as it has been determined that these losses are likely to be offset by the taxable profit of the Group in the foreseeable future.

The following are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon during the current and prior reporting years:

	Losses carried forward $000s	Interest rate swaps $000s	Revaluation of building $000s	Accruals $000s	Total $000s
At 1 April 2011	–	(6,933)	–	(903)	(7,836)
Credit to equity holders funds for the year	–	799	–	–	799
(Credit) to profit and loss for the year	(17,537)	6,243	–	34	(11,260)
At 31 March 2012	(17,537)	109	–	(869)	(18,297)
At 1 April 2010	–	(6,237)	–	(944)	(7,181)
Credit to equity holders funds for the year	–	598	–	–	598
Charge/(credit) to profit and loss for the year	–	(1,294)	–	41	(1,253)
At 31 March 2011	–	(6,933)	–	(903)	(7,836)

Significant estimates and judgements in the determination of deferred tax (with an impact on current tax) include:

Deferred tax on depreciation – Deferred tax is provided in respect of depreciation claimed. Depreciation is claimed at Inland Revenue Department approved rates.

Deferred tax on changes in fair value of investment properties – Deferred tax is provided on the building components of the fair value change to investment properties, being the taxable temporary difference. 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 the building component places reliance on the split provided by the valuers.

Deferred tax on fixtures and fittings – it is assumed that all fixtures and fittings will be sold at their tax book value.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Profit after tax for the year	1,949	(28,871)	26,686	7,658
Movements in working capital items relating to investing and financing activities	15,150	633	(4,674)	(1,479)
Non cash items				
Movement in deferred tax	(2,836)	(10,461)	3,977	(655)
Movement in interest rate swaps	9,576	9,576	6,484	8,282
Fair value change in investment properties	(3,658)	–	(2,126)	–
Management contract amortisation and cancellation costs	6,037	101	1,317	–
Movement in hedge reserve	2,055	2,055	567	567
Inter-entity dividends	–	–	–	(18,870)
Inter-entity recharges	–	(30,914)	–	(29,064)
Movements in working capital items:				
Trade and other receivables	(13,309)	4	3,737	59
Taxation receivable	(1,295)	–	(2,842)	(2,331)
Trade and other payables	(1,941)	(1,601)	(330)	(1,417)
Other current assets	(102)	(25)	547	(5)
Other current liabilities	656	–	86	–
Net cash from/(used in) operating activities	12,282	(59,503)	33,429	(37,255)

During the 2012 year, distributions of $8,065,798 (2011: $6,800,937) have been reinvested under the Dividend Reinvestment Programme (DRP), which is excluded from investing and financing activities.

24. EARNINGS PER SECURITY

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

	Group 2012 $000s	Group 2011 $000s
Profit attributable to equity holders of the Group	1,949	26,335
Weighted average number of securities on issue	553,315	543,345
Basic and undiluted earnings per security (cents)	0.35	4.85

On 24 May 2012 a final gross dividend of 1.50 cents per security was announced by the Group. Continuation of the Dividend Reinvestment Plan programme will increase the number of securities on issue.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. DISTRIBUTABLE INCOME

	Group 2012 $000s	Group 2011 $000s
(Loss)/profit before income tax	(2,958)	28,718
NZ IFRS and other non-recurring and non-cash adjustments:		
Revaluation gains on investment property	(3,658)	(2,126)
Realised losses/(gains) on disposal	46	(594)
Derivative fair value adjustment	12,431	7,649
Management rights buy-out	19,978	–
Management contract amortisation and cancellation costs	6,037	1,317
Internalisation related costs[1]	1,700	–
Net income from insurance proceeds	(9,937)	–
Impairment expense	8,450	–
Costs related to unsolicited merger proposal	483	–
Corporatisation related costs	799	–
Gross distributable income	33,371	34,964
Less current taxation paid	–	1,445
Net distributable income	33,371	33,519
Weighted average number of ordinary securities	553,315	543,345
Distributable income after taxation per security – (cents per security)	6.03	6.17

[1] The adjustment for internalisation related costs has been limited to $1,700,000 following agreement with the lenders of the syndicated revolving credit facility.

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

26. INVESTMENT IN SUBSIDIARIES

The Company has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding 2012	Holding 2011
Argosy Property No.1 Limited	Property investment	NZ	100%	100%
Argosy Property No.4 Limited	Property investment	NZ	100%	100%
Argosy Property Holdings Limited	Holding company	NZ	100%	100%
Argosy Property Investments Limited	Holding company	NZ	100%	100%
Argosy No.1 Trust	Property investment	NZ	100%	100%
Argosy Property Management Limited	Management Company	NZ	100%	0%
Argosy Property No.3 Limited	Property investment	NZ	100%	100%
Argosy Property No.6 Limited	Property investment	NZ	100%	100%
Argosy Property Unit Holdings Limited	Holding Company / Storage	NZ	100%	0%
Argosy Property Trust	Property investment	NZ	100%	0%

The subsidiaries have the same reporting date as the Group.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

A final price adjustment is to take place following the completion of subdivision works and the issue of titles, which is expected to be completed by mid-2012, and caters for any potential changes to final costs of the subdivision work. In the event that payment is required from either party following the adjustment, this is to be by an exchange of property at valuation, which is held as security.

One of the outstanding subdivision costs affecting the final price adjustment is the calculation and payment of development levies to the Palmerston North City Council ("PNCC"). AP3 does not agree to the levies proposed by the PNCC of $6.6m and has retained one of New Zealand's leading economic experts on development contributions to review the calculation of the proposed PNCC levies. The conclusions reached by our expert, which support a figure materially lower than the PNCC figure of approximately $1.0m, have since been supported by a peer review conducted by another leading New Zealand expert. The final calculation of development levies will have a significant effect on the overall calculation of subdivision costs and the final price adjustment. Based on the expert advice received, the Directors have not adjusted the forecast subdivision costs for the amount proposed by PNCC.

On 30 August 2011, unitholders of Argosy Property Trust approved a transaction to internalise the management rights of the Trust. The internalisation was implemented by terminating the management rights of the previous manager, a wholly owned subsidiary of OnePath (NZ) Limited, and approving the appointment of a new manager, Argosy Property Management Limited ("APML"), the sole share in which was held by Public Trust on trust for a charity nominated by the board of APML. As a result, the management of the Trust was transferred to APML on 30 August 2011. Following corporatisation of the Trust on 29 February 2012, the sole share in APML was acquired by Argosy Property Limited. Argosy Property Limited has been the sole shareholder of Argosy Property Unit Holdings Limited since the company's incorporation on 23 November 2011.

27. COMMITMENTS

Ground rent

Ground leases exist at 39 Market Place, Viaduct Harbour, Auckland. The amount paid in respect of ground leases during the year was $627,000 (2011: $627,000). The annual ground lease commitment is $627,000 and is recoverable from tenants in proportion to their area of occupancy. The lease is renewable in perpetuity with the next renewable date in 2013. Given these factors the total value of the commitment beyond 2012 has not been calculated.

Payments recognised as an expense/development costs

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Minimum lease payments as expense	715	–	1,056	–
Minimum lease payments as development costs	–	–	–	–
	715	–	1,056	–

Building upgrades

Estimated capital commitments contracted for building projects not yet completed at balance date but not provided for were $8,568,696 (2011: $1,665,734).

There were no other commitments as at 31 March 2012 (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Non-cancellable operating lease receivable

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

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Within one year	70,191	–	73,792	–
One year or later and not later than five years	184,466	–	203,125	–
Later than five years	89,280	–	107,974	–
	343,937	–	384,891	–

Non-cancellable operating lease payable

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

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Within one year	23	–	–	–
One year or later and not later than five years	126	–	–	–
Later than five years	–	–	–	–
	149	–	–	–

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

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

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

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

28. SUBSEQUENT EVENTS

On 24 May 2012, a final gross dividend of 1.50 cents per share was announced by the Company. The record date for the final dividend is 13 June 2012 and a payment is scheduled to shareholders on 27 June 2012. No imputation credits are attached to the dividend.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

29. RELATED PARTY TRANSACTIONS

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

Fees paid to the Former Manager

On 30 August 2011, Argosy Property Trust's (the "Trust") unitholders approved the internalisation of the management of the Trust by purchasing the management rights from the previous manager, Argosy Property Management Limited ("the Former Manager"), which is a wholly owned subsidiary of OnePath (NZ) Limited ("OnePath"). Prior to 30 August 2011, the Trust was managed by the Former Manager.

The Trust paid management fees and incentive fees to the Former Manager. The calculation of management fees and incentive fees was stipulated in the Trust Deed. Management fees had been charged at 0.6% of the gross value of the assets of the Trust. Incentive fees were payable when the unit holder returns exceeded a 10% threshold in the relevant quarter. The incentive fee was 10% of the amount of the outperformance. When outperformance exceeded 15%, the excess was carried forward to the next quarter. Where performance did not exceed the 10% threshold, a deficit was carried forward to the next quarter. Any excess or deficit carried forward shall be added to or subtracted from unit holder returns in subsequent quarters. Excesses and deficits could only be carried forward for up to 24 months.

The Trust also reimbursed the Former Manager for fees paid to the Manager's directors and shareholders. These fees include directors' fees. The maximum aggregate amount of directors' fees the Trust reimbursed the Former Manager was $105,208 plus GST during the year (2011: $252,500).The total fees incurred for the year and the amounts outstanding as at balance date are shown below.

	Group 2012 $000s	Company 2012 $000s	Group 2011 $000s	Company 2011 $000s
Total fees incurred				
Management fees	2,884	2,884	5,548	5,548
Management rights buyout	19,978	19,978	–	–
Directors' fees	105	105	253	253
	22,967	22,967	5,801	5,801
Amounts outstanding				
Management fees	–	–	491	491
	–	–	491	491

Properties owned by the Group were managed, on normal commercial terms by the Former Manager. Property management fees charged are either included in property expenses or capitalised. The amount incurred to the Former Manager, previously owned by OnePath up to 30 August 2011, was $776,665 (2011: $1,588,879). The amount not recovered from tenants was $210,909 (2011: $736,132).

The amount outstanding at balance date was nil (2011: $279,252).

OnePath paid for rental and car parks within the building at 8-14 Willis Street, Wellington. The total rental paid by OnePath up to 30 August 2011 was $147,753 (2011: $295,260).

ANZ National Bank Limited (100% shareholder of OnePath) paid for rental and car parks at 107 Carlton Gore Rd, Auckland. The total rental paid by ANZ National Bank Limited up to 30 August 2011 was $823,277 (2011: $1,975,865).

The Group has a syndicated revolving credit facility with, amongst others, ANZ National Bank Limited of $450,000,000 (2011: $450,000,000). As at 30 August 2011, $253,424,037 (2011: $257,759,397) had been drawn-down from ANZ National Bank Limited. The Group paid $6,621,479 up to 30 August 2011 (31 March 2011: $24,283,596) in interest and fees to ANZ National Bank Limited during the period.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Other related party transactions

The Group made no payment (2011: $44,550) to one of its directors, Andrew Evans, for consultancy fees. No amount was outstanding at balance date (2011: $31,125).

The Group paid $40,000 to two of its independent directors, Trevor Scott and Peter Brook, for their additional duties in relation to the internalisation process. No amount was outstanding at balance date.

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

	Company 2012 $000s	Company 2011 $000s
Financial Position		
Advances to subsidiaries	745,721	809,366
Investment in Argosy Property No. 4 Limited	20,000	20,000
Advances from subsidiaries	(34,446)	(12,678)
	731,275	816,688
Statement of Comprehensive Income		
Interest recharged to subsidiaries	30,914	29,064
Distributions from subsidiaries	–	18,870
	30,914	47,934

Advances have been made by the Company to its subsidiaries to finance the purchases of investment properties and to fund working capital requirements when necessary. The subsidiaries have returned money to the Company upon the settlement of properties intended for sale and at other times when working capital requirements allow. The Company recharges expenses, including management fees and interest, to the subsidiaries.

No related party debts have been written off or forgiven during the year. The Company has provided $3,064,513 for the advances to subsidiaries (2011: $3,064,513).

	Group 2012 $000s
Key management and directors compensation	
Salaries and other short term employee benefits	278
Directors' fees paid after internalisation	308
Total	586

Prior to internalisation on 30 August 2011, key management and directors compensation was paid by the former Manager.

Deloitte.

TO THE SHAREHOLDERS OF ARGOSY PROPERTY LIMITED

Report on the Financial Statements

We have audited the financial statements of Argosy Property Limited and group on pages 32 to 64, which comprise the consolidated and separate statements of financial position of Argosy Property Limited, as at 31 March 2012, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Other than in our capacity as auditor, we have no relationship with or interests in Argosy Property Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 32 to 64:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Argosy Property Limited and group as at 31 March 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

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

Deloitte

Chartered Accountants
24 May 2012
Auckland, New Zealand

This audit report relates to the financial statements of Argosy Property Limited and group for the year ended 31 March 2012 included on Argosy Property Limited's website. Argosy Property Limited's Board of Directors is responsible for the maintenance and integrity of Argosy Property Limited's website. We have not been engaged to report on the integrity of Argosy Property Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 May 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE COMPANY

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

Argosy's structure and corporate governance have changed significantly since Argosy's previous annual report. Since that time, Argosy has internalised its management and converted from a unit trust into a company. The Board of Argosy comprises the same directors as the Board of the Manager of the former Argosy Property Trust, with the exception of the Honourable Philip Burdon who retired from the Board in February. Further information about internalisation and corporatisation is available on the Company's website (www.argosy.co.nz).

CORPORATE GOVERNANCE PHILOSOPHY

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

Outlined below are the main corporate governance practices in place throughout the year, which, in the Board's opinion, comply with the NZX Corporate Governance Best Practice Code (NZX Code) and the Corporate Governance in New Zealand Principles and Guidelines published by the Securities Commission, unless otherwise stated.

ETHICAL STANDARDS

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

Procedures for dealing with breaches of these policies are contained in the Code of Conduct and Ethics, which forms part of each employee's conditions of employment.

COMPOSITION OF THE BOARD

Argosy is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Company and returns to shareholders. The constitution provides for there to be not fewer than three Directors. All the members of the Board are non-executive Directors. The members of the Board are listed below and their brief resumés are included under "The Board of Directors" on page 11.

ATTENDANCE OF DIRECTORS

Director Meetings attended

Michael Smith (Chair)	11 of 11
Andrew Evans	11 of 11
Hon. Philip Burdon	7 of 10
Peter Brook	11 of 11
Trevor Scott	10 of 11
Mark Cross	–

Michael Smith, Andrew Evans, Peter Brook, Trevor Scott and Mark Cross were directors as at 31 March. The Honourable Philip Burdon ceased to hold office prior to 31 March.

Following the retirement of the Honourable Philip Burdon on 29 February, Mark Cross was appointed as a director on 28 March and holds office until the Annual General Meeting. He will be eligible for election at the Annual General Meeting.

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

INDEPENDENT DIRECTORS

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance. In determining whether a Director is independent the Board considers whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Under Rule 3.3.2 of the NZX listing rules, the Board has determined that Michael Smith, Peter Brook, Trevor Scott and Andrew Evans are, in its view, independent directors at balance date as they do not have a disqualifying relationship with the Company. Mark Cross is considered not to be independent as at balance date as he is also a director of a substantial security holder in the Company (MFL Mutual Fund Limited).

BOARD AND DIRECTOR PERFORMANCE

The Board has a formal annual performance self-assessment, carried out under the direction of the Chairman. The self-assessment process involves reviewing the performance of the Board and its committees, together with setting forth the goals and objectives of the Company for the upcoming year. Assessment of individual Directors' performance is a process determined by the Chairman, taking into account attendance, contribution and experience of each individual Director concerned.

INSIDER TRADING AND RESTRICTED PERSONS TRADING

Argosy's Directors, officers and employees, their families and related parties must comply with the Insider Trading and Restricted Persons Trading policy. Amongst other requirements this identifies two "black-out periods" where trading in the Company's shares is prohibited (unless a special circumstances trading application is granted). The black-out periods are from the close of trading on 28 February (or 29 February in a leap year) until the day following the full year announcement date and from the close of trading on 31 August until the day following the half year announcement date each year. On-going fixed trading by participation in the Dividend Reinvestment Plan (DRP) is available throughout the year.

Trading by Directors, officers or employees requires pre-trade approval (with limited exceptions, such as shares acquired under the DRP). Officers and employees must obtain approval from any two Directors or a Director and the Chief Financial Officer and Directors must obtain pre-trade approval from the Chairman (or in the case of the Chairman, the Chairman of the Audit Committee). The holdings of Directors are disclosed in the section headed Interests Register on page 69.

DIRECTORS AND OFFICERS INDEMNIFICATION AND INSURANCE

Directors are indemnified by the Company in their capacity as Directors under the Company's constitution. Officers and employees are also indemnified by the Company. The Company also holds Directors and officers liability insurance covering Directors, senior executives and employees for their personal liability arising out of duties as Directors, officers and employees. The insurer reimburses the Company where it has indemnified the Directors, officers or employees.

BOARD COMMITTEES

Board committees assist with the execution of the Board's responsibilities to shareholders. Each committee operates under a constitution agreed by the Board, setting out its role, responsibilities, authority, relationship with the Board, reporting requirements, composition, structure and membership.

Remuneration Committee

The Board has established a Remuneration Committee which considers the remuneration of the Directors and senior executives, and administers the Company's bonus scheme. The members of the Remuneration Committee are Michael Smith (Chairman), Trevor Scott and Peter Brook.

ATTENDANCE AT REMUNERATION COMMITTEE

Remuneration Committee	Meetings attended
Michael Smith (Chair)	1 of 1
Trevor Scott	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 COMMITTEE

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

The members of the Audit Committee are Trevor Scott (Chairman), Michael Smith and Peter Brook.

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

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

ATTENDANCE AT AUDIT COMMITTEE

Audit Committee Meetings attended

Trevor Scott (Chair)	5 of 5
Michael Smith	5 of 5
Peter Brook	5 of 5

DIRECTORS' REMUNERATION

Directors' fees

The current total directors' fee pool authorised by the Company's constitution is $500,000 per annum (approved at Argosy Property Trust's 2011 annual meeting of unit holders).

Directors' Remuneration

Remuneration and other benefits paid to directors by the Company during the year (for the 7 months following internalisation of the management of Argosy Property Trust) are as follows:

Michael Smith (Chair)	$75,800
Andrew Evans	$36,500
Peter Brook	$40,800
Hon. Philip Burdon	$31,200
Trevor Scott	$43,800
Mark Cross	–

EXECUTIVES' REMUNERATION

All employees of the group are employed by Argosy Property Management Limited. Remuneration and other benefits of $100,000 per annum or more received by executives in their capacity as employees were (disclosed as annualised salary and salary paid in the 7 months since internalisation):

		Annualised remuneration as at 31 March 2012	Remuneration paid (7 months)
$ 100,001	$ 110,000	1	3
$ 120,001	$ 130,000	2	1
$ 130,001	$ 140,000	1	0
$ 160,001	$ 170,000	1	1
$ 170,001	$ 180,000	3	0
$ 240,001	$ 250,000	1	0
$ 290,001	$ 300,000	1	0
		10	5

INTERESTS REGISTER

Directors' shareholdings

Equity securities in which each director and associated person of each director held a relevant interest as at 31 March 2012 are listed below:

Director	Holder	Trustees	Interest	Number Shares
Peter Brook	Peter Clynton Brook	n/a	Beneficial	80,162
	Bayview Trust	Peter Clynton Brook, Mary Patricia Brook, Craig LeQuesne	Non beneficial	304,389
Andrew Evans	Hardwick Trust	The Hardwick Trustee Limited	Non beneficial	52,588
Trevor Scott	Essex Castle Limited	n/a	Beneficial (indirect)	2,700,000
	Southern Capital Limited	n/a	Beneficial (indirect)	3,500,000
	Fraser Smith Holdings Ltd	n/a	Non beneficial	504,389
	Julian Smith Family Trust Custodian Limited	Julian Smith, Trevor Scott, Stuart Walker for JC Smith Family Trust	Non beneficial	1,508,778
Phillip Michael Smith	FNZ Depository for trustees of the Mallowdale Trust	Philip Michael Smith, Richard Arkle Green	Non beneficial	126,394
Andrew Mark Cross	Nil	Nil	Nil	Nil

DIRECTORS' SHARE DEALINGS

The Directors entered into the following share dealings which relate to the corporatisation of Argosy Property Trust and the acquisition of shares under the Company's dividend reinvestment plan.

- Peter Brook acquired a beneficial interest in 78,674 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Peter Brook acquired a non-beneficial (trust) interest in 304,389 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Andrew Evans acquired a non-beneficial (trust) interest in 51,612 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Trevor Scott acquired a beneficial (indirect) interest in 2,700,000 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Trevor Scott acquired a beneficial (indirect) interest in 3,500,000 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Trevor Scott acquired a non-beneficial interest in 504,389 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Trevor Scott acquired a non-beneficial (trust) interest in 1,508,778 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Michael Smith acquired a non-beneficial (trust) interest in 126,394 shares in the Company on 1 March 2012 in consideration for the same number of units in Argosy Property Trust upon corporatisation.
- Peter Brook acquired a beneficial interest in 1,488 shares in the Company on 21 March 2012 in consideration for $1,179.84 under the Company's dividend reinvestment plan.
- Andrew Evans acquired a beneficial interest in 976 shares in the Company on 21 March 2012 in consideration for $773.87 under the Company's dividend reinvestment plan.

Directors' transactions

- Trevor Scott gave notice that he is a member of the Advisory Board of Marsh NZ Limited, and therefore has an interest in all transactions between Argosy Property Limited and that company.
- Trevor Scott provided consultancy services to Argosy Property Management Limited. Fees paid during the 7 month period following internalisation totalled $40,000 (plus GST).
- Peter Brook provided consultancy services to Argosy Property Management Limited. Fees paid during the 7 month period following internalisation totalled $40,000 (plus GST).

Directors' insurance

- The Company effected insurance for Directors and employees for defence costs arising in respect of acts or omissions while acting in the capacity of a Director or employee.

EXTERNAL AUDIT FIRM GUIDELINES

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

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

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

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

INVESTOR RELATIONS

The Board aims to ensure that investors are informed of all information necessary to assess the Company's performance.

It does so through a communication strategy which includes:

- Periodic and continuous disclosure to NZX in accordance with the continuous disclosure requirements;
- Information provided to analysts and media;
- Annual and interim reports distributed to shareholders;
- The annual shareholders' meeting and any other meetings called to obtain approval for Company actions as appropriate;
- Notices and explanatory memoranda for annual and special meetings;
- Investor roadshows; and
- The Company's website **www.argosy.co.nz**.

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

NZX RULINGS AND WAIVERS

NZX has by a decision dated 15 July 2011 granted a waiver in respect of Internalisation from Rule 3.4.3 to allow the directors of the Manager of Argosy Property Trust to vote on any resolution necessary to consider, progress or give effect to the Internalisation or any other proposal or transaction relating to a change to the arrangements for the management of Argosy Property Trust, and to be counted in the quorum for the purposes of consideration of such matters. Directors are only permitted to vote on such resolutions as are necessary to put the proposals before a meeting of unit holders of Argosy Property Trust and to give effect to a particular proposal or transaction, if such proposal or transaction has been approved by unit holders. This waiver only applies to any director who is considered to be an "interested" person, within the meaning assigned to that term in section 139 of the Companies Act 1993, because that person is a director of the Manager and/or a related company of the Manager, but not for any other reason.

NZX has by a decision dated 18 July 2011 granted a waiver in respect of Internalisation from the application of Rule 9.3.1 in respect of the right of MFL Mutual Fund Limited ("MFL") to vote on any resolutions related to the management of Argosy Property Trust which MFL may be prohibited from voting on by virtue of its relationship with OnePath and its subsidiaries. The waiver is granted on the conditions that Mr. Robert Narev certifies the independence of MFL, MFL exercises the voting rights of MFL Mutual Fund in Argosy Property Trust and those rights are not exercised by OnePath and that MFL is not able to vote the units held by MFL Mutual Fund in Argosy Property

Trust in favour of any resolution on which MFL would be prohibited from voting otherwise than because of its relationship with OnePath and its subsidiaries.

NZX has by a decision dated 28 July 2011 granted a waiver in respect of Internalisation from Listing Rule 9.3.1 in respect of the right of the Independent Directors and certain associated entities to exercise voting rights on the units held by them in Argosy Property Trust in respect of the Internalisation and the Unit Holder Resolutions. This waiver was granted on the condition that the Independent Directors certified their independence to NZXMS. This wavier did not apply if the Independent Director or any of the associated parties is a party to or beneficiary of a transaction otherwise than as a result of the fact that the Independent Directors are directors of the Manager, except for:

- the Independent Directors, in their capacity as directors of the Manager, being party to an agreement to effect the Internalisation; and
- being party to or beneficiary of a transaction solely in its capacity as a unit holder.

NZX has by a decision dated 14 December 2011 granted the following waivers from the Listing Rules in respect of Corporatisation:

- A waiver from Listing Rule 9.2 to allow Argosy Property Trust to enter into the Corporatisation without seeking the approval of Unit Holders by an ordinary resolution in accordance with that rule. A result of that waiver is that no independent review of the Corporatisation proposal is required to be undertaken.
- Waivers from the requirements of Listing Rules 7.6.5 and 8.3.1 to allow all Unit Holders to vote on the Corporatisation proposal as one group, and to pass an extraordinary resolution to authorise an amendment of the Trust Deed permitting the Trustee and the Manager to do everything necessary to effect Corporatisation, on the condition that as at the earlier of the date that the waiver decision is announced or the date that the Corporatisation is announced, the number of Units held by Unit Holders whose addresses are in a jurisdiction other than Australia or New Zealand does not exceed 1% of all Units.
- A waiver from Listing Rule 5.1.1 and 5.2.1, to the extent that those rules require that an application for Listing and Quotation of a class of securities shall be made through a Primary Market Participant acting as an Organising Participant.
- A waiver from Listing Rule 5.2.2(b), to the extent that the rule requires that an application for Quotation under Rule 5.2.1 be submitted with evidence that the Primary Market Participant has sought assurance from NZX that Authority to Act has not been withdrawn in respect of securities for which Quotation is sought.
- A waiver from the requirement in Rule 7.1.5(c) that the Corporatisation offering document shall contain in its subscription application a field for subscribers to insert their CSN number.
- A waiver from the requirement in Rule 7.1.10 that the Corporatisation offering document, after stating that applications may be made to the Issuer, shall state that they may be lodged with any Primary Market Participant, the Organising Participant or any other channel approved by NZX.
- A waiver from the requirement in Rule 7.1.13 for the Corporatisation offering document to specify the period within which refunds of subscription money will be made, and whether or not interest will be paid on amounts refunded to subscribers.
- A waiver from Listing Rule 3.4.3 to allow the directors of the Manager to vote, and be counted in the quorum of a meeting of the Argosy Property Trust Board, on any resolution necessary to consider, progress or give effect to the Corporatisation.

The NZX Markets Supervision Decisions are available in the announcements section of the Company's web site.

DONATIONS

During the last year, the Group made no donations (2011: $nil).

ARGOSY SUBSIDIARIES – DIRECTORS

As at 31 March 2012, Peter Brook, Andrew Evans, David Fraser, Peter Mence, and Michael Smith were the directors of Argosy Property Holdings Limited, Argosy Property Investments Limited, Argosy Property No.1 Limited, Argosy Property No.4 Limited and Argosy Property No.6 Limited. Jeremy Nicoll, Stuart Harrison and David Carr resigned as the directors of these companies on 30 August 2011. Peter Brook, Andrew Evans, David Fraser, Peter Mence and Michael Smith were also the directors of Argosy Property No.3 Limited as at 31 March 2012, and Jeremy Nicoll resigned as a director of this company on 30 August 2011.

Peter Brook, Andrew Evans, David Fraser, Peter Mence, Trevor Scott and Michael Smith were the directors of Argosy Property Management Limited as at 31 March 2012. Philip Burdon resigned as a director of this company on 29 February 2012. The directors of Argosy Property Unit Holdings Limited as at 31 March 2012 were Peter Brook, David Fraser, Peter Mence and Michael Smith.

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.

TWENTY LARGEST REGISTERED SECURITY HOLDERS AS AT 9 MAY 2012

Rank	Security holders	No of shares	% issued securities
1	New Zealand Central Securities Depository Limited	269,115,165	48.18%
2	Investment Custodial Services Limited	23,028,903	4.12%
3	FNZ Custodians Limited	8,832,153	1.58%
4	Forsyth Barr Custodians Limited	8,745,702	1.56%
5	Forsyth Barr Custodians Limited	7,482,661	1.33%
6	James Harvey Mansell & Christine Anne Mansell & Douglas Tony Brown	4,159,731	0.74%
7	Peter John Whiting & Janet Graham Whiting & Peter Austin Gowing	4,010,700	0.71%
8	University of Otago Foundation Trust	3,961,509	0.70%
9	Superlife Trustee Nominees Limited	3,778,890	0.67%
10	Southern Capital Limited	3,500,000	0.62%
11	Jarden Custodians Limited	2,979,860	0.53%
12	Forsyth Barr Custodians Limited	2,724,201	0.48%
13	Essex Castle Limited	2,700,000	0.48%
14	Jarden Custodians Limited	2,677,898	0.47%
15	New Zealand Depository Nominee Limited	2,450,100	0.43%
16	ASB Nominees Limited	2,069,998	0.37%
17	Custodial Services Limited	1,813,484	0.32%
18	Regus Hansen Trustees Limited	1,708,828	0.30%
19	Forhomes Investment Limited	1,614,162	0.28%
20	Barry Winston Jones & Jocelyn Elma Jones & Heritage Trustee Company Ltd	1,597,912	0.28%
	Total	358,951,857	64.15%
	Total shares on issue as at 9 May 2012	558,517,286	

FIVE LARGEST SECURITY HOLDERS DISCLOSED BY THE NEW ZEALAND CENTRAL SECURITES DEPOSITORY LIMITED AS AT 9 MAY 2012

Rank	Top five security holders disclosed by NZCSD	No of shares	% issued securities
1	MFL Mutual Fund Limited	110,576,303	19.80%
2	Accident Compensation Corporation	49,606,558	8.88%
3	HSBC Nominees (New Zealand) Limited	24,613,389	4.41%
4	Premier Nominees Limited	22,283,436	4.00%
5	BT NZ Unit Trust Nominees Limited	17,860,399	3.20%

SUBSTANTIAL SECURITY HOLDERS AS AT 9 MAY 2012

The following security holders have filed substantial security holder notices in respect of their shareholdings in the Company in accordance with the Securities Markets Act 1988:

	Date notice filed	No of shares	% of total issued securities
MFL Mutual Fund Limited	20-Apr-12	110,676,303	19.82%
Accident Compensation Corporation	10-Nov-11	45,428,449	8.13%
OnePath (NZ) Limited	15-Nov-11	33,283,040	6.00%

The total number of shares on issue in the Company as at 9 May 2012 was 558,517,286.

DISTRIBUTION OF SECUITY HOLDERS AND SECURITY HOLDINGS AS AT 9 MAY 2012

Shareholding range	No of shareholders	% of shareholders	Total shares	% of total issued shares
1 to 999	131	1.86	60,297	0.01
1,000 to 1,999	284	4.02	359,774	0.06
2,000 to 4,999	1,113	15.77	3,864,880	0.69
5,000 to 9,999	1,398	19.81	10,101,194	1.81
10,000 to 49,999	3,239	45.89	70,832,062	12.68
50,000 to 99,999	542	7.68	35,481,043	6.35
100,000 to 499,999	297	4.21	50,635,601	9.07
500,000 to 999,999	22	0.31	14,528,045	2.60
1,000,000+	32	0.45	372,654,390	66.72
Total	7,058	100	558,517,286	99.99

*Total does not add to 100% due to rounding

HOLDINGS OF DIRECTORS OF THE COMPANY AS AT 9 MAY 2012

Directors	Non-beneficial	Beneficial
Trevor Scott	2,013,167	6,200,000
Peter Brook	304,389	80,162
Michael Smith	126,394	–
Andrew Evans	52,588	–
Mark Cross	–	–

DIRECTOR'S STATEMENT

This Annual Report is dated 24 May 2012 and is signed on behalf of the Board by:

P Michael Smith
Director

Trevor Scott
Director

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