

## **CHAIRMAN'S ADDRESS**

### **INTRODUCTION**

Good afternoon Ladies and Gentlemen. My name is Mike Smith and I'm the Chairman of Argosy Property Limited. It's my pleasure to welcome you all to the inaugural annual meeting of shareholders of Argosy.

I'd like to record that the Notice of the Meeting was duly given on 10 August, 2012 and as there are at least 5 shareholders here today, there is a quorum present. Accordingly, I declare the meeting open.

I would like to introduce the other directors and Executives who are seated next to me.

To my left are directors ... Trevor Scott, Peter Brook, Andy Evans and Mark Cross. Seated next to them is the Chief Executive, Peter Mence and the Chief Financial Officer, Dave Fraser. We also have several other members of the Executive team here today.

I would also like to welcome our auditors, Deloitte, our solicitors, Harmos Horton Lusk, our Registrar, Computershare and our tax advisors, KPMG, to the meeting.

The agenda for today's meeting will be as follows:

- I will deliver a short address and that will be followed by a presentation on Argosy's performance by our Chief Executive, Peter Mence.
- Following the presentations, questions from Shareholders will be taken.
- We will then move to the formal resolutions of the Meeting.
- And finally we will then attend to any general business.

At the conclusion of the meeting, please join us for refreshments and the Directors and Executives will be available to discuss any matters with you.

## **PROXIES**

Proxies have been received in respect of 171,697,854 shares and these have been audited by Deloitte.

There are 561,446,681 shares on issue.

## **RESULTS FOR THE YEAR TO 31 MARCH 2012**

In May this year 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 important milestones were achieved over the course of this financial year. The successful internalisation of the management contract in August 2011 has delivered savings which have improved earnings, and Peter Mence will cover this in more detail in his presentation. The subsequent corporatisation of the business, moving from a unit trust structure to a company structure also delivered savings and improved operating efficiency, while providing greater protection to investors.

The sale of properties during the period led to lower annual rental income and slightly reduced net property income of \$71.2 million compared to \$72.3 million last year. As at 31 March 2012, Argosy's total assets were \$929.3 million and the debt-to-total-assets ratio was 41.4% compared to 42.3% at 31 March 2011. I'm pleased to report that the current debt-to-total assets ratio has fallen further to 39.9% as at 31 July.

The Company continues to operate well within all bank covenants.

The Company achieved an audited profit after tax of \$1.9 million for the year to 31 March 2012. This mainly reflects significant one-off costs in relation to internalisation and 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, due to the earthquake, of the Company's single Christchurch property and the insurance proceeds. It's pleasing to report that the insurance claim was settled in July and the proceeds have been received. The value of the residual land and buildings has been assessed at \$4.05 million by CBRE as part of the 31 March 2012 asset valuations and is being marketed for sale.

#### **FULL-YEAR DIVIDEND AND FIRST QUARTER ANNOUNCEMENT**

The full-year dividend paid of 6.0 cents per share was in line with guidance levels and the Board's new dividend policy. The full-year dividend, paid fully from distributable operating earnings, was a good result for the business, following a busy year for the Company on internalisation and corporatisation and challenging economic conditions.

I can confirm that the directors have approved today a first quarter dividend for the 2013 financial year of 1.50 cents per share. This will be paid on 26 September 2012 with a record date of 12 September 2012. A discount of 1% will be applied to the share price for participants in the Dividend Reinvestment Plan. The full year dividend guidance for the 2013 year is 6.0 cents per share.

#### **SHARE PRICE PERFORMANCE**

Argosy's share price performance exceeded both the NZX50 and the NZX Gross Property Index for the year and the shares are trading at a premium to NTA, which is a pleasing result, and Peter Mence will elaborate on this in more detail in his presentation.

## **CAPITAL MANAGEMENT**

Argosy's ongoing strategy of a diversified property portfolio with some assets positioned at the liquid end of the property market has allowed the Company to manage debt levels appropriately through 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 share price was trading at a significant discount to net asset backing. Given the probability of non-participation from some shareholders, a capital management strategy based on capital-raising from existing shareholders would have disadvantaged many.

Earlier this month we announced that we have restructured our syndicated bank facility with ANZ National Bank, Bank of New Zealand and the Hongkong and Shanghai Banking Corporation on improved terms. The facility amount has increased from \$450 million to \$500 million and is now split into two even tranches of \$250 million. The first tranche expires on 30 June 2015 and the second on 30 June 2017.

Importantly Argosy will receive immediate margin and line fee reductions on both tranches averaging 25bps, after providing for upfront fees. This will result in annual interest savings of approximately \$1.1million.

The ratio of debt-to-total-assets is now below 40%, although by a small margin. We will continue to divest vacant land and under-yielding assets as an immediate strategy to manage debt levels.

## **VALUATIONS**

I'm 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 compared to \$2.1 million last year. 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**

The internalisation of Argosy's management was approved by unit holders at the AGM last year. It was completed on the same day, with a large majority of staff transferring to Argosy. As part of the internalisation process, Argosy relocated its office to one of our own buildings at 39 Market Place, Auckland.

On 21 February this year, the corporatisation of the Argosy Property 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.

In March of this year, the Board appointed Mark Cross to replace the Honourable Philip Burdon as a director, who resigned in February. I would like to thank Philip for many years of distinguished service to Argosy.

I would also like to particularly thank two of our other Directors, Trevor Scott and Peter Brook, for their outstanding work during the successful 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 Government). 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 previously advised, your Board will actively consider growth opportunities that are accretive to shareholders.

On behalf of the Board, I 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.

Now I'd like to hand over to our CEO, Peter Mence, who will present an overview of our portfolio performance for the year.

**-END-**

**[The Chairman then handed over to the CEO, Peter Mence]**

Thank you Peter.

I will now open the meeting for questions about the Company's performance generally. Other issues can be addressed as General Business later in the meeting.

I would like to remind you that only Shareholders, proxy holders or Shareholder company representatives have a right to speak.

In addressing the Chair with questions would you please state your name and advise whether you are a Shareholder, a proxy holder or a Shareholder company representative.

If you have a question, there are Company representatives here with cordless microphones in the aisles, please use these so we can all hear your question.

Do I have any questions from the floor?

#### QUESTIONS

.....

#### RESOLUTIONS

We will now consider the formal resolutions for the Meeting.

The resolutions for consideration today may only be voted on by Shareholders (either in person or by proxy), and proxy holders and Shareholder company representatives present.

As noted earlier I have been provided with a record of the valid proxies received. Proxies have been received in respect of 171,697,854 shares and these have been audited by Deloitte. There are 561,446,681 shares on issue

Voting on all resolutions will be by poll. On a poll, each person voting at the meeting and each Shareholder who has cast a vote by proxy, has one vote for each share held. We will consider each Resolution in turn and vote on that Resolution after any discussion.

To vote, you should tick the relevant box on your voting form in respect of the resolution being voted on. If you did not bring your voting form with you, you should have been given a voting form at the registration desk on arrival. If you have been overlooked, please let one of the Computershare representatives know immediately.

Company representatives have pens available if you require one to complete your forms. On completion of the voting, your forms will be collected. Do not forget to sign the forms. When all voting forms have been collected, they will be taken to be counted by Computershare and will be scrutinised by Deloitte. If you are both a Shareholder and a proxy holder or Shareholder company representative, please complete a separate voting paper for yourself and each other Shareholder you represent. All resolutions will be voted on in the form proposed in the Notice of Meeting given to Shareholders. Each of the resolutions is taken as having been moved and no seconder is required. The resolutions will be binding on the Board and Company if passed.

#### RESOLUTION 1

Pursuant to Clause 24.6 of the Company's constitution, Andy Evans retires by rotation and offers himself for re-election to the Board. I'd like to ask Andy to briefly address the meeting.....

Is there any discussion?

Thank you, voting on this Resolution will be by poll please tick the relevant box on your voting form.

Note: Pause for people to complete voting papers.

#### RESOLUTION 2

Pursuant to Clause 24.5 of the Company's constitution, Mark Cross, as a Board appointed Director, offers himself for election to the Board. I'd like to ask Mark to briefly address the meeting.....

Is there any discussion?

Thank you, voting on this Resolution will be by poll please tick the relevant box on your voting form.



Note: Pause for people to complete voting papers.

### RESOLUTION 3

Pursuant to Clause 24.8 of the Company's constitution, Steven Blakeley, has been nominated by a shareholder and offers himself for election to the Board. I'd like to ask Stephen to briefly address the meeting.

Is there any discussion?

Thank you, voting on this resolution will be by poll please tick the relevant box on your voting form.

Note: Pause for people to complete voting papers.

### RESOLUTION 4

The final resolution re-appoints Deloitte as auditor of the Company and authorises the Board to fix the auditor's fees and expenses.

Is there any discussion?

Thank you, voting on this resolution will be by poll please tick the relevant box on your voting form.

Note: Pause for people to complete voting papers.

That completes voting on all resolutions. I will now ask for the voting papers to be collected in the boxes being circulated.

Note: Pause for voting papers to be collected.

Due to the number of votes to be counted, the votes collected at this meeting will be added to the proxies already received and the results will be compiled by the registrar, Computershare and scrutinised by the auditor. The results will also be published on the Argosy website and provided to the NZX.

### GENERAL BUSINESS

I now move on to the general business of the meeting, and open the floor for questions or comments.

Again, I ask that in addressing the Chair with questions would you please state your name and advise whether you are a Shareholder, a proxy holder or a Shareholder company representative. I would like to remind you that only Shareholders, proxy holders or Shareholder company representatives have a right to speak.

General business discussion if any.

#### CHAIRMAN'S CLOSING

That completes the formal business of the meeting.

Thank you everyone for your attendance and participation this afternoon.

I formally declare this meeting closed.

Please join us for refreshments.

-END-