Argosy

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MEDIA RELEASE

ARGOSY ANNUAL RESULTS SHOW SOUND BASIS FOR GROWTH

Summary

- Internalisation achieved in August 2011 with significant permanent cost savings.
- Corporatisation achieved in February 2012.
- Bank facility restructured on more favourable terms.
- Net distributable income $33.4 million.
- Property revaluation has resulted in $3.7m lift in property values.
- Price performance has exceeded both the NZX50 and the NZX Gross Property Index over the period.
- Dividend of 6.0 cents per share for the 12 months to 31 March 2012, consistent with previous guidance.
- Dividend guidance for 2013 is 6.0 cents per share.
- Total portfolio value of $905 million.
- Portfolio occupancy at 31 March 2012 is 94.1% by rental.
- Weighted average lease term of 4.77 years.
- Average property value $13.9 million.
- Net property income $71.2 million.
- The Board is actively seeking growth opportunities.

Argosy Property Limited (“Argosy” or “the Company”) has achieved a 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 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). Argosy’s strategic focus on risk mitigation and capital management has delivered results for investors through this difficult period.

The Company’s portfolio following the revaluation, including vacant land, shows a passing yield on values of 8.02% and a yield on the assessed market rentals of 8.24%.

Annual net property income of $71.2 million was slightly down on the $72.3 million achieved in the prior period, however the reduction in rental income is primarily the result of the sale of 15 properties during the period.

As at 31 March 2012, Argosy’s total assets were $929.3 million and debt (excluding capitalised borrowing costs) was $384.6 million. The debt-to-total-asset ratio of 41.4%

compares favourably with the 42.3% at 31 March 2011. We expect this downward trend to continue following the receipt of insurance proceeds from our impaired Christchurch property (refer below). Argosy remains 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. The reduced profit after tax reflects significant one-off costs in relation to internalisation, an unsolicited merger offer, 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 and the insurance receivable.

CEO Comment

Chief Executive Officer Peter Mence said, "During the year, Argosy 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."

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

Dividends

Aided by savings generated from the 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 cents per share is in line with guidance levels and the Boards new dividend policy.

Chairman of the Board Michael Smith said, "The full-year dividend of 6 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.   Argosy's total return to shareholders over the period demonstrates the benefits of the Company's strategy to maintain an actively managed, diversified and liquid portfolio of properties."

"The Board is pleased to confirm that, based on current projections for the economy and the portfolio, a distribution at 6 cents per share is expected to continue for the year to 31 March 2013."

Portfolio Management

Leasing

At year end, the vacancy within the portfolio was 5.93% by rental (2011: 3.69%). The vacancy by rental as at 23 May 2012 is 5.70%. The Board and Management remains focused on improving the vacancy profile of the portfolio and on addressing leases coming up for expiry. The weighted average lease term (WALT) at 31 March 2012 was 4.77 years (2011: 4.92).

Constrained growth in the government sector has the potential to reduce the relative contribution of the Wellington office portfolio. However, the new 6-year leases achieved with both Te Puni Kokiri and the Department of Internal Affairs, who account for the majority of the Company's Wellington office exposure, contribute significantly to securing this sector of the portfolio.

During the year, 71 lease transactions were completed. This comprised 49 new leases and 22 renewals or lease extensions. The Company's portfolio remains well placed with a diversified portfolio of good quality properties in strong locations. The income streams are diversified by use and by tenant, with the largest tenant in the portfolio contributing 3.3% of total income. The portfolio location weighting is centred on Auckland (74%) and does not include any significant exposure in provincial centres (currently 12%).

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.

Development

Steady progress is being made at Manawatu Business Park. Subdivision works are almost complete and titles are now only dependent on the Local Authority and regulatory process.

The final calculation of development levies will have a significant effect on the overall calculation of subdivision costs. The level of the development levies are 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. 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.

Governance

At the 2011 Annual Meeting, 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. Mr Scott is now a director of Argosy Property Limited.

On 28 March 2012, the Board of Argosy Property Limited appointed Mr Mark Cross as a Director of the company. He replaced the Honourable Philip Burdon who resigned in February after many years of distinguished service to Argosy.

Capital Management

The Board's intention is to bring the debt-to-total-assets ratio 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.

Bank Facility

In August 2011, Argosy successfully renegotiated its banking facilities on improved terms. The existing Tranche A facility of $400m was extended to June 2015, achieving immediate savings in margin and line fees. The Tranche B facility of $50m matures in June 2013 and will be reviewed this year.

Outlook

As advised to shareholders at the 2011 Annual General Meeting, the Board is actively considering selective growth opportunities accretive to shareholders.

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Argosy Property Limited

Argosy Property Limited is the most diversified property fund listed on the New Zealand Stock Exchange. It has a $905 million portfolio of 65 properties, with 232 tenants across the retail, commercial and industrial sectors. Argosy Property Limited has a low risk focus on quality properties where value can be added and properties modernised to extend their effective utilisation.