rural equities LIMITED

ANNUAL REPORT 2017

CONTENTS

Deer Grazing – Marchfield

Front Cover: *A mob of 6,000 ewes during the stock count at Waikoha.*

NOTICE OF ANNUAL MEETING

Notice is given that the Annual Meeting of the shareholders of Rural Equities Limited will be held in the Triple Peaks Room, Porters Hotel, 4 Te Aute Road, Havelock North on Wednesday 29 November 2017 at 3.30 pm.

ORDINARY BUSINESS

1. To receive and consider the Company's financial statements for the year ending 30 June 2017 with the reports of the Directors and the Auditor.
2. To re-elect a Director. In accordance with clause 13.8 of the Company's constitution, Rodger Finlay retires by rotation and is seeking re-election.
3. To confirm the appointment of Grant Thornton as Auditor of the Company and to authorise the Directors to fix their remuneration 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 proxy form 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 (127 Queen Street East, 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

The Directors invite shareholders to join them for refreshments at the conclusion of the Meeting.

Executive Chairman's Report

THE YEAR IN REVIEW

The Directors have pleasure in presenting the 2017 Annual Report for the Rural Equities Limited Group.

The Group's audited Total Comprehensive Income for the year ended 30 June 2017 was $8.98 million. This compares with a loss of $4.06 million in the previous year. The overall result is attributable to higher milk prices and steady sheep and beef returns combined with property and investment revaluations totalling $6.48 million.

Important features of the year were:

- Net Asset Value per share at 30 June 2017 was $5.71 which is a $0.25 per share (4.5%) gain on last year's NAV of $5.46.
- The Group's Earnings before Interest and Taxation increased to $4.99 million which is a 41% improvement on the $3.52 million recorded last year.
- A 5 cents per share dividend will be paid on 11 October 2017 for the year ended 30 June 2017.
- REL repurchased 999,636 shares at $4.40 per share in a buy back offer made to all shareholders in October 2016. The shares were subsequently cancelled.
- Milk production increased to 2.04 million kilograms of milk solids with Eiffelton North contributing 485,000 kilograms in its second year of production.

This is a satisfactory result with solid contributions across the board. There was a welcome lift in milk prices. Sheep and beef returns were steady, however wool prices fell by more than 40% to historically low levels. Overall climatic conditions were generally favourable, although above average rainfall in many regions through the autumn and winter made management of the farms and livestock difficult. The high quality portfolio of rural properties and investments exceeds $200 million in value. The balance sheet has been further strengthened by the reduction of debt which more than halved to $12.4 million.

Fonterra's final milk price for the season ended 31 May 2017 was $6.12 per kilogram of milk solids, which is a $2.22 (57%) increase on last season's price of $3.90. Synlait's final milk price was $6.16 per kilogram. International dairy prices are inherently volatile with a number of supply, demand and market factors contributing to price changes. The decline in European milk production has ceased and dairy farmers in the USA are producing more milk in response to higher milk prices. Demand for milk products, particularly from Asia and Latin America has lifted such that global supply and demand for dairy commodities are

Dairy cows - Tatarepo

currently in reasonable balance. We expect milk prices to remain relatively stable for the season ending 31 May 2018.

The rural property market was generally firm throughout the year for the North Island farms. There was an increase in the value of the South Island dairy and arable farms which reversed the downward movement in the value of the rural property portfolio last year. This is largely a reflection of the higher milk price and steady sheep and beef returns.

In 2015 the Eiffelton North property near Ashburton was converted to a 233 hectare dairy unit. In the 2016 year the irrigation system on Eiffelton South was extensively upgraded and a road underpass was built to connect Eiffelton North and Eiffelton South. Cows on approximately 80 hectares of Eiffelton South are milked through the Eiffelton North dairy shed meaning the combined Eiffelton milking platform is now 313 hectares. The farm has completed two seasons of supply with milk production lifting from 395,000 to 485,000 kilograms of milk solids. In the coming season 1,200 cows will be milked and are expected to produce 525,000 kilograms of milk solids. The remainder of the Eiffelton South property is being used as a dairy support unit to grow supplementary feed and fodder crops for cow wintering.

As previously advised, the Directors had committed to take irrigation water from the Ruataniwha Water Storage Scheme (RWSS) for three Hawke's Bay properties – Maranoa, Middle Hills and Tahuna. The RWSS has encountered significant set-backs and will not proceed in its current form. This is a disappointing outcome for the Hawke's Bay region. Further, in relation to irrigation, the

Previous Page: Middle Hills, Hawke's Bay introduction of a water tax would materially impact on the profitability of our irrigated farms. A tax of two cents per cubic metre of water would add an additional annual cost of between $100 to $150 per hectare depending on the soil type and the quantity of irrigation water used on each farm. This, combined with ever increasing environmental standards and nutrient leaching limits in many regions could, over time, lead to a material reduction in land values.

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 since Rural Equities Limited was separated from Williams & Kettle Limited in 2004. The Directors have decided to consider new long term investment opportunities in other asset classes, and potentially in other jurisdictions, to provide enhanced portfolio diversification.

FINANCIAL PERFORMANCE

The Group's Total Comprehensive Income for the year ended 30 June 2017 was $8.98 million. This compares with a loss of $4.06 million in the previous year.

The Group's Operating Earnings before Interest and Taxation for the year was $4.99 million (2016 - $3.52 million). The contribution from the directly managed farms increased from last year by approximately $2 million to $3.80 million. The increase is attributable to higher milk prices and steady sheep and beef returns. The Group's directly managed Waikato sheep and beef properties provided a solid contribution. Rental income from the Group's leased properties was lower than last year as a consequence of the sale of Barry's Bay, Clifton and Silverton during the year. Interest costs were lower and other expenses were similar.

Yearling stags - Highlands

Cotton harvesting at a Webster's New South Wales property

The asset revaluation movements, which is the overall change in value of the Group's property portfolio and other investments, recorded a gain of $6.48 million (2016 – a loss of $5.95 million). The largest individual gain came from the Group's shareholding in ASX listed Webster Limited which increased in value by $1.63 million.

Total Assets at 30 June 2017 were $205.94 million compared with $217.64 million the previous year. The reduction in total assets mainly results from the sale of three properties during the year for a total sale price of $19.62 million. Interest bearing debt has more than halved from $26.65 million as at 30 June 3016 to $12.4 million at balance date, which represents only 6% of total assets. The Group is therefore in a very strong financial position.

CAPITAL MANAGEMENT

In October 2016, the Company repurchased 999,626 REL shares at $4.40 per share from 135 shareholders. The shares (which represented 2.91% of REL's shares on issue) were subsequently cancelled.

DIVIDEND

A fully imputed dividend of 5 cents per share will be paid to shareholders for the financial year ended 30 June 2017. The dividend is the same as the last two years. The record date was Friday 29 September 2017 and the dividend will be paid on Wednesday 11 October 2017.

DIRECTORS

As was announced last year Nigel Atherfold was appointed a Director on 1 July 2016. His appointment was approved by shareholders at the Annual Meeting on 21 November 2016.

In accordance with the Company's constitution, Rodger Finlay retires by rotation at the Annual Meeting on 29 November 2017 and is seeking re-election as a Director.

AUDITOR

The Group's 30 June 2017 financial statements have been audited by Grant Thornton who were appointed as the Group's Auditor by the Directors during the year. At the Annual Meeting on 29 November 2017 shareholders will be requested to confirm Grant Thornton's appointment.

OUTLOOK

The change in fortunes in the dairy sector over the past year as a result of higher milk prices has seen land values recover, particularly for well irrigated properties in preferred locations with good infrastructure. The sheep and beef sector however, has once again seen stable returns and land values. The importance of a balanced portfolio of high quality farms together with a strategy of both leasing and direct farming in the sheep, beef and dairy sectors has once again proved to be a sound combination. There is inevitable price volatility from one season to another, particularly with milk, however the effect is minimised through the diversity of operations.

In the season ahead, beef prices are beginning to come under pressure but should remain at good levels. The beef herd in the USA has been steadily increasing in recent years and is beginning to impact on imported beef prices there. Lamb prices are expected to be firm in the coming season with strong demand from the United Kingdom and Europe. Wool prices are showing early signs of improvement with more demand for stronger crossbred wool. The improved milk prices received in the 2016-17 season are expected to continue.

Rural Equities Limited is a long term investor with a diversified quality portfolio of prime agricultural properties. The Directors will continue to invest to enhance the income earning ability and value of the existing portfolio. However, new long term investment opportunities in other asset classes and potentially in other jurisdictions will be considered to provide enhanced returns and portfolio diversification.

David Cushing
EXECUTIVE CHAIRMAN

Pastoral scene - Pukekura, Hawke's Bay

Farming Review

SCOPE OF OPERATIONS

The Group owns twenty two farms comprising 9,793 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 thirteen properties in the South Island and nine in the North Island. Twelve farms are leased to external operators. Ten farms are directly managed comprising 5,238 hectares.

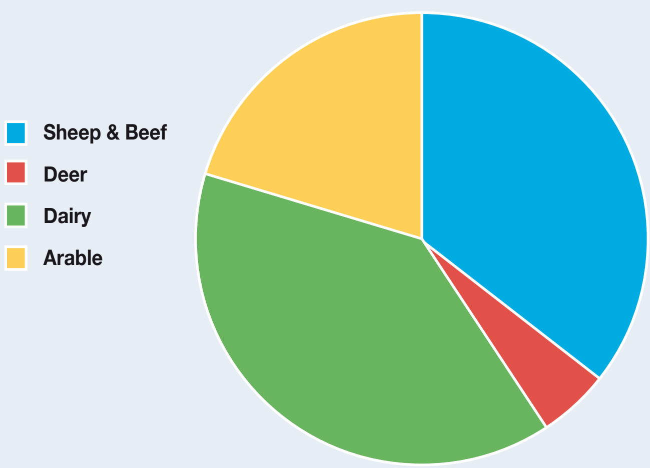
Seven of the directly managed farms are dairy farms comprising 1,499 hectares and approximately 5,010 cows are milked in conjunction with 50-50 sharemilkers. There is one dairy grazing property in Canterbury. The remaining directly managed properties are the two Waikato sheep and beef farms. These two farms comprise 3,656 hectares and run approximately 26,500 stock units.

FARMED PROPERTIES

The contribution to profit from the directly managed farms showed a significant increase in the year to 30 June 2017, being approximately $2 million higher than the previous year at $3.80 million. The increase in profit is largely due to a marked improvement in milk prices received from Fonterra and Synlait, however the Waikato sheep and beef farms again performed well. Beef trading margins came under pressure at Puketotara due to high store cattle prices in relation to the beef schedule.

Generally favourable climatic conditions prevailed over most of the country for much of the season. Cooler weather with fewer sunshine hours in the spring, combined with higher than normal autumn and winter rainfall, made it a difficult season from a management perspective on most of the directly managed farms.

PORTFOLIO BY SECTOR



Friesian bull calves on milk bar - Puketotara

DAIRY FARMS

This season, for the first time, over two million kilograms of milk solids were supplied to Fonterra and Synlait. This level of milk production is ahead of the 1.98 million kilograms produced in the previous season, due to additional milk produced at Eiffelton North which completed its second season of production since being converted to dairy. This farm continues to improve with pasture consolidation and the new road underpass allowing more cows to be milked. During the two previous seasons, where low milk prices prevailed, cow numbers on all farms were held relatively constant. This has allowed full advantage to be taken of the increased milk price in the season just completed without the production lag often experienced when rebuilding cow numbers.

Price signals in relation to the milk price once again changed markedly as the season progressed. The opening forecast milk price from Fonterra was $4.25 per kilogram of milk solids which increased to $6.12 in successive steps. Synlait's milk price similarly increased from the opening forecast of $4.50, to end the season at $6.16 per kilogram of milk solids. Despite the overall increase in milk production, the autumn was climatically challenging, thus total milk production was 2% less than originally expected.

There is continuing significant volatility in milk prices which are impossible to predict with any accuracy a year ahead. The final milk price paid in any season can be as much as 30% higher or lower than the opening forecast milk price. This is a function of the global market to which New Zealand supplies a large proportion of globally traded dairy products. In recognition of this volatility, Milk Price

Futures have been used to manage risk and to provide some certainty to a portion of the Group's milk income. We expect this will be an ongoing strategy.

The Global Dairy Trade Price Index increased by a cumulative 56% from July 2016 to June 2017 which has resulted in the welcome increase in milk prices following two successive seasons of unacceptably low prices. The increase in income has allowed additional expenditure on fertiliser and some deferred maintenance on the farms in the year just completed. In response to higher global milk prices, other major dairy producing countries in Europe and the USA are producing more milk. Global supply and demand are currently in reasonable balance, with dairy commodity prices relatively stable.

Supplying milk from the three Canterbury dairy farms to Synlait allows the Group and its sharemilkers to be financially rewarded for value created on the farms. At Eiffelton North, a premium is earned for having achieved Lead With Pride® Gold Plus status for the farm. This is a certified best farming practice system which provides internationally accredited ISO 65 certification for a farm. The facilities at Eiffelton North, together with the hard work and dedication of the sharemilker and his staff, have earned the Lead With Pride® Gold Plus status. The other two farms that supply Synlait are also looking towards Lead With Pride® certification which will include some infrastructure upgrades on those farms.

At the Milford farm, the cow herd is certified to produce a2 Milk® for which Synlait also pays a premium. There are

Angus cows and calves – Waikoha

Ewes – Waikoha

strict conditions of supply of the a2 Milk® which is used in specialty infant formula milk powder.

The Group's share of Synlait's milk premiums was approximately $45,000 for the season just completed.

WAIKATO FARM GROUP

The Waikato farm group comprises two sheep and beef properties - Puketotara (1,146 hectares) and Waikoha (2,510 hectares). In total approximately 26,500 stock units are carried on the 3,656 hectares. Puketotara, located near Huntly, operates as a finishing unit associated with Waikoha which is located near Whatawhata, in close proximity to Hamilton. Waikoha is a breeding unit with approximately 7,800 ewes and 450 beef breeding cows. This integrated policy allows store lambs and surplus weaner cattle bred at Waikoha to be farmed until they are ready for slaughter. Obtaining maximum value from all stock that is bred is a key element in the integration of these two farms. The integration policy allows maximum flexibility in relation to the management of the farms which are able to support one another during periods of drought as well as allowing additional finishing stock to be traded at Puketotara.

Waikoha has now been directly managed for eleven years, during which time a good foundation of livestock genetics together with new fencing, stock water and other infrastructure has been developed. Soil fertility has also improved from an ongoing fertiliser programme. Early in the financial year, a new farm manager was appointed at Waikoha. He has delivered new management skills which enhance those established by the previous manager. In the first year under the new manager, total stock units have increased by 2,500 (20%) which includes additional breeding ewes and cattle for finishing. In addition, the number of lambs finished for slaughter and the ewe scanning percentage have markedly increased. The ewe scanning percentage is an indicator of ewe flock fertility and the number of lambs expected to be born. At 170%, this is a very good achievement for a hill country farm such as Waikoha. The ewe hoggets were mated for the first time in the autumn, thus we expect around 2,500 more lambs than last year to be born in the spring of 2017.

The additional livestock numbers and improved performance creates a demand for additional feed and pasture. More paddocks have been cultivated to grow summer forage and winter green feed crops, together with an extended fertiliser programme.

Puketotara operates a bull beef and lamb finishing programme where over 1,800 bulls and 8,000 lambs are farmed. This season, the number of bulls sold from Puketotara increased by 100 to 1,519 bulls, earning revenue of $2.53 million. The demand for store cattle across the whole country exceeded supply for much of the year. Therefore store cattle were, at times, difficult to procure and prices were higher in relation to beef meat schedule prices. The trading margin on the Puketotara bulls reduced accordingly but has still contributed to a sound result. Pasture renewal incorporating specialist lamb finishing feed is ongoing at Puketotara.

Limestone rocks - Waikoha

PROTECTING THE ENVIRONMENT

Environmental considerations and minimising soil nutrient losses are now a normal part of operating a dairy farm. These same considerations are also becoming a necessary part of operating sheep and beef as well as arable farms in many regions, including Canterbury, Central Hawke's Bay and Waikato, with new rules being introduced through Regional Plan changes and reviews. Cows have been excluded from waterways on all our dairy farms for many years. All waterways are fenced and have bridge or culvert crossings. On our sheep and beef farms, we have a programme in place to fence some of the waterways each year over the next five years. This is a significant commitment and a task which can only be achieved in stages. Tree planting in selected places is also part of this overall plan.

Soil husbandry is an important aspect of our environmental management planning. An example is at Puketotara where the number of bulls carried creates a risk that soils will suffer treading damage during wet winters. To overcome this, the different soil types on the farm were mapped soon after Puketotara became a directly managed farm in 2008. The age and type of livestock wintered at Puketotara is determined by the soil type with only sheep wintered on some soil types and older or heavier cattle confined to soils where damage is minimised.

On a similar theme, six of the seven dairy farms have concrete feed pads. These allow cows to be fed supplements in a controlled environment where feed wastage and soil treading damage are minimised. More importantly, effluent from the feed pads and dairy sheds is collected and stored, then irrigated onto pasture in controlled quantities when soil moisture conditions allow. This degree of control over dairy effluent significantly reduces or eliminates the risk of nutrient leaching and reduces fertiliser inputs.

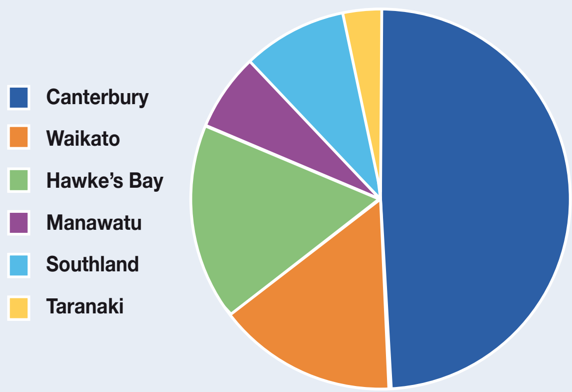
Environmental protection is a significant expenditure item. Over the last five years, the Group has spent in excess of $1 million on environmental management and protection on the farms. Of this, $270,000 was spent on new riparian, conservation or shelter fencing and water management, and over $420,000 was spent on upgrading existing farm effluent management systems. Additionally, expenditure on effluent management exceeded $310,000 during the dairy conversion of Eiffelton North.

LEASED PROPERTIES

The Group has twelve properties that are leased which provide rental income. These properties form an integral part of the sector and geographical diversity in the farm portfolio and are located in Hawke's Bay and Canterbury. The steady income base these properties provide to the Group is significant. They are leased predominantly to farmers with other farming interests. This is beneficial to both parties providing operational scale for their businesses and stability of tenure for the Group. Monthly rental income provides regular cash flow to the Group and is unaffected by fluctuating farm product prices in the various sectors.

Rent reviews are completed every two years. As has been the policy for a number of years, a fair market rental reflecting 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.

PORTFOLIO BY REGION
(based on current valuation)



Opportunities to develop and improve the income earning ability and value of some of the leased farms have been identified. Programmes to provide capital and to undertake that development are in place. An example is Highlands at Rakaia Gorge in Canterbury, which was operated as a specialist deer farm. Over the last two years, additional subdivision fencing, a new and extended stock water system, upgraded cattle yards and new sheep yards have been built to allow both sheep and cattle to be farmed as well as deer in an integrated mixed farming system. This provides the flexibility and ability to farm all three livestock types with the aim of maximising farm profit for the lessee which in turn drives property value gains and an improved rental income for the Group.

Carrot seed crop – Wentworth

In Hawke's Bay, the proposed Ruataniwha Water Storage Scheme (RWSS) has encountered significant set-backs and it now appears that it will not proceed in its current form. This is disappointing as the potential benefits from irrigating parts of the Maranoa, Middle Hills and Tahuna properties were significant.

The name, location, size and type of property in the Group's portfolio are shown in the Farm Property Schedule on page 10 and the Property Location Map on page 11.

Brian Burrough
CHIEF EXECUTIVE OFFICER

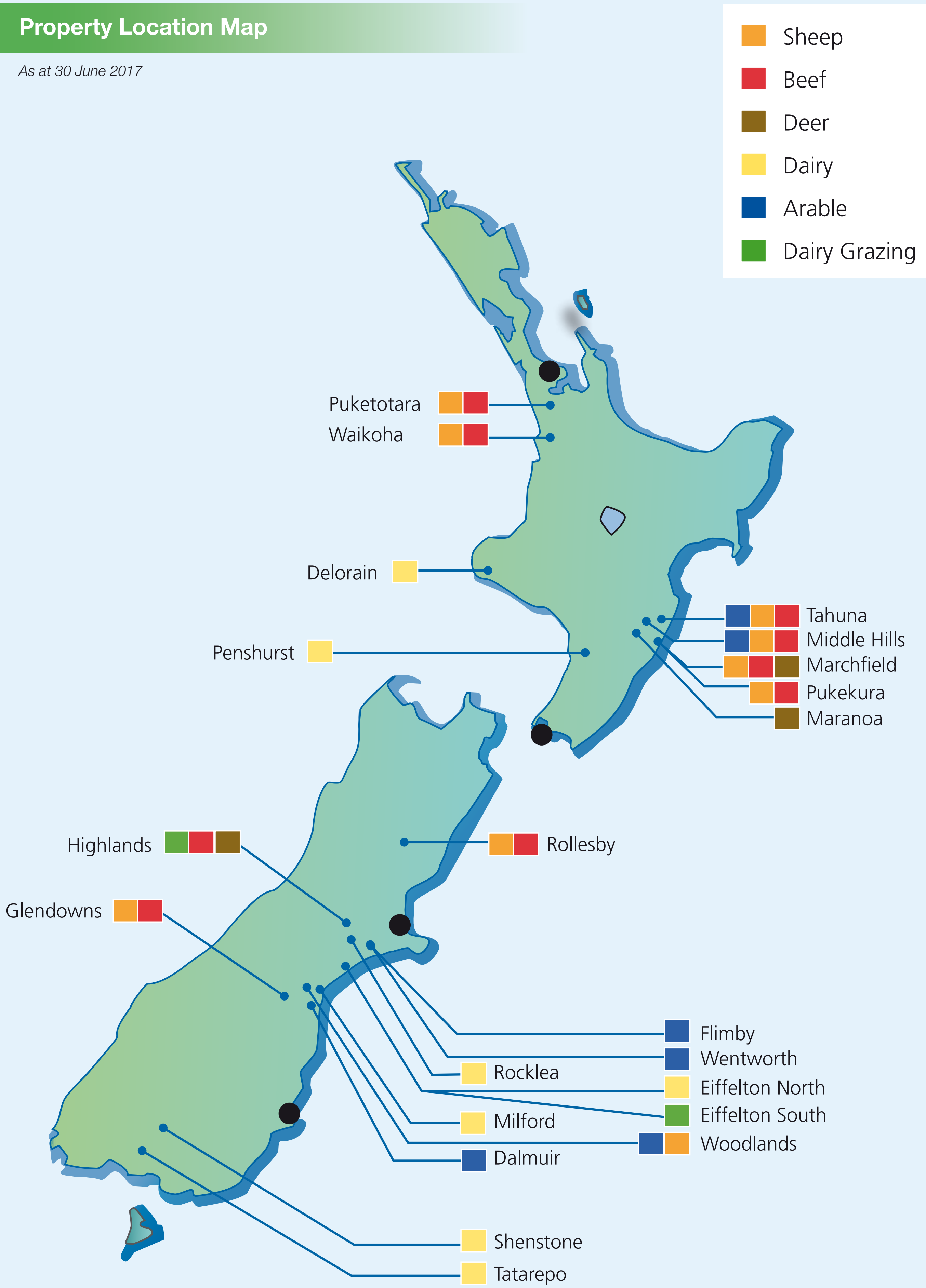
Farm Property Schedule

As at 30 June 2017

Property	Type	Region	Total Hectares	Management	Livestock Units (approx.)
Dalmuir	Arable	South Canterbury	219	Leased	n/a
Delorain	Dairy	Taranaki	101	Sharemilked	300 cows
Eiffelton North	Dairy	Canterbury	313	Sharemilked	1,200 cows
Eiffelton South	Dairy Grazing	Canterbury	83	Managed	1,100
Flimby	Arable	Canterbury	266	Leased	n/a
Glendowns	Sheep/Beef Finishing	South Canterbury	399	Leased	4,100
Highlands	Deer/Beef/Dairy Grazing	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	Arable/Sheep/Beef Finishing	Hawke's Bay	545	Leased	6,000
Milford	Dairy	South Canterbury	177	Sharemilked	720 cows
Penshurst	Dairy	Manawatu	257	Sharemilked	720 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	185	Sharemilked	720 cows
Rollesby	Sheep/Beef Finishing	North Canterbury	323	Leased	3,500
Shenstone	Dairy	Southland	313	Sharemilked	930 cows
Tahuna	Arable/Sheep/Beef Finishing	Hawke's Bay	580	Leased	5,500
Tatarepo	Dairy	Southland	153	Sharemilked	420 cows
Waikoha	Sheep/Beef Breeding/Finishing	Waikato	2,510	Managed	14,500
Wentworth	Arable	Canterbury	161	Leased	n/a
Woodlands	Arable/Sheep Finishing	South Canterbury	451	Leased	n/a
Total Landholding - Farms			9,793 ha		

Property Location Map

As at 30 June 2017



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 $000	2016 $000
Revenue			
Farm income	4	8,946	6,382
Leased property income		2,177	2,319
Dividend income		384	425
Other income		135	572
Total		**11,642**	**9,698**
Expenses			
Farm expenses	5	5,140	4,744
Leased property expenses		97	124
Other expenses		1,410	1,309
Total		**6,647**	**6,177**
Net profit before interest, property sales and revaluations		**4,995**	**3,521**
Interest expense		(824)	(1,244)
Loss on sale of property, plant and equipment		(704)	-
Revaluations	3	6,390	(6,360)
Total		**4,862**	**(7,604)**
Net profit (loss) before tax		**9,857**	**(4,083)**
Income tax expense	7	904	389
Net profit (loss) after tax	6	**8,953**	**(4,472)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	3	88	408
Tax credit (expense) on other comprehensive income	7	(60)	5
Total other comprehensive income net of tax		**28**	**413**
Total comprehensive income		**8,981**	**(4,059)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share Capital $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2015		**86,323**	**11,016**	**102,300**	**199,639**
Net loss after tax for the year		-	-	(4,472)	(4,472)
Other comprehensive income net of tax		-	413	-	413
Total comprehensive income		**-**	**413**	**(4,472)**	**(4,059)**
Share repurchase and cancellation		(6,374)	-	-	(6,374)
Dividend paid		-	-	(1,792)	(1,792)
Balance at 30 June 2016	10	**79,949**	**11,429**	**96,036**	**187,414**
Balance at 1 July 2016		**79,949**	**11,429**	**96,036**	**187,414**
Net profit after tax for the year		-	-	8,953	8,953
Other comprehensive income net of tax		-	28	-	28
Total comprehensive income		**-**	**28**	**8,953**	**8,981**
Share repurchase and cancellation		(4,412)	-	-	(4,412)
Dividend paid		-	-	(1,666)	(1,666)
Balance at 30 June 2017	10	**75,537**	**11,457**	**103,323**	**190,317**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 $000	2016 $000
Current assets			
Cash at bank		41	149
Accounts receivable	9	1,657	746
Held for trading instruments	9	190	-
Properties under contract for sale	12	13,082	4,655
Livestock	14	1,879	1,654
Prepaid tax		-	146
Feed and produce on hand		663	675
Total		17,512	8,025
Non current assets			
Investment properties	11	140,360	163,681
Property, plant and equipment	13	31,822	32,468
Livestock	14	2,836	2,044
Forest		116	116
Investments	15	13,291	11,305
Total		188,425	209,614
Total assets		**205,937**	**217,639**
Current liabilities			
Accounts payable and accrued expenses		1,245	1,820
Provision for tax		250	-
Total		1,495	1,820
Non-current liabilities			
Bank loans	16	12,400	26,650
Deferred tax liability	7	1,725	1,755
Total		14,125	28,405
Equity			
Fully paid up ordinary shares		75,537	79,949
Asset revaluation reserve		11,457	11,429
Retained earnings		103,323	96,036
Total	10	190,317	187,414
Total liabilities and equity		**205,937**	**217,639**

On behalf of the Directors, who authorised the issue of these financial statements, dated 30 August 2017.

David Cushing
EXECUTIVE CHAIRMAN

Rodger Finlay
DIRECTOR

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 $000	2016 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		12,145	10,546
Dividends received		304	59
Interest received		5	3
		12,454	10,608
Cash was applied to:			
Payments to suppliers and employees		8,806	7,141
Taxation paid		598	473
Interest paid		1,076	1,062
		10,480	8,676
Net cash flows from operating activities	6	**1,974**	**1,932**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of shares		85	-
Proceeds from sale of property, plant and equipment		19,621	-
		19,706	-
Cash was applied to:			
Improvements to investment properties		844	1,638
Improvements to other properties		169	53
Purchases of plant and equipment		448	1,465
Purchase of shares	15	-	29
		1,461	3,185
Net cash flows from (used in) investing activities		**18,245**	**(3,185)**
Cash flows from financing activities			
Cash was provided from:			
Term loans advance		-	9,400
		-	9,400
Cash was applied to:			
Term loans reduction		14,250	-
Share repurchase and cancellation	10	4,411	6,374
Dividend paid		1,666	1,792
		20,327	8,166
Net cash flows from (used in) investing activities		**(20,327)**	**1,234**
Net change in cash and cash equivalents		**(108)**	**(19)**
Cash and cash equivalents at beginning of year		149	168
Cash and cash equivalents at end of year		**41**	**149**

The accompanying notes form part of these 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 Financial Markets Conduct reporting entity under the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

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 two farms (2016: twenty five). Two of the farms are sheep and beef farms operated directly by the Group. All other farms are leased to third parties or operated under share milking agreements.

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. For the purpose of complying with NZ GAAP, the Group is a for-profit entity that has followed the Tier 1 for profit reporting requirements set out by the External Reporting Board, in its "Accounting Standards Framework". They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand Financial Reporting Standards and authoritative notices that are applicable to entities that apply NZ IFRS, as appropriate for profit-oriented entities issued by the New Zealand Accounting Standards Board.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies during the reporting period. The accounting policies set out below have been applied consistently to both periods presented in these financial statements.

NZ IFRS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments and interpretations have been issued by the New Zealand Accounting Standards Board 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 9 FINANCIAL INSTRUMENTS

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces NZ IAS 39 setting out 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 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, where the fair value option is taken, 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.

NZ IFRS 9 also incorporates an expected credit loss model for calculating the impairment of financial assets. The Group will adopt this standard during the year ending 30 June 2019, and is yet to assess the impact of this standard but it does not expect to adopt it before its effective date.

NZ IFRS 16 LEASES

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. The Group has yet to assess the impact of this standard, but it does not expect to adopt it before its effective date.

NZ IFRS 15 REVENUE

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 'Revenue' and NZ 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 will adopt this standard during the year ending 30 June 2019 and is yet to assess the impact of this standard, but it does not expect to adopt it before its effective date.

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.

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.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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.

All subsidiaries have a reporting date of 30 June.

(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, with sufficient experience with respect to both the location and nature of investment properties.

All investment properties are revalued annually as at 30 June.

Changes in value are recorded within profit and loss in the Statement of Comprehensive Income for the reporting 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 are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of use.

Plant and equipment is subsequently measured using the cost model 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 equipment assets range from 3 to 20 years.

TABLE OF CATEGORIES AND RATES

Plant and equipment	5% - 33%

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets, and are recognised in profit or loss.

(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) 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 profit or loss in the Statement of Comprehensive Income. Livestock are classified as a current asset if they are likely to be sold within one year.

(f) Taxation

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

Deferred tax is recognised using the liabilities 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.

(g) 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.

(h) Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and short term deposits which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(i) Revenue Recognition

Lease rental revenue from investment properties is recognised in profit or loss 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.

(j) 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.

(k) 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 ('NRV').

Cost includes all expenses directly attributable to the manufacturing process. NRV is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(l) Operating Leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(m) Impairment testing of property, plant and equipment

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the asset's recoverable amount exceeds its carrying amount.

(n) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Available for sale (AFS assets)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less an allowance for credit losses. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. The Group's shares in Fonterra Co-operative Group Limited, shares in Webster Limited and derivative financial instruments used to economically hedge exposure to interest rates and milk futures fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's investments, other than Fonterra Co-operative Group Limited and Webster Limited, fall into this category.

The investments are measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

NOTE 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the accounting policies, management continually evaluates 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. The carrying value of investment properties is $140,360,000 (2016: $163,681,000).

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. The carrying value of land and buildings is $28,710,000 (2016: $29,300,000).

iii) Deferred Tax - The Group has investment properties measured at fair value. NZ IAS 12, as amended, includes a rebuttable presumption that investment property measured at fair value is recovered entirely through sale. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale.

The Group cannot rebutt the presumption on the basis that the investment properties are not depreciable.

Deferred tax in relation to investment properties is therefore calculated on a sale basis. See note 7 Income Tax for the impact.

iv) Livestock - The fair value of livestock is based on market values, as assessed by an independent valuer. These market values reflect livestock of similar age, breed and genetic merit throughout New Zealand. Trading stock is carried on the statement of financial position as a current asset of $1,879,000 (2016: $1,654,000), and breeding stock is carried on the statement of financial position as a non current asset of $2,836,000 (2016: $2,044,000).

v) Milk Proceeds - The Group estimates and accrues the final milk proceeds for the dairy season using the latest forecast milk price announced by the dairy companies prior to the finalisation of their financial statements. The final amount received could be different from the amount accrued. Total milk income accrued in the financial statements is $1,265,000 (2016: $422,000).

NOTE 3 REVALUATIONS

	2017	2016
Revaluations recognised in profit and loss:	$000	$000
Investment properties	5,126	(4,361)
Property, plant and equipment (refer note 1(c))	(807)	893
Investments in shares	2,071	(2,892)
	6,390	(6,360)
Revaluations recognised in other comprehensive income:		
Property, plant and equipment (refer note 1(c))	88	408

NOTE 4 FARM INCOME

	2017	2016
Farm income comprises:	$000	$000
Milk income	6,288	3,795
Livestock income (refer note 14)	2,481	2,367
Other farm income	177	220
	8,946	6,382

NOTE 5 EXPENSES

Expenses include:	2017 $000	2016 $000
Depreciation - on plant and equipment	360	310
Depreciation - on buildings	39	39
Directors' fees	235	210
Operating lease costs	223	191
Statutory audit fees	36	40
Other fees to auditor	-	9
Key management remuneration - short term benefits	677	676
Other employee remuneration	398	420
Loss in fair value of derivatives	90	182

Farm expenses include the costs of operating the farms that the Group manages directly or under sharemilking agreements.

Farm expenses include:		
Animal health	168	103
Depreciation	373	323
Feed	552	709
Fertiliser	966	701
Grazing	669	703
Farm salaries and wages	398	384
Repairs and maintenance	632	545
Weed and pest management	223	210
Other farm expenses	1,159	1,066
	5,140	4,744

NOTE 6 CASH FLOW RECONCILIATION

	2017 $000	2016 $000
Net profit (loss) after tax	8,953	(4,472)
Add (deduct) non-cash items:		
Depreciation	399	349
Revaluation movements	(6,558)	6,360
	(6,159)	6,709
Changes in assets and liabilities:		
Increase in accounts payable	115	221
Increase (decrease) in current tax liability	336	(234)
Increase (decrease) in deferred taxation liability	(30)	150
Increase in livestock and feed on hand	(1,005)	(260)
Increase in accounts receivable	(932)	(207)
	(1,516)	(330)
Add (deduct) non-operating items:		
Non-operating items in accounts payable	-	25
Realised gains on asset sales	696	-
	696	25
Net cash flows from operating activities	1,974	1,932

NOTE 7 TAXATION

	2017 $000	2016 $000
Statement of comprehensive income		
Net profit (loss) before tax	9,857	(4,083)
Tax at the statutory rate of 28%	2,760	(1,143)
Adjusted for the tax effect of:		
Non assessable asset revaluations and realisations	(1,568)	1,820
Non assessable livestock revaluations	(125)	(86)
Depreciation on land improvements	(164)	(160)
Other items	1	(42)
Tax expense	904	389
Represented by:		
Current tax	934	234
Deferred tax	(30)	155
	904	389
Balance sheet		
Deferred tax assets and liabilities relate to the following:		
Buildings depreciation and revaluation	1,644	1,640
Forest operations and revaluation	32	32
Plant depreciation	52	(6)
Livestock revaluation	(51)	43
Other items	48	46
Total	1,725	1,755
To be recovered after more than 1 year	1,672	1,628
To be recovered within 1 year	53	127
	1,725	1,755
Disclosed as:		
Deferred tax liability	1,725	1,755
Deferred tax asset	-	-
	1,725	1,755
Changes to deferred tax liability:		
1) Recognised in profit or loss:		
Buildings depreciation and revaluation	4	64
Plant depreciation	58	60
Livestock revaluation	(94)	20
Other items	2	11
	(30)	155
2) Recognised in other comprehensive income	60	(5)
Total change in deferred tax liability	30	150

NOTE 8 IMPUTATION CREDIT ACCOUNT

	2017 $000	2016 $000
Imputation credits available for subsequent reporting periods	1,920	830

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 (or refund) of the amount of the provision for income tax.

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:	2017 $000	2016 $000
Loans and receivables:		
Accounts receivable	1,657	746
Cash at bank	41	149
Financial assets at fair value through profit or loss:		
Shares - Level 1 fair value hierarchy	12,987	10,916
Derivatives - Level 2 fair value hierarchy	190	-
Financial liabilities measured at amortised cost:		
Bank loans and overdraft	12,400	26,650
Accounts payable and accruals	1,208	1,823
Available for sale		
Other investments	303	389

Interest rate risk

The Group is exposed to changes in interest rates on its bank borrowings. As at 30 June 2017 the Group had entered into interest rate swaps to manage 81% (2016: 56%) of the interest rate risk on its borrowing. As at 30 June 2017 the fair value of the interest rate swap agreements was a liability to the Group of $95,000 (2016: $283,000).

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 $89,000 (2016: $192,000).

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 $736,000 (2016: $709,000).

New Zealand Stock Exchange ("NZX") offers fixed price contracts in the form of milk price futures. The Group evaluates milk price futures and uses them to manage commodity risk by securing a minimum price for a determined share of the expected milk solids production for the season.

At financial year end the Group holds $1.32m 2017 milk price futures which expire 2 October 2017 and $1.62m 2018 milk price futures which expire 1 October 2018 (2016: nil). These have been revalued to market at reporting period end which resulted in a loss of $277,000 (2016: nil).

Market price risk

Shares reported at market value are valued at the market price at period reporting ending 30 June 2017. 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 $1,299,000 (2016: $1,092,000).

Credit risk

Credit risk is the risk of loss arising from a counterparty to a contract failing to discharge its obligation.

Financial instruments which potentially subject the Group to credit risk, consist of derivative financial instruments and accounts receivable. Included in accounts receivable is $592,000 (2016: $327,000) receivable from Fonterra Co-operative Group Limited and $651,000 (2016: $176,000) receivable from Synlait Milk Limited. There are no other significant concentrations of credit risk.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. There is no history of customer default and management consider the credit quality of trade receivables to be good. On this basis, the Group does not feel it necessary to have a written credit policy in place, however management continue to monitor this risk.

Maximum exposures to credit risk are:	2017 $000	2016 $000
Accounts receivable	1,657	746
Properties under contract for sale	13,082	4,655
Derivatives (milk price futures and interest rate swaps)	373	283

The Group does not expect the non-performance of any obligations to date.

The status of accounts receivable at balance date was:		
Not yet due	1,646	727
Past due - up to 30 days	11	19
Past due - more than 31 days	-	-
	1,657	746

Fair values

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

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 3 May 2019.

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

	2017 Less than 12 months $000	2016 Less than 12 months $000
Accounts payable and accrued expenses	1,161	1,763
Interest bearing loans (incl. accrued interest)	12,447	26,710
	13,608	28,473

Currency risk

Foreign currency risk arises on the Group's investment in Australian listed company Webster Limited. A 10% strengthening in the Australian dollar exchange rate would increase the Group's profit after tax and the Group's equity by $901,000 (2016: $720,000). A 10% weakening in the Australian dollar exchange rate would decrease the Group's profit after tax and the Group's equity by $737,000 (2016: $589,000).

The group does not enter into any foreign currency hedging to mitigate the risk of currency movements.

Held for trading instruments

Derivative financial instruments are used by the Group to hedge interest rate, and commodity price risks. The Group has elected not to apply hedge accounting. This means that all derivative financial instruments are accounted for at fair value through profit and loss.

Held for trading instruments are recognised in the Statement of Financial Position as either assets or liabilities at fair value on trade date, with changes in fair value reported in other comprehensive income.

NOTE 10 EQUITY

	2017 $000	2016 $000
Share capital - see below	75,537	79,949
Revaluation reserve	11,457	11,429
Retained earnings	103,323	96,036
Total	190,317	187,414

Share capital

There are 33,323,842 authorised shares on issue (2016: 34,323,478). All shares are fully paid up.

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 26 October 2016 the Company repurchased 999,636 shares from 135 shareholders at $4.40 per share, totalling $4,398,398. The repurchased shares were then cancelled.

On 20 January 2016 the Company repurchased from Rotorua Energy Charitable Trust 1,515,677 shares at $4.20 per share, totalling $6,374,000. The repurchased shares were then cancelled.

Total transaction fees relating to capital matters totalled $13,000 (2016: $5,000).

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.

The Group is required to maintain debt covenants on its debt to ANZ Bank. The company has complied with all covenants in the reporting period (2016: no breaches).

NOTE 11 INVESTMENT PROPERTIES

	2017 $000	2016 $000
Opening balance	163,681	166,371
Additions to existing properties	511	1,671
Disposals	(15,876)	-
Properties under conditional contracts for sale	(13,082)	-
Revaluations	5,126	(4,361)
Closing balance	140,360	163,681

All investment properties held as non current assets were valued as at 30 June 2017 by independent registered valuers Property Advisory Limited or 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.

Valuations by valuer	2017 $000	2016 $000
Curnow Tizard Limited	47,970	56,100
Property Advisory Limited	92,390	107,581
	140,360	163,681

NOTE 12 PROPERTIES UNDER CONTRACT FOR SALE

	2017 $000	2016 $000
Opening balance	4,655	4,655
Disposals	(4,655)	-
New conditional agreements	13,082	-
Closing balance	13,082	4,655

In April 2017 the Group entered into a conditional contract for the sale of a property. The contract is conditional on finance and the sale of a property, which is to be satisfied by the purchaser by 29 September 2017, with expected settlement in April 2018.

In May 2017 the Group entered into another conditional contract for the sale of a second property. The contract is conditional on finance and the sale of a property, which is to be satisfied by the purchaser by 31 January 2018, with expected settlement in March 2018.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	2017 $000	2016 $000
Land and buildings		
Opening balance	29,300	28,000
Additions	169	38
Disposals	-	-
Depreciation	(39)	(39)
Revaluations	(720)	1,301
Closing balance	28,710	29,300
Plant and equipment		
Opening balance	3,168	2,056
Additions	323	1,422
Disposals	(19)	-
Depreciation	(360)	(310)
Closing balance	3,112	3,168
Cost	7,414	7,137
Accumulated depreciation	(4,302)	(3,969)
Net carrying amount	3,112	3,168
Total property, plant and equipment	31,822	32,468

Rural land and buildings were valued as at 30 June 2017 by independent registered valuer 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 2017 by independent registered valuer 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.

	2017 $000	2016 $000
Valuations by valuer		
Curnow Tizard Limited	28,100	28,700
Logan Stone Limited	610	600
	28,710	29,300

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

	2017 $000	2016 $000
Land	5,393	5,286
Buildings	1,941	1,879
Less accumulated depreciation	(752)	(713)
Net carrying amount	6,582	6,452

NOTE 14 LIVESTOCK

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

	2017 No. of Head	2016 No. of Head
Livestock on hand:		
Sheep	13,116	13,415
Cattle	2,692	2,117
	$000	$000
Sheep value		
Opening balance	1,358	1,066
Increases due to purchases	433	254
Decreases due to sales	(920)	(822)
Gains due to net births and deaths	362	336
Revaluation gains	382	524
Closing balance	1,615	1,358
Cattle value		
Opening balance	2,340	2,312
Increases due to purchases	1,939	1,200
Decreases due to sales	(1,926)	(2,680)
Gains due to net births and deaths	18	58
Revaluation gains	729	1,450
Closing balance	3,100	2,340
Total livestock	4,715	3,698
Classified as:		
Current asset	1,879	1,654
Non current asset	2,836	2,044
	4,715	3,698

Livestock were valued as at 30 June 2017 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, condition and age in the regions the Group's livestock is located. This is level 2 of the fair value hierarchy - refer to note 9.

NOTE 15 INVESTMENTS

	2017 $000	2016 $000
Shares at market value	12,988	10,916
Shares at cost	303	389
	13,291	11,305

Shares at market value 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 16 BANK LOANS

The Company has loan facilities with ANZ Bank Limited totalling $20M (2016: $30.5M). As at 30 June 2017 the facility was drawn to $12.40M (2016: $26.65M) at a weighted average interest rate of 3.56% (2016: 3.76%).

A global security deed has been provided to ANZ Bank Limited covering all the Group's assets. The facility expires on 3 May 2019.

See note 9 for interest rate risk management.

The fair value of borrowings equals their carrying amount.

NOTE 17 EARNINGS PER SHARE

	2017	2016
Numerator - $000		
Net Profit after tax attributable to parent company shareholders	8,953	(4,472)
Denominator - 000 shares		
Weighted average number of shares on issue	33,574	35,081
Basic earnings per share - $ per share	$0.27	($0.13)
Diluted earnings per share - $ per share	$0.27	($0.13)

NOTE 18 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 (2016: $30,000). The amount owing at balance date was $9,000 (2016: $8,000) and has since been paid in full.

On 1 October 2016 the Company entered into a Deed of Lease with Seajay Securities Limited for the lease of its office premises at 127 Queen Street East, Hastings. David Cushing and Sir Selwyn Cushing, who are directors of REL, are shareholders and directors of Seajay Securities Limited. The lease is for an initial term of three years with an annual rental of $40,000 (plus outgoings). The amount of rental paid to Seajay Securities Limited during the financial year was $30,000 (2016: $nil).

During the year the Group purchased no livestock from Makowai Farm Limited, a company owned by Sir Selwyn Cushing and David Cushing, directors of REL (2016: $193,000).

NOTE 19 COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Group leases farm land adjacent to three of its 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:

	2017 $000	2016 $000
Within one year	164	158
After one year but not more than five years	247	206
Total future minimum lease payments	411	364

Operating lease commitments receivable as lessor

The Group's investment properties (excluding the 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.

	2017 $000	2016 $000
Within one year	1,915	2,112
After one year but not more than five years	721	200
Total	2,636	2,312

Property, plant and equipment and investment properties commitments

The Group had no commitments contracted but not provided for as at 30 June 2017 (2016: $9,000).

Contingent liabilities

There are no contingent liabilities as at 30 June 2017 (2016: $nil).

NOTE 20 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. All revenue is derived from New Zealand domiciled entities, other than income from the investment in Webster Limited which is domiciled in Australia.

The Directors are the decision makers who assess the segment reporting and decide on the resource allocation.

Major customers

The Group obtained 27% or $3,108,000 (2016: 22% or $2,164,000) of its revenue from Fonterra Co-operative Group Limited. This is for milk supplied by four of the Group's dairy farms. The Group obtained 30% or $3,505,000 (2016: 21% or $1,997,000) of its revenue from Synlait Milk Limited for milk supplied by three of its dairy farms.

NOTE 21 EVENTS SUBSEQUENT TO THE REPORTING DATE

Dividend

On 30 August 2017 the Directors approved the payment of a dividend of five cents per share amounting to $1,666,000 to be paid on 11 October 2017.

Audit

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To the Shareholders of Rural Equities Limited

Opinion

We have audited the consolidated financial statements of Rural Equities Limited on pages 12 to 31 which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rural Equities Limited as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group. The financial statements of the Group for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 26 August 2016.

Other Information

The directors are responsible for all other information included in the Group's Annual Report. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Directors responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/

Restriction on use of our report

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders, as a body 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 Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

K. Price
Partner
Auckland

30 August 2017

Chartered Accountants
Member of Grant Thornton International Ltd

Additional Disclosures

DIRECTORS AND REMUNERATION

The Directors of Rural Equities Limited ("REL") on 30 June 2017 were David Cushing (Executive Chairman), Rodger Finlay (Deputy Chairman), Nigel Atherfold and Sir Selwyn Cushing. Nigel Atherfold was appointed a Director of REL on 1 July 2016.

The Directors of REL – Trust Management Limited on 30 June 2017 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright. Nigel Atherfold was appointed a Director of REL – Trust Management Limited on 26 August 2016.

The Directors of New Zealand Rural Property Trust Management Limited on 30 June 2017 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing and Rodger Finlay. Nigel Atherfold was appointed a Director of New Zealand Rural Property Trust Management Limited on 26 August 2016.

The Directors of REL Trustee Services Limited on 30 June 2017 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright. Nigel Atherfold was appointed a Director of REL Trustee Services Limited on 26 August 2016.

The Directors of New Zealand Rural Property Trust Nominees Limited as at 30 June 2017 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright. Nigel Atherfold was appointed a Director of New Zealand Rural Property Trust Nominees Limited on 26 August 2016.

The table below details the remuneration received by the Directors from REL during the year ended 30 June 2017.

	$
Nigel Atherfold	40,000
David Cushing	100,000
Sir Selwyn Cushing	40,000
Rodger Finlay	55,000

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

ENTRIES RECORDED IN THE INTERESTS REGISTER

The following entries were recorded in the Group's Interests Registers during the year ended 30 June 2017:

David Cushing is a director and shareholder of H&G Limited.

David Cushing is a director and shareholder of Seajay Securities Limited.

David Cushing is a director of Webster Limited.

Sir Selwyn Cushing is a director and shareholder of H&G Limited.

Sir Selwyn Cushing is a director and shareholder of Seajay Securities Limited.

Sir Selwyn Cushing is a director of Skellerup Holdings Limited.

Share transactions undertaken by Directors during the year ended 30 June 2017:

RGH Holdings Limited (an associate of Rodger Finlay) acquired 62,500 REL shares for $4.45 per share on 13 February 2017.

H&G Limited (an associate of David Cushing and Sir Selwyn Cushing) acquired:

200 REL shares for $4.45 per share on 1 November 2016.
62,992 REL shares for $4.45 per share on 13 February 2017.
7,006 REL shares for $4.45 per share on 6 March 2017.
2,727 REL shares for $4.45 per share on 10 March 2017.
12,273 REL shares for $4.45 per share on 13 March 2017.
1,960 REL shares for $4.45 per share on 14 March 2017.
3,040 REL shares for $4.45 per share on 15 March 2017.
5,000 REL shares for $4.45 per share on 7 April 2017.
1,000 REL shares for $4.45 per share on 16 May 2017.

Directors' relevant interest in REL shares as at 30 June 2017

	Held Beneficially	Held by Associated Persons
Nigel Atherfold	-	-
David Cushing	263,160	22,103,259
Sir Selwyn Cushing	85,673	22,264,596
Rodger Finlay	-	1,089,811

Directors' indemnity and insurance

On 31 May 2016 REL renewed its Directors' and Officers' Liability insurance policy for the Group for the period 31 May 2016 to 31 May 2017. On 31 May 2017 REL renewed this policy for a further year until 31 May 2018.

DONATIONS

REL did not make any donations during the financial year ended 30 June 2017.

EMPLOYEES

The services of Brian Burrough (Chief Executive Officer) were provided through a Secondment Agreement with PGG Wrightson Limited. The secondment agreement commenced on 1 October 2005 and terminated on 30 September 2017. From 1 October 2017 the CEO is employed directly by REL.

For the year ended 30 June 2017 one employee received remuneration and other benefits from REL of between $220,000 and $230,000 and two employees received remuneration and other benefits from REL of between $230,000 and $240,000.

Shareholder Information

As at 19 September 2017

TOP TWENTY SHAREHOLDERS

Holder	Number of shares held	%
H&G Limited	21,246,163	63.75
RGH Holdings Limited	1,089,811	3.27
FE Mayell & DA Young (FE & H Mayell Trust)	500,000	1.50
BJ Martin	394,127	1.18
JN Pearson & AJ Mansell (Sam Pearson Family Trust)	353,804	1.06
Seajay Securities Limited	313,625	0.94
New Zealand Methodist Trust Association	300,000	0.90
BD Cushing & SJ Cushing (KD Cushing Family Trust)	263,160	0.78
Makowai Farm Limited	208,966	0.62
Winders Investments Limited	203,789	0.61
B&S Custodians Limited	182,000	0.54
Custodial Services Limited (A/C 3)	181,615	0.54
Ashfield Properties Limited	178,560	0.53
MGS Fund Limited	162,336	0.48
Sky Hill Limited	150,000	0.45
Riddell Funds Management Limited	148,000	0.44
AJ Mansell & SL Pearson & JN Pearson (Squirrel A/C)	143,544	0.43
LM Marx-Sheather, WB Sheather, PV Sheather & SM Palmer (Sheather Family Trust)	123,816	0.37
RG Goodrick	120,000	0.36
FS Pearson	117,738	0.35

ANALYSIS OF SHAREHOLDING BY SIZE

	Number of shareholders	%	Number of shares held	%
1,000 – 1,999	215	24.60	298,987	0.90
2,000 – 4,999	287	32.84	921,958	2.77
5,000 – 9,999	186	21.28	1,264,542	3.79
10,000 – 49,999	142	16.25	2,769,691	8.31
50,000 – 99,999	20	2.29	1,369,633	4.11
100,000 and over	24	2.74	26,699,031	80.12
Total	**874**		**33,323,842**	

ANALYSIS OF SHAREHOLDING BY LOCATION

	Number of shareholders	%	Number of shares held	%
Upper North Island	423	48.40	3,822,154	11.47
Gisborne	26	2.97	205,694	0.62
Hawke's Bay	120	13.73	23,648,083	70.96
Manawatu/Whanganui/Wairarapa	49	5.61	319,709	0.96
Wellington	90	10.30	1,847,859	5.55
South Island	123	14.07	3,027,043	9.08
Overseas	43	4.92	453,300	1.36
Total	**874**		**33,323,842**	

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 an Audit Committee. Its responsibilities are to:

- Ensure that the Company has adequate risk management controls in place.
- Advise on accounting policies, practices and disclosure.
- Review the scope and outcome of the external audit.
- Make recommendations to the Directors on the appointment of the Auditor and the Auditor's remuneration.
- Review the annual financial statements prior to approval by the Directors.

The committee's responsibilities include REL and each of its subsidiaries.

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

HEALTH AND SAFETY COMMITTEE

REL has constituted a Health and Safety Committee to ensure that health and safety is an integral component of the Group's everyday business. The Committee's responsibilities are to:

- Provide leadership and policy for health and safety management within the Group.
- Advise on health and safety strategy and policy.
- Review management systems to ensure that they are appropriate to manage hazards and risks within the business.
- Monitor and review performance by specifying and receiving timely reports on incidents, investigations and resultant actions, with the assistance of internal and external audits.

The Committee meets in conjunction with the Directors' meetings. The committee comprises Nigel Atherfold (Chairman), David Cushing, Sir Selwyn Cushing and Rodger Finlay.

REMUNERATION COMMITTEE

The Remuneration Committee reviews the remuneration arrangements for the Group's three Executives.

The Remuneration Committee comprises Sir Selwyn Cushing (Chairman), Nigel Atherfold, David Cushing and Rodger Finlay.

DIRECTORY

DIRECTORS

David Cushing
Executive Chairman

Sir Selwyn Cushing

Rodger Finlay
Deputy Chairman

Nigel Atherfold
(Appointed 1 July 2016)

EXECUTIVE

Brian Burrough
Chief Executive Officer

James Wright
Chief Operating Officer

Shona Devescovi
Chief Financial Officer

REGISTERED OFFICE

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Limestone hills - Waikoha

rural equities
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