



INVESTMENT STATEMENT
AND
SHORT FORM PROSPECTUS

20 NOVEMBER 2007

ONE FOR FIVE PRO-RATA NON-RENOUNCEABLE RIGHTS ISSUE
OF ORDINARY SHARES AT \$2.75 PER SHARE

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.*

Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you -

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition -

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Combined document

This document is an investment statement for the purposes of the Securities Act and Securities Regulations. It is prepared as at and dated 20 November 2007. This document is also a prospectus for the purpose of the Securities Act and Securities Regulations. The information required to be contained in the investment statement is set out above under the heading "Important Information" and under the heading "Investment Statement Information - Answers to Important Questions" on pages 7 to 10.

Registration

A copy of this Offer Document signed by or on behalf of the directors of REL has been delivered to the Registrar of Companies at Auckland for registration under section 42 of the Securities Act.

* *This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this offer the two documents have been combined and accordingly the prospectus available on request is identical to this document.*

DIRECTORY

Registered Office

Level 1, 120 Karamu Road North

HASTINGS

Ph: 0800 - 100 042

Fax: 06 – 870 4673

Email: enquiries@ruralequities.co.nz

Directors

Sir Selwyn Cushing (Chairman)

Murray Gough (Deputy Chairman)

Roger Bonifant

Sir Ronald Carter

David Cushing

Brian Martin

Executive

Brian Burrough – Chief Executive Officer

Owen Trimmer – Chief Financial Officer

James Wright – Chief Operating Officer

Solicitors for REL

Chapman Tripp

119 Armagh Street

P O Box 2510

CHRISTCHURCH

Share Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna

Private Bag 92119

AUCKLAND 1020

Ph: 0800 – 228 811

Fax: 09 – 488 8787

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OFFER TIMETABLE

| | |
|-----------------------------|---------------------------|
| Record Date | 5.00 pm 7 December 2007 |
| Opening Date | 10 December 2007 |
| Closing Date* | 11.00 am 21 December 2007 |
| Allotment* | 24 December 2007 |
| Notification of Allotments* | 28 December 2007 |

**REL may amend these dates at its discretion.*

CHAIRMAN'S LETTER

20 November 2007

Dear Shareholder

ONE FOR FIVE PRO-RATA NON-RENOUNCEABLE RIGHTS ISSUE

On behalf of the Board of Rural Equities Limited (REL), I am pleased to offer you the opportunity to participate in this rights issue.

The Directors wish to increase the capital of REL by offering this one for five pro-rata non-renounceable rights issue for cash at \$2.75 per share. The offer is not being underwritten but if some entitlements are not taken up, the Directors may place those shares with existing shareholders or other third parties at the same issue price, in accordance with the terms of the REL Constitution.

The offer is non-renounceable. This means that you cannot sell or transfer your entitlement to another person. If you do not wish to take up your entitlement, you may consider selling some or all of your shares before the Record Date, (7 December 2007) as the share price prior to the Record Date may reflect some value for this entitlement. You may also elect simply to retain the shares you own in which case no further action is required.

Recently REL made an offer to all New Zealand Rural Property Trust unitholders to acquire further units in the Trust at \$2.80 in cash. This offer resulted in REL acquiring 3,629,832 units at a total cost of \$10,163,530. REL and its subsidiary New Zealand Rural Property Trust Management together now hold 62.1% of the units on issue in the New Zealand Rural Property Trust. The funds received from this rights issue of approximately \$12,230,000 will be used to repay the temporary bank facility arranged to fund the recent unit acquisitions and reduce debt owed by REL to Westpac New Zealand Limited.

REL primarily invests in and manages rural property in New Zealand for long term capital growth and income. This is achieved through REL's investment in New Zealand Rural Property Trust units and the management of that Trust. REL also has an investment in and manages the REL – Pacific Equity Trust which was formed in July 2006 to invest in listed and unlisted securities principally in New Zealand and Australia.

The New Zealand Rural Property Trust has reported a series of strong results in recent years following significant increases in the value of its rural properties. The Directors of REL believe the outlook for the New Zealand rural sector and the dairy industry in particular continues to be very encouraging. Strong world demand for dairy products is translating into markedly higher returns for dairy farmers. World grain prices have lifted dramatically in response to increasing consumption and use for animal feeds and bio-fuels. Higher grain prices are resulting in higher global food prices, and the benefits are already flowing to the arable sector and dairy industry in New Zealand. While the sheep and beef sectors are still experiencing lower prices, the benefit from higher global protein prices should also flow through in due course to the wider rural sector.

The Directors of REL note that while investment in rural property potentially provides long term capital growth, revenue returns from rural property are relatively low. Dividends are accordingly not expected to be paid by REL in the foreseeable future.

If you intend to take up all or some of your entitlement please complete and return the Letter of Entitlement and Acceptance Form, and forward that form together with your cheque to Computershare Investor Services Limited. You must ensure that they are received by Computershare by the Closing Date of 11.00 am on 21 December 2007 (unless extended).

On behalf of the Board I commend this offer to you and encourage you to participate.



Sir Selwyn Cushing
CHAIRMAN



FIRST FLOOR
120 KARAMU ROAD NORTH
PO BOX 783, HASTINGS
NEW ZEALAND
TELEPHONE 0-6-870 4672
FREEPHONE 0800 100 042
FACSIMILE 0-6-870 4673
enquiries@ruralequities.co.nz

MAIN TERMS OF OFFER

Offer

Shares in REL are being offered on a non-renounceable basis at \$2.75 each to persons who are registered shareholders of the Company as at 5.00 pm on 7 December 2007 (the "Record Date") in the ratio of one new share for every five shares held (subject to rounding).

Any shares purchased after 5.00 pm on the Record Date will not entitle the purchaser to participate in the offer in relation to those shares.

Each Shareholder who is offered the right to subscribe for shares pursuant to the offer may elect not to exercise that entitlement. As the offer is non-renounceable, the entitlement may not be transferred to another person for that person to exercise. The offer is not being underwritten however the Directors may issue any shares not taken up under this offer to existing shareholders or third parties at an issue price of \$2.75 per share, in accordance with the REL Constitution.

H&G Limited and other entities directly associated with the Cushing Family, who jointly hold 60.1% of REL's shares have confirmed that it is their current intention to subscribe for the full rights to which they are entitled. Their proportionate ownership of REL will not alter as a result of this issue, if the offer is fully subscribed or the shares not taken up are issued to other parties. If the percentage held by the Cushing Family does increase (which could only occur if the Directors did not issue the shares not taken up under the offer to other parties) then pursuant to the Takeovers Code (Class Exemption) Notice (No. 2) 2001, the Cushing interests will be required to sell some shares so they hold the same percentage as held prior to this offer of shares.

Purpose of the Issue

Recently REL made an offer to all New Zealand Rural Property Trust ("NZRPT") unitholders to acquire further units in NZRPT at \$2.80 in cash. This offer resulted in REL acquiring 3,629,832 units at a total cost of \$10,163,530. REL and its subsidiary New Zealand Rural Property Trust Management Limited together now hold 62.1% of the units on issue in NZRPT. The funds received from this rights issue (approximately \$12,230,000) will be used to repay the temporary bank facility arranged to fund the recent unit acquisitions and reduce REL's other indebtedness to Westpac New Zealand Limited.

REL's bank facilities are provided by Westpac New Zealand Limited. The facilities currently have a limit of \$35,000,000. As at 9 November 2007 the Westpac facilities were drawn to a level of \$30,050,000.

Your entitlement

Your entitlement is set out in the Letter of Entitlement and Acceptance Form accompanying this Offer Document. The number of shares which shareholders are entitled to apply for will, in the case of fractional entitlements, be rounded up to the nearest whole number.

Applications must be on the Letter of Entitlement and Acceptance Form accompanying this Offer Document.

Acceptance or renunciation of entitlement

You may accept your entitlement either in full or in part. If you wish to accept your entitlement in part only, or do not wish to accept it, your entitlement is non-renounceable and, as such, your entitlement cannot be sold or transferred in whole or in part. You may however sell some or all of your shares prior to the Record Date in which case the purchaser of your shares may accept the entitlement.

The offer is not being underwritten, but any shares not taken up under the rights issue may be placed by REL with other parties – any such placements will be on the same terms and conditions as the rights issue, and as a consequence you will receive no benefit.

Further information on how to accept your entitlement is set out in the Letter of Entitlement and Acceptance Form. Completed Letters of Entitlement and Acceptance Forms together with the appropriate funds must be returned to Computershare Investor Services Limited at Level 2, 159 Hurstmere Road, Takapuna, Private Bag 92119, Auckland to be received no later than 11.00 am Friday 21 December 2007 (unless extended).

Overseas shareholders

Shareholders who are not resident in New Zealand may not be eligible to participate in the offer because of taxation or legal constraints that apply in their country of residence. Such shareholders should first seek professional advice before electing to participate in the offer. It is the responsibility of each Shareholder to obtain any such advice. Any person outside New Zealand who participates in the offer will be deemed to represent and warrant to REL that they are a person to whom an offer may lawfully be made in their jurisdiction pursuant to this Offer Document and that they may lawfully participate in the offer. Neither REL nor any of its officers, employees or advisers accepts any responsibility to determine whether a shareholder is able to participate in the offer.

Important Document

If you are in any doubt as to how to deal with this Offer Document, please immediately contact an accountant or a financial advisor.



BUSINESS OVERVIEW

Background

REL was established in 1989 under its previous name of New Zealand Farmlands Limited and was formerly a listed company on the New Zealand Stock Exchange. The Company changed its name to New Zealand Rural Properties Limited in 1992. Williams & Kettle Limited ("W&K") made a share takeover offer for the Company in 1996, pursuant to which it acquired approximately 72% of the shares in the Company. The remainder of the shares were subsequently acquired for cash.

In February 2004 W&K carried out a court approved scheme of arrangement under Part XV of the Companies Act 1993 pursuant to which it transferred the units it owned in the New Zealand Rural Property Trust ("NZRPT") to REL in return for further shares in REL and \$6,000,000 in cash. W&K then made a distribution of shares in REL to each W&K shareholder pro-rata to their shareholding in W&K.

H&G Limited ("H&G"), an investment company of Sir Selwyn and David Cushing, has made two successful partial takeover offers for REL over recent years. The first in May 2004 took H&G's shareholding in REL from 25.3% to 40.8% and the second in June 2007 took H&G's shareholding in REL to its current level of 50.83%. Other entities directly associated with the Cushing Family, hold an additional 9.27% of REL's shares.

As at 9 November 2007, REL had 22,237,923 shares on issue. Details of REL's shareholders as at 9 November 2007 are shown in the table below:

| Shareholders | Number of shares | % of shares on issue |
|---|-------------------|----------------------|
| H&G Limited | 11,303,068 | 50.83 |
| St Laurence Property & Finance Limited | 4,031,184 | 18.13 |
| RotoruaTrust Perpetual Capital Fund Limited | 700,000 | 3.15 |
| David Cushing | 536,922 | 2.41 |
| New Zealand Central Securities Depository Limited | 447,352 | 2.01 |
| Brian Martin | 312,870 | 1.41 |
| Sir Selwyn Cushing | 305,814 | 1.38 |
| RGH Holdings Limited | 304,339 | 1.37 |
| Other shareholders (approx 525) | 4,296,374 | 19.31 |
| Total | 22,237,923 | |

None of the above persons guarantees the shares being offered.

REL's primary assets are a holding of 57.72% of the units on issue in NZRPT and 100% of the shares in New Zealand Rural Property Trust Management Limited, the Manager of NZRPT ("the Trust Manager"). The Trust Manager also holds 4.32% of the units on issue in NZRPT. Further details are contained in the sections *Management of the New Zealand Rural Property Trust and Profile of the New Zealand Rural Property Trust* on page 6.

In July 2006 REL expanded its funds management business with the formation of the REL-Pacific Equity Trust, a unit trust established to take advantage of investment opportunities, principally in New Zealand and Australia. Initial investment capital raised through a Private Placement Memorandum was \$19,000,000. REL owns 100% of the shares in REL – Trust Management Limited, the Manager of the REL-Pacific Equity Trust. REL subscribed for \$4,000,000 of units when REL-Pacific Equity Trust was established.

REL also provides funds management and other administrative services to external companies.

REL has three employees. Its office is situated in Hastings.

REL's financial statements

A copy of the 2007 Annual Report containing the audited financial statements of REL to 30 June 2007 was sent to all shareholders on 28 September 2007.

A copy of REL's 2007 Annual Report can be obtained by contacting the registered office of REL (refer to the Directory for contact details) or from REL's website, www.ruralequities.co.nz.

Management of the New Zealand Rural Property Trust

The terms and conditions governing the management of NZRPT are embodied within the Trust Deed between The New Zealand Guardian Trust Company Limited ("the Trustee") and the Trust Manager originally dated 30 January 1987 (the "Trust Deed"). The Trust Deed was last modified on 30 June 2000. NZRPT terminates in 2067.

Essentially, the Trust Manager's role is to administer and supervise the investments of NZRPT in the best interests of Unitholders and to ensure developments are carried out in a proper manner. With regard to acquisitions and disposals, investment proposals are prepared by the Trust Manager and subject to the approval of the Trustee.

In consideration for the services provided by the Trust Manager it receives a management fee calculated on a sliding scale based on the gross value of NZRPT. Part of the management fee is paid in cash and part in units in NZRPT.

Profile of New Zealand Rural Property Trust

NZRPT is registered under the Unit Trusts Act 1960. It was established in 1987 for the express purpose of developing and holding a diverse long-term portfolio of prime rural property assets.

NZRPT now operates as a closed trust, whereby Unitholders seeking to purchase or sell units effect their transaction via secondary markets.

As at 9 November 2007, NZRPT had 47,302,448 Units on issue. The substantial Unitholders of NZRPT as at 9 November 2007 are shown in the table below:

| Unitholders | Number of Units | % of Units on issue |
|---|-------------------|---------------------|
| Rural Equities Limited | 27,304,805 | 57.72 |
| Ashfield Farm Limited | 2,873,799 | 6.08 |
| New Zealand Rural Property Trust Management Limited | 2,043,174 | 4.32 |
| New Zealand Central Depository Limited | 1,855,000 | 3.92 |
| Tepler Nominees Limited | 1,405,832 | 2.97 |
| RotoruaTrust Perpetual Capital Limited | 1,336,515 | 2.83 |
| Selba Holdings Limited | 964,232 | 2.03 |
| W J Greenwood | 655,045 | 1.38 |
| Other Unitholders (approx 1,120) | 8,864,046 | 18.75 |
| Total | 47,302,448 | |

The principal purpose of NZRPT is to invest in rural property and forestry investments. The Trust Deed states that the Trustee shall invest NZRPT's funds in accordance with this policy so that any appreciation or diminution in value of a Unitholder's investment shall primarily reflect the investment risk associated with this policy.

NZRPT owns 30 rural properties throughout New Zealand and one forest at Ngaruawahia. Twenty two of the rural properties are leased to farmers who undertake a wide range of rural activities. Six dairy farming properties are managed by resident sharemilkers. Fox's Peak and Waikoha Station, both large scale sheep and beef grazing operations, are directly managed by NZRPT. The forest at Ngaruawahia is currently being harvested.

INVESTMENT STATEMENT INFORMATION - ANSWERS TO IMPORTANT QUESTIONS

1. WHAT SORT OF INVESTMENT IS THIS?

Shares in REL are being offered on a non-renounceable basis at \$2.75 each to shareholders in the ratio of one new share for every five shares held, with partial entitlements being rounded up. No person or entity guarantees the shares offered.

The shares offered will rank equally in all respects with the existing shares. Each share gives the holder the right to:

- attend and vote at a meeting of REL, including the right to cast one vote per share on a poll on any resolution, including but not limited to a resolution to:
 - appoint or remove a director or auditor;
 - adopt or alter REL's constitution;
 - approve a major transaction;
 - approve the amalgamation of REL; or
 - put REL into liquidation;
- dividends paid by REL in respect of that share;
- an equal share with other shares in the distribution of surplus assets in any liquidation of REL;
- be sent certain information about REL; and
- the other rights as a shareholder conferred by the Companies Act and REL's constitution.

The above is a simplified and general description of some of the rights of shareholders. All terms of the offer, and the shares, except those rights and obligations implied by law, are set out in this Offer Document and REL's constitution, both of which are available for public inspection on the Companies Office website at www.companies.govt.nz or at the registered office of REL (refer to the Directory for contact details). Copies may also be obtained by telephoning the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be charged for a requested document.

2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

Rural Equities Limited is the issuer of the shares. The registered office of REL is at Level 1, 120 Karamu Road North, Hastings, New Zealand.

Details of the activities carried on by REL and its history are set out under *Business Overview* on pages 5 to 6.

3. HOW MUCH DO I PAY?

The shares are to be issued for \$2.75 each. The subscription price for the shares is payable by applicants to "Rural Equities Limited Rights Offer" and must be forwarded to:

Rural Equities Limited
c/- The Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92 119
AUCKLAND

to arrive no later than 11.00 am on 21 December 2007.



4. WHAT ARE THE CHARGES?

Shareholders are not required to pay any charges to REL in relation to the offer.

Details of the expenses of the offer are set out on page 11. These expenses will be paid by REL.

5. WHAT RETURNS WILL I GET?

Nothing contained in this Offer Document should be construed as a promise of profitability, and REL can give no assurance about the level of dividends, if any. Nor can any assurances be given as to the level of imputation credits or the level of supplementary dividends. No amount of returns is promised by REL or any other person. As noted in the Chairman's letter on page 3, dividends are not expected to be paid by REL in the foreseeable future.

Shareholders are entitled to receive any dividends that may be paid in the future. Shareholders are also entitled to any other returns attaching to the shares. Shareholders may also benefit from any increase in the market price of their shares if they sell them. The price of shares may also decline.

The key factor that will determine returns will be the financial performance of REL (which will reflect the financial performance of the underlying assets held by REL). REL may elect to establish or enhance reserves or retentions, reducing the amount available to be distributed to shareholders. New Zealand taxes may affect the return to investors. Prospective investors must seek their own taxation advice in relation to their personal taxation position.

The information set out in this section should be read in conjunction with the information set out below in the section entitled "What are my risks?" The factors described in that section could reduce or eliminate returns intended to be derived from holding the shares.

In the event that any dividends are declared, REL will be legally liable to pay such dividends on the shares. If a shareholder sells shares, the purchaser of those shares will be legally liable to pay the purchase price for those shares. Returns on the shares are not payable on fixed dates.

The shares are not listed on a registered exchange and are not frequently traded. Reduced liquidity in the trading of the shares may impact on your return, depending upon the conditions applying at the time you wish to sell your shares.

6. WHAT ARE MY RISKS?

The principal risk to holders of shares in REL is the inability to recover some or all of their investment.

This could occur for a number of reasons including:

- If the business operations of REL are unsuccessful.
- If REL is placed into liquidation and the value of its assets are insufficient to enable repayment to shareholders of the price paid by shareholders for their shares.
- If the value of units which REL holds in the New Zealand Rural Property Trust ("NZRPT") and/or the value of the assets of NZRPT decrease. This would also result in a decrease in the amount of the management fee received. These values can be decreased:
 - If the performance of the rural sector and/or the value of properties owned by NZRPT declines. This may be caused by factors such as exchange rates and farm product prices in world markets. Historically the rural sector has seen cyclical phases of growth and decline and these are expected to continue.
 - Seasonal climatic conditions in New Zealand or unforeseen natural disasters. The properties owned by NZRPT are geographically spread thereby minimising the effect of adverse climatic variations.
 - If there is an outbreak of a significant disease that would affect the ability to produce or sell farm products.
 - Any change in the taxation treatment of properties held by NZRPT.

- If New Zealand Rural Property Trust Management Limited ceases to manage NZRPT. The Trust Deed provides for New Zealand Rural Property Trust Management Limited to continue as the Trust Manager until 2067 however it may be removed or retire in certain circumstances.
- If the value of the equity investments held by REL-Pacific Equity Trust decreases. Equity investments can be volatile depending upon market and company specific conditions applying at any particular time.

If the secondary markets on which REL shares are currently traded cease to exist, or exist in a different form, there may not be a ready market for REL's shares and value can also be affected by a low level of liquidity (shares traded).

Shareholders will not have any liability upon the insolvency of REL to pay money to any person as the shares that will be issued to you pursuant to the offer will be issued fully paid.

In the event of REL being put into liquidation, claims by secured creditors and other creditors will rank ahead of claims by shareholders, as will any prior ranking shares (no such shares are currently on issue). The holders of shares will rank equally with each other in a liquidation of REL.

7. CAN THE INVESTMENT BE ALTERED?

Full terms of the offer are set out in this Offer Document. The terms may be altered by an amendment to this Offer Document by REL. Details of any such amendment must be filed with the Companies Office.

The rights attaching to REL's shares are governed by REL's constitution. That constitution may only be altered by a special resolution of shareholders subject to the rights of interest groups under the Companies Act or in certain circumstances by court order. Section 117 of the Companies Act requires that a company must not take any action that affects the rights attached to shares unless that action has been approved by a special resolution of each interest group (as defined in the Companies Act).

8. HOW DO I CASH IN MY INVESTMENTS?

A shareholder may sell the shares held by that shareholder. There is currently an established market for such sales on two unregistered securities trading facilities, Unlisted* and ShareMart *. No charges are payable to REL on the sale of shares, however, brokerage may be payable by you in respect of any sale. REL does not guarantee liquidity and share trading is limited. There may be a delay in selling shares in an illiquid market.

9. WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries in relation to the shares may be made to:

| | |
|--------------------------------|--------------------------------------|
| James Wright | Ph: 06 – 870 4672 |
| Rural Equities Limited | Fax: 06 – 870 4673 |
| Level 1, 120 Karamu Road North | Email: enquiries@ruralequities.co.nz |
| Hastings | |
| New Zealand | |

10. IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints about the investment can be made to:

| | |
|--------------------------------|--------------------------------------|
| James Wright | Ph: 06 – 870 4672 |
| Rural Equities Limited | Fax: 06 – 870 4673 |
| Level 1, 120 Karamu Road North | Email: enquiries@ruralequities.co.nz |
| Hastings | |
| New Zealand | |

There is no ombudsman to whom complaints about the investment can be made.

* Neither Unlisted nor ShareMart are registered or authorised securities exchanges, or regulated under New Zealand securities exchanges law. Unlisted and ShareMart accepts no responsibility for any statement made in this Offer Document.



11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

Information about the investment and REL is contained in this Offer Document and in the financial statements of REL.

A copy of this Offer Document and of the most recent financial statements of REL can be obtained free of charge from the registered office of REL (refer to the Directory for contact details) during normal business hours or from REL's website <http://www.ruralequities.co.nz>. Those documents, and other documents of or relating to REL, are also available for public inspection on the Companies Office website at www.companies.govt.nz. Copies may also be obtained by telephoning the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be charged for a requested document. Holders of shares will receive an annual report of REL, incorporating the most recent audited financial statements, in accordance with the requirements of the Companies Act.

Holders of shares in REL may request the following documents from REL:

- A copy of the most recent annual report of REL.
- A copy of the most recent financial statements of REL.
- A copy of this Offer Document.

Those documents will be provided free of charge.

- The Information required to be made available under sections 215 and 216 of the Companies Act, section 52(1) of the Securities Act and regulation 23A of the Securities Regulations.

Pursuant to section 218 of the Companies Act, a reasonable copying and administration fee may be charged for these documents.

A request for those documents should be made to the Chief Operating Officer at the registered office of REL (refer to the Directory for contact details).

STATUTORY INFORMATION

The information in this section includes, or refers to, the information required by Regulation 4(2) and the First Schedule of the Securities Regulations 1983.

1. MAIN TERMS OF OFFER

Issuer

The issuer of the shares is Rural Equities Limited ("REL") which has its registered office at Level 1, 120 Karamu Road North, Hastings, New Zealand.

Description

REL is offering ordinary shares in REL on a non-renounceable basis to shareholders in the ratio of one new REL share for every five REL shares held. The shares offered will be identical to existing shares. The shares are described in greater detail on page 7. Listing of the shares on the NZX or NZAX is not being sought.

Maximum Number

The maximum number of shares offered is up to 4,448,114.

Price or other consideration

The issue price of each share is \$2.75, payable in full upon application.

2. PROSPECTS AND FORECASTS

It is expected that the REL Group* will continue to undertake its current activities as described in *Business Overview* on page 5. The audited financial statements of the REL Group for the year ended 30 June 2007 provide details of the REL Group's performance during that period and the financial position as at 30 June 2007. Subject to the impact of the transactions detailed in the paragraph below, it is the Directors' expectation that REL will continue to perform satisfactorily for the current financial year.

During September and October 2007, REL has acquired an additional 3,629,832 units in the New Zealand Rural Property Trust at \$2.80 per unit. This has had the effect of increasing the value of the REL's investments and the level of the REL's bank borrowings.

The purpose of the offer is to provide finance for the reduction of REL's bank borrowings.

The value of New Zealand Rural Property Trust units are expected to appreciate over time.

Special trade factors and risks that could materially affect the prospects of the REL Group and which are not likely to be known or anticipated by the general public, are set out under "What are my risks?" on page 8.

3. PRELIMINARY AND ISSUE EXPENSES

The estimated amount of expenses of the offer is \$30,000. That amount comprises legal fees and other fees associated with the offer, registry expenses, printing and distribution of this Offer Document.

4. OTHER TERMS OF OFFER AND SECURITIES

All the terms of the offer, and all the terms of the shares being offered, are set out in this Offer Document, except for those implied by law or set out in a document that:

- is registered with a public official; and
- is available for public inspection; and
- is referred to in this Offer Document.

* In this Statutory Information section the REL Group means a) the parent, Rural Equities Limited 2) the subsidiaries, New Zealand Rural Property Trust Management Limited, REL – Trust Management Limited and the New Zealand Rural Property Trust and c) the associate, the REL – Pacific Equity Trust.

5. FINANCIAL STATEMENTS

The date of the statement of financial position included in the financial statements of the REL Group most recently sent to the shareholders of REL in accordance with the Companies Act 1993 is 30 June 2007.

6. PLACES OF INSPECTION OF DOCUMENTS

During the currency of this Offer Document, copies of the financial statements of the REL Group for the financial year ending 30 June 2007 can be obtained without fee from the registered office of REL (refer to the Directory for contact details) during normal business hours of 9.00am to 5.00pm on a working day (as defined in the Companies Act).

The public file in respect of REL can be viewed on the Companies Office website at www.companies.govt.nz. Copies may also be obtained by telephoning the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be charged for a requested document.

7. DIRECTORS' STATEMENT

The Directors, after due enquiry by them in relation to the period between 30 June 2007 and the date of registration of this Offer Document, are of the opinion that no circumstances have arisen that materially adversely affect:

- the trading or profitability of the REL Group; or
- the value of the REL Group's assets; or
- the ability of the REL Group to pay its liabilities due within the next 12 months.

Signed by:



Sir Selwyn Cushing
Director



Murray Gough
Director



Roger Bonifant
Director



Sir Ronald Carter
Director



David Cushing
Director



Brian Martin
Director

