



3 September 2014

RECORD NET ASSET VALUE FOR RURAL EQUITIES LIMITED

The Directors of Hawke's Bay based Rural Equities Limited ("REL") announce that the Group's Total Comprehensive Income for the year ended 30 June 2014 was \$24.02 million, more than double the previous year's result of \$10.92 million. The Net Asset Value per share increased to a record \$5.37 from \$4.77 last year.

A fully imputed dividend of 7 cents per share will be paid to shareholders with respect to the financial year ended 30 June 2014. This is a 16.7% increase on the previous year's dividend of 6 cents per share. The record date will be Friday, 26 September 2014 and the dividend will be paid on Wednesday, 8 October 2014.

REL's Operating Earnings Before Interest and Tax (EBIT) was \$6.43 million compared with \$3.33 million last year. The Group's six dairy farms achieved record milk production of 1.67 million kilograms of milk solids. This, together with a record milk price, provided a significant portion of the increased earnings. Production gains were also achieved on the three Waikato directly managed sheep and beef properties which, combined with stronger beef, lamb, and wool prices, also contributed materially to the increased earnings.

The 30 June 2014 valuation of REL's properties and other assets increased by \$19.93 million compared to \$7.19 million the previous year. The Group's rural property portfolio increased in value by 12.9%. The Canterbury property portfolio again achieved strong revaluation growth. REL's North Island pastoral properties recorded the largest revaluation growth for some time.

REL's Executive Chairman, David Cushing, said "the near doubling in operating EBIT, due to productivity gains and strong agricultural commodity prices, was pleasing. Additionally, revaluation gains of approximately \$20 million increased total assets to in excess of \$220 million."

During the year the sale of the Group's Blairmore property in Central Otago was settled. REL also acquired a 12.7% stake in Australian agricultural company, Tandou Limited. Tandou owns a valuable portfolio of both high security and general security water rights and has significant agricultural land holdings.

Since balance date a \$5.10 million conversion of the Group's Eiffelton property has commenced. Eiffelton, near Ashburton, is a 396 hectare irrigated property currently leased as a dairy support unit. This project will see the 233 hectare Northern block converted to a 940 cow dairy farm. Further irrigation on the 163 hectare Southern block will provide winter grazing and supplementary feed.

For the year ahead, we anticipate lower milk prices but stronger beef and sheep meat prices. Fonterra has announced a forecast price of \$6.00 per kilogram of milk solids, toward the lower end of the price range achieved over the last five years, which has averaged \$6.78. Directors note the overvalued New Zealand dollar appears to be trending downwards to more appropriate levels.

REL owns a quality, diversified portfolio of prime agricultural properties and will continue to invest in attractive opportunities within the portfolio. The Group remains in a strong financial position with debt representing 12.1% of Total Assets. Directors believe the merits of long term investment in agriculture are soundly based.

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About REL:

- *REL owns a diversified portfolio of 25 high quality rural properties spread throughout New Zealand and has total assets in excess of NZ\$220 million.*
- *Nine of the properties are directly managed with six of these being dairy farms. The remaining properties are leased, predominantly to farmers with other farming interests.*
- *REL also owns a 12.7% stake in Australian agricultural company Tandou Limited.*