rural equities LIMITED

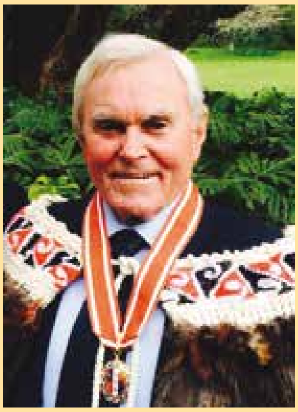
ANNUAL REPORT 2014

CONTENTS

Glendowns – South Canterbury

Front Cover: *Making baleage at Puketotara*

SIR RON CARTER AWARDED THE ORDER OF NEW ZEALAND



Rural Equities Director, Sir Ron Carter, was awarded the Order of New Zealand in The Queen's Birthday Honours in June 2014.

His investiture took place at Government House in Auckland and Sir Ron was proud to wear the korowai (cloak) bestowed on him at Orakei marae earlier in August in recognition of his contribution to Maori business.

Fellow Director (and former Chairman) of Rural Equities, Sir Selwyn Cushing commented, "I am delighted for Sir Ron who is humbled by his award but very definitely deserving of this, the country's highest honour. Sir Ron is the newest recipient of the Order of New Zealand, becoming one of only 17 members of the Order for his contribution to infrastructure planning, governance, business and education. My fellow Directors and I applaud him on this outstanding achievement."

Sir Ron became a founding partner of the engineering firm Beca in 1959 and saw the firm grow exponentially up until and beyond his retirement as Chairman in 2002. Beca was instrumental in building the Tasman Pulp and Paper Mill, the Sky Tower and the aluminium smelter at Tiwai Point.

Since then, Sir Ron has served in numerous public roles including the Royal Commission of Inquiry into the Christchurch earthquakes, chairing the Super City foundation-laying committee for Auckland and instigating the Sir Peter Blake Trust Leadership Awards of which he is particularly proud.

NOTICE OF ANNUAL MEETING

Notice is given that the Annual Meeting of the shareholders of Rural Equities Limited will be held at Vincent's in the grounds of the Oruawharo Homestead, 379 Oruawharo Road, Takapau, Central Hawke's Bay on Wednesday 26 November 2014 at 11.30am.

ORDINARY BUSINESS

1. To receive and consider the Company's financial statements for the year ending 30 June 2014 with the reports of the Directors and the Auditor.
2. To elect Directors. In accordance with clause 13.8 of the Company's constitution, David Cushing and Andrew Train retire by rotation. Both are seeking re-election.
3. To authorise the Directors to fix the remuneration of the Auditor for the ensuing year.

GENERAL BUSINESS

The Chairman will invite shareholders to raise any other issues relating to the Company for discussion.

NOTES

1. All shareholders are entitled to attend and vote at the Annual Meeting.
2. Any shareholder entitled to attend and vote at the Annual Meeting may appoint another person or persons as their proxy or, in the case of corporate shareholders, a representative to attend and vote on their behalf. A proxy or representative need not be a shareholder of the Company.
3. A form of proxy is enclosed with this notice. The constitution of the Company requires, so as to be valid, that any proxy form must be deposited at the registered office of the Company (First Floor, 120 Karamu Road North, Hastings or PO Box 783, Hastings 4156) or posted to the Company's Share Registrar, Computershare Investor Services Limited, (Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622 or Private Bag 92119, Auckland 1142) to be received not less than 48 hours before the time of the Annual Meeting.

James Wright
CHIEF OPERATING OFFICER

INVITATION

Morning tea will be served from 11am and the Directors invite shareholders to join them for lunch at the conclusion of the Meeting.

If it is your intention to attend the Annual Meeting, please telephone our office (06 870 4672) for further information about the location of the Oruawharo Homestead and for details about complimentary transportation to Oruawharo from Hastings, if required.

Executive Chairman's Report

THE YEAR IN REVIEW

The Directors have pleasure in presenting the 2014 Annual Report for the Rural Equities Limited Group.

The Group's audited Total Comprehensive Income for the year was $24.02 million. This is more than double the $10.92 million achieved last year and reflects a significant lift in the Group's operating earnings as well as strong gains in the value of the Group's rural property portfolio.

Important features of the year were:

- Net Asset Value per share as at 30 June 2014 was $5.37, a 12.6% increase from $4.77 as at 30 June 2013.
- Total Comprehensive Income for the year was $24.02 million.
- The Group's Earnings before Interest and Taxation increased to $6.43 million compared to $3.33 million the previous year due to production increases combined with higher prices for milk, beef and lamb.
- The value of the Group's property portfolio and other assets collectively increased in value by $19.93 million over the period.
- A 7 cents per share dividend will be paid on 8 October 2014 for the year ended 30 June 2014, a 16.7% increase on last year's dividend.
- Record milk production for the third successive year was achieved on the Group's six dairy farms.

We have completed a generally successful farming year. Although there was a significant autumn drought over much of the North Island, overall national climatic

Dairy cows on kale – Milford

New milk silos at Rocklea

conditions were favourable. Prices for wool and lamb lifted from the low levels experienced in the previous year and beef remained at attractive levels.

Fonterra's final milk price for the season ended 31 May 2014 was $8.40 per kilogram of milk solids, which is a $2.56 (45%) increase on last season. This is Fonterra's highest milk price since it was formed in 2002. Synlait's final milk price was $8.27 per kilogram. International dairy prices for the first seven months of the financial year were at historic highs but have declined markedly since February 2014.

The two Canterbury dairy farms, Rocklea and Milford, successfully transitioned to supplying milk to Synlait from August 2013. The Group's four other dairy farms continue to supply milk to Fonterra.

The rural property market was again buoyant with further growth in values nationally, but especially in Canterbury and other dairy regions. Of particular note is the welcome lift in rural property values throughout the North Island and for sheep and beef properties generally. The value of these properties has largely been stable for several years and an increase in the value of the Hawke's Bay and Waikato properties is pleasing.

Investing in properties within the portfolio to improve land use, value, earnings and the overall quality of the portfolio has been a long term strategy for the Group. The conversion of part of the Eiffelton property near Ashburton to a 233 hectare dairy unit milking up to 940 cows was confirmed during the year. This project has commenced and will see the first milk produced in August 2015. Like our other Canterbury dairy farms Eiffelton will supply its milk to Synlait. The remaining 163 hectares of the Eiffelton

Previous Page: Marchfield in Hawke's Bay property will provide grazing for replacement dairy stock and grow supplementary feed. It could also be converted to a dairy unit milking up to 650 cows. In the interim, the irrigation system on that block will be added to and upgraded.

The major part of the development of the three Waikato sheep and beef farms has been completed although there is an ongoing fence replacement programme, particularly at Waikoha. Pasture renewal continues on all three farms. The Waikato group comprises the Annandale, Puketotara and Waikoha properties as an integrated farming group which comprises 4,171 hectares in total and runs 30,000 stock units. Two successive and significant summer and autumn droughts have limited the growth in productivity and earnings from these farms but the benefits are nonetheless evident with steady production improvements.

The sale of the Group's Blairmore property in Central Otago that was contracted during the previous financial year has now been settled. Blairmore has been owned by the Group for over 24 years but was geographically isolated from other properties within the portfolio and did not fit well strategically.

FINANCIAL PERFORMANCE

The Group's Total Comprehensive Income for the year ended 30 June 2014 was $24.02 million compared to $10.92 million the previous year.

Moving ewes – Waikoha

Potato harvesting at Dalmuir

The Group's Earnings before Interest and Taxation for the year were $6.43 million (2013 – $3.33 million). The directly managed farm component of this was $4.82 million (2013 – $1.94 million). The substantial increase is primarily due to the record milk production and record milk price but performance gains and improved profitability from the Group's three directly managed Waikato sheep and beef properties also contributed. Net rental income from the Group's leased properties was similar to last year. Interest costs and other expenses were lower.

The asset revaluation movements, which is the overall increase in value of the Group's property portfolio and other investments, contributed a net $19.93 million to the Group's Total Comprehensive Income.

Total Assets at 30 June 2014 were $223.18 million compared with $192.35 million the previous year. The increase includes the acquisition of the shareholding in Tandou Limited in Australia and the growth in the value of the New Zealand assets. Interest bearing debt at balance date was $27.10 million which represents 12.1% of Total Assets, placing the Group in a very strong financial position.

DIVIDEND

A fully imputed dividend of 7 cents per share will be paid to shareholders with respect to the financial year ended 30 June 2014. This is a 16.7% increase on the previous year's dividend of 6 cents per share. The record date was Friday 26 September 2014 and the dividend will be paid on Wednesday 8 October 2014.

DIRECTORS

There has been no change to the Board of Directors during the year.

In accordance with the Company's constitution, David Cushing and Andrew Train retire by rotation at the Annual Meeting on Wednesday 26 November 2014. Both are seeking re-election.

TANDOU LIMITED

During the year, the Group acquired a 12.7% stake in Australian agricultural company Tandou Limited. Since balance date the stake has been reduced to 6.4%. REL intends to retain the remaining stake as a long term investment.

Tandou holds a substantial portfolio of both high and general security irrigation water rights and has significant agricultural land holdings.

OUTLOOK

The Directors have previously expressed confidence in the long term outlook for the rural sector. The year just completed highlights that confidence and the Directors reaffirm this view. The objective to steadily improve the quality and diversity of the portfolio and related earnings, all backed by a strong balance sheet, has proved over time to be a sound and effective strategy. Short term volatility in farm product prices and exchange rates are unavoidable and will continue from year to year.

Mt Taranaki from Delorain

We expect an improvement in global dairy commodity prices as the season progresses but the significant drop in prices already seen will result in a substantially lower milk price in the coming season. The average milk price paid by Fonterra over the last seven years has been approximately $6.60 per kilogram of milk solids. The outlook for beef and lamb is positive. Demand for beef is strong, particularly from the United States and improved lamb prices are expected to continue through the coming season. Wool prices have lifted in the early part of the new season which we expect will be sustained, particularly with an easing in the value of the New Zealand dollar. China will continue to be an increasingly significant buyer of most New Zealand farm products, with red meat now following the growth path of dairy products.

REL owns a quality, diversified portfolio of prime agricultural properties and will continue to invest in attractive investment opportunities within the portfolio. The current conversion of Eiffelton is an example and it is expected that there will be opportunities to consider to expand the use of irrigation within the portfolio as new regional irrigation schemes are developed.

The Group remains in a strong financial position. The Directors believe the merits of long term investment in agriculture are soundly based.

David Cushing
EXECUTIVE CHAIRMAN

Farming Review

SCOPE OF OPERATIONS

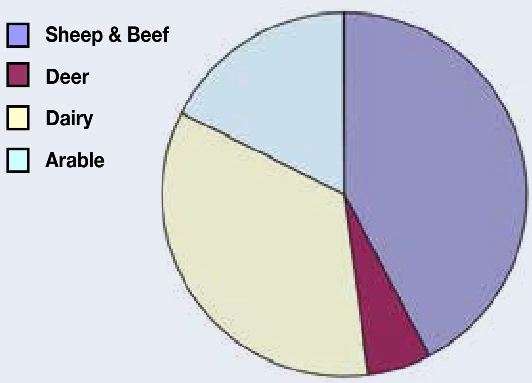
The Group owns twenty-five farms comprising 12,087 hectares. The farms are a mix of sheep and beef, dairy, deer and arable farms that are spread throughout New Zealand from northern Waikato to Southland. There are 14 properties in the South Island and 11 in the North Island. Nine farms are directly managed comprising 5,361 hectares. Six of the directly managed farms are dairy farms, all with 50/50 sharemilkers, and the remaining three are the Waikato sheep and beef farms. The six dairy farms total 1,190 hectares and milk approximately 3,820 cows. The three Waikato group farms comprise 4,171 hectares and run approximately 30,000 stock units.

FARMED PROPERTIES

The contribution to profit from the directly managed farms showed a substantial increase in the year to 30 June 2014 at $4.82 million. This compares with $1.94 million last year. The major contributor to the higher result was the increase in the milk price paid by both Fonterra and Synlait combined with higher milk production from all six dairy farms. Also of importance was an improved result from the Waikato Group with higher lamb prices and better production following the extensive drought in the previous year.

Generally favourable climatic conditions prevailed over most of the country for much of the season. The exception was a second serious autumn drought through the western and northern North Island which curtailed autumn and early winter lamb finishing, compromised beef cattle growth rates and ewe liveweights, and necessitated higher supplementary feed inputs on the Manawatu and Taranaki dairy farms. A stronger season generally prevailed in the South Island.

PORTFOLIO BY SECTOR
(based on current valuation)



DAIRY FARMS

This season 1.67 million kilograms of milk solids were supplied to Fonterra and Synlait. The transition to supply Synlait was seamless and both the Group and the sharemilkers involved are happy with the first season. This is the third successive season in which record milk production has been achieved. With the high milk price, the economics strongly supported feeding additional supplementary feed to the cows to produce more milk through the season. In other years the feed cost to milk price relativity can be less favourable meaning feeding additional supplements is often restricted to strategic times during the season. Notable production increases were seen at the Delorain, Rocklea and both Southland farms – Shenstone and Tatarepo. Both Milford and Penshurst farms produced more milk than in the previous season. A very favourable autumn in Southland gave a strong finish to the season there.

The irrigation development project which was completed at Rocklea (189 hectares) in 2011 is contributing to continuing increases in milk production and farm profitability. When combined with a pasture renewal programme, increases in pasture growth of up to 25% have been achieved which supports both additional cows and higher milk production from each cow. Milk production has increased by 30% (70,000 kilograms) since the centre pivot irrigators were installed. Further increases are being targeted with a focus on improving the performance from each cow as no further increases in cow numbers are planned.

Fonterra's milk price for the season ended 31 May 2014 was $8.40 per kilogram of milk solids. Synlait's final milk price was $8.27 per kilogram. Global dairy prices have fallen by over 40% since February 2014 which has resulted in the current forecast milk price for the season ending 31 May 2015 being substantially lower than last season. This will undoubtedly change as the season progresses. Milk prices vary considerably from season to season - the average milk price over the last seven seasons is approximately $6.60 per kilogram.

The Eiffelton farm is situated near Ashburton and comprises 396 hectares. It is currently leased to a neighbouring dairy farmer as a dairy support unit. The project to convert

Cows being milked at Delorain

233 hectares of Eiffelton to a dairy farm that will milk up to 940 cows was confirmed during the year and the initial stages of the conversion have begun. The remaining 163 hectares of Eiffelton will undergo a major irrigation upgrade with the installation of two further centre pivot irrigators together with stock water, farm lane and some paddock layout changes. This block will provide dairy cow and heifer grazing as well as supplementary feed for the converted dairy farm. This block may also be converted to a dairy farm in the future which will enable approximately 1,590 cows to be milked on the entire Eiffelton farm. The combined dairy conversion and irrigation development projects will cost in excess of $5 million.

The conversion project will see the construction of a 60 bale rotary dairy shed together with four houses for farm worker and sharemilker accommodation. A concrete feed pad will also be built which will allow cows to be fed off the paddocks during periods of wet soil conditions. This will allow greater utilisation of supplementary feed with less waste, preventing treading damage to the soils and allowing effluent to be collected and returned to the soil as fertiliser under a controlled programme. Environmental considerations and minimising soil nutrient losses have now become a normal part of operating a dairy farm and are a major consideration when designing a dairy conversion. Computer technology will be added to the two existing centre pivot irrigators to improve irrigation efficiency, minimise water use and allow effluent to be irrigated onto pasture as part of the irrigation cycle. The Eiffelton conversion will be completed in time to supply milk from August 2015. Initially 400,000 kilograms of milk solids are expected to be produced from the 233 hectare unit, increasing to approximately 500,000 kilograms within four years.

WAIKATO FARM GROUP

The Waikato farm group comprises three sheep and beef properties – Annandale (515 hectares), Puketotara (1,146 hectares) and Waikoha (2,510 hectares). In total approximately 30,000 stock units are carried on the 4,171 hectares. Annandale and Waikoha are located close to each other near Whatawhata on the outskirts of Hamilton and Puketotara is located at Ruawaro, west of Huntly. Annandale and Puketotara operate as finishing units associated with Waikoha, which is a breeding unit with approximately 7,000 ewes and 450 beef breeding cows. This policy allows store lambs and surplus weaner cattle bred at Waikoha to be farmed within the Group until they are ready for slaughter. Maximum value is therefore obtained from all stock that is bred.

This policy of integration allows maximum flexibility in relation to the management of the farms, providing the ability for the three farms to support one another during periods of drought as well as options for purchasing additional finishing stock during favourable seasons when feed is plentiful.

All store lambs from Waikoha were transferred to Annandale and Puketotara, with most sent at weaning in December 2013. These lambs have been finished and

Puketotara hub – woolshed, sheds and cattle yards sold at prices averaging over $100. The destocking of Waikoha by transferring store lambs allows more feed over the summer to be directed to the ewe flock with the intention of increasing body weights prior to tupping so that the next season's lamb crop is maximised. This season Waikoha produced the highest number of lambs - 8,500 docked - since it became directly farmed.

Liveweight production per hectare is a key performance indicator for all farms. At Puketotara, farm output in kilograms of meat and wool per hectare has increased by more than 40% since 2010. While there is still more to achieve, this is a pleasing gain and has been achieved by improved management techniques as well as an extensive pasture renewal programme which is allowing higher pasture production. New or renovated pasture and specialist forages for finishing lambs have been established on 480 hectares which is approximately half of the farm. Pasture renewal has, and will continue to be, an integral part of the farming programme, especially at Puketotara where the easy contour allows this to be completed over a larger proportion of the farm.

The farming policy at Puketotara is to operate a bull beef and lamb finishing programme where over 1,800 bulls are farmed and 8,000 lambs are traded. About half of the replacement ewe hoggets from Waikoha are also farmed for up to five months as part of the ewe flock improvement programme. This season 1,203 bulls were killed from

Bulls at Puketotara

Lambs from Waikoha at Puketotara

Puketotara earning revenue of $1.79 million. When combined with the number of yearling cattle farmed and lambs traded, this has been the best performance since Puketotara became a directly managed farm in 2009.

Once again the integrated stock policies of the three Waikato farms proved to be valuable following the second summer / autumn drought in two years. In addition to all store lambs being farmed through to slaughter, baleage made at Puketotara in the late spring was provided to both the other farms, 730 ewe hoggets were grazed at Puketotara, 100 breeding cows were grazed at Annandale for two months and weaner cattle were transferred at weaning as planned. Retaining all capital breeding stock at Waikoha is a prime objective in the drought strategy as that enables income for the next year to be assured. This has been achieved for two successive years by having a stocking policy at Annandale and Puketotara that allows wide flexibility in the timing of purchase of replacement finishing stock.

LEASED PROPERTIES

The Group has sixteen properties that are leased and which provide the rental income. These properties are located in Hawke's Bay, Manawatu and Canterbury and are leased predominantly to farmers with other farming interests. This is beneficial to both parties providing operational scale to the lessee and better security of rent and operator skill to the Group. Monthly rental income provides regular cash flow to the Group.

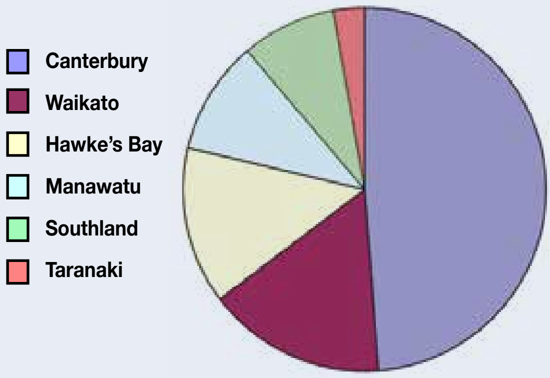
The leases provide for two-yearly rent reviews and a number were completed during the year. Rentals for irrigated land and where dairy grazing and silage making can be carried out, again saw steady rental increases which also impacted positively on arable rentals. The rent reviews for sheep and beef grazing land were stable, however these are also being driven up by the demand for dairy grazing in districts in reasonable proximity to the main dairy farming areas, particularly in Canterbury and Southland.

As has been the policy for a number of years, a fair market rental that reflects other rentals in the district, the land class, productive capacity and facilities provided at each farm is set using a valuer to provide an independent rental assessment. Farm rentals tend to follow property value trends over time although there is often a lag phase. As a result, most farm rental yields tend to fluctuate in the range from two to three percent. This trend has been apparent over a number of years.

The name, location, size and type of property in the Group portfolio are shown in the Farm Property Schedule on page 10.

Brian Burrough
CHIEF EXECUTIVE OFFICER

PORTFOLIO BY REGION
(based on current valuation)



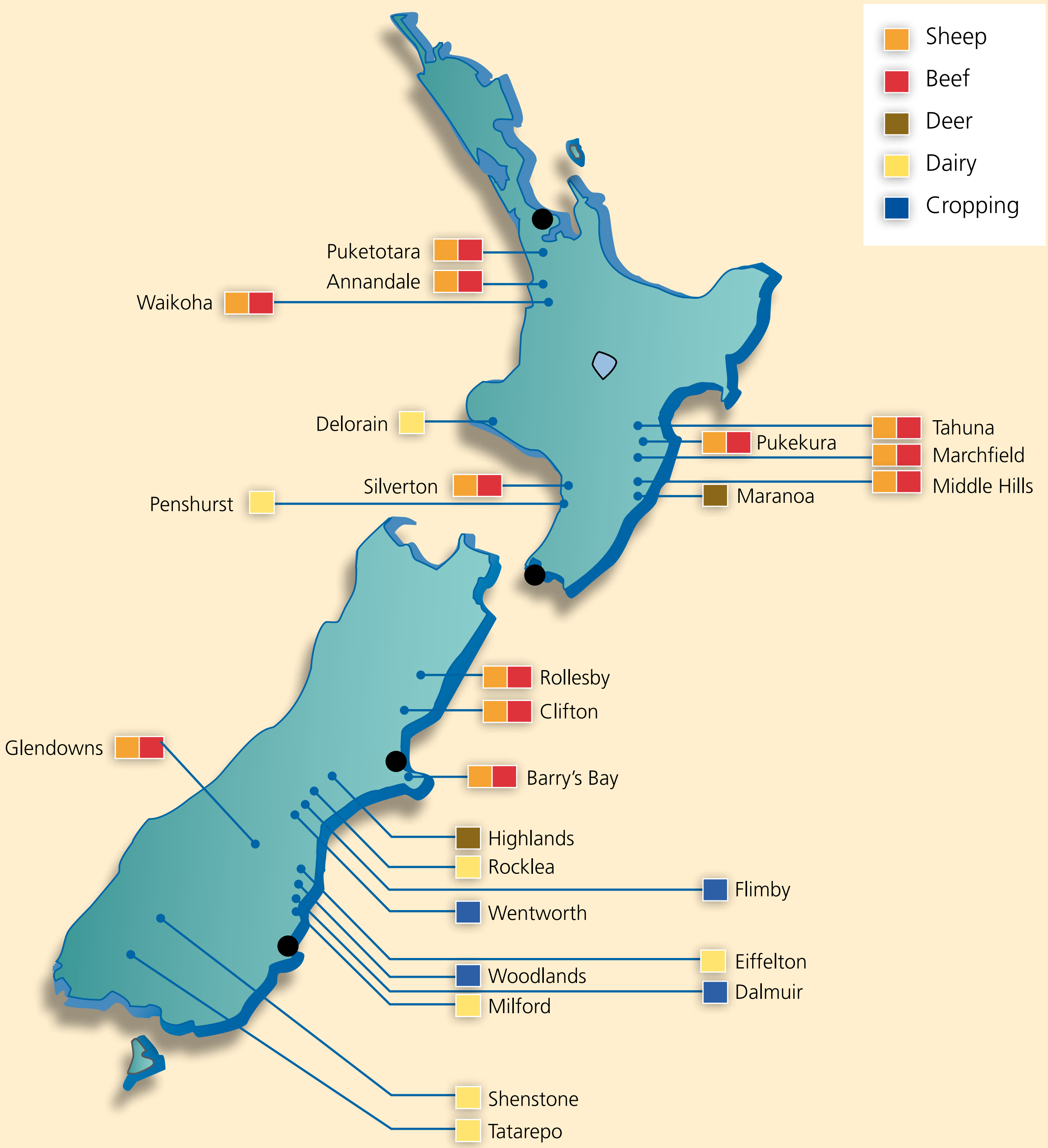
Farm Property Schedule

As at 30 June 2014

Property	Type	Region	Total Hectares	Management	Livestock Units (approx.)
Annandale	Sheep/Beef Finishing	Waikato	515	Managed	5,000
Barry's Bay	Sheep/Beef Grazing	Banks Peninsula Canterbury	573	Leased	4,000
Clifton	Sheep/Beef Finishing	North Canterbury	656	Leased	5,400
Dalmuir	Arable	South Canterbury	219	Leased	n/a
Delorain	Dairy	Taranaki	101	Sharemilked	300 cows
Eiffelton	Dairy Grazing	Canterbury	396	Leased	n/a
Flimby	Arable	Canterbury	266	Leased	n/a
Glendowns	Sheep/Beef Finishing	South Canterbury	399	Leased	4,100
Highlands	Deer Breeding / Finishing	Canterbury	380	Leased	3,800
Maranoa	Deer Breeding / Finishing	Hawke's Bay	306	Leased	3,500
Marchfield	Sheep/Beef/Deer Finishing	Hawke's Bay	481	Leased	5,000
Middle Hills	Sheep/Beef Finishing	Hawke's Bay	545	Leased	6,000
Milford	Dairy	South Canterbury	177	Sharemilked	725 cows
Penshurst	Dairy	Manawatu	257	Sharemilked	725 cows
Pukekura	Sheep/Beef Finishing	Hawke's Bay	444	Leased	3,700
Puketotara	Sheep/Beef Finishing	Waikato	1,146	Managed	12,000
Rocklea	Dairy	Canterbury	189	Sharemilked	720 cows
Rollesby	Sheep/Beef Grazing	North Canterbury	323	Leased	3,500
Shenstone	Dairy	Southland	313	Sharemilked	930 cows
Silverton	Sheep/Beef Finishing	Manawatu	546	Leased	7,000
Tahuna	Sheep/Beef Finishing	Hawke's Bay	580	Leased	5,500
Tatarepo	Dairy	Southland	153	Sharemilked	420 cows
Waikoha	Sheep/Beef Grazing	Waikato	2,510	Managed	13,000
Wentworth	Arable	Canterbury	161	Leased	n/a
Woodlands	Arable	South Canterbury	451	Leased	n/a
Total Landholding - Farms			12,087		

Property Location Map

As at 30 June 2014



Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Revenue					
Farm income	3	9,844	6,911	-	-
Leased property income		2,679	2,789	-	-
Inter group dividend		-	-	14,344	14,344
Inter group administration fee		-	-	1,200	1,200
Other income		521	315	347	311
Total		**13,044**	**10,015**	**15,891**	**15,855**
Operating expenses					
Farm operating expenses		5,028	4,975	-	-
Leased property expenses		128	182	-	-
Interest costs		1,156	1,215	1,156	1,215
Other expenses		1,457	1,532	2,114	1,370
Total	5	**7,769**	**7,904**	**3,270**	**2,585**
Profit before other items		**5,275**	**2,111**	**12,621**	**13,270**
Other items					
Gain on disposal of shares in Fonterra Co-operative Group Limited		-	2,444	-	-
Revaluations	4	18,863	7,082	(4)	-
Total other items		**18,863**	**9,526**	**(4)**	**-**
Net profit before tax		**24,138**	**11,637**	**12,617**	**13,270**
Income tax expense (credit)	7	1,170	802	(30)	(16)
Net profit after tax	6	**22,968**	**10,835**	**12,647**	**13,286**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment	4	1,067	110	48	14
Tax on other comprehensive income	7	16	24	14	4
Total other comprehensive income net of tax		1,051	86	34	10
Total comprehensive income		**24,019**	**10,921**	**12,681**	**13,296**
Earnings per share - basic and diluted - $ per share	19	$0.64	$0.29		

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2014

GROUP	Notes	Share Capital $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2012		**91,910**	**9,238**	**66,155**	**167,303**
Net profit after tax for the year		-	-	10,835	10,835
Other comprehensive income net of tax		-	86	-	86
Total comprehensive income		**-**	**86**	**10,835**	**10,921**
Share repurchase and cancellation		(5,587)	-	-	(5,587)
Dividend paid		-	-	(1,870)	(1,870)
Balance at 30 June 2013	10	**86,323**	**9,324**	**75,120**	**170,767**
Balance at 1 July 2013		**86,323**	**9,324**	**75,120**	**170,767**
Net profit after tax for the year		-	-	22,968	22,968
Other comprehensive income net of tax		-	1,051	-	1,051
Total comprehensive income		**-**	**1,051**	**22,968**	**24,019**
Dividend paid		-	-	(2,150)	(2,150)
Balance at 30 June 2014	10	**86,323**	**10,375**	**95,938**	**192,636**

PARENT COMPANY	Notes	Share Capital $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2012		**91,910**	**56**	**(10,894)**	**81,072**
Net profit after tax for the year		-	-	13,286	13,286
Other comprehensive income net of tax		-	10	-	10
Total comprehensive income		**-**	**10**	**13,286**	**13,296**
Share repurchase and cancellation		(5,587)	-	-	(5,587)
Dividend paid		-	-	(1,870)	(1,870)
Balance at 30 June 2013	10	**86,323**	**66**	**522**	**86,911**
Balance at 1 July 2013		**86,323**	**66**	**522**	**86,911**
Net profit after tax for the year		-	-	12,647	12,647
Other comprehensive income net of tax		-	34	-	34
Total comprehensive income		**-**	**34**	**12,647**	**12,681**
Dividend paid		-	-	(2,150)	(2,150)
Balance at 30 June 2014	10	**86,323**	**100**	**11,019**	**97,442**

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2014

	Notes	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Current assets					
Cash at bank		269	103	47	1
Accounts receivable		2,137	866	236	83
Properties under contract for sale	12	4,896	3,447	-	-
Livestock	16	1,647	1,757	-	-
Feed on hand		598	526	-	-
Total		9,547	6,699	283	84
Non current assets					
Investment properties	11	161,819	145,827	-	-
Property, plant and equipment	13	33,285	31,645	639	598
Livestock	16	1,789	1,968	-	-
Forest	15	116	69	-	-
Receivable from subsidiary		-	-	11,814	-
Deferred tax asset	7	-	-	15	-
Shares in Fonterra Co-operative Group Limited	17	4,649	5,843	-	-
Shares in Tandou Limited	17	11,643	-	-	-
Other investments	17	331	302	113,696	113,696
Total		213,632	185,654	126,164	114,294
Total assets		**223,179**	**192,353**	**126,447**	**114,378**
Current liabilities					
Accounts payable and accrued expenses		1,557	1,150	393	231
Provision for tax		332	297	-	-
Payable to subsidiaries		-	-	1,512	8,785
Total		1,889	1,447	1,905	9,016
Term liabilities					
Bank loans	18	27,100	18,450	27,100	18,450
Deferred tax liability	7	1,554	1,689	-	1
Total		28,654	20,139	27,100	18,451
Equity					
Fully paid up ordinary shares		86,323	86,323	86,323	86,323
Asset revaluation reserve		10,375	9,324	100	66
Retained earnings		95,938	75,120	11,019	522
Total	10	192,636	170,767	97,442	86,911
Total liabilities and equity		**223,179**	**192,353**	**126,447**	**114,378**

On behalf of the Directors, who authorised the issue of these financial statements, dated 2 September 2014.

David Cushing
EXECUTIVE CHAIRMAN

Rodger Finlay
DIRECTOR

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		13,397	12,258	347	302
Inter group dividend		-	-	14,344	14,344
Inter group administration fee		-	-	1,200	1,200
Dividends received		178	-	-	-
Interest received		4	4	-	-
		13,579	12,262	15,891	15,846
Cash was applied to:					
Payments to suppliers and employees		7,174	8,002	1,177	1,308
Taxation paid		1,286	691	-	-
Interest paid		1,256	1,353	1,256	1,353
		9,716	10,046	2,433	2,661
Net cash flows from operating activities	6	**3,863**	**2,216**	**13,458**	**13,185**
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of investment property		3,094	12,797	-	-
Proceeds from sale of shares in Fonterra Co-operative Group Limited		-	5,924	-	-
Proceeds from sale of property, plant and equipment		45	18	-	-
		3,139	18,739	-	-
Cash was applied to:					
Improvements to investment properties		245	514	-	-
Improvements to other properties		259	180	-	-
Purchases of plant and equipment		181	256	15	15
Purchase of shares	17	12,643	341	-	-
		13,328	1,291	15	15
Net cash flows from investing activities		**(10,189)**	**17,448**	**(15)**	**(15)**
Cash flows from financing activities					
Cash was provided from:					
Repayment by subsidiary		-	-	-	6,507
Term loans advance		8,650	-	8,650	-
		8,650	-	8,650	6,507
Cash was applied to:					
Term loans reduction		-	8,950	-	8,950
Advances to subsidiaries		-	-	19,897	-
Dividend paid		2,150	1,870	2,150	1,870
Share repurchase and cancellation	10	-	8,857	-	8,857
		2,150	19,677	22,047	19,677
Net cash flows from financing activities		**6,500**	**(19,677)**	**(13,397)**	**(13,170)**
Net increase (decrease) in cash held		**174**	**(13)**	**46**	**-**
Cash at start of period		103	116	1	1
Effect of exchange rate changes		(8)	-	-	-
Cash at end of period		**269**	**103**	**47**	**1**
Cash at bank		**269**	**103**	**47**	**1**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Rural Equities Limited is a company registered in New Zealand under the Companies Act 1993. The Company is a listed issuer for the purposes of the Financial Reporting Act 1993 and the financial statements have been prepared in accordance with that Act.

The Group ("the Group") consists of:

(a) The parent, Rural Equities Limited ("the Company") ("REL")

(b) The subsidiaries, New Zealand Rural Property Trust Management Limited, REL - Trust Management Limited and the New Zealand Rural Property Trust ("the Trust").

REL's ultimate parent company is H&G Limited.

The Group owns twenty five farms. Sixteen of the farms are leased out and six are operated under share milking arrangements. The other three farms are sheep and beef farms operated directly by the Group.

MEASUREMENT BASE

The functional currency is New Zealand dollars and the financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars ($000).

The financial statements have been prepared using a historical cost basis, modified by the revaluation to fair value of certain assets and liabilities as disclosed below.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (IFRS).

NEW STANDARDS FIRST APPLIED IN THE PERIOD

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to existing standards with an initial application date of 1 July 2013:

NZ IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

As a result of NZ IFRS 10, the Group has reviewed its accounting policy for determining whether it has control over and consequently whether it consolidates its subsidiaries. NZ IFRS 10 introduces a new control model that focuses on whether the Group has power over a subsidiary, exposure rights to variable returns from its involvement with the subsidiary and ability to use its power to affect those returns.

In accordance with the transitional provisions of NZ IFRS 10, the Group reassessed the control conclusions for its subsidiaries as at 1 July 2013. This did not result in any change in the control conclusions for existing subsidiaries.

NZ IFRS 13 FAIR VALUE MEASUREMENTS

NZ IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other NZ IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurement in other NZ IFRS. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no material impact on the measurement of the Group's assets and liabilities.

NZ IFRS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments and interpretations have been issued by the International Accounting Standards Board and the External Reporting Board in New Zealand that are not yet effective and have not been early adopted by the Group. Those which may be relevant to the Group are set out below:

NZ IFRS 15 REVENUE

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess IFRS 15's full impact. The Group will adopt this standard for the year ended 30 June 2017.

No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Group's financial statements.

NZ IFRS 9 FINANCIAL INSTRUMENTS

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, October 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Group is yet to assess NZ IFRS 9's full impact.

IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board in July 2014 as a complete version of the standard. This standard adds to the requirements of NZ IFRS 9 by incorporating the expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess the impact of this standard and does not expect to adopt it before its effective date.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been applied:

(a) Basis of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The consolidated financial statements include the parent company and its subsidiaries. In preparing the consolidated financial statements all significant inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method.

(b) Investment Properties

Investment properties are initially recorded at cost. Subsequent to initial recognition, investment properties are revalued to fair value based on annual valuations prepared by registered independent valuers.

All investment properties are revalued annually as at 30 June.

Changes in value are recorded within net profit in the Statement of Comprehensive Income for the period.

(c) Property, Plant and Equipment

Land and Buildings

Land and buildings are recorded at fair value, based on annual valuations prepared by registered independent valuers.

All properties are revalued annually as at 30 June.

Any revaluation increment is credited to the revaluation reserve and included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised within net profit in the Statement of Comprehensive Income, in which case the increase is recognised within net profit in the Statement of Comprehensive Income.

Any revaluation decrease is recognised within net profit in the Statement of Comprehensive Income for the period except to the extent that it offsets a previous revaluation increase for the same asset, then the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance in the revaluation reserve for that asset.

Buildings are depreciated on a straight line basis over 50 years.

Plant and Equipment

Plant and equipment is recorded at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis so as to allocate the cost of the assets over their estimated useful lives. The estimated useful lives of plant and machinery assets range from four to ten years.

(d) Properties under Contract for Sale

Properties under contract for sale comprise land and buildings that have been sold either conditionally or unconditionally. They are classified under current assets and are recorded at sale value less estimated sale costs.

(e) Forest Assets

Forest assets are recorded at fair value, less estimated point of sale costs, based on valuations by independent valuers.

(f) Investments

Investments in Fonterra Co-operative Group Limited and Tandou Limited

Shares in Fonterra Co-operative Group Limited and Tandou Limited are initially recorded at cost and subsequently revalued to fair value. Changes in fair value are recorded within net profit in the Statement of Comprehensive Income.

These shares have been designated as “at fair value through profit or loss” on the basis that the assets are both managed and their performance is evaluated on a fair value basis as part of a documented investment strategy.

Other Shares

Other shares including investments in subsidiaries are recognised at cost less any provision for impairment.

(g) Livestock

Livestock are recorded at fair value as assessed by an independent valuer, less estimated point of sale costs. Changes in fair value are recorded within net profit in the Statement of Comprehensive Income. Livestock are classified as a current asset if they are likely to be sold within one year.

(h) Taxation

The income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation.

A deferred tax asset relating to unused tax losses is only recognised to the extent that taxable profits will be available against which the tax losses can be utilised.

(i) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

(j) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any impairment losses.

(k) Trade and Other Payables

Trade payables are carried at amortised cost. They represent liabilities for goods and services provided prior to balance date that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, short term deposits and bank overdrafts.

(m) Revenue Recognition

Lease rental revenue is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Farm income consists mainly of milk, wool and livestock sales.

Revenue from the sale of goods, including livestock, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Milk sales income is recognised at the time of delivery of milk to Fonterra Co-operative Group Limited and Synlait Milk Limited at their declared payment rate.

(n) Interest-bearing Loans and Borrowings

All loans are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are expensed in the period they occur as the Group does not have any qualifying assets for which interest needs to be capitalised.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Derivative Financial Instruments

Derivative financial instruments are used to economically hedge exposure to interest rates. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are revalued to fair value. The gain or loss on revaluation is recognised immediately within net profit in the Statement of Comprehensive Income.

(p) Feed on Hand

Feed on hand consists of livestock feed either purchased or produced on the farms. Feed on hand is valued at the lower of cost or net realisable value.

(q) Carbon Credits – New Zealand Units ("NZUs")

Allocations of NZUs are recognised where the Group is reasonably certain that they will be received. The Group's NZUs arise from current and past ownership of pre 1990 forest land. NZUs are treated as intangible assets and are carried at cost.

NOTE 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the accounting policies management continually evaluate judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions made by management. Significant judgements made in the preparation of these financial statements are outlined below:

i) Investment Properties - The majority of the Group's assets consist of investment properties. The fair values are based on market values, as assessed by independent registered valuers who estimate the amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of investment properties.

ii) Land and Buildings - The fair values of land and buildings are based on market values, as assessed by independent registered valuers who estimate the amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of land and buildings.

iii) Sharemilking Arrangements - The Group has sharemilking agreements in place on six (2013 six) of its properties. The essential nature of these agreements is that of a tenancy and so these properties are treated as investment properties. Therefore all changes in value are recorded in the Statement of Comprehensive Income.

iv) Leases - The Group has entered into leases with farmers for its investment properties. The Group retains all significant risks and rewards of ownership of the properties and has therefore classified the leases as operating leases.

v) Milk Proceeds - The Group estimates and accrues the final milk proceeds for the dairy season using the latest milk payout amount announced by the dairy companies prior to the finalisation of the financial statements. The final amount received could be different from the amount accrued.

Notes to the Financial Statements

NOTE 3 FARM INCOME

Farm income comprises:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Milk income	7,321	4,983	-	-
Livestock income (refer note 16)	2,250	1,410	-	-
Other income	273	518	-	-
	9,844	6,911	-	-

NOTE 4 REVALUATIONS

Revaluations recognised in profit and loss:	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Investment properties	20,539	4,391	-	-
Property, plant and equipment (refer note 1(c))	489	383	(4)	-
Shares in Fonterra Co-operative Group Limited	(1,194)	2,308	-	-
Shares in Tandou Limited	(971)	-	-	-
	18,863	7,082	(4)	-
Revaluations recognised in other comprehensive income:				
Property, plant and equipment (refer note 1(c))	1,067	110	48	14

NOTE 5 EXPENSES

Expenses include:	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Depreciation - on plant and equipment	293	360	14	10
Depreciation - on buildings	47	46	4	4
Directors' fees	210	270	210	270
Operating lease costs	176	176	34	32
Audit fees	41	40	14	14
Fees paid to PwC for advisory work	7	9	7	9
Key management remuneration - short term benefits	664	687	664	687
Other employee remuneration	541	524	46	57
Impairment of receivable from subsidiary	-	-	810	-
Loss (gain) in fair value of derivatives	(134)	(70)	(134)	(70)

Farm operating expenses include the costs of operating the farms that the Group manages directly or under sharemilking agreements. The main items are labour, feed, fertiliser and repairs and maintenance.

NOTE 6 CASH FLOW RECONCILIATION

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Net profit (loss) after tax	22,968	10,835	12,647	13,286
Add (deduct) non-cash items:				
Depreciation	340	406	18	14
Impairment of receivable from subsidiary	-	-	810	-
Exchange rate adjustment	8	-	-	-
Revaluation movements	(18,863)	(7,082)	4	-
	(18,515)	(6,676)	832	14
Changes in assets and liabilities:				
Change in accounts payable	407	(622)	162	(90)
Change in provision for tax	35	60	-	-
Change in deferred taxation	(151)	51	(30)	(16)
Change in livestock and feed on hand	217	456	-	-
Change in accounts receivable	(1,271)	131	(153)	(9)
	(763)	76	(21)	(115)
Add (deduct) non-operating items:				
Non-operating items in accounts payable	192	435	-	-
Realised gains on asset sales	(19)	(2,454)	-	-
	173	(2,019)	-	-
Net cash flows from operating activities	3,863	2,216	13,458	13,185

Notes to the Financial Statements

NOTE 7 **TAXATION**

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Statement of comprehensive income				
Net profit before tax	24,138	11,637	12,617	13,270
Tax at the statutory rate of 28%	6,759	3,259	3,533	3,716
Adjusted for the tax effect of:				
Non assessable asset revaluations and realisations	(5,283)	(2,616)	1	-
Non assessable livestock revaluations	(121)	260	-	-
Non assessable income inter group dividend	-	-	(4,016)	(4,016)
Impairment of receivable from subsidiary	-	-	227	-
Depreciation on land improvements	(150)	(91)	-	-
Group loss offset	-	-	224	283
Other items	(35)	(10)	1	1
Tax expense (credit)	1,170	802	(30)	(16)
Represented by:				
Current tax	1,321	751	-	-
Deferred tax	(151)	51	(30)	(16)
	1,170	802	(30)	(16)
Balance sheet				
Deferred tax assets and liabilities relate to the following:				
Buildings depreciation and revaluation	1,633	1,643	36	23
Forest operations and revaluation	32	19	-	-
Plant depreciation	(81)	(85)	-	-
Livestock revaluation	(33)	93	-	-
Other items	3	19	(51)	(22)
Total	1,554	1,689	(15)	1
Deferred tax to be recovered after more than 1 year	1,548	1,585	36	23
Deferred tax to be recovered within 1 year	6	104	(51)	(22)
	1,554	1,689	(15)	1
Disclosed as:				
Deferred tax liability	1,554	1,689	-	1
Deferred tax asset	-	-	(15)	-
	1,554	1,689	(15)	1
Changes to deferred tax provision:				
1) Recognised in profit or loss:				
Buildings depreciation and revaluation	(26)	(1)	(1)	(2)
Forest operations and revaluation	13	2	-	-
Plant depreciation	4	(7)	-	-
Livestock revaluation	(126)	76	-	-
Other items	(16)	(19)	(29)	(14)
	(151)	51	(30)	(16)
2) Recognised in other comprehensive income	16	24	14	4
Total change in deferred tax provision	(135)	75	(16)	(12)

NOTE 8 IMPUTATION CREDIT ACCOUNT

	GROUP 2014 $000	GROUP 2013 $000
Imputation credits available for subsequent reporting periods	1,633	1,157

The above amounts represent the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of provisional income tax for the year.

The consolidated amounts include imputation credits that would be available to the parent if the subsidiaries paid dividends to the parent entity. However, the parent entity and all its subsidiaries form a consolidated group for income tax purposes. As such all imputation credit amounts are directly available to the parent entity.

NOTE 9 FINANCIAL RISK MANAGEMENT

Fair value estimation

Assets and liabilities recorded at fair value are valued according to the fair value hierarchy as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial instrument classification

The carrying amounts of financial instruments by category are listed below. For those held at fair value the applicable level in the fair value hierarchy is shown.

The carrying amounts of financial instruments by category are:	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Loans and receivables:				
Accounts receivable	2,137	866	236	83
Cash at bank	269	103	47	1
Receivable from subsidiary	-	-	11,814	-
Properties under contract for sale	241	3,447	-	-
Financial assets at fair value through profit or loss:				
Shares - Level 1 in fair value hierarchy	16,623	6,145	-	-
Financial liabilities measured at amortised cost:				
Bank loans and overdraft	27,100	18,450	27,100	18,450
Accounts payable and accruals	1,557	1,150	1,905	9,016

Interest rate risk

The Group is exposed to changes in interest rates on its bank borrowings. All interest rates are fixed for periods of 90 days or less. As at 30 June 2014 the Group had entered into interest rate swaps to manage 55% (2013 54%) of the interest rate risk on its borrowing. As at 30 June 2014 the fair value of the interest rate swap agreements was $144,000 (2013 $10,000).

The Group regularly reviews interest rates for a range of terms and acts to minimise weighted average interest rates over the medium term on its borrowings.

The effect of a 1% increase/decrease in interest rates on the Group's profit after tax and the Group's equity is a decrease/increase of $195,000 (2013 $133,000).

The notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Less than one year	-	-	-	-
Between one and three years	15,000	10,000	15,000	10,000
	15,000	10,000	15,000	10,000

Commodity price risk

The Group is exposed to price risk on a number of agricultural commodities including wool, meat and milk solids. The Directors have identified changes to milk solid prices as having a material impact on profit. The effect of an increase/decrease in the price of milk solids of $1.00 per kilogram on the Group's profit after tax and the Group's equity would be an increase/decrease of $600,000 (2013 $562,000).

Market price risk

Shares in Fonterra Co-operative Group Limited are valued at the market price as at balance date. If the price increased/decreased by 10% the effect on the Group's profit after tax and the Group's equity would be an increase/decrease of $465,000 (2013 $584,000).

Shares in Tandou Limited are valued at the market price as at balance date. If the price increased/decreased by 10% the effect on the Group's profit after tax and the Group's equity would be an increase/decrease of $1,164,000 (2013 Nil).

Credit risk

Financial instruments which potentially subject the Group to credit risk, consist of cash at bank, bank term deposits, derivative financial instruments and accounts receivable. All cash at bank is with a registered New Zealand bank.

Included in accounts receivable is $849,000 (2013 $654,000) receivable from Fonterra Co-operative Group Limited and $642,000 (2013 Nil) receivable from Synlait Milk Limited. There are no other significant concentrations of credit risk.

Maximum exposures to credit risk are:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Cash at bank	269	103	47	1
Accounts receivable	2,137	866	236	83
Receivable from subsidiary	-	-	11,814	-
Properties under contract for sale	241	3,447	-	-

Fair values

Carrying value approximates to fair value for all classes of financial instrument.

Liquidity risk

The Group's approach to liquidity risk management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to returns.

Liquidity is assessed by using all information known, expected cash flows and the availability of collateral which could be used to secure additional funding if required. The Company's bank facility runs until 5 May 2016.

The following table sets out the maturity profile of the Group's financial liabilities:

	2014 Less than 12 months $000	2014 1 to 3 years $000	2013 Less than 12 months $000	2013 1 to 3 years $000
Accounts payable and accrued expenses	1,450	-	1,077	-
Interest bearing loans (incl. contracted interest)	27,207	-	18,523	-
	28,657	-	19,600	-

Currency risk

Foreign currency risk arises on the Group's investment in Australian listed company Tandou Limited. A 10% strengthening in the Australian dollar exchange rate would increase the Group's profit after tax and the Group's equity by $1,294,000. A 10% weakening in the Australian dollar exchange rate would decrease the Group's profit after tax and the Group's equity by $1,058,000.

NOTE 10 EQUITY

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Share capital	86,323	86,323	86,323	86,323
Revaluation reserve	10,375	9,324	100	66
Retained earnings	95,938	75,120	11,019	522
Total	192,636	170,767	97,442	86,911

Share capital

There are 35,839,155 shares on issue (2013 35,839,155).

	GROUP AND COMPANY NUMBER OF SHARES		GROUP AND COMPANY VALUE	
	2014 000	2013 000	2014 $000	2013 $000
Opening balance	35,839	37,408	86,323	91,910
Shares repurchased and cancelled - see below	-	(1,569)	-	(5,587)
Closing balance	35,839	35,839	86,323	86,323

All shares participate equally in dividends and any surpluses on winding up the Company. All shares have equal voting rights and have no par value.

On 23 April 2013 the Company repurchased 1,568,669 shares at $3.55 per share from 266 shareholders pursuant to an offer made to all shareholders. The repurchased shares were cancelled.

Capital maintenance

The Group's capital is primarily invested in rural property which is held for long term capital appreciation. Operational cash inflows are broadly expected to match outflows and where differences arise this is managed within the available banking facilities. The Group's capital consists of share capital, revaluation reserve and retained earnings.

NOTE 11 INVESTMENT PROPERTIES

	GROUP 2014 $000	GROUP 2013 $000
Opening balance	145,827	144,448
Additions	349	435
Transfer to properties under contract for sale	(4,896)	(3,447)
Revaluations	20,539	4,391
Closing balance	161,819	145,827

All investment properties held as non current assets were valued as at 30 June 2014 by independent registered valuers, P T Mills, BCom. VFM, MNZPI, of Property Advisory Limited or G W Tizard B.Ag.Comm. FNZIV, FPINZ, of Curnow Tizard Limited. The valuations are on the basis of current fair value. Fair value is determined by direct reference to recent market transactions on arm's length terms for properties comparable in size and location to those held by the Group after making allowances or adjustments for relevant differences between the properties - such as improvements, productivity and location - to improve comparability. This is level 2 of the fair value hierarchy - refer to note 9.

Where a property is subject to a lease arrangement the terms and conditions of the lease have been assessed, including exit provisions, and the value of the Group's investment as lessor is established.

A discounted cash flow model is used in situations where there is an absence of sales of properties with a similar lease arrangement to adjust the unencumbered market value of the properties to the value of the Group's interest as lessor. The total lease encumbrance is $752,000 (2013 $337,000).

Valuations by valuer	GROUP 2014 $000	GROUP 2013 $000
Curnow Tizard Limited	53,323	48,438
Property Advisory Limited	108,496	97,389
	161,819	145,827

NOTE 12 PROPERTIES UNDER CONTRACT FOR SALE

	GROUP 2014 $000	GROUP 2013 $000
Opening balance	3,447	12,832
Disposals	(3,447)	(12,832)
Transferred from investment property	4,896	3,447
Closing balance	4,896	3,447

In May 2013, a property in Otago was sold after an unsolicited offer was received from a neighbour. Settlement was completed in June 2014.

In December 2013 it was agreed to exchange four hectares of a Canterbury property for shares in an irrigation scheme. The land is required by the scheme to allow an upgrade of the irrigation scheme. The agreement is unconditional and settlement is planned for September 2014.

In June 2014, an unsolicited offer was received from a lessee for another Canterbury property. The offer is conditional and has been accepted.

Properties under unconditional contract for sale are valued at their contracted sale price and are considered to be loans and receivables. The property under a conditional contract for sale is valued at its contracted sale price and is considered to be level 2 of the fair value hierarchy - refer to note 9.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Land and buildings				
Opening balance	30,260	29,650	560	550
Additions	231	163	-	-
Depreciation	(47)	(46)	(4)	(4)
Revaluations	1,556	493	44	14
Closing balance	32,000	30,260	600	560
Plant and equipment				
Opening balance	1,385	1,505	38	33
Additions	193	244	15	15
Disposals	-	(4)	-	-
Depreciation	(293)	(360)	(14)	(10)
Closing balance	1,285	1,385	39	38
Cost	4,783	4,640	100	96
Accumulated depreciation	(3,498)	(3,255)	(61)	(58)
Net carrying amount	1,285	1,385	39	38
Total property, plant and equipment	33,285	31,645	639	598

Rural land and buildings were valued as at 30 June 2014 by independent registered valuer, G W Tizard B.Ag.Comm. FNZIV, FPINZ, of Curnow Tizard Limited. The valuations are on the basis of current fair value. Fair value is determined by direct reference to recent market transactions on arm's length terms for properties comparable in size and location to those held by the Group after making allowances or adjustments for relevant differences between the properties - such as improvements, productivity and location - to improve comparability. This is level 2 of the fair value hierarchy - refer to note 9.

The commercial land and building was valued as at 30 June 2014 by independent registered valuer F E Spencer BBS (Val & PM), FPINZ, FNZIV, AREINZ of Logan Stone Limited. The valuation is on the basis of current fair value. Fair value is determined by direct reference to recent market transactions on arm's length terms for properties of comparable size and location. This is level 2 of the fair value hierarchy - refer to note 9.

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Valuations by valuer				
Curnow Tizard Limited	31,400	29,700	-	-
Logan Stone Limited	600	560	600	560
	32,000	30,260	600	560

If land and buildings were measured at cost less accumulated depreciation and impairment then the carrying amounts would be:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Land	6,592	6,361	320	320
Buildings	2,128	2,128	185	185
Less accumulated depreciation	(764)	(722)	(12)	(8)
Net carrying amount	7,956	7,767	493	497

NOTE 14 CARBON CREDITS - NEW ZEALAND UNITS ("NZUs")

The Group owns 58,740 NZUs issued under the New Zealand Government's Emissions Trading Scheme. The NZUs are carried at nil value, being the cost to the Group.

NOTE 15 FOREST ASSET

The Group's forest is a block of 70 hectares of pine trees located on the Waikoha property in the Waikato. The trees are under five years of age. This forest has not been revalued since 2011 as Directors are of the view that due to the age of the forest, the carrying value has not materially changed since 2011. Accordingly the forest is held at the 2011 valuation plus forest redevelopment costs.

	GROUP 2014 $000	GROUP 2013 $000
Opening balance	69	62
Forest redevelopment	47	7
Closing balance	116	69

NOTE 16 LIVESTOCK

The Group operates three sheep and beef cattle farms. Livestock are held for meat and wool production.

	GROUP 2014 No. of Head	GROUP 2013 No. of Head
Livestock on hand:		
Sheep	14,497	14,588
Cattle	2,599	3,020

	GROUP 2014 $000	GROUP 2013 $000
Sheep value		
Opening balance	1,380	1,585
Increases due to purchases	444	572
Decreases due to sales	(1,304)	(1,249)
Revaluation gains net of births and deaths	861	472
Closing balance	1,381	1,380
Cattle value		
Opening balance	2,345	2,562
Increases due to purchases	952	1,098
Decreases due to sales	(2,631)	(2,253)
Revaluation gains net of births and deaths	1,389	938
Closing balance	2,055	2,345
Total livestock	3,436	3,725
Classified as:		
Current asset	1,647	1,757
Non current asset	1,789	1,968
	3,436	3,725

Livestock were valued as at 30 June 2014 by independent livestock valuers, PGG Wrightson Limited. The valuation is on the basis of current fair value less point of sale costs. Fair value is determined by direct reference to recent market transactions (conducted at public auction) on arm's length terms for livestock of comparable quality and condition in the regions the Group's livestock is located. This is level 2 of the fair value hierarchy - refer to note 9.

NOTE 17 INVESTMENTS

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Subsidiary entities				
Shares in New Zealand Rural Property Trust Management Limited - 100% owned	-	-	703	703
Shares in REL - Trust Management Limited - 100% owned	-	-	-	-
Units in the New Zealand Rural Property Trust - 100% owned	-	-	112,993	112,993
Other investments				
Shares in Fonterra Co-operative Group Limited	4,649	5,843	-	-
Shares in Tandou Limited	11,643	-	-	-
Other shares at cost	331	302	-	-
	16,623	6,145	113,696	113,696

During the year the Group acquired 24,926,000 shares in Tandou Limited, a company listed on the ASX in Australia. This included participating in a rights issue during April and May 2014. The share price at balance date was A$0.435 per share.

Our New Zealand based director, Rodger Finlay, has been appointed to the Board of Tandou Limited to fill a casual vacancy.

Tandou Limited is a substantial cotton grower and has a significant portfolio of both high and general security water rights.

Shares in Fonterra Co-operative Group Limited and Tandou Limited are valued at quoted prices in active markets for identical assets at balance date. This is level 1 of the fair value hierarchy - refer to note 9.

NOTE 18 BANK LOANS

The Company has loan facilities with ANZ Bank Limited totalling $33.5M. As at 30 June 2014 the facility was drawn to $27.10M (2013 $18.45M) at a weighted average interest rate of 4.38% (2013 3.95%) with maturities reset every 90 days or less.

A general security agreement has been provided to ANZ Bank Limited covering all the Group's assets. The facility expires on 5 May 2016.

See note 9 for interest rate risk management.

The fair value of borrowings equals their carrying amount. The fair values are based on cash flows discounted using a rate based on the current borrowing rate. The impact of discounting is not significant. This value is level 2 of the fair value hierarchy - refer to note 9.

NOTE 19 EARNINGS PER SHARE

	GROUP 2014	GROUP 2013
Numerator - $000		
Earnings attributable to parent company interests	22,968	10,835
Denominator - 000 shares		
Weighted average number of shares on issue	35,839	37,146
Basic earnings per share - $ per share	$0.64	$0.29
Diluted earnings per share - $ per share	$0.64	$0.29

NOTE 20 RELATED PARTY DISCLOSURES

During the year REL provided accounting and administration services to H&G Limited and related entities. H&G Limited is REL's parent company. Sir Selwyn Cushing and David Cushing, who are directors of REL, are directors and shareholders of H&G Limited. The fees, charged at commercial rates, were $31,000 (2013 $32,000). The amount owing at balance date was $9,000 (2013 $10,000) and has since been paid in full.

During the year Andrew Train, a director of REL, provided the Group with agricultural consultancy services with respect to the Group's directly managed farms located in the Waikato. The fees paid for these services totalled $7,000 (2013 $10,000). There was no amount outstanding as at 30 June 2014 (2013 Nil).

During the year Public Trust provided trustee services to the Group as trustee for the New Zealand Rural Property Trust. Rodger Finlay, a director of REL, was a Board Member of Public Trust until 30 June 2014. The fees paid to Public Trust for these services totalled $28,000 for the year (2013 $28,000). The amount outstanding as at 30 June 2014 was $7,000 (2013 $7,000) and has since been paid in full.

REL has made an advance to its subsidiary REL-Trust Management Limited to purchase shares in Tandou Limited. The loan is repayable on demand and is interest free. The fair value of the advance at 30 June 2014 was $11,814,000 (2013 Nil).

During the year ended 30 June 2013 the Group purchased livestock from Makowai Farm Limited, a company owned by Sir Selwyn Cushing, a director of REL. The livestock was purchased on normal commercial terms and conditions at market prices. The total cost was $84,000.

NOTE 21 COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Group leases farm land adjacent to two of its dairy farms to supplement the feed provided by those farms. The land is leased under standard terms for non-cancellable farm leases and are for periods between one and five years. The Group also leases motor vehicles on standard terms under non-cancellable leases.

Lease commitments under these non-cancellable leases are:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Within one year	172	84	32	18
After one year but not more than five years	506	20	52	-
Total future minimum lease payments	678	104	84	18

Operating lease commitments receivable as lessor

The Group's investment properties (excluding the six dairy farms) are leased for terms of up to 20 years. Generally the lease agreements provide the right for either the lessor or lessee to give the other party one or two years' notice to terminate the lease within the contract term.

The value of operating lease commitments receivable as lessor is based on the current rental receivable for each property on the assumption that the required early termination notice had been issued by the lessor at balance date.

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Within one year	2,455	2,567	13	30
After one year but not more than five years	588	1,143	-	13
Total	3,043	3,710	13	43

Property, plant and equipment commitments

The Group had commitments contracted but not provided for as at 30 June 2014 of $19,000 for farm equipment (2013 Nil).

Contingent liabilities

There are no contingent liabilities as at 30 June 2014 (2013 Nil).

NOTE 22 SEGMENT REPORTING

The Group's internal reporting to the Directors is focused on each of the Group's individual rural properties. Due to the nature of the Group's rural properties they can all be grouped into one reportable segment.

Major customers

The Group obtained 36% (2013 50%) of its revenue from Fonterra Co-operative Group Limited. This is for milk supplied by four of the Group's six dairy farms. The Group obtained 20% (2013 Nil) of its revenue from Synlait Milk Limited for milk supplied by two of its six dairy farms.

NOTE 23 EVENTS SUBSEQUENT TO BALANCE DATE

Dividend

On 2 September 2014 the Directors approved the payment of a dividend of seven cents per share amounting to $2,509,000 to be paid on 8 October 2014.

Independent Auditor's Report

To the Shareholders of Rural Equities Limited

Report on the Financial Statements

We have audited the financial statements of Rural Equities Limited ("the Company") on pages 12 to 32, which comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Rural Equities Limited or any of its subsidiaries other than in our capacities as Auditor and in the provision of taxation services. These services have not impaired our independence as Auditor of the Company and the Group.

Opinion

In our opinion, the financial statements on pages 12 to 32:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants Napier

2 September 2014

Additional Disclosures

DIRECTORS AND REMUNERATION

The Directors of Rural Equities Limited ("REL") holding office on 30 June 2014 were David Cushing (Executive Chairman), Rodger Finlay (Deputy Chairman), Sir Ron Carter, Sir Selwyn Cushing and Andrew Train. There were no resignations or appointments during the year.

The Directors of New Zealand Rural Property Trust Management Limited ("NZRPTML") holding office on 30 June 2014 were David Cushing (Chairman), Rodger Finlay (Deputy Chairman), Sir Selwyn Cushing, and Andrew Train. There were no resignations or appointments during the year.

The Directors of REL – Trust Management Limited holding office on 30 June 2014 were Sir Ron Carter, David Cushing, Sir Selwyn Cushing, Rodger Finlay and James Wright. There were no resignations or appointments during the year.

The table below details the remuneration received by the Directors from REL during the year ended 30 June 2014.

	$
Sir Ron Carter	30,000
David Cushing	80,000
Sir Selwyn Cushing	30,000
Rodger Finlay	40,000
Andrew Train	30,000

Andrew Train provided agricultural consultancy services with respect to the Group's directly managed farms located in the Waikato. During the year ending 30 June 2014 he was paid consultancy fees of $6,750 by REL for the provision of those services.

No other benefits were paid or provided to the Directors during the year.

ENTRIES RECORDED IN THE INTERESTS REGISTER

The following entries were recorded in the Interests Register of REL and NZRPTML during the year ended 30 June 2014:

Rodger Finlay ceased being a Member of the PGG Wrightson Limited AgriTech Committee on 11 August 2013.

Rodger Finlay was appointed a Director of Tandou Limited on 29 October 2013.

Rodger Finlay was a Board Member of Public Trust until 30 June 2014.

Share transactions undertaken by Directors during the year ended 30 June 2014

On 30 June 2014, upon the distribution of a family trust, 85,673 REL shares were transferred from David Cushing and Paul Clothier as Trustees of the Ashfield Trust to Sir Selwyn Cushing.

Directors' relevant interest in REL shares as at 30 June 2014

	Held Beneficially	Held by Associated Persons
Sir Ronald Carter	-	213,150
David Cushing	263,160	21,957,836 [1]
Sir Selwyn Cushing	85,673	22,119,173 [1]
Rodger Finlay	-	996,188
Andrew Train	3,574	-

Note 1 – Some of these holdings relate to the same REL shares.

Directors' indemnity and insurance

On 31 May 2013 REL renewed its Directors' and Officers' Liability insurance policy for the Group for the period 31 May 2013 to 31 May 2014. On 31 May 2014 REL renewed this policy for a further year until 31 May 2015.

DONATIONS

REL did not make any donations during the financial year ended 30 June 2014.

EMPLOYEES

The services of Brian Burrough (Chief Executive Officer) are provided through a Secondment Agreement with PGG Wrightson Limited. The secondment agreement is for an indefinite term but may be terminated by either party giving six months' notice.

For the year ended 30 June 2014 three employees received remuneration and other benefits of between $220,000 and $230,000.

Shareholder Information

As at 12 September 2014

TOP TWENTY SHAREHOLDERS

Holder	Number of shares held	%
H&G Limited	21,092,762	58.85
RotoruaTrust Perpetual Capital Fund Limited	1,515,677	4.22
RGH Holdings Limited	930,000	2.59
FS Pearson	503,804	1.40
FE Mayell & DA Young (FE & H Mayell Trust)	500,000	1.39
BJ Martin	394,127	1.09
Seajay Securities Limited	313,625	0.87
New Zealand Methodist Trust Association	300,000	0.83
BD Cushing & SJ Cushing (KD Cushing Family Trust)	263,160	0.73
MGS Fund Limited	216,488	0.60
Makowai Farm Limited	208,966	0.58
JB Were (NZ) Nominees Limited (53587 A/C)	200,849	0.56
B&S Custodians Limited	182,000	0.50
Ashfield Properties Limited	178,560	0.49
LM Marx-Sheather, WB Sheather, PV Sheather & SM Palmer (Sheather Family Trust)	169,179	0.47
Sky Hill Limited	150,000	0.41
Riddell Funds Management Limited	148,000	0.41
FNZ Custodians Limited	130,969	0.36
Custodial Services Limited (A/C 3)	129,907	0.36
Custodial Services Limited (A/C 6)	128,495	0.35

ANALYSIS OF SHAREHOLDING BY SIZE

	Number of shareholders	%	Number of shares held	%
1,000 – 1,999	253	24.35	353,790	0.98
2,000 - 4,999	353	33.97	1,139,986	3.18
5,000 – 9,999	227	21.85	1,529,599	4.27
10,000 – 49,999	160	15.40	3,159,421	8.82
50,000 – 99,999	22	2.12	1,551,686	4.33
100,000 and over	24	2.31	28,104,673	78.42
Total	**1,039**		**35,839,155**	

ANALYSIS OF SHAREHOLDING BY LOCATION

	Number of shareholders	%	Number of shares held	%
Upper North Island	491	47.26	6,170,809	17.22
Gisborne	33	3.18	226,739	0.63
Hawke's Bay	140	13.47	23,719,988	66.19
Manawatu/Wanganui/Wairarapa	55	5.29	351,644	0.98
Wellington	104	10.01	1,941,776	5.42
South Island	165	15.88	2,946,584	8.22
Overseas	51	4.91	481,615	1.34
Total	**1,039**		**35,839,155**	

Corporate Governance

ROLE OF THE DIRECTORS

The Directors of REL are responsible to shareholders for the performance of the REL Group, including the setting of objectives and the strategies for achieving those objectives, identifying significant areas of business risk and implementing policies to deal with those risks, setting the overall policy framework and monitoring the continuing performance of REL and its operating subsidiaries.

The Directors of REL have delegated to the executive staff appropriate authority for the day to day management of the Group.

BOARD MEMBERSHIP

The Directors of REL are appointed by the REL shareholders. Details of the Directors of REL and its subsidiaries are set out on page 34.

The Directors of REL meet approximately eight times during the year for scheduled meetings, with additional meetings held if necessary to consider urgent issues. The REL Board has a broad mix of skills and experience relevant to the guidance of the Group's business.

AUDIT COMMITTEE

REL has constituted a Group Audit Committee which is responsible for overseeing compliance with statutory, financial and related responsibilities, ensuring that effective systems of accounting and internal control are established and maintained, overseeing the external audit, liaising with the Auditor and making recommendations to the Directors as to their appointment and their remuneration. The Committee's responsibility encompasses REL and each of its subsidiaries.

The Audit Committee comprises Rodger Finlay (Chairman) and David Cushing.

HEALTH AND SAFETY COMMITTEE

REL has constituted a Group Health and Safety Committee to ensure that health and safety is an integral component of the Group's everyday business. The Committee is responsible for determining the Group's health and safety strategy, policy and its implementation. The Committee oversees management's implementation, delivery, monitoring and review of that strategy.

The Health and Safety Committee comprises Rodger Finlay (Chairman), Sir Ron Carter, David Cushing, Sir Selwyn Cushing and Andrew Train.

DIRECTORY

DIRECTORS

David Cushing
(Executive Chairman)

Rodger Finlay
(Deputy Chairman)

Sir Ron Carter

Sir Selwyn Cushing

Andrew Train

EXECUTIVE

Brian Burrough
Chief Executive Officer

Owen Trimmer
Chief Financial Officer

James Wright
Chief Operating Officer

REGISTERED OFFICE

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Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland
Private Bag 92119, Auckland 1142
Telephone 09 488 8700
Facsimile 09 488 8787

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