Argosy
Property Trust

29 November 2010

MARKET RELEASE

Argosy Property Trust announces interim results

Argosy Property Trust has reported interim results to 30 September 2010. The core property portfolio generated $35.6m (2009: $40.9m) of net property income and produced earnings before finance costs and tax of $31.4m (2009: $34.4m). The reduced income is a result of asset sales during the last year.

The Trust incurred an after-tax loss of $93.0m for the six month period to 30 September 2010 which compares to the 2009 loss of $5.6m. This result includes the $103.2m deferred tax adjustment as a result of the Government Budget changes to remove the ability to claim depreciation on building structure. However, if this non-cash adjustment is excluded, it would result in a profit of $10.2m.

Unit price performance
The unit price performance was above the NZX Property Gross index for the 6 months under review and also out-performed the NZX50. The 12-month performance to 30 September was again above that of both the NZX50 and the NZX Property Gross Index.

Trust activities
Trust activities over the half year have been focused on maintaining and improving the quality of the property portfolio.
The first of these was the sale of the 792 Great South Road retail property for $10.5m, a figure more than $700,000 above the valuation at 31 March 2010. A simultaneous acquisition of the remaining strata title not already owned by the Trust at Wagener Place, St Lukes increased our exposure in this prime bulk retail location. The valuation on acquisition was approximately $1m higher than the $10.5m acquisition price. Both transactions were contracted during the period, although settlement occurred post 30 September. Considered together, the transactions were value enhancing, and were accretive to the yield and average lease term of the portfolio while improving property investment quality.

The Trust also agreed to the acquisition of the freehold title underlying the Albany Block E ground leased property. The acquisition improves the investment quality of the asset particularly in the current economic environment where investor sentiment to leasehold assets is largely negative. Importantly, this also significantly improves the Trust's flexibility in managing the asset in the future.

Within the Trust's industrial portfolio there is a joint venture interest in North East Industrial Limited which has a significant land holding in Palmerston North. As previously advised the Trust is deemed to be in control of the joint venture and the holding is consolidated within the Trust's industrial portfolio with the appropriate minority interest shown in the accounts. Unconditional agreements are in place to sell three investment properties and some vacant land in the park for approximately $26.4m with settlement of the transactions occurring through to mid 2013.

Governance
At the Annual Meeting of unitholders held on 23rd August 2010 at Eden Park, Peter Brook was re-appointed as an independent director of the Manager. Mr Brook, who has served as an independent director since the inception of the Trust in 2002, stood unopposed and was elected by a show of hands at the meeting.

Taxation

As a result of the changes announced in the 2010 Government Budget, specifically the removal of the ability to claim depreciation on building structures, an adjustment was required to the deferred tax computation. For the Trust to comply with the relevant International Financial Reporting Standards (IFRS), there is an increase in the deferred tax liability by approximately $103.2m ($96.8m excluding the North East Industrial Limited joint venture) on the Statement of Financial Position with a corresponding increase in the deferred tax expense shown on the Statement of Comprehensive Income. This is a non-cash adjustment and will not form part of the calculation of the net distributable income available to unitholders under the terms of the Trust Deed.

It should be noted that the International Accounting Standards Board is reported to be looking at amending the Accounting Standards which required the recognising of a deferred tax liability as a result of the Budget changes. Should this happen then the deferred tax liability would be reversed.

As highlighted at the Annual Meeting, it is important to note that this deferred tax adjustment does not affect the Trust's bank loan covenants, nor, under current legislation, would the liability created be required to be paid to the Inland Revenue Department.

Distribution payable

Prior to the changes in depreciation deduction allowances the Board indicated that the current annual distribution was likely to be 7.0 cents per unit. This guidance remains appropriate and the board have declared a cash distribution of 1.75 cents per unit for the September quarter. There will be no imputation credits attached to the distribution and the dividend re-investment plan ("DRP") will continue with a discount of 2.5% applied to the price at which units will be issued under the DRP. The record date is to be 7th December 2010 and the payment date will be 21st December 2010.

Capital management

Debt levels following acquisition and expenditure activity up to 30 September 2010 have increased to 41.8% (31 March 2010:40.1%) of total assets. Management is actively negotiating the sale of a number of properties in order to reduce this.

Risk mitigation

Tenant retention rates have remained strong through the first half of the year. The portfolio occupancy rate has been maintained at over 95% and the majority of the space that has been vacated has been re-leased. This reflects well on the type and nature of the space making up the property portfolio.

The effective management of tenant needs and relationships remains a key management focus particularly in the current economic environment.

Valuations

Following an analysis of the property portfolio and the current market the Board did not consider there was a requirement to complete a revaluation of the portfolio for the interim results. Independent property valuations will be completed at year end in line with normal policy.

Positioning the portfolio for the future

Many leases have been negotiated during the first half of the year including 40 lease transactions increasing the weighted average lease term of the portfolio from 5.0 years to 5.3 years. Transactions include 16 renewals or extensions and 24 new leases completed in a difficult leasing environment. Occupancy levels as at 30 September are 95.7%, down on the 97.1% at year-end.

Outlook

While both the global and the domestic economy are beginning to show some positive signs of moving towards recovery, the property market continues to show the need for careful and competent management. Post balance date activity levels in the market provide some grounds for greater optimism than existed at the time of presenting our year-end results, however a continuing focus on the risks and the structure of the portfolio is appropriate.

Argosy Property Trust has a low-risk diversified investment strategy that has provided flexibility in an difficult economic time and maintained a solid return to unitholders.

Appendix One

	Sep-2010 $000s	Sep-2009 $000s	
Profit before finance income/(expenses)and other gains/(losses)	31,396	34,375	
Addback/(deduct)			
Interest Income	401	284	
Interest Expense	(13,489)	(13,455)	
Amortisation of Management contract	658	658	
Gross Distributable Income	**18,966**	**21,862**	**(13.25)**
Current tax	1,465	945	
Net Distributable Income	**17,501**	**20,917**	**(16.33)**

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Argosy Property Trust
Argosy Property Trust is the most diversified property trust listed on the New Zealand Stock Exchange. It has a $946 million portfolio of 81 properties, with 280 tenants across the retail, commercial and industrial sectors. The Trust has a low risk focus on quality properties where value can be added and properties modernised to extend their effective utilisation.