

Argosy

# Interim Financial Statements

30 September 2021



## CONSOLIDATED FINANCIAL STATEMENTS

### Contents

Condensed Consolidated Interim Statement of Financial Position	4
Condensed Consolidated Interim Statement of Comprehensive Income	5
Condensed Consolidated Interim Statement of Changes in Equity	6
Condensed Consolidated Interim Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8
Independent Review Report	18

## CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021 (UNAUDITED)

	Note	Group (unaudited) 30 September 2021 \$000s	Group (audited) 31 March 2021 \$000s
<b>Non-current assets</b>			
Investment properties	4	2,166,252	2,052,485
Derivative financial instruments	6	5,721	6,161
Other non-current assets		266	262
<b>Total non-current assets</b>		<b>2,172,239</b>	<b>2,058,908</b>
<b>Current assets</b>			
Cash and cash equivalents		2,168	1,762
Trade and other receivables		2,655	1,935
Other current assets		696	3,998
Taxation receivable		–	2,721
		5,519	10,416
Non-current asset classified as held for sale	5	–	87,455
<b>Total current assets</b>		<b>5,519</b>	<b>97,871</b>
<b>Total assets</b>	3	<b>2,177,758</b>	<b>2,156,779</b>
<b>Shareholders' funds</b>			
Share capital	7	817,158	809,230
Share based payments reserve		282	659
Retained earnings		570,448	470,746
<b>Total shareholders' funds</b>		<b>1,387,888</b>	<b>1,280,635</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	8	672,989	754,521
Derivative financial instruments	6	40,604	48,559
Non-current lease liabilities		41,505	41,569
Deferred tax		13,304	11,803
<b>Total non-current liabilities</b>		<b>768,402</b>	<b>856,452</b>
<b>Current liabilities</b>			
Trade and other payables		16,663	13,996
Taxation payable		323	–
Current lease liabilities		122	116
Derivative financial instruments	6	615	90
Other current liabilities		3,745	3,490
Deposit received for non-current asset classified as held for sale	5	–	2,000
<b>Total current liabilities</b>		<b>21,468</b>	<b>19,692</b>
<b>Total liabilities</b>		<b>789,870</b>	<b>876,144</b>
<b>Total shareholders' funds and liabilities</b>		<b>2,177,758</b>	<b>2,156,779</b>

For and on behalf of the Board



Jeff Morrison  
Director



Stuart McLauchlan  
Director

Date: 22 November 2021

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Note	Group (unaudited) Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2020 \$000s
Gross property income from rentals		56,395	53,345
Insurance proceeds - rental loss		–	583
Gross property income from expense recoveries		9,884	9,791
Property expenses		(13,213)	(13,231)
<b>Net property income</b>	3	53,066	50,488
Administration expenses		5,846	5,296
<b>Profit before financial income/(expenses), other gains/(losses) and tax</b>		47,220	45,192
<b>Financial income/(expenses)</b>			
Interest expense	9	(13,104)	(14,182)
Gain/(loss) on derivative financial instruments held for trading		6,991	92
Interest income		8	24
		(6,105)	(14,066)
<b>Other gains/(losses)</b>			
Revaluation gains on investment property	4	91,674	79,797
Realised gains/(losses) on disposal of investment property		(1,885)	968
Forfeited deposit on sale of investment property		–	4,525
Earthquake expenses		–	(502)
		89,789	84,788
<b>Profit before income tax attributable to shareholders</b>		130,904	115,914
Taxation expense	10	3,863	1,341
<b>Profit and total comprehensive income after tax</b>		127,041	114,573
All amounts are from continuing operations.			
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)		15.10	13.82

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

## CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Shares on issue \$000s	Share based payments reserve \$000s	Retained earnings \$000s	Total \$000s
For the six months ended 30 September 2021 (unaudited)				
<b>Shareholders' funds at the beginning of the period</b>	809,230	659	470,746	1,280,635
<b>Total comprehensive income for the period</b>	–	–	127,041	127,041
<b>Contributions by shareholders</b>				
Issue of shares from Dividend Reinvestment Plan	7,472	–	–	7,472
Issue costs of shares	(24)	–	–	(24)
Dividends to shareholders	–	–	(27,339)	(27,339)
Equity settled share based payments	480	(377)	–	103
<b>Shareholders' funds at the end of the period</b>	817,158	282	570,448	1,387,888
For the six months ended 30 September 2020 (unaudited)				
<b>Shareholders' funds at the beginning of the period</b>	792,826	418	282,560	1,075,804
<b>Total comprehensive income for the period</b>	–	–	114,573	114,573
<b>Contributions by shareholders</b>				
Issue of shares from Dividend Reinvestment Plan	8,042	–	–	8,042
Issue costs of shares	(22)	–	–	(22)
Dividends to shareholders	–	–	(26,316)	(26,316)
Equity settled share based payments	–	120	–	120
<b>Shareholders' funds at the end of the period</b>	800,846	538	370,817	1,172,201

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Group (unaudited) Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2020 \$000s
<b>Cash flows from operating activities</b>		
<i>Cash was provided from:</i>		
Property income	68,104	63,865
Interest received	8	24
Taxation received	770	–
<i>Cash was applied to:</i>		
Property expenses	(10,103)	(9,893)
Earthquake expenses	–	(436)
Interest paid	(11,666)	(12,964)
Interest paid for ground lease	(1,007)	(1,226)
Employee benefits	(2,600)	(3,386)
Taxation paid	–	(3,826)
Other expenses	(3,071)	(2,247)
<b>Net cash from/(used in) operating activities</b>	<b>40,435</b>	<b>29,911</b>
<b>Cash flows from investing activities</b>		
<i>Cash was provided from:</i>		
Sale of properties, deposits and deferrals	94,893	36,434
<i>Cash was applied to:</i>		
Capital additions on investment properties	(30,750)	(38,566)
Capitalised interest on investment properties	(2,136)	(1,714)
Purchase of properties, deposits and deferrals	(13)	(341)
<b>Net cash from/(used in) investing activities</b>	<b>61,994</b>	<b>(4,187)</b>
<b>Cash flows from financing activities</b>		
<i>Cash was provided from:</i>		
Debt drawdown	19,548	45,656
<i>Cash was applied to:</i>		
Repayment of debt	(101,351)	(52,281)
Dividends paid to shareholders net of reinvestments	(19,955)	(18,356)
Issue cost of shares	(25)	(11)
Repayment of lease liabilities	(58)	(55)
Bond costs	(18)	(17)
Facility refinancing fee	(164)	(256)
<b>Net cash from/(used in) financing activities</b>	<b>(102,023)</b>	<b>(25,320)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>406</b>	<b>404</b>
Cash and cash equivalents at the beginning of the period	1,762	1,861
<b>Cash and cash equivalents at the end of the period</b>	<b>2,168</b>	<b>2,265</b>

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

The Company's principal activity is investment in properties which include Industrial, Office and Large Format Retail properties throughout New Zealand.

These condensed consolidated interim financial statements (interim financial statements) are presented in New Zealand dollars which is the Company's functional currency and have been rounded to the nearest thousand dollars (\$000) and include those of APL and its subsidiaries (the Group).

These interim financial statements were approved by the Board of Directors on 22 November 2021.

### 2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with NZ IAS 34 and IAS 34 Interim Financial Reporting as applicable to the Company as a profit-oriented entity. These interim financial statements do not include all of the information required for full annual financial statements.

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

The preparation of financial statements in conformity with NZ GAAP requires the use of certain critical accounting estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The area involving a higher degree of judgement or complexity, and where assumptions and estimates are significant to the financial statements is the valuation of investment property under NZ IAS 40 Investment Property and right-of-use assets under NZ IFRS 16 Leases (Note 4).

#### Insurance income recognition

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

#### Change in accounting policies

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. They have also been applied consistently to all periods and by all group entities in these financial statements.

#### New accounting standards adopted

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



### 3. SEGMENT INFORMATION

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

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

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

	Industrial		Office		Large Format Retail		Total (unaudited)	
	Six months to 30 September		Six months to 30 September		Six months to 30 September		Six months to 30 September	
	2021 \$000s	2020 \$000s	2021 \$000s	2020 \$000s	2021 \$000s	2020 \$000s	2021 \$000s	2020 \$000s
<b>Segment profit</b>								
<b>Net property income<sup>1</sup></b>	24,800	22,131	22,238	21,272	6,028	7,085	53,066	50,488
Realised gains/(losses) on disposal of investment properties	(645)	968	(1,240)	–	–	–	(1,885)	968
Forfeited deposit on sale of investment property	–	–	–	–	–	4,525	–	4,525
Earthquake expenses	–	–	–	(502)	–	–	–	(502)
	24,155	23,099	20,998	20,770	6,028	11,610	51,181	55,479
Revaluation gains on investment properties	83,911	44,093	6,273	21,384	1,490	14,320	91,674	79,797
<b>Total segment profit<sup>2</sup></b>	108,066	67,192	27,271	42,154	7,518	25,930	142,855	135,276
Unallocated:								
Administration expenses							(5,846)	(5,296)
Net interest expense							(13,096)	(14,158)
Gain/(loss) on derivative financial instruments held for trading							6,991	92
<b>Profit before income tax</b>							130,904	115,914
Taxation expense							(3,863)	(1,341)
<b>Profit for the period</b>							127,041	114,573

1. Net property income consists of revenue generated from external tenants less property operating expenditure plus insurance proceeds - rental loss.

2. There were no inter-segment sales during the period (30 September 2020: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 3. SEGMENT INFORMATION (CONTINUED)

	Industrial \$000s	Office \$000s	Large Format Retail \$000s	Total \$000s
<b>Segment assets as at 30 September 2021 (unaudited)</b>				
Current assets	644	350	1,774	2,768
Investment properties	1,062,975	888,377	214,900	2,166,252
<b>Total segment assets</b>	<b>1,063,619</b>	<b>888,727</b>	<b>216,674</b>	<b>2,169,020</b>
Unallocated assets				8,738
<b>Total assets</b>				<b>2,177,758</b>
<b>Segment assets as at 31 March 2021 (audited)</b>				
Current assets	1,766	2,033	1,049	4,848
Investment properties	984,950	854,335	213,200	2,052,485
Non-current assets classified as held for sale	–	–	87,455	87,455
<b>Total segment assets</b>	<b>986,716</b>	<b>856,368</b>	<b>301,704</b>	<b>2,144,788</b>
Unallocated assets				11,991
<b>Total assets</b>				<b>2,156,779</b>

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than cash and cash equivalents, derivatives, other non-current assets and other minor current assets that cannot be allocated to particular segments.

### 4. INVESTMENT PROPERTIES

	Industrial Six months to 30 September 2021 \$000s	Office Six months to 30 September 2021 \$000s	Large Format Retail Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2021 \$000s
<b>Movement in investment properties</b>				
Balance at 1 April 2021	984,950	854,335	213,200	2,052,485
Capitalised costs	5,197	28,488	308	33,993
Disposals	(10,742)	–	–	(10,742)
Change in fair value	83,911	6,273	1,490	91,674
Change in capitalised leasing costs	12	(505)	(11)	(504)
Principal repayment of lease liability	–	(58)	–	(58)
Change in lease incentives	(353)	(156)	(87)	(596)
<b>Investment properties at 30 September</b>	<b>1,062,975</b>	<b>888,377</b>	<b>214,900</b>	<b>2,166,252</b>
Less lease liability (39 Market Place)	–	(41,627)	–	(41,627)
<b>Investment properties at 30 September excluding NZ IFRS 16 lease adjustments</b>	<b>1,062,975</b>	<b>846,750</b>	<b>214,900</b>	<b>2,124,625</b>

#### 4. INVESTMENT PROPERTIES (CONTINUED)

	Industrial 12 months to 31 March 2021 \$000s	Office 12 months to 31 March 2021 \$000s	Large Format Retail 12 months to 31 March 2021 \$000s	Group (audited) 12 months to 31 March 2021 \$000s
<b>Movement in investment properties</b>				
Balance at 1 April 2020	842,779	795,977	185,350	1,824,106
Acquisition of properties	76,167	–	–	76,167
Capitalised costs	6,641	55,769	1,495	63,905
Transfer to properties held for sale	–	–	(87,455)	(87,455)
Transfer from properties held for sale	–	–	84,634	84,634
Disposals	(70,303)	–	–	(70,303)
Change in fair value	129,920	(1,524)	29,262	157,658
Change in capitalised leasing costs	(129)	(347)	(61)	(537)
Principal repayment of lease liability	–	(110)	–	(110)
Change in lease incentives	(125)	4,570	(25)	4,420
<b>Investment properties at 31 March</b>	<b>984,950</b>	<b>854,335</b>	<b>213,200</b>	<b>2,052,485</b>
Less lease liability (39 Market Place)	–	(41,685)	–	(41,685)
<b>Investment properties at 31 March excluding NZ IFRS 16 lease adjustments</b>	<b>984,950</b>	<b>812,650</b>	<b>213,200</b>	<b>2,010,800</b>
Held for sale at 31 March	–	–	87,455	87,455
<b>Total investment properties at 31 March including held for sale excluding NZ IFRS 16 lease adjustments</b>	<b>984,950</b>	<b>812,650</b>	<b>300,655</b>	<b>2,098,255</b>

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

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

#### Valuation of investment properties

In accordance with the valuation policy of the Group, property valuations are carried out at least annually by independent registered valuers. Following recent market property sale transactions and improved leasing activity, the Board and Management engaged Colliers International New Zealand Limited (Colliers) and CBRE Limited (CBRE) to review key valuation metrics in order to undertake a high-level desktop review of the property portfolio as at 30 September 2021.

Colliers and CBRE did not re-inspect the properties and did not undertake a full market valuation as at 30 September 2021. They undertook relevant investigations, including considering any tenant changes, assessing market rentals and reviewing capitalisation rates in order to determine the desktop value of Argosy's properties.

Whilst the valuations were provided for Argosy internal purposes, they have been reviewed and assessed by Management and subsequently adopted by the Board. Overall, there was an uplift in the valuation of the portfolio of \$91.7 million (2020: \$79.8 million) which has been recognised as a revaluation gain on investment property as at 30 September 2021.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 4. INVESTMENT PROPERTIES (CONTINUED)

Investment property metrics for the period ended 30 September 2021 are as follows:

		Industrial	Office	Large Format Retail	Total
Contract yield <sup>1</sup>	- Average	4.88%	6.11%	5.81%	5.42%
	- Maximum	7.33%	16.49%	6.41%	16.49%
	- Minimum	3.62%	5.03%	4.59%	3.62%
Market yield <sup>1</sup>	- Average	5.02%	6.38%	5.68%	5.58%
	- Maximum	6.98%	19.57%	5.78%	19.57%
	- Minimum	3.75%	4.82%	4.63%	3.75%
Occupancy (rent)		99.86%	97.25%	100.00%	98.69%
Occupancy (net lettable area)		99.93%	97.20%	100.00%	99.41%
Weighted average lease term (years)		6.33	4.60	3.60	5.32
No. of buildings <sup>2</sup>		34	16	4	54
<b>Fair value total (000s)</b>		<b>\$1,062,975</b>	<b>\$846,750</b>	<b>\$214,900</b>	<b>\$2,124,625</b>

1. 8-14 Willis Street/360 Lambton Quay has been excluded from these yield metrics as the rent of the property included in the valuation reports was based on the completion of the planned redevelopment work required to be undertaken. The fair value of the property was based on the completed redevelopment less the costs to complete and a risk margin.

2. Certain titles have been consolidated and treated as one.

Investment property metrics for the year ended 31 March 2021 are as follows:

		Industrial	Office	Large Format Retail	Total
Contract yield <sup>1</sup>	- Average	5.23%	6.27%	5.76%	5.63%
	- Maximum	7.27%	13.40%	6.68%	13.40%
	- Minimum	3.93%	4.44%	4.94%	3.93%
Market yield <sup>1</sup>	- Average	5.42%	6.43%	5.65%	5.78%
	- Maximum	7.30%	15.90%	5.81%	15.90%
	- Minimum	4.11%	4.94%	4.99%	4.11%
Occupancy (rent)		99.52%	98.32%	100.00%	99.03%
Occupancy (net lettable area)		99.42%	98.42%	100.00%	99.28%
Weighted average lease term (years)		6.53	4.81	3.75	5.51
No. of buildings <sup>2</sup>		35	16	4	55
<b>Fair value total (000s)</b>		<b>\$984,950</b>	<b>\$812,650</b>	<b>\$213,200</b>	<b>\$2,010,800</b>
Held for sale (000s)		–	–	\$87,455	\$87,455
<b>Total (000s)</b>		<b>\$984,950</b>	<b>\$812,650</b>	<b>\$300,655</b>	<b>\$2,098,255</b>

1. 7 Waterloo Quay and 8-14 Willis Street/360 Lambton Quay have been excluded from these yield metrics as the rents of these properties included in the valuation reports were based on the completion of the planned remedial and redevelopment work required to be undertaken. The property held for sale has also been excluded from these yield metrics. The fair value of 8-14 Willis Street/360 Lambton Quay was based on the completed redevelopment less the costs to complete and a risk margin.

2. Certain titles have been consolidated and treated as one. The total number of buildings excludes the property held for sale.

## 5. PROPERTY HELD FOR SALE

No investment property was subject to an unconditional sale and purchase agreement at 30 September 2021 (31 March 2021: Albany Lifestyle Centre, Albany (\$87.5 million)).

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

	Group (unaudited) 30 September 2021 \$000s	Group (audited) 31 March 2021 \$000s
Nominal value of interest rate swaps - fixed rate payer	455,000	405,000
Nominal value of interest rate swaps - fixed rate receiver	325,000	325,000
Average fixed interest rate - fixed rate payer	3.71%	3.85%

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

The net liability for derivative financial instruments as at 30 September 2021 is \$35.5 million (31 March 2021: \$42.5 million). The mark-to-market decrease in the liability for derivative financial instruments is a result of movements in the interest rate curve during the interim period.

## 7. SHARE CAPITAL

	Group (unaudited) 30 September 2021 \$000s	Group (audited) 31 March 2021 \$000s
Balance at the beginning of the period	809,230	792,826
Issue of shares from Dividend Reinvestment Plan	7,472	16,452
Issue costs of shares	(24)	(48)
Issue of shares from equity settled share based payments	480	—
<b>Total share capital</b>	<b>817,158</b>	<b>809,230</b>

The number of shares on issue at 30 September 2021 was 844,658,102 (31 March 2021: 839,527,547).

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

Reconciliation of number of shares (in 000s of shares)	Group (unaudited) 30 September 2021	Group (audited) 31 March 2021
Balance at the beginning of the period	839,528	827,187
Issue of shares from Dividend Reinvestment Plan	4,812	12,341
Issue of shares from share based payments	318	—
<b>Total number of shares on issue</b>	<b>844,658</b>	<b>839,528</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 8. INTEREST BEARING LIABILITIES

	Group (unaudited) 30 September 2021 \$000s	Group (audited) 31 March 2021 \$000s
Syndicated bank loans	352,047	433,851
Fixed rate green bonds	325,000	325,000
Borrowing costs	(4,058)	(4,330)
<b>Total interest bearing liabilities</b>	<b>672,989</b>	<b>754,521</b>
Weighted average interest rate on interest bearing liabilities (inclusive of bonds, interest rate swaps, margins and line fees)	3.88%	3.69%

#### Syndicated bank loans

	Group (unaudited) 30 September 2021 \$000s	Group (audited) 31 March 2021 \$000s
ANZ Bank New Zealand Limited	84,819	81,311
Bank of New Zealand	105,000	105,000
The Hongkong and Shanghai Banking Corporation Limited	66,891	65,000
Commonwealth Bank of Australia	66,891	40,000
Westpac New Zealand Limited	28,446	142,540
<b>Total syndicated bank loans</b>	<b>352,047</b>	<b>433,851</b>

As at 30 September 2021, the Group had a syndicated revolving facility with ANZ Bank New Zealand Limited, Bank of New Zealand, The Hongkong and Shanghai Banking Corporation Limited, Commonwealth Bank of Australia and Westpac New Zealand Limited for \$455.0 million (31 March 2021: \$490.0 million) secured by way of mortgage over the investment properties of the Group. The facility includes a Tranche A limit of \$80.0 million, a Tranche B limit of \$125.0 million, a Tranche C limit of \$80.0 million, a Tranche D limit of \$90.0 million and a Tranche I limit of \$80.0 million.

Tranche A matures on 1 April 2023, Tranche B on 1 October 2024, Tranche C on 1 April 2024, Tranche D on 1 October 2025 and Tranche I on 19 May 2025. Tranches A, C, and I limits and maturity dates remain unchanged from 31 March 2021. Tranches B and D were introduced and Tranches B2 and B3 cancelled during the interim period.

#### Fixed rate green bonds

NZX code	Value of Issue \$000s	Issue Date	Maturity Date	Interest Rate	Fair Value \$000s
ARG010	100,000	27 March 2019	27 March 2026	4.00%	106,666
ARG020	100,000	29 October 2019	29 October 2026	2.90%	101,844
ARG030	125,000	27 October 2020	27 October 2027	2.20%	97,580

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

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

## 9. INTEREST EXPENSE

	Group (unaudited) Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2020 \$000s
Interest expense	(14,198)	(14,851)
Interest on ground lease (39 Market Place)	(1,042)	(1,045)
Less amount capitalised to investment properties	2,136	1,714
<b>Total interest expense</b>	<b>(13,104)</b>	<b>(14,182)</b>

Capitalised interest relates to the development at 8-14 Willis Street/360 Lambton Quay, Wellington (30 September 2020: capitalised interest relates to the developments at 8-14 Willis Street/360 Lambton Quay, Wellington and 54-56 Jamaica Drive, Wellington).

## 10. TAXATION

	Group (unaudited) Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2020 \$000s
<i>The taxation charge is made up as follows:</i>		
Current tax expense	3,185	3,007
Deferred tax expense	1,501	1,767
Adjustment recognised in the current year in relation to the current tax of prior years	(823)	(3,433)
<b>Total taxation expense recognised in profit</b>	<b>3,863</b>	<b>1,341</b>
<b>Reconciliation of accounting profit to tax expense</b>		
Profit before tax	130,904	115,914
Current tax expense at 28%	36,653	32,456
Adjusted for:		
Capitalised interest	(598)	(480)
Fair value movement in investment properties	(25,669)	(22,343)
Fair value movement in derivative financial instruments	(1,957)	(26)
Depreciation	(4,049)	(3,875)
Deductible repairs and maintenance expenditure capitalised for accounting purposes	(2,778)	(323)
Depreciation recovered on disposal of investment properties	1,223	47
Tax on accounting loss/(gain) on disposal of investment properties	528	(271)
Tax on forfeited deposit on sale of investment property	–	(1,267)
Other	(168)	(911)
<b>Current taxation expense</b>	<b>3,185</b>	<b>3,007</b>
Movements in deferred tax assets and liabilities attributable to:		
Investment properties	(345)	1,328
Fair value movement in derivative financial instruments	1,957	26
Other	(111)	413
<b>Deferred tax expense</b>	<b>1,501</b>	<b>1,767</b>
Prior year adjustment	(823)	(3,433)
<b>Total tax expense recognised in profit or loss</b>	<b>3,863</b>	<b>1,341</b>

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 11. DISTRIBUTABLE INCOME AND ADJUSTED FUNDS FROM OPERATIONS

	Group (unaudited) Six months to 30 September 2021 \$000s	Group (unaudited) Six months to 30 September 2020 \$000s
Profit before income tax	130,904	115,914
Adjustments:		
Revaluation gains on investment property	(91,674)	(79,797)
Realised (gains)/losses on disposal of investment properties	1,885	(968)
Gain/(loss) on derivative financial instruments held for trading	(6,991)	(92)
Earthquake expenses	–	502
<b>Gross distributable income</b>	<b>34,124</b>	<b>35,559</b>
Tax impact of depreciation recovered on disposal of investment properties	1,223	47
Current tax expense	(2,362)	426
<b>Net distributable income</b>	<b>32,985</b>	<b>36,032</b>
Weighted average number of ordinary shares (000s)	841,261	829,044
<b>Gross distributable income cents per share</b>	<b>4.06</b>	<b>4.29</b>
<b>Net distributable income cents per share</b>	<b>3.92</b>	<b>4.35</b>
<b>Net distributable income</b>	<b>32,985</b>	<b>36,032</b>
Amortisation of tenant incentives and leasing costs	3,781	2,060
<b>Funds from operations (FFO)</b>	<b>36,766</b>	<b>38,092</b>
Capitalisation of tenant incentives and leasing costs	(939)	(5,178)
Maintenance capital expenditure	(3,531)	(1,866)
7 Waterloo Quay façade repairs	(7,175)	(42)
Maintenance capital expenditure recovered through sale	376	22
<b>Adjusted funds from operations (AFFO)</b>	<b>25,497</b>	<b>31,028</b>
<b>FFO cents per share</b>	<b>4.37</b>	<b>4.59</b>
<b>AFFO cents per share</b>	<b>3.03</b>	<b>3.74</b>
Dividends paid/payable in relation to period	3.28	3.18
Dividend payout ratio to FFO	75%	69%
Dividend payout ratio to AFFO	108%	85%

The Company's dividend policy is based on net distributable income. Net distributable income is determined under the Company's bank facility agreement. For the year commencing 1 April 2022 and subsequent years, the Company's dividend policy will be based on adjusted funds from operations (AFFO). AFFO is based on the Property Council of Australia Voluntary Best Guidelines for disclosing FFO and AFFO as interpreted by the Company and amended to include maintenance capital expenditure recovered through sales.

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

### 12. COMMITMENTS

#### Building upgrades and developments

Estimated capital commitments contracted for building projects not yet completed at 30 September 2021 and not provided for were \$38.6 million (31 March 2021: \$46.9 million).

There were no other commitments as at 30 September 2021 (31 March 2021: Nil).

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

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

### 13. CONTINGENCIES

There were no contingencies as at 30 September 2021 (31 March 2021: Nil).

#### **14. SUBSEQUENT EVENTS**

On 22 November 2021 a dividend of 1.6375 cents per share was approved by the Board. The record date for the dividend is 8 December 2021 and a payment is scheduled to shareholders on 22 December 2021. Imputation credits of 0.0720 cents per share are attached to the dividend.

#### **15. RELATED PARTY TRANSACTIONS**

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

There were no significant changes in relationships or transactions with related parties during the period ended 30 September 2021.



## INDEPENDENT REVIEW REPORT

### TO THE SHAREHOLDERS OF ARGOSY PROPERTY LIMITED

#### Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Argosy Property Limited and its subsidiaries ('the Group') which comprise the condensed consolidated interim statement of financial position as at 30 September 2021, and the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 4 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

#### Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

#### Restriction on use

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review 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 engagement, for this report, or for the conclusions we have formed.

Peter Gulliver, Partner  
For Deloitte Limited  
Auckland, New Zealand  
22 November 2021

This review report relates to the unaudited interim financial statements of Argosy Property Limited for the six months ended 30 September 2021 included on the Argosy Property Limited website. The Group's Board of Directors are responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Argosy

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