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## **RURAL EQUITIES LIMITED RESULT** **FOR THE YEAR ENDED 30 JUNE 2012**

The Directors of Hastings based Rural Equities Limited are pleased to announce that audited Total Comprehensive Income for the year ended 30 June 2012 was \$15.8 million compared to \$3.3 million last year.

The substantial increase in earnings reflects growth in the value of the Group's rural property portfolio during the financial year. Net Asset Value (NAV) per share as at 30 June 2012 was \$4.47, a 13.2% increase from \$3.95 as at 30 June 2011.

The Directors are also pleased to announce that a fully imputed dividend of 5 cents per share will be paid with respect to the financial year ended 30 June 2012. The record date will be Friday, 16 November 2012 and the payment date will be Wednesday, 28 November 2012.

The 30 June 2012 valuation of the property portfolio increased by \$14.3 million over the prior year. Of the Group's 29 properties, 14 are located in Canterbury, where valuations increased considerably.

"The Canterbury farm valuations increased on average by 14.9% while the remaining farm valuations increased by 2.7%. This reflects the particularly strong rural real estate market in that province and resulted in the Group's total assets being in excess of \$200 million" said David Cushing, REL's Executive Chairman.

Operating Earnings reduced from \$5.1m to \$2.9m primarily due to significantly lower prices for milk, sheep and wool. However, Directors were pleased with the operating performance with the six dairy farms achieving record milk production.

During the year the Directors undertook a strategic review of the Group's rural property portfolio recognising that it had been held largely unchanged for ten years. Following that review, four properties that were owned for more than 22 years have been sold or have

unconditional sale contracts in place. One block of the Waimahaka property, near the Manawatu Gorge, and the Ngaruawahia forest were settled prior to 30 June 2012. Ernsdale in South Canterbury, Cedars in Mid Canterbury and the other Waimahaka block will settle during the financial year ending 30 June 2013. Gross proceeds from the sale of these four properties will be \$17.9 million.

Mr Cushing said “The Directors are pleased with progress made following the strategic review which has enhanced the overall quality of the portfolio”.

The Group’s strategy, to invest in properties within the portfolio, continues. Various opportunities exist where changing the land use or completing infrastructure improvements could increase both earnings and the value of the property. During the year a \$1.0 million capital expenditure project was completed at the Rocklea dairy farm in Canterbury. Three centre pivot spray irrigators replaced the border dyke system. The benefits of this irrigation conversion are already significant with Rocklea forecasted to produce an additional 60,000 kilograms of milk solids (a 25% increase) over the next two years.

As part of REL’s capital management strategy, Directors entered into agreements to repurchase 4.76 million REL shares from three institutional investors at an average price of \$3.19. The repurchase of these shares and their subsequent cancellation has resulted in a significant financial benefit for REL’s remaining shareholders. Based on the latest NAV per share, shareholders’ equity has increased by \$5.4 million due to these initiatives.

Directors believed that the long term prospects for quality New Zealand rural properties were excellent due to increasing international demand for food supplies.

Mr Cushing commented “REL is in a strong position with an outstanding portfolio of rural properties and low debt levels. The company is soundly placed.”

*For further information contact:*

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About REL:

- REL is a long term investor in rural property for capital growth and income.
- REL owns a diversified portfolio of 29 high quality rural properties spread throughout New Zealand and has total assets in excess of \$200 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.