

Independent Adviser's Report
in Respect of the Proposed
Transfer of 5.14% of the
Shares in Rural Equities
Limited

February 2008

26 February 2008

The Independent Director
Rural Equities Limited
Level 1, 120 Karamu Road
HASTINGS

Dear Sir

**INDEPENDENT ADVISER'S REPORT IN RESPECT OF THE PROPOSED TRANSFER OF 5.14%
OF THE SHARES IN RURAL EQUITIES LIMITED FROM ST LAURENCE PROPERTY AND
FINANCE LIMITED TO THE REL- PACIFIC EQUITY TRUST**

Please find enclosed our Independent Adviser's Report which sets out the merits of the proposed transfer of REL shares.

Yours sincerely
DELOITTE



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Partner

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List of Abbreviations

Act	Companies Act 1993
Associate	Has the meaning set out in Rule 4 of the Takeovers Code, which has been paraphrased in section 1.4 of this report
Code	Takeovers Code
H&G	H&G Limited
Independent Director	Roger Bonifant, being the REL Director that is not a director of REL-TML and not associated with REL-PET
Proposed Transaction	As defined in section 1.2 of this report
Non-associated Shareholders	The REL shareholders entitled to vote on the resolution, being the REL shareholders other than H&G Limited, The Cushing Family interests, The Brian Martin interests and any other associates of REL-PET
NZDX	New Zealand Debt Market
NZPTL	New Zealand Permanent Trustees Limited, who are the trustee of REL-PET
NZRPT	New Zealand Rural Property Trust
NZRPTM	New Zealand Rural Property Trust Management Limited
NZX	New Zealand Exchange Limited
RECT	RECT Fund Management Limited
REL	Rural Equities Limited
REL – PET	REL – Pacific Equity Trust
REL – TML	REL – Trust Management Limited, managers of REL-PET
RPCF	Rotorua Trust Perpetual Capital Fund Limited
ShareMart	ShareMart NZ Limited, operators of a market in unlisted securities
St Laurence	St Laurence Property and Finance Limited
Unlisted	The Unlisted internet-based securities trading facility

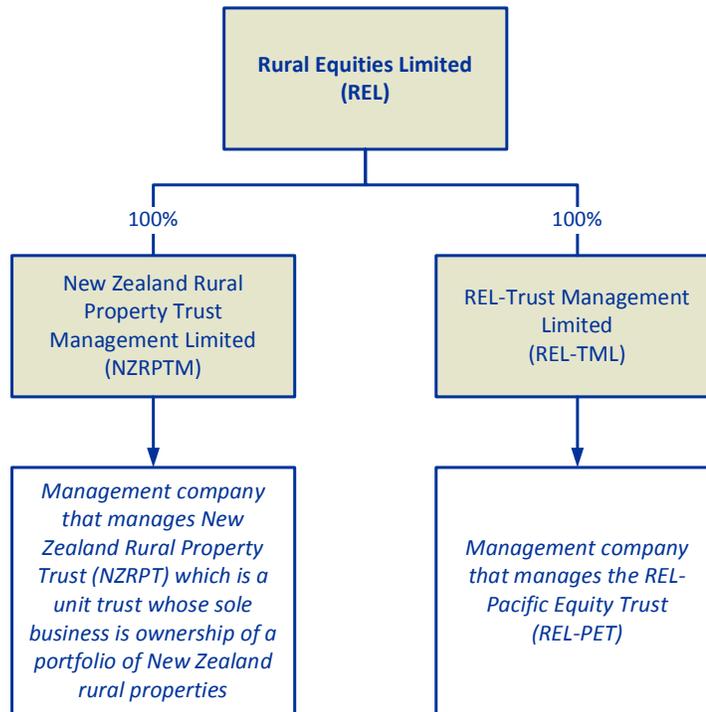
1. Introduction

1.1. Background

Rural Equities Limited (*REL*) is a rural property investment and management company. REL has investments in a variety of rural properties through its investment in New Zealand Rural Property Trust (*NZRPT*), as well as a significant stake in REL – Pacific Equity Trust (*REL-PET*).

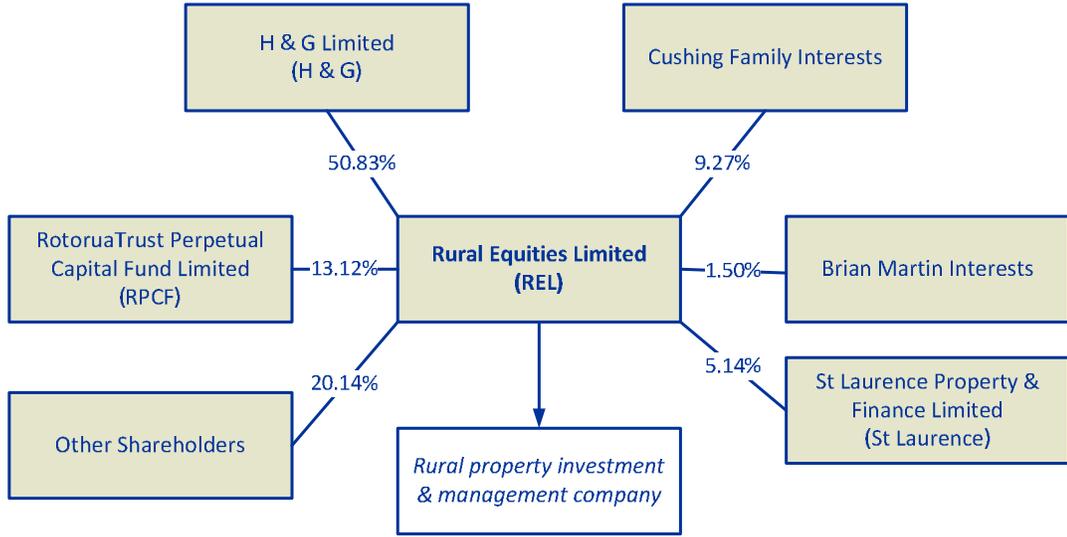
REL’s shares are traded on two unregistered securities trading facilities, ShareMart and Unlisted. REL had a market capitalisation of approximately \$77.4 million as at 23 January 2008, and the audited financial statements for the year ended 30 June 2007 recorded total equity attributable to equity holders of approximately \$74.1 million.

REL owns all of the shares in REL – Trust Management Limited (*REL – TML*), a company set up to manage REL-PET. In addition, REL own all the shares in New Zealand Rural Property Trust Management Limited (*NZRPTM*), a company that manages New Zealand Rural Property Trust (*NZRPT*).



H&G Limited (*H&G*), an investment company owned by Sir Selwyn Cushing and David Cushing, is REL’s largest shareholder. As a result of a successful partial takeover offer in July 2007, whereby H&G acquired a further 2,223,791 shares in REL, it currently holds 13,563,682 ordinary shares which represents 50.83% of the total 26,685,612 shares on issue in REL. Other entities generally associated with the Cushing Family (collectively the *Cushing Family interests*) hold a further 9.27% of the shares on issue in REL.

The diagram below sets out the current ownership of REL.



Source: REL Share Register

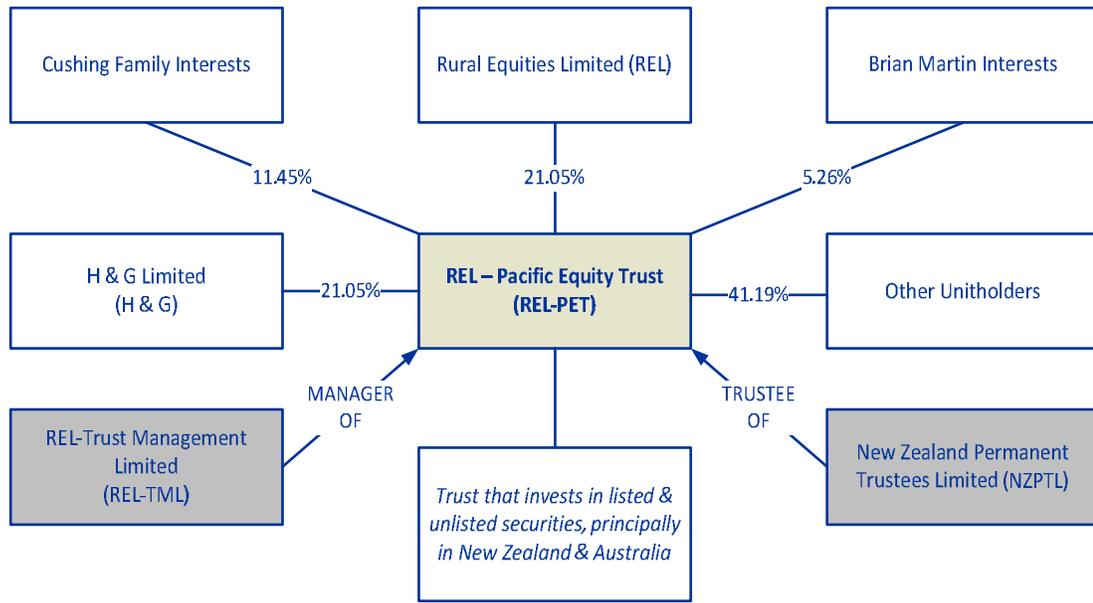
The Directors of REL are listed in the table below, and are discussed in further detail in section 2.4 of this report.

Board of Directors	
Name	Role
Sir Selwyn Cushing	Chair
David Cushing	Director
Brian Martin	Director
Murray Gough	Deputy Chair
Roger Bonifant	Director
Sir Ronald Carter	Director

Source: REL Annual Report

REL – PET is a unit trust that was formed by REL in July 2006 to take advantage of investment opportunities, principally in New Zealand and Australia. Initial investment capital was \$19 million, of which \$4 million of units were subscribed for by REL. H&G currently hold \$4 million of units, and Cushing Family interests hold \$2.175 million of the \$19 million investment capital in REL-PET.

The diagram below sets out the current ownership of REL-PET.



Source: REL-PET

As noted above, REL-PET is managed by REL – TML, and New Zealand Permanent Trustees Limited (NZPTL) is the Trustee. The Directors of REL-TML are listed in the table below:

Board of Directors	
Name	Role
Sir Selwyn Cushing	Chair
David Cushing	Executive Director
Murray Gough	Director
Sir Ronald Carter	Director
James Wright	Not a director in his own right, but has been appointed as an alternate director for Sir Selwyn Cushing

Source: REL Annual Report

1.2. Proposed Transaction

St Laurence Property and Finance Limited (*St Laurence*) wishes to sell the remaining 1,371,184 shares (5.14% of the shares on issue in REL) that it currently holds in REL, having previously sold 2,660,000 shares to RotoruaTrust Perpetual Capital Fund Limited (*RPCF*) in December 2007 at a price of \$2.85 per share.

On 23 January 2008 St Laurence entered into a conditional agreement for sale and purchase with NZPTL and REL-TML, acting as trustee and manager of REL-PET respectively, under which St Laurence agreed to sell the shares that it holds to REL-PET for a price of \$2.85 per share.

1.3. Associates

Brian Martin (a director of, and shareholder in, REL) is a director of H&G, and is associated with some other entities associated with the Cushing Family interests. Accordingly, Brian Martin is an Associate of REL-PET for the purpose of the Proposed Transaction. Brian Martin is also an Associate of two other companies that own shares in REL. Accordingly, shares held by Brian Martin in his own right, and by the other two companies are collectively shown as the Brian Martin interests (the *Brian Martin interests*).

It is our understanding that the two Directors of REL-TML who are not associated with the Cushing's are not associates of REL-TML or REL solely because of their roles as Directors of REL-TML. Associates for the purpose of the Proposed Transaction will therefore include H&G, the Cushing Family interests and the Brian Martin interests.

1.4. Regulatory Requirements

The key rules of the Takeovers Code (*Code*) relevant to association are rule 4 (association) and rule 6 (the fundamental rule).

Rule 4(1) of the Code sets out the meaning of "Associate". Under rule 4(1) one shareholder ("A") will be an associate of another shareholder ("B") if:

- A and B act jointly or in concert; or A acts, or is accustomed to act, in accordance with the wishes of B; or
- A and B are related companies; or
- A and B have a business relationship, personal relationship, or an ownership relationship such that they should, *under the circumstances*, be regarded as associates; or
- A is an associate of a third person who is an associate of B and the nature of the relationships between A, the third person and B (or any of them) is such that, *under the circumstances*, shareholder A should be regarded as an associate of shareholder B.

Other than in the case of related companies (which is a term defined in the Act) the definition of associate is an open-ended rule that turns on the particular facts and the surrounding circumstances.

Rule 6 of the Code provides that no person who holds or controls less than 20% of the voting rights in a Code company (such as REL) can become the holder or controller of an increased percentage of voting rights if, after the acquisition, that person and their "associates" hold or control more than 20% of the voting rights in the Code company. This is part of the fundamental rule of the Code.

Accordingly, Associates of H&G are not able to acquire REL shares as in doing so they would breach the fundamental rule.

REL-PET does not currently hold any shares in REL, and therefore will not hold or control more than 20% of the voting securities if the Proposed Transaction goes ahead. However, REL-PET is an Associate of H&G and the Cushing Family interests and therefore the Proposed Transaction would breach the fundamental rule.

One of the exceptions to the fundamental rule is set out in Rule 7(c) of the Code. This exception enables the 20% threshold to be exceeded provided the acquisition has been approved by an ordinary resolution of the shareholders of REL entitled to vote in respect of the resolution. Only Non-associated Shareholders are entitled to vote on the ordinary resolution. In addition, as seller of the REL shares under the Proposed Transaction, St Laurence is not entitled to vote.

REL is proposing to pass an ordinary resolution to approve the Proposed Transaction at a Special Meeting on 28 March 2008. Rule 18 of the Code requires that the notice of meeting must contain, or be accompanied by, an Independent Adviser's Report.

1.5. Purpose of this Report

The Independent Director of REL, Roger Bonifant, has engaged Deloitte to prepare an Independent Adviser's Report on the Proposed Transaction in accordance with Rule 18 of the Code. The purpose of this report is to set out an assessment on the merits of the Proposed Transaction in order to assist REL shareholders in their decision whether to approve the ordinary resolution of REL.

Deloitte has been approved by the Takeovers Panel to prepare this Independent Adviser's Report.

1.6. Limitations of the Report

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Proposed Transaction in relation to each shareholder. Our report on the merits of the Proposed Transaction is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the Proposed Transaction

2.1. Basis of Evaluation

Pursuant to Rule 18 of the Code, the Independent Adviser's Report must set out an evaluation of the merits of the Proposed Transaction, having regard to the interests of those persons who may vote to approve the Proposed Transaction (the *Non-associated Shareholders*).

There is no legal definition of the term "merits" in New Zealand in either the Code, or in any statute dealing with securities or commercial law. In the absence of an explicit definition of "merits", guidance can be taken from:

- The Takeovers Panel Guidance Note about the Role of Independent Advisers for the purposes of the Takeovers Code published in August 2007;
- Definitions designed to address similar issues within New Zealand regulations that are relevant to the proposed transaction;
- Overseas precedents; and
- The ordinary meaning of the term "merits".

The Takeovers Panel's Guidance Note encourages Independent Advisers to present a balanced view of the pros and cons of the transaction, and it also suggests that transaction price is just one of a number of merits.

The New Zealand regulations¹ and overseas regulations² focus primarily on fairness and reasonableness, rather than "merits", and as such are of limited assistance.

The New Collins Concise Dictionary of the English Language defines the term "merit" as "the actual and intrinsic rights and wrongs of an issue, especially in a law case". Black's Law Dictionary defines "merit" as "the substance, elements or grounds of a cause of action or defence." These definitions imply that the essential elements of an issue should be considered as well as the issue itself, and an assessment is then made of the associated advantages and disadvantages of the issue in relation to the relevant party.

We consider that an assessment of the merits of the Proposed Transaction should focus on whether the position of the Non-associated Shareholders will be advantaged or disadvantaged if the Proposed Transaction is approved, as well as considering the position of the Non-associated Shareholders if the ordinary resolution is not approved. This is a broader test than what is "fair and reasonable" and encompasses a wider range of issues associated with the Proposed Transaction.

¹ NZX Listing Rules (especially Rule 4.8.4(c) (iv)) and Guidance Note No. 10 issued by the Institute of Chartered Accountants of New Zealand ("Guideline on Independent Chartered Accountants Reporting as Experts to Shareholders").

² Policy Statements 74 and 75 and Practice Note 43 issued by the Australian Securities and Investment Commission and Rule 3 of the City Code (City of London).

Accordingly, we have evaluated the merits of the Proposed Transaction after taking into consideration the following factors:

- The respective rationales of St Laurence and REL-PET for the Proposed Transaction;
- The impact on the control of REL if the Proposed Transaction is approved, focusing on:
 - Shareholder voting including the relationships between REL's major shareholders; and
 - The composition of the board of directors;
- Potential for changes in REL's operations;
- The potential effects of the Proposed Transaction on REL's share price; and
- The likely consequences if the Proposed Transaction is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2. St Laurence's Rationale for the Proposed Transaction

Profile of St Laurence

St Laurence is a company that has securities listed on the New Zealand Debt Market (*NZDX*) operated by New Zealand Exchange Limited (*NZX*). St Laurence is an active property investment company with a diversified portfolio of property related investments.

As noted in Section 1.2 above, St Laurence wishes to sell the remaining 1,371,184 shares (5.14% of the shares on issue in REL) that it currently holds in REL, having recently sold 2,660,000 shares to RPCF in December 2007.

Commercial Rationale

St Laurence has advised Deloitte of the following facts that collectively form their rationale for the Proposed Transaction:

- St Laurence received an approach, in late 2007, from RECT Fund Management Limited (*RECT*) to see if it would be interested in selling a major portion of its holding in REL at \$2.85 per share. RECT, along with RPCF, is part of the Rotorua Energy Charitable Trust Group;
- St Laurence was of the view that this represented a good opportunity for them to realise a reasonable gain on their investment, having originally acquired the shares for \$1.45 a share, and to reinvest the proceeds in a number of property development opportunities that they are progressing;

- Following on from the sale by St Laurence of 2,660,000 shares to RPCF, St Laurence was approached by David Cushing, in his role as Executive Director of REL-TML, to see if they wished to sell the remainder of their shares to REL-PET; and
- St Laurence was happy to divest the balance of shares held to REL-PET.

2.3. REL-PET's Rationale for the Proposed Transaction

REL-PET advised Deloitte that its rationale for the Proposed Transaction is as follows:

- REL-PET (*the Trust*) focuses on investments that the Trust Manager believes represent good fundamental value with sound long-term prospects;
- The Trust Manager believes the Trust's proposed investment in REL meets this criteria; and
- An investment in REL gives the Trust exposure to a high-quality diversified portfolio of rural properties. It is the Trust Manager's intention to hold this investment for the long term, with the expectation of capital appreciation over time.

As noted earlier in this report, REL-TML is the Trust Manager of REL-PET and David Cushing is the Executive Director of REL-TML.

2.4. Impact on Control

As part of the evaluation of the merits of the Proposed Transaction, we have analysed the effects of the Proposed Transaction on the control of REL, focussing on:

- Voting control;
- Board control; and
- Operational control.

Voting Control

Current REL Shareholders

Following a one for five pro-rata non-renounceable rights issue (*Rights Issue*), in December 2007, REL currently has 26,685,612 ordinary shares on issue. As at 23 January 2008 REL had 531 shareholders. The names, number of shares held and the associated percentage holding of the ten largest shareholders as at 23 January 2008 are set out in the table below.

Top Ten Shareholders in REL as at 23 January 2008		
Shareholder	No. Shares Held	%
H&G Limited *	13,563,682	50.83%
RotoruaTrust Perpetual Capital Fund Limited	3,500,000	13.12%
St Laurence Property & Finance Limited	1,371,184	5.14%
R G H Holdings Limited	789,207	2.96%
David Cushing *	644,307	2.41%
New Zealand Central Securities Depository Limited	531,552	1.99%
Brian Martin *	375,444	1.41%
Sir Selwyn Cushing *	366,977	1.38%
Seajay Securities Limited *	313,625	1.18%
Selba Holdings Limited *	263,160	0.99%
Subtotal	21,719,138	81.41%
Others	4,966,474	18.59%
Total	26,685,612	100.00%

Source: REL Share Register
 * denotes Associates for the purpose of the Proposed Transaction

The top ten shareholders control approximately 81.41% of REL’s shares. The remaining 18.59% of REL shares are held by over 500 shareholders.

Collectively Associates of REL-PET for the purpose of the Proposed Transaction currently hold a total of 61.60% of the shares on issue in REL. This percentage is made up as follows:

- H&G, which is a Cushing Family holding company, holds 50.83%;
- Cushing Family interests, some of which are included in the table above, hold 9.27%; and
- Brian Martin interests, some of which are included in the table above, hold a further 1.50%.

A shareholding of 61.60% is sufficient to give the Associates voting control in a meeting of REL shareholders.

REL-PET Unitholders

If the Proposed Transaction is approved the REL shares held by St Laurence will be transferred to REL-PET, the current unitholders of which are set out in the table below.

Unitholders in REL-PET as at 23 January 2008		
Unitholder	No. Units Held	%
H&G Limited *	4,000,000	21.05%
Rural Equities Limited	4,000,000	21.05%
Selba Holdings Limited *	2,000,000	10.53%
Brian Martin *	1,000,000	5.26%
Seajay Securities Limited *	175,000	0.93%
Sub total	11,175,000	58.82%
Other unitholders (14)	7,825,000	41.18%
Total	19,000,000	100.00%

Source: REL-PET
* denotes Associates for the purpose of the Proposed Transaction

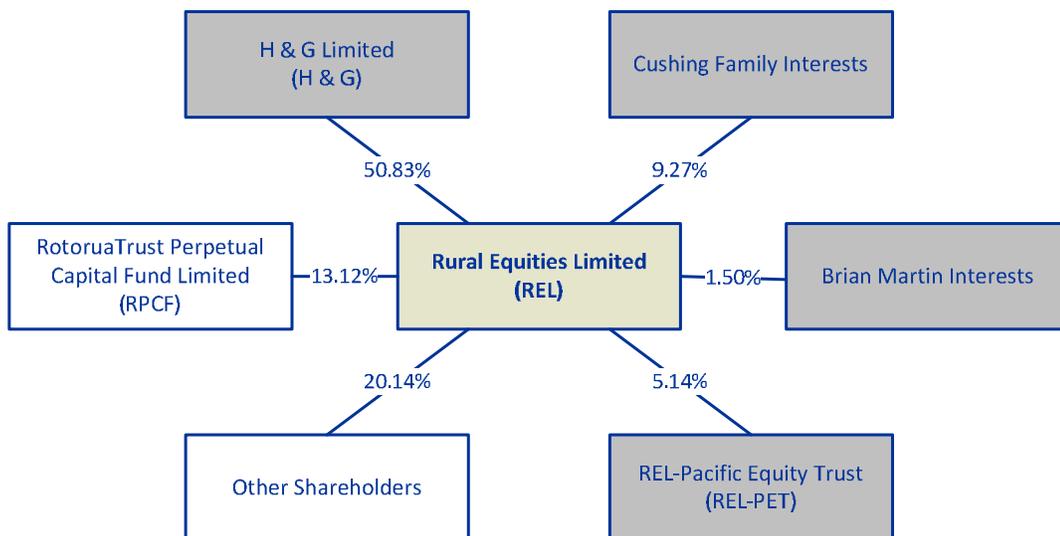
Collectively Associates of the Cushing Family interests for the purpose of the Proposed Transaction hold a total of 37.77% of the units in REL-PET.

REL Shareholding if the Proposed Transaction is Approved

There is an important distinction to be made between holding and controlling voting rights. If the Proposed Transaction goes ahead REL-PET will hold 1,371,184 shares in REL, which equates to 5.14% of the total shares on issue. REL-TML as manager of REL-PET would, however, control the voting rights attached to any shares held by REL-PET.

Given that REL-TML is a wholly-owned subsidiary of REL it would be considered an Associate for the purpose of the Proposed Transaction. Accordingly, if the Proposed Transaction is approved then Associates’ would control the voting in respect of 66.74% (ie. 61.60% + 5.14%) of the shares in REL.

The diagram below sets out the ownership of REL assuming the Proposed Transaction is approved. The grey highlighted boxes indicate REL shareholdings owned by Associates for the purpose of the Proposed Transaction.



Levels of Voting Control

There are four critical levels of voting control in a company:

- 25%;
- 50%;
- 75; and
- 90%.

A shareholding of greater than 25% enables a shareholder to block special resolutions, as these require the approval of at least 75% of voting rights. Conversely, a shareholding of 75% enables a shareholder to pass special resolutions.

Under the Companies Act 1993 (the *Act*), a special resolution is required to:

- Adopt, alter or revoke a company's constitution;
- Approve a major transaction;
- Approve an amalgamation of a company under section 221 of the Act; or
- Put a company into liquidation.

A shareholding of greater than 50% enables the holder to pass ordinary resolutions including the appointment of directors. As such it gives a significant level of control including the ability to:

- Select and decide on levels of compensation for directors, officers and employees;
- Decide with whom to do business and enter into binding contracts, including contracts with related parties;
- Decide whether to pay dividends and, if so, how much;
- Repurchase outstanding shares or issue new shares;
- Make acquisitions or divest subsidiaries or divisions;
- Determine capital expenditures;
- Change the capital structure;
- Determine policy, including changing the direction of the business; and
- Block any of the above.

The ability for shareholders to influence the above may be reduced by external factors such as the company's constitution and the Act. For example, under the Act there are rights conferred on minority shareholders with respect to acts or behaviour which constitute oppressive or unfairly prejudicial behaviour.

A shareholding of greater than 90% enables a shareholder to compulsorily acquire the shares of the remaining shareholders.

Special Resolutions

The following initial commentary is based on the assumption that all shareholders are:

- Entitled to vote; and
- Voting on the matter at hand.

It is recognised, however, that in practice it is very rare for all shareholders in a listed company to vote on the matter at hand. REL is listed on a secondary market, and there are in excess of 500 current shareholders. Therefore, the rights outlined below may be modified in the actual circumstances.

H&G currently has effective shareholder voting control of REL with 50.83% of the shares in REL. Cushing Family interests, via their various entities, add a further 9.27% and Brian Martin interests add a further 1.50%. Associates therefore currently control 61.60% of the voting control of REL. This is not sufficient to be in a position to approve special resolutions without the support of at least two of the remaining shareholders, assuming all shareholders eligible to vote, do in fact vote. In order to get to 75% the Associates would need a further 13.40% of the vote from the remaining 38.40%.

RPCF are the second largest shareholder with 13.12% of the shares in REL. If RPCF support the Associates vote then only a further 0.28% of the remaining 25.28% of the vote would be required to pass a special resolution. If RPCF are not in support of the Cushing Family then they would need 13.40% out of a possible 25.28% of the vote.

As the Cushing Family interests already exceed 50% they can already block the passing of a special resolution, and they are the only party in a position to do so.

REL-TML, which is a wholly owned subsidiary of REL, is the manager of REL-PET and thus will exercise voting in respect of any shares owned by REL-PET. Despite the fact that all shareholders at a shareholders' meeting are entitled to vote in their own interests, REL-TML is required under its management arrangements to vote in relation to the shares held by REL-PET in the best interests of unitholders as a whole. Accordingly, even though Cushing Family interests and their Associates hold 37.77% of the units in REL-PET, these shares should not be voted on in any resolution in a way that favoured only the Cushing Family interests, as distinct from the interests of all unitholders.

In accordance with rule 7(e) of the Code a holder or controller of between 50% and 90% of the voting rights in a Code company, such as REL, can increase its control percentage by "creeping". Rule 7(e) allows a person to increase its holding by no more than 5% of the Code company's total voting rights in a 12 month period. The increase is to be calculated by reference to the lowest holding during the last 12 months.

H&G were successful in their partial takeover offer for 2,223,791 shares in REL in July 2007. This took H&G's holding from 40.83% to its present holding of 50.83% of the shares in REL.

Accordingly, regardless of whether the Proposed Transaction is approved, from July 2008 H&G may, if it wishes, acquire a further 5.0% of the shares in REL by "creeping" under rule 7(e) of the Code.

If the Proposed Transaction is approved the Cushing Family interests and their Associates will collectively control approximately 66.74% of the shares in REL. The Cushing Family interests and their Associates may potentially increase to 71.74% from July 2008 if H&G elect to acquire up to an additional 5.0% of the shares in REL under the “creep” provision in rule 7(e) of the Code. In both cases, the increase in voting control held by the Cushing Family interests and their Associates will result in a lower level of support required from the Non-associated Shareholders to pass a special resolution (compared with the current position). Accordingly, the Proposed Transaction will make the voting rights of the Non-associated Shareholders relatively less important in the context of voting on special resolutions.

Ordinary Resolutions

At present H&G can control the outcome of an ordinary resolution and this will not change if the Proposed Transaction is approved.

Conclusion

Based on the above, we are of the view that the Proposed Transaction will result in control of REL converging slightly, and it will slightly decrease the potential level of influence that the Non-associated Shareholders could have over the shareholder voting control of REL.

Irrespective of the outcome of voting on the Proposed Transaction H&G can already control the outcome of ordinary resolutions, and together with the Cushing Family interests and Brian Martin interests can already significantly influence the outcome of special resolutions.

Board Control

REL’s current board of directors are listed in the table below:

Board of Directors	
Name	Role
Sir Selwyn Cushing	Chair
David Cushing	Director
Brian Martin	Director
Murray Gough	Deputy Chair
Roger Bonifant	Director
Sir Ronald Carter	Director

Source: REL Annual Report

Of the six directors listed above, the first three listed are all Associates of the Cushing Family shareholdings in REL. The remaining three directors are independent, however, two of those are also directors of REL-TML. The REL board of directors is determined by ordinary resolution of the shareholders and therefore the Cushing Family interests control the appointment process of the REL board. For the purpose of this transaction, Roger Bonifant is acting as the Independent Director.

St Laurence currently has no representation on the Board of REL and therefore the composition of the REL Board of Directors is not expected to change as a consequence of the Proposed Transaction being approved.

Operational Control

The three executives running REL on a day-to-day basis are as follows:

- Brian Burrough – Chief Executive Officer;
- Owen Trimmer – Chief Financial Officer; and
- James Wright – Chief Operating Officer.

Given the management team listed above, it is our view that the Cushing Family and their associates will have no more control over the operations of REL if the Proposed Transaction is approved. Accordingly, the approval of the Proposed Transaction is unlikely to have any impact on the operations of REL.

2.5. Implications for REL's Share Price

Trading of REL Shares

Four significant “off-market” transactions occurred during the 2007 calendar year, as listed below:

- The successful partial takeover offer by H&G which resulted in the transfer of 2,223,791 REL shares at a price of \$2.75 per share in July 2007;
- The sale of 2,660,000 shares from St Laurence to RPCF at a price of \$2.85 per share in December 2007;
- The Rights Issue in December 2007 whereby Shareholders were entitled to purchase one additional share for every five held at a price of \$2.75 per share. The maximum number of shares offered under the Rights Issue was 4,447,689. REL shareholders did not take up their full entitlement to additional REL shares under the Rights Issue and 3,436,778 shares were issued; and
- The balance of shares issued under the Rights Issue (1,010,911) were subsequently placed with new and existing shareholders. None of these shares were placed with associates of the Cushing family.

Excluding the “off-market” trades described above, during the 2006 and 2007 calendar years 731,761 and 273,776 REL shares respectively were traded on unregistered securities trading facilities, Unlisted and ShareMart. Across the two year period the average monthly volume of shares traded was approximately 42,000 shares. Over the last 6 months of the 2007 calendar year the average monthly volume of shares traded was approximately 27,000 shares. This equates to approximately 0.10% of the total number of REL shares on issue.

These statistics around the volume of share trading in REL highlights the illiquidity of REL shares. The fact liquidity in REL shares is low is something that has been pointed out to REL shareholders in the past. The REL Investment Statement and Short Form Prospectus (*the Prospectus*) issued on 20 November 2007, in relation to the Rights Issue, noted that REL shares are not frequently traded and as a result of low liquidity in the trading of shares, shareholder returns may be impacted. Further, the

Chairman’s letter included in the Prospectus noted that revenue returns from rural property are relatively low and accordingly, dividends are not expected to be paid by REL in the foreseeable future.

Under the partial takeover offer by H&G in July 2007 REL shareholders had the opportunity to seek to sell all of their shares in REL at a price of \$2.75 per share. This offer price was consistent with the weighted average share price of all REL shares traded in June 2007 of \$2.77. Whilst the outcome of the partial takeover offer was successful, the number of acceptances received was exactly the number required (there was no scaling back of acceptances) and therefore we can take from this that, on the whole, REL shareholders elected to retain ownership of their shares even with the knowledge that the market for the shares is illiquid, and knowing that the likelihood of REL paying out dividends in the foreseeable future was minimal. Furthermore, shareholders electing to retain their shares (rather than sell to H&G) were presumably implicitly consenting to H&G acquiring control of REL.

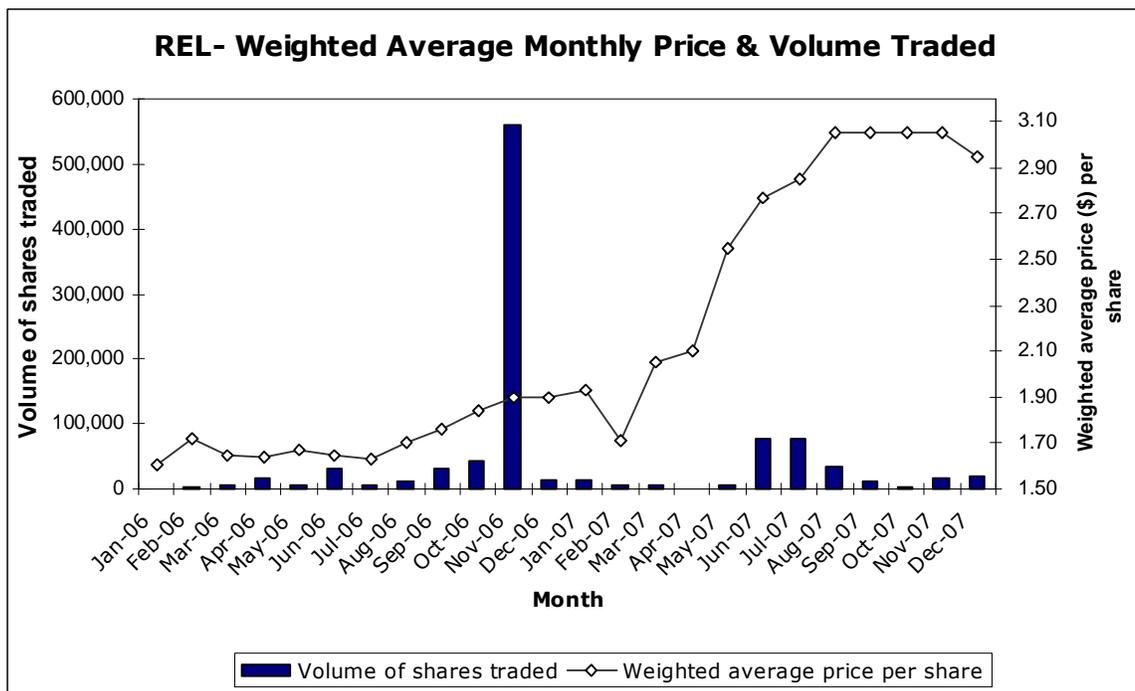
Impact on Liquidity

We are of the view that the Proposed Transaction will have a minor negative impact on liquidity of REL shares, however, as discussed above liquidity is already very low. Approval of the Proposed Transaction will therefore have limited impact on the actual liquidity of REL shares.

REL Share Price

The share price achieved in “on-market” trades ranged between \$1.60 and \$1.90 in the 2006 calendar year and between \$1.71 and \$3.06 in the 2007 calendar year. The 2007 “off-market” transactions noted above were priced at \$2.75 to \$2.85 per share.

A graph of the weighed average monthly share price and the monthly volumes of REL shares traded on Unlisted and ShareMart during the 2006 and 2007 calendar years is set out below.



Source of data: REL

We have been advised by REL that the outlier in November 2006 is made up of two parcels –the first was the W&K Staff Pension Fund (241,471) and the second was the result of REL repurchasing all shareholdings of less than the minimum holding of 1,000 shares (308,529) and placing these with other shareholders.

Impact on Share Price

If the Proposed Transaction is not approved and St Laurence is still a keen seller then the overhang of their shareholding in REL may have an impact on the market price of REL shares in the future.

The price at which the shares are being offered to REL-PET by St Laurence, under the Proposed Transaction, is reasonably consistent with both recent “off-market” trades, as well as the weighted average share price of “on-market” trades in December 2007.

The current market share price reflects information in the market regarding the company as at a current point in time. In the three week period subsequent to the announcement of the Proposed Transaction to the market on 24 January 2008 there have been no trades on Unlisted in REL shares. We are therefore of the view that the Proposed Transaction is therefore unlikely to have a significant impact on the REL share price.

2.6. Implications if the Proposed Transaction is not Approved

Non-associated Shareholders have the option to vote for or against the Proposed Transaction. The Proposed Transaction does not involve any of the shares held by the Non-associated Shareholders.

If the Proposed Transaction is not approved St Laurence will retain its 5.14% shareholding. If St Laurence is keen to divest their shareholding this may take some time given there may be a delay in selling 1,371,184 shares in what is an illiquid market. This could lead to St Laurence selling at a lower price which would impact on the market value of the REL shares held by Non-associated Shareholders.

As noted earlier in this report, irrespective of the outcome of the Proposed Transaction, from July 2008 H&G will be able to acquire a further 5.0% of the shares in REL by “creeping” under rule 7(e) of the Code. It is therefore possible that if the Proposed Transaction does not go ahead H&G may acquire the majority of St Laurence’s holding in one bundle in July 2008. Depending on the willingness (or otherwise) of the buyer and the seller, the illiquidity of REL shares means that there may be uncertainty around the terms that St Laurence could negotiate.

If, however, the Cushing Family interests do not acquire the St Laurence shares in July 2008 and if St Laurence remains a willing seller, then given the lack of liquidity in the market for REL shares the non-approval of the transaction may have a negative impact on the share price if supply exceeds demand. Balanced against this comment, we note that REL was able to successfully place approximately 1 million REL shares (approximately 4% of the shares in REL) following the under-subscribed shareholder rights issue in December 2007.

2.7. Conclusions

The Non-associated Shareholders are required to vote on the Proposed Transaction. The outcome of the vote will be that either:

- If the Proposed Transaction is not approved – St Laurence will retain its 5.14% shareholding of REL and the Cushing Family interests and their Associates will continue to control REL with 61.60% of the total vote; or
- If the Proposed Transaction is approved – REL-PET will take ownership of 5.14% of REL, the effect of which will be to increase the Cushing Family interests and their Associates' voting control in REL from 61.60% to 66.74% of the total capital of REL.

Overall, the key points in our assessment of the merits of the Proposed Transaction are:

- Regardless of whether the Proposed Transaction is approved, the Cushing Family interests and their Associates will remain in control of voting on ordinary resolutions and would be able to block the passing of a special resolution. Approval of the Proposed Transaction will increase the control that the Cushing Family interests and their Associates have and bring them slightly closer to the 75% threshold required to pass a special resolution;
- Irrespective of whether the Proposed Transaction is approved, from July 2008 H&G will be able to acquire up to 5.0% of the shares under the “creeping” provisions of the Code. Accordingly, it is possible H&G may pick up the majority of St Laurence's shareholding in one bundle at that time;
- Approval of the Proposed Transaction should have a negligible impact on the composition of the REL Board or the control of business operations;
- If the Proposed Transaction is approved it is not expected to have an impact on the share price given that the price offered under the Proposed Transaction is in line with recent transactions; and
- If the Proposed Transaction is not approved and St Laurence are still keen to sell their interest this may impact the market price of REL shares, however, the liquidity will remain relatively low.

3. Sources of Information, Reliance on Information, Disclaimer and Indemnity

3.1. Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- The draft ordinary resolution to be proposed at the Special Meeting of shareholders of REL;
- Correspondence with REL's legal advisers, Chapman Tripp, Christchurch, regarding the Proposed Transaction;
- Investment Statement and Short Form Prospectus for REL dated 20 November 2007;
- Communication with St Laurence and REL-PET regarding each of their rationales for the Proposed Transaction;
- The REL Annual Report for the period ended 30 June 2007;
- REL share transfer data for the period 1 February 2006 – 31 January 2008 provided to us from REL; and
- REL Share Register, provided by REL.

During the course of preparing this report, we have had discussions with and/or received information from the management and directors of REL.

The Independent Director of REL has confirmed that we have been provided, for the purpose of this Independent Adviser's Report, with all information relevant to the Proposed Transaction that is known or should have been known to him and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Proposed Transaction.

3.2. Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by REL and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the

accounting or other records of REL. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

3.3. Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading.

We assume no responsibility arising in any way whatever for errors or omissions (including responsibility to any person for negligence) for the preparation of this report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this report or to review, revise or update our report.

3.4. Indemnity

REL has agreed that, to the extent permitted by law, it will indemnify Deloitte and its partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. REL has also agreed to indemnify Deloitte and its partners, employees and consultants for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Deloitte or its partners, employees and consultants are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Deloitte shall reimburse such costs.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1. Qualifications and Expertise

Deloitte is one of the world's leading professional services firms.

The persons in the firm responsible for issuing this report are Paul Munro, B.Com (Finance and Accounting), CA (PP) and Bruce Irvine, B.Com, LLB, CA (PP).

Deloitte, Mr Munro and Mr Irvine have significant experience in the independent investigation of transactions and issuing opinions on the merits of the terms and financial conditions of transactions.

4.2. Independence

Deloitte has no conflict of interest that could affect our ability to provide an unbiased report.

Deloitte is not the auditor of REL or REL-PET.

Deloitte has not had any part in the formulation of the Proposed Transaction or any aspects thereof. Our sole involvement has been the preparation of this report.

Deloitte will receive a fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Proposed Transaction. We will receive no other benefit from the preparation of this report.

4.3. Declarations

An advance draft of this report was provided to REL's Independent Director, solely for the purpose of verifying factual matters contained in the report. Certain changes were made to the drafting of the report as a result of the circulation of the draft. However, there was no material alteration to any part of the substance of this report, including the methodology or conclusions as a result of issuing the draft.

Our terms of reference for this engagement did not contain any term that materially restricted the scope of the report.

4.4. Consents

Deloitte consents to the issuing of this report in the form and context in which it is to be included in the information to be sent to REL's Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.