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RECORD NET ASSET VALUE FOR RURAL EQUITIES LIMITED

The Directors of Hawke's Bay based Rural Equities Limited ("REL") are pleased to announce that its audited Total Comprehensive Income for the year ended 30 June 2015 was \$9.51 million, resulting in a record net asset value of \$5.57 per share.

REL's Operating Earnings before Interest and Tax was \$4.67 million compared with \$6.43 million last year. Earnings were impacted by the decline in dairy prices which almost halved from \$8.40 per kilogram of milk solids last season to \$4.40 this season. However, the Waikato directly managed sheep and beef property Puketotara performed strongly and had a record year. The result was also assisted by steady rental income from the 15 leased properties and a focus on reducing expenses.

REL Executive Chairman David Cushing commented "Operating earnings were satisfactory given the substantial reduction in milk price. The Company's portfolio, with a mixture of directly operated and leased farms and diversity by property type and geography, helped provide balance."

The Total Comprehensive Income of \$9.51 million was down on the previous year's total of \$24.02 million primarily due to reduced valuation gains on the rural property portfolio.

A fully imputed dividend of 5 cents per share will be paid to shareholders with respect to the financial year ended 30 June 2015. The record date will be Friday, 25 September 2015 and the dividend will be paid on Wednesday, 7 October 2015. The dividend has been reduced from 7 cents paid last year primarily due to a number of investment opportunities within the existing farm portfolio.

REL has recently purchased shares in the Barrhill Chertsey Irrigation Scheme, which provided a one off opportunity to purchase irrigation water for the Canterbury arable properties, Flimby and Wentworth. Additionally, Directors are considering irrigation development on three Hawke's Bay properties that are within the command zone for the proposed Ruataniwha Water Storage Scheme. With irrigation, these farms could be developed to operate intensive mixed cropping and livestock programmes.

During the year REL divested the Waikato property Annandale, with total proceeds being around \$7 million, resulting in a realised gain in excess of \$900,000. The dairy conversion at Eiffelton near Ashburton has been completed on budget, with the farm currently milking 880 cows. In Australia, REL accepted the Webster Limited offer for its shares in Tandou Limited and now holds a parcel of 5.56 million Webster shares.

The Company further strengthened its financial position with bank debt reducing by 36% from \$27.10 million to \$17.25 million during the year. Gearing is low with bank debt representing 7.8% of Total Assets.

Since balance date, Fonterra has announced a forecast milk price for the current season of \$3.85 per kilogram of milk solids which is extremely low by historical standards.

David Cushing commented “The low milk price forecast will inevitably result in reduced supply as farmers limit input costs, divest livestock and consider alternatives to maximise economic returns. We expect dairy prices to improve by the end of 2016.”

REL is a long term investor in prime agricultural properties and will continue to focus on maximising the value of its existing portfolio.

For further information contact:
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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.*
- *Ten of the properties are directly managed with seven of these being dairy farms. The remaining properties are leased, predominantly to farmers with other farming interests.*