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## **RURAL EQUITIES LIMITED - MARKET UPDATE**

### **Christchurch earthquake**

The Directors and management of Rural Equities Limited (REL) express their deepest sympathies to all those affected by the devastating earthquake in Christchurch on 22 February 2011 - in particular to the many REL shareholders who live in Christchurch and the surrounding area.

The Group's properties within the region suffered only minimal damage. At this stage it appears damage was limited to minor structural damage to houses at Barry's Bay (Banks Peninsula) and the Rocklea dairy farm (near Methven). A full inspection of all the improvements on the Group's properties in the affected area will be completed over the coming month and claims submitted where necessary. All buildings are fully insured and eligible for cover from the Earthquake Commission.

There were no injuries or disruption to business on the Group's properties.

### **Annandale homestead fire**

On 7 February 2011 the Annandale homestead (near Hamilton) was destroyed by fire. The fire is thought to have started as a result of an electrical fault in a water pump. No one was injured in the fire.

The homestead was surplus to requirements at the Annandale property and has been leased to external tenants since the Group took over direct management of the property in 2009.

The homestead was insured for full replacement value.

### **Dividends**

Following the merger of the New Zealand Rural Property Trust and REL a special dividend of 5.5 cents per share was paid to shareholders on 29 January 2010. That dividend utilised the majority of the Group's imputation credits.

The Group has significant tax losses available to offset future profits. These losses will be sufficient to offset the Group taxation liabilities with respect to the financial year ending 30 June 2011. At this stage it is anticipated that tax losses will be available to materially offset taxation liabilities in the financial year ending 30 June 2012.

The Group continues its capital development programme investing in its existing properties to create value. The Rocklea irrigation conversion project will be completed during the winter and the substantial capital development programme on the Waikato properties is continuing.

As a consequence of the funds that will be required for the Group's ongoing capital expenditure programme and insufficient imputation credits being available, the Directors advise that no dividend will be paid for the financial year ending 30 June 2011.

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