

## **CHAIRMAN'S ADDRESS**

### **INTRODUCTION**

Good afternoon Ladies and Gentlemen. My name is Mike Smith and I'm the Chairman of Argosy Property Limited. I'd like to welcome you all to the annual meeting of shareholders of Argosy. It is a pleasure to be able to have the meeting here at the Royal New Zealand Yacht Squadron.

I'd like to record that the Notice of the Meeting was duly given on 7 August, 2014 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 right are directors ... Trevor Scott, Peter Brook, Andrew Evans, Mark Cross, and Jeff Morrison.

Chris Hunter has sent his apologies as he is unable to be in attendance today. 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 this morning'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 queries you may have.

## **PROXIES**

Proxies have been received in respect of 318,985,157 shares and these have been audited by Deloitte.

There are 794,831,296 shares on issue.

## **RESULTS FOR THE YEAR TO 31 MARCH 2014**

The 2014 financial year was one of significant progress for Argosy with stronger portfolio metrics following on from a clearly defined portfolio investment strategy and investment policy. Leasing metrics as at 31 March 2014 have improved on the prior year-end, with occupancy increasing to 98.7%. The weighted average lease term at 5.68 years is the highest in eleven years and the lease expiry profile continues to be well managed.

Net property income for the year was \$82.2 million, an increase of 17.7% on the prior period. The profit before tax, after allowing for the non-cash impact of property revaluations and interest rate swaps, was \$98.8 million compared to \$38.7 million for the previous period.

In May this year Argosy Property Limited announced an audited net distributable income of \$50 million, which is an increase of 18.4% on the prior period. Peter will cover this in more detail in his presentation.

## **ACQUISITIONS AND DIVESTMENTS**

The 2014 financial year was one of substantial activity with the acquisition of four high quality buildings in Auckland and Wellington. These buildings all fit within Argosy's communicated investment policy and are backed by solid tenants with good lease terms.

In June 2013, the Company settled the purchase of the Progressive Enterprises Auckland distribution centre at 80 Favona Road, Mangere for \$74.0 million. This property is tenanted on an 11 year lease.

In July 2013, Argosy settled the purchase of 15 Stout Street, Wellington for \$33.2 million and this property has now been fully redeveloped. The building was officially opened by the Honourable Steven Joyce last month and is leased to The Ministry of Business, Innovation and Employment on a 12-year lease.

In September 2013, Argosy settled the purchase of the Vector Centre at 101 Carlton Gore Road, Newmarket, Auckland for \$22.25 million. Vector Limited is the major tenant of this building on a 7.5 year lease.

Finally, in December 2013, Argosy settled the purchase of a new 21,000 square metre distribution centre at 19 Nesdale Avenue, Wiri, Auckland for \$38.0 million. The property is tenanted to Cardinal Logistics Limited on a 15 year lease.

In December 2013, Argosy divested the underperforming building at 56 Cawley Street, Ellerslie, Auckland for \$10.375 million. This property had suffered from a long term vacancy factor and had

provided a disappointing total return of 5%.

Subsequent to financial year end, Argosy announced the unconditional sale of 8 Pacific Rise, Mt Wellington Auckland, for \$10.4 million, a 2.7% premium to the book value at 31 March 2014. This property had also suffered from long-term vacancy issues and a short weighted average lease term. Settlement occurred in July 2014.

Argosy has also recently announced the unconditional sale of the Waitakere Mega Centre, Auckland at the 31 March 2014 book value of \$45.75 million with settlement due in March 2015. This property was designated as non-Core and the sale will reduce the company's retail property weightings to within the targeted 15 to 25% band.

Following the settlement of this sale, 6% of the portfolio is considered neither Core nor Value Add and will be divested in the future as market conditions allow.

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

The full-year dividend paid of 6.0 cents per share was in line with guidance and the Board's current dividend policy.

I can confirm that the directors have approved today a first quarter dividend for the 2015 financial year of 1.50 cents per share with imputation credits attached of 0.4884 cents per share. This will be paid on 24 September 2014 with a record date of 10 September 2014. A discount of 1% will be applied to the share price for participants in the Dividend Reinvestment Plan.

The Board is pleased to confirm that, based on current projections for the portfolio, a dividend of

6 cents per share is expected to continue for the year to 31 March 2015. It is anticipated that this may marginally exceed net distributable income in the 2015 year as Argosy returns to a tax-paying position. While projections beyond that date are heavily dependent on the market and legislative environment, based on current conditions, it is envisaged that the current 6 cents per share dividend, paid from net distributable income, will be a minimum level for the years following the 2015 financial year.

### **SHARE PRICE PERFORMANCE**

Argosy's share price performed in line with the NZX Gross Property Index for the year and has significantly outperformed the index since April 2009. Peter Mence will elaborate on this in more detail in his presentation.

### **LEVERAGE**

As at 31 March 2014, Argosy's total assets were \$1.232 billion, while debt (excluding capitalised borrowing costs) was \$449.5 million.

The debt to total assets ratio of 36.5% is within the target ratio of 35 to 40% in the medium term.

### **BANK FACILITY**

The Company restructured and extended its syndicated bank facility in June 2013 and then again in June 2014. The expiry of the first tranche of \$250 million is now 30 June 2017 and the second tranche, also \$250 million, is 30 June 2019.

As a result of these restructures, Argosy is receiving margin and line fee savings, after including upfront fees, of \$1.4 million per annum.

## **GOVERNANCE**

At the August 2013 Annual Meeting, Peter Brook and I were re-elected as Independent Directors and Chris Hunter and Jeff Morrison were elected as Independent Directors for the first time.

## **PORTFOLIO INVESTMENT STRATEGY**

Our portfolio investment strategy remains unchanged. In the medium term, Argosy's portfolio will consist of Core and Value Add properties. Core properties are well constructed, well located assets which are intended to be long-term investments (>10 years). Core properties will make up 75 to 85% of the portfolio by value.

Core properties enjoy strong long term demand (well located and generic), a leasing profile that provides for rental growth of at least CPI and good structural integrity with minimal maintenance capital expenditure required.

Value Add properties are assets which, through skilled asset management, can increase future earnings and provide capital growth. Value Add properties will already be well-located with the potential for strong long term tenant demand. These properties are available for near to medium term repositioning or development with the view to moving into the Core category.

## **LOOKING AHEAD**

Argosy has a well-diversified portfolio of good quality and well located properties and a clear investment

strategy that enables us to make the most of current economic conditions.

Argosy is, and will remain, invested in a portfolio that is diversified by sector, grade, location and tenant mix.

I would like to take this time to acknowledge my fellow director, Trevor Scott, who is resigning from the Argosy board today. Trevor has been a member of the board of directors since Argosy was first listed on the New Zealand Stock Exchange as Paramount Property Trust in 2003.

Trevor has made an immense and invaluable contribution to the Company over the past 10 and a half years and I have always strongly valued his extensive knowledge and expertise.

Trevor has always been a great supporter of the company and a longstanding and significant shareholder and I would like to offer my sincere best wishes to him on his retirement from the board.

The Board would like to thank all shareholders for their ongoing support over the last year. We look forward to working 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-**