



ANNUAL REPORT 2011



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Native trees 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 Cushing Foyer, Hawke's Bay Opera House, 107 Hastings Street South, Hastings on Thursday 17 November 2011 at 3.30pm.

ORDINARY BUSINESS

1. To receive and consider the Company's financial statements for the year ending 30 June 2011 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 Sir Ronald Carter 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 4122 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

Shareholders are cordially invited
to join Directors for refreshments at
the conclusion of the Meeting.

Chairman's Report

THE YEAR IN REVIEW

The Directors are pleased to present the 2011 Annual Report for the Rural Equities Group.

The Group's result for the year to 30 June 2011 is an audited after tax profit of \$2.91 million. This is a significant improvement on the loss of \$3.07 million last year. This year the trading surplus improved by \$2.46 million (91%) to \$5.16 million. There was a minor reduction in property values which was partly offset by the proceeds of an insurance claim.

Important features of the year were:

- Net Tangible Asset backing per share at 30 June 2011 was \$3.95 (last year, \$3.82).
- Record or near-record product prices were received for lambs, sheep, beef and wool.
- A record Fonterra milk payout.
- A significant increase in the contribution from the directly managed farms for the second year in succession.
- Farm values were generally stable across the portfolio with the dairy farms firming in value.
- Significant investment in farm development continued at Waikoha and Annandale. These properties, together with Puketotara, are farmed by the Group as an integrated Waikato sheep and beef operation comprising 4,171 hectares and running 30,000 stock units.
- The project to convert Rocklea, a dairy farm in Canterbury, from border-dyke to spray irrigation commenced.
- Cost savings continued to be achieved in many aspects of the Group's operations arising from merging the New Zealand Rural Property Trust into Rural Equities Limited.

A highlight of the year has been the substantial rise in prices received for livestock and farm products. The Fonterra milk payout (gross before retentions) is the highest paid in the ten years since Fonterra was formed. Meat schedule values for lambs, mutton and beef have all been at levels not previously seen and wool prices showed a welcome uplift, virtually doubling from the low prices received in recent years.

In the latter half of this year the rural property market showed some increased activity. Values for dairy farms and better quality pastoral and arable farms with multiple land use options began to firm. This trend is more apparent in the

South Island however the number of property transactions occurring is still well below the levels of prior buoyant years. Rural property values are expected to remain firm with improving returns arising from strong farm product prices and livestock values.

Considerable uncertainty remains in world financial markets with weakness in some large economies remaining a real concern. We have seen a high degree of volatility in commodity prices and currency values which we expect will continue while the world economy remains fragile.

Further investment in developing the farms in the Waikato continued this year. The Annandale, Puketotara and Waikoha properties are managed as an integrated farming group involving a major development plan which includes intensification and fine tuning of livestock and grazing management systems. Benefits are becoming evident, but have been tempered by unfavourably dry climatic conditions over the last two years. The full benefit of the complementary nature of these farms can be obtained by finishing all stock bred, improving livestock marketing opportunities through increased scale, and sharing labour and machinery. Significant earnings and value growth are expected from these three farms over the next five years as the farm development programme moves to completion.

The irrigation system on the Rocklea dairy farm near Ashburton is being converted from border-dyke to spray irrigation using three centre pivot irrigators. The work will be completed before the start of the irrigation season in September 2011. This will enable efficiency gains in the use of irrigation water as well as a significant increase in pasture growth and milk production.

Further detail on the farming programme is provided in the Farming Review section of this report.



Sheep in the yards at Waikoha

FINANCIAL PERFORMANCE

Farm revenue increased from \$6.73 million to \$8.77 million (30%), the second successive year in which revenue from the directly managed farms has improved significantly. This results from the higher Fonterra milk payout combined with substantially increased prices for sheep, beef and wool. Farm operating expenses decreased by 6%.

Rental income from the leased farm properties was at the same level as last year at \$2.78 million. The farm rental market has been tight with generally stable rents throughout most of the year. Recent rent reviews are however showing increases across all sectors driven by improved farm product prices, and greater demand for land suitable for dairy grazing. As in the past, fair market rents will continue to be set to reflect the productive capability, improvements on, and the value of each farm.

There were no log sales this year as the harvest of the Ngaruawahia forest was completed in April 2010. The forest has now been fully replanted and pruning and thinning operations are ongoing.

Group expenses (excluding farm operating expenses and logging cost of sales) decreased by \$264,000 during the year. There were savings in both interest costs from lower overall debt and other expenses.

Insurance proceeds of \$560,000 were received, arising from a fire which destroyed the Annandale homestead in February 2011.

Revaluation movements this year comprise a downward movement of \$1.64 million in the value of our 29 farms and the forest.



New centre pivot irrigator at Rocklea

Changes to International Accounting Standards have required a change to the calculation of deferred tax in relation to the carrying value of investment properties. This has resulted in a reduction of \$1.58 million in the 2010 Group income tax expense as recorded (now \$607,000) in the Statement of Comprehensive Income and a consequent reduction of the net loss recorded for the 2010 year from \$4.65 million to \$3.07 million. As a result of the opening equity balances being amended, the Balance Sheet includes an additional comparative column for the year ended 30 June 2009 and restated figures for 2009 and 2010.

Bank debt held by the Group decreased by \$1.35 million over the year reflecting improved farm trading results. Equity was \$166.76 million at year end. The Group has low debt relative to its assets (approximately 12%) and remains in a very strong financial position.

CANTERBURY EARTHQUAKES

The Group's farm buildings and improvements have been largely unaffected by the Canterbury earthquakes. All farms are located outside the areas where major damage occurred. Three houses have sustained damage but remain habitable. Two of the houses have relatively minor damage while the third has cracks in walls which are yet to be assessed. Full insurance cover is held in respect of these houses. Farming operations have been unaffected.

We are saddened by the distress and loss of life that the devastating earthquakes have caused and express our sympathy to the people of Canterbury who are suffering, and in particular the many Rural Equities Limited shareholders who live there.

DIVIDEND

A fully imputed special dividend of 5.5 cents per share was paid on 29 January 2010. That dividend utilised the majority of the Group's imputation credits. The Group has tax losses available to offset future profits meaning imputation credits will be limited in the immediate future.

The Group continues its capital development programme investing in its existing properties to enhance value. As a consequence of the funds required for this, and the lack of imputation credits, no dividend will be paid for the financial year ending 30 June 2011.

DIRECTORS

In accordance with the Company's constitution, David Cushing and Sir Ronald Carter retire by rotation at the Annual Meeting on 17 November 2011. Both are seeking re-election.

OUTLOOK

Some major parts of the global economy are likely to remain fragile and volatile over the next several years, but the global economy as a whole is nevertheless expected to grow. That growth will be predominantly in developing markets that can increasingly afford a higher standard of living, and particularly seek better food and more protein.

The Directors' long-held belief in the positive outlook for agriculture has been vindicated by the strong increase in farm returns seen this year. The high product prices received have been achieved despite a high exchange rate. Conditions in New Zealand's overseas markets will continue to cause short term fluctuations, but we are confident about the long term outlook for New Zealand's rural sector.

New Zealand's lamb crop in the forthcoming 2011/2012 season is expected to be the second smallest for 50 years, although a little larger than in 2010/2011. Supply from New Zealand will remain restricted and the lack of any increase in sheep numbers elsewhere, particularly in Australia, will mean total market volumes will be largely unchanged. Steady demand is expected from traditional markets at or close to current prices.

Beef schedules are expected to be stable at current levels. A prolonged drought in Texas and other beef producing states has caused a dramatic reduction in breeding cow numbers there. This bodes well for the supply of New Zealand beef to the United States in the medium term. Wool prices have increased in response to low inventories held by manufacturers and the price of alternative fibres. Solid demand is expected to continue in the year ahead.

There is also continuing steady demand for dairy products. Milk production has increased from the largest producers in the world and prices have eased in recent months but remain robust.



Cows on the feedpad at Penshurst



Straw bales at Ernsdale

With the high milk payout, dairy farmers are buying more feed grain which has given rise to improved prices. As a result arable farmers have improved confidence to grow cereals.

In the rural property market the volume of farm sales is expected to remain low in light of rigid lending criteria from banks. Improved farm profitability will eventually encourage the gradual firming of land values but farm prices are likely to remain relatively flat in the short term. Returns on capital are therefore expected to increase from improved net farm incomes.

The continuing focus within the Group's farm properties and direct farming operations will be on improving performance and profitability from the existing portfolio.

Livestock and farm product prices well above long term averages are expected to provide the basis for another sound result in the year ahead. As is always the case in agriculture however, the unpredictable affects of climate and volatility in financial markets can alter the results significantly. The sound financial position of the Group, the quality of the farm portfolio, and the spread of income from diversified farm activities continue to provide a solid base and give confidence for the future of the Rural Equities Group.



Sir Selwyn Cushing
Chairman

Farming Review

The Group owns twenty-nine farms comprising 13,554 hectares and the Ngaruawahia forest of 1,123 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. 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 3,700 cows. The three Waikato group farms comprise 4,171 hectares and run approximately 30,000 stock units.

FARMED PROPERTIES

The directly managed farms produced another substantially improved contribution to profit in the year to 30 June 2011 of \$4.83 million. This compares with \$2.53 million last year and \$1.29 million in the year prior to that. The increased Fonterra milk price and the significantly improved financial returns from the Waikato sheep and beef farms were the main contributors.

Early spring and summer climatic conditions were not favourable on most farms and made for a difficult start to the dairy season. The cold spring with snow in the south was followed by a dry early summer meaning there was little surplus grass that could be made into silage. Better rainfall through the late summer and autumn provided the basis for a good autumn which meant cows could be milked until the end of May, and into June on two farms.



Annandale



Heifer calves at Delorain

This season, just over 1.45 million kilograms of milk solids were supplied to Fonterra - a 1% decrease from the previous season. This is a creditable result given the difficult early part of the season. Fonterra's milk payout for the 2010/2011 season was \$7.60 per kilogram of milk solids. This compares with \$6.08 paid last season. In addition, dividends paid in respect of the 2010/2011 season will be 30 cents per share compared to last season when the dividend was 27 cents per share.

Irrigation water is a scarce resource and efficient use of available water is paramount to maximise pasture growth and farm income. The Rocklea dairy farm has been irrigated by border-dyke flood irrigation for many years. This system, whilst relatively low-cost, does not allow paddocks to be evenly or completely watered and the time taken to irrigate means the return period is too long during the driest parts of the season, especially when the supply of irrigation water is restricted. As a consequence pasture growth is compromised and pasture renewal requirements are greater.

During the winter of 2011, a major irrigation conversion project was undertaken at Rocklea. This saw the installation of three centre pivot irrigators with an underground mainline network and surface water pump, a new stock water scheme, relocated farm lanes and new fencing. In addition, the milking plant in the dairy shed was upgraded during the year. The farm effluent system was modified to enable effluent to be irrigated to pastures from the centre pivots, thereby maximising the fertiliser value of the effluent.

Rocklea comprises 189 hectares and is located west of Ashburton. This season 640 cows will be milked, increasing to an expected 680 cows next season. Over the last ten years milk production from the farm has increased by 80,000 kilograms of milk solids (53%) as a result of renewing all

pastures on the farm, intensifying the management system and providing additional supplementary feed. No further significant economic gains could easily be made under the border-dyke irrigation system, hence the decision to convert to spray irrigation using centre pivot irrigators. This project is effectively a complete redevelopment of the farm which will cost approximately \$1 million but will allow an estimated further 50,000 kilograms of milk solids to be produced from Rocklea each year. The returns are very attractive given the current and expected milk price.

WAIKATO FARM GROUP

Annandale (515 hectares) has been directly farmed since February 2009. It operates as a finishing unit associated with Waikoha, which allows store lambs to be finished and surplus weaner cattle to be farmed within the Group until they are ready for slaughter. Maximum value is therefore obtained from all stock that is bred. Annandale is located only four kilometres distant from Waikoha at Whatawhata on the outskirts of Hamilton.

Last year a major development programme was largely completed at Annandale. This involved the construction of 30 kilometres of subdivision fencing creating 130 paddocks, each with reticulated water, and a lane system to assist stock movement and access around the farm. This subdivision allows an intensive farm management system to operate with proper control of pasture through a planned grazing system. The result is better stock performance and therefore farm profitability will gradually increase over the next three years. This year, new sheep yards were built at Annandale.

Puketotara (1,146 hectares) is an easy contoured property located west of Huntly. The farming policy is to run a predominantly bull beef finishing operation where currently over 1,800 cattle are farmed and up to 8,000 lambs are traded and finished annually. Puketotara has been directly farmed since August 2008. Drought conditions in the early summer meant that target slaughter weights for the bulls could not be achieved this year, as bulls had to be sold earlier than planned. Higher than budgeted beef schedule values however offset the lighter carcass weights enabling target per head margins to be achieved. Pasture renewal is an ongoing part of the farm programme at Puketotara and is an integral part of the lamb finishing operation.

Waikoha has been directly farmed for the last five years. Like the other two Waikato farms it was previously leased. A major development programme continues on this 2,510 hectare hill country sheep and beef breeding property. This year, in addition to a further eight kilometres of fencing, a new six stand woolshed was built, adjoining the covered



Hoggets grazing at Puketotara

yards that were built two years ago near the centre of the farm. The new woolshed and covered yards will minimise stock movements and make more efficient use of farm labour as Waikoha is a large property and is difficult to work owing to its contour and shape. Fence repair and replacement will continue and fertiliser is being applied in increasing quantities to enable higher livestock productivity and more stock to be run.

As part of the Waikato group, Waikoha is a specialist breeding unit with all surplus progeny being sent to Annandale or Puketotara for finishing. The carrying capacity of Waikoha is expected to increase from 13,000 to 18,000 stock units over the next five years as a result of the development which will significantly improve both farm income and Waikoha's capital value.



Inside the new woolshed at Waikoha

LEASED PROPERTIES

Other than the nine directly managed farms, the 20 remaining farms continue to be leased and provide the Trust's rental income. These properties form an integral part of the geographically diversified farm portfolio being located in Hawke's Bay, Manawatu, Canterbury and Otago. They are leased predominantly to farmers with other farming interests, providing scale of operations in their farming businesses. The steady income base these properties provide to the Group is significant.

A number of rent reviews were completed during the year resulting in stable rental income from the leased properties. With favourable dairy farm returns, there is now an increasing demand from established dairy farmers seeking land that can be used for dairy support purposes - that is, to grow supplementary feed, graze replacement heifers and where possible, provide winter grazing for dairy cows. This demand, as well as improved sheep and beef returns, is now having the effect of increasing farm rents for more productive pastoral land.

The name, location, size and type of property for each farm in the Trust's portfolio are shown in the Farm Property Schedule on page 7.



Kale for winter feed at Shenstone

FORESTRY

With harvesting of the first rotation tree crop at the Ngaruwahia forest completed in April 2010, there will be no further harvesting until the first of the second rotation trees are mature in approximately sixteen years. As the land is unsuitable for conversion to pastoral farming, the forest has been replanted in pinus radiata. The replanted area comprises 830 hectares. Selective pruning and thinning operations are now occurring in the earlier replanted stands.

Ngaruwahia is classed as a pre-1990 forest under the Emissions Trading Scheme legislation. This means that the forest must be replanted following harvest to avoid significant financial penalties. Application has been made for the New Zealand Units (carbon credits) that will be allocated to offset a reduction in land value arising from the inability to convert the land to alternative uses.

An area of 30 hectares at Waikoha has also been planted in pinus radiata on land that is unsuitable for pastoral use.



Cultivation for new grass at Puketotara

Brian Burrough
Chief Executive Officer

Farm Property Schedule

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
Blairmore	Sheep/Beef/Deer Grazing	Central Otago	647	Leased	4,100
Cedars	Arable	Canterbury	237	Leased	n/a
Clifton	Sheep/Beef Finishing	North Canterbury	656	Leased	5,400
Dalmuir	Arable	South Canterbury	219	Leased	n/a
Delorain	Dairy	Taranaki	101	Sharemilked	305 cows
Eiffelton	Dairy Grazing	Canterbury	396	Leased	n/a
Ernsdale	Sheep/Beef Finishing	South Canterbury	368	Leased	3,500
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	720 cows
Penshurst	Dairy	Manawatu	257	Sharemilked	700 cows
Pukekura	Sheep/Beef Finishing	Hawke's Bay	444	Leased	3,700
Puketotara	Intensive Sheep/Beef Finishing	Waikato	1,146	Managed	12,000
Rocklea	Dairy	Canterbury	189	Sharemilked	640 cows
Rollesby	Sheep/Beef Grazing	North Canterbury	323	Leased	3,500
Shenstone	Dairy	Southland	313	Sharemilked	930 cows
Silverton	Intensive 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
Waimahaka	Dairy Grazing	Manawatu	215	Leased	n/a
Wentworth	Arable	Canterbury	161	Leased	n/a
Woodlands	Arable	South Canterbury	451	Leased	n/a
Total Landholding - Farms			13,554		

Statement of Comprehensive Income

For the year ended 30 June 2011

		GROUP 2011	GROUP 2010 <i>Restated</i>	PARENT 2011	PARENT 2010
	Notes	\$000	\$000	\$000	\$000
Revenue					
Farm income		8,772	6,728	-	-
Leased property income		2,783	2,787	-	-
Log sales		-	3,231	-	-
Inter group administration fee		-	-	1,200	2,304
Other income		299	400	296	519
Total		11,854	13,146	1,496	2,823
Operating Expenses					
Farm operating expenses		3,946	4,201	-	-
Leased property expenses		168	176	-	-
Logging cost of sales		-	3,231	-	-
Interest costs		1,206	1,244	810	727
Other expenses		1,373	1,599	1,199	1,185
Total	5	6,693	10,451	2,009	1,912
Profit (loss) before other items		5,161	2,695	(513)	911
Other items					
Write off management contract		-	(681)	-	-
Insurance proceeds	9	560	-	-	-
Loss on disposal of property		-	(385)	-	-
Impairment of investment in subsidiary	17	-	-	(1,829)	-
Revaluations	4	(1,637)	(4,096)	-	-
Total other items		(1,077)	(5,162)	(1,829)	-
Net profit (loss) before tax		4,084	(2,467)	(2,342)	911
Income tax (expense) credit	7	(1,176)	(607)	(2)	432
Net profit (loss) after tax		2,908	(3,074)	(2,344)	1,343
Other comprehensive income					
Revaluation of property, plant and equipment		362	100	57	-
Tax on other comprehensive income		(13)	-	(13)	-
Total other comprehensive income net of tax		349	100	44	-
Total comprehensive income		3,257	(2,974)	(2,300)	1,343
Net profit (loss) attributable to:					
Owners of the parent		2,908	(2,617)	(2,344)	1,343
Non-controlling interests		-	(457)	-	-
		2,908	(3,074)	(2,344)	1,343
Total comprehensive income attributable to:					
Owners of the parent		3,257	(2,517)	(2,300)	1,343
Non-controlling interests		-	(457)	-	-
		3,257	(2,974)	(2,300)	1,343
Earnings per share - basic & diluted - \$ per share	19	\$0.07	\$(0.07)		

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2011

GROUP	Notes	Fully Paid Ordinary Shares \$000	Asset Revaluation Reserve \$000	Retained Earnings \$000	Non Controlling Interest \$000	Total \$000
At 1 July 2009 - as originally reported		49,213	2,504	48,164	68,430	168,311
Impact of change in accounting policy		-	-	792	-	792
At 1 July 2009 - restated	3	49,213	2,504	48,956	68,430	169,103
Net profit (loss) after tax for the year		-	-	(2,617)	(457)	(3,074)
Other comprehensive income net of tax		-	100	-	-	100
Transfer on asset realisation		-	(1,108)	1,108	-	-
Total comprehensive income		-	(1,008)	(1,509)	(457)	(2,974)
Transactions with shareholders, recorded directly in equity						
Shares issued		58,218	-	-	-	58,218
Transaction costs on share issue		(309)	-	-	-	(309)
Acquisition of non-controlling interest		-	4,728	5,027	(67,973)	(58,218)
Dividends paid		-	-	(2,319)	-	(2,319)
At 30 June 2010	11	107,122	6,224	50,155	-	163,501
		\$000	\$000	\$000	\$000	\$000
At 1 July 2010		107,122	6,224	50,155	-	163,501
Net profit (loss) after tax for the year		-	-	2,908	-	2,908
Other comprehensive income net of tax		-	349	-	-	349
Total comprehensive income		-	349	2,908	-	3,257
At 30 June 2011	11	107,122	6,573	53,063	-	166,758
		\$000	\$000	\$000	\$000	\$000
At 1 July 2009		49,213	-	(6,715)	42,498	
Net profit (loss) after tax for the year		-	-	1,343	1,343	
Other comprehensive income net of tax		-	-	-	-	
Total comprehensive income		-	-	1,343	1,343	
Transactions with shareholders, recorded directly in equity						
Shares issued		58,218	-	-	58,218	
Transaction costs on share issue		(309)	-	-	(309)	
Dividends paid		-	-	(2,319)	(2,319)	
At 30 June 2010	11	107,122	-	(7,691)	99,431	
		\$000	\$000	\$000	\$000	
At 1 July 2010		107,122	-	(7,691)	99,431	
Net profit (loss) after tax for the year		-	-	(2,344)	(2,344)	
Other comprehensive income net of tax		-	44	-	44	
Total comprehensive income		-	44	(2,344)	(2,300)	
At 30 June 2011	11	107,122	44	(10,035)	97,131	
		\$000	\$000	\$000	\$000	

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2011

		GROUP 2011	GROUP 2010 <i>Restated</i>	GROUP 2009 <i>Restated</i>	PARENT 2011	PARENT 2010
	Notes	\$000	\$000	\$000	\$000	\$000
Current Assets						
Cash at bank		34	6	62	10	-
Bank term deposit		-	-	1,563	-	-
Accounts receivable		1,936	1,056	2,212	76	93
Prepaid tax		-	27	-	-	27
Receivable from subsidiary		-	-	-	6,128	8,362
Feed on hand		547	251	357	-	-
Total		2,517	1,340	4,194	6,214	8,482
Non Current Assets						
Investment properties	12	147,329	144,356	147,233	-	-
Property, plant & equipment	13	29,466	31,910	37,187	596	26
Livestock	14	4,238	2,918	3,597	-	-
Forest	15	2,304	1,888	2,208	-	-
Deferred tax asset	7	-	-	726	-	8
Management contract		-	-	681	-	-
Shares in Fonterra Co-operative Group Limited	17	6,712	6,712	6,518	-	-
Other investments	17	207	179	233	113,696	115,525
Total		190,256	187,963	198,383	114,292	115,559
Total Assets		192,773	189,303	202,577	120,506	124,041
Current Liabilities						
Bank overdraft		-	49	20	-	49
Accounts payable & accrued expenses		1,661	1,238	1,254	315	158
Provision for tax		-	-	155	-	-
Bank loans		-	-	14,600	-	-
Payable to subsidiary		-	-	-	703	703
Total		1,661	1,287	16,029	1,018	910
Term Liabilities						
Bank loans	18	22,350	23,700	17,445	22,350	23,700
Deferred tax liability	7	2,004	815	-	7	-
Total		24,354	24,515	17,445	22,357	23,700
Equity						
Equity attributable to:						
Parent company shareholders		166,758	163,501	100,673	97,131	99,431
Non-controlling interest		-	-	68,430	-	-
Total Equity	11	166,758	163,501	169,103	97,131	99,431
Total Liabilities & Equity		192,773	189,303	202,577	120,506	124,041

On behalf of the Directors, who authorised the issue of these financial statements, dated 25 August 2011.



Sir Selwyn Cushing
CHAIRMAN



Rodger Finlay
DIRECTOR

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Cash flows from operating activities					
<i>Cash was provided from:</i>					
Receipts from customers		11,430	15,481	313	413
Other receipts		-	-	1,200	3,988
Tax refund		27	940	27	436
Interest received		3	7	-	-
		<u>11,460</u>	<u>16,428</u>	<u>1,540</u>	<u>4,837</u>
<i>Cash was applied to:</i>					
Payments to suppliers & employees		6,436	9,705	1,146	1,149
Taxation paid		-	188	-	188
Interest paid		1,088	1,347	692	727
		<u>7,524</u>	<u>11,240</u>	<u>1,838</u>	<u>2,064</u>
Net cash flows from operating activities	6	3,936	5,188	(298)	2,773
Cash flows from investing activities					
<i>Cash was provided from:</i>					
Proceeds from sale of assets		4	5,869	-	-
		<u>4</u>	<u>5,869</u>	<u>-</u>	<u>-</u>
<i>Cash was applied to:</i>					
Capital expenditure including farm improvements		2,513	2,105	527	3
		<u>2,513</u>	<u>2,105</u>	<u>527</u>	<u>3</u>
Net cash flows from investing activities		(2,509)	3,764	(527)	(3)
Cash flows from financing activities					
<i>Cash was provided from:</i>					
Term deposit maturity		-	1,437	-	1,437
Repayment by subsidiary		-	-	2,234	-
Term loans advance		-	-	-	6,754
		<u>-</u>	<u>1,437</u>	<u>2,234</u>	<u>8,191</u>
<i>Cash was applied to:</i>					
Term loans reduction		1,350	7,846	1,350	-
Advance to subsidiary		-	-	-	8,362
Share issue costs		-	309	-	309
Income distribution		-	2,319	-	2,319
		<u>1,350</u>	<u>10,474</u>	<u>1,350</u>	<u>10,990</u>
Net cash flows from financing activities		(1,350)	(9,037)	884	(2,799)
Net increase (decrease) in cash held		77	(85)	59	(29)
Cash at start of period		(43)	42	(49)	(20)
Cash at end of period		34	(43)	10	(49)
<i>Comprised of:</i>					
Cash at bank		34	6	10	-
Bank overdraft		-	(49)	-	(49)
		<u>34</u>	<u>(43)</u>	<u>10</u>	<u>(49)</u>

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 nine farms and a forest. Twenty 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 on an historical cost basis, except for investment properties, forest assets, land and buildings, investments, livestock and derivative financial instruments, which have been measured at fair value as detailed 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).

STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no new standards, amendments or interpretations that have been issued, but not yet effective, which are expected to have a material impact on the reported financial performance or position of the Group.

CHANGES IN ACCOUNTING POLICIES

The Group has chosen to early adopt the amendments to NZ IAS 12 Income Taxes. The amended standard provides that for investment property measured using the fair value model in accordance with NZ IAS 40, deferred tax assets and liabilities would be measured based on the tax consequences of a sale at fair value.

Under the previous accounting policy, deferred tax was recognised using the balance sheet method, providing for temporary differences between carrying amounts of investment properties for financial reporting purposes and the amounts used for tax purposes based on use of the asset. The amended standard has been applied retrospectively to the comparative period with adjustment being made to the opening balance of retained earnings and deferred tax liability – refer to note 3.

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

Notes to the Financial Statements

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been applied:

(a) Basis of Consolidation

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.

Non-controlling interest is allocated its share of net profit or loss after tax in the Statement of Comprehensive Income and is presented within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

The acquisition of subsidiaries is accounted for using the acquisition method. Where an acquisition of an additional interest in a subsidiary results in the carrying value of the non-controlling interest acquired being greater than the cost, then the excess is accounted for as an equity transaction.

(b) Property, Plant & Equipment

Land & 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 in profit or loss, in which case the increase is recognised in the profit or loss.

Any revaluation decrease is recognised in the profit or loss 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 & Machinery

Plant and machinery 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.

(c) 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 in profit or loss for the period.

(d) Forest Assets

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

Forest assets are revalued annually as at 30 June and revaluations are recorded in the Statement of Comprehensive Income.

(e) Investments

Investments, other than the parent company investment in subsidiaries, are initially recorded at cost and subsequently revalued to fair value. Changes in fair value are recorded in the Statement of Comprehensive Income.

Investments 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.

Investments in subsidiaries are recognised at cost less any provision for impairment.

Notes to the Financial Statements

(f) Livestock

Livestock is recorded at fair value as assessed by an independent valuer, less estimated point of sale costs. Changes in fair value are recorded in the Statement of Comprehensive Income.

(g) 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.

(h) Goods & Services Tax

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

(i) Trade & 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.

(j) Trade & 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.

(k) Cash & Cash Equivalents

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

(l) 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 and logs, 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 at their declared payment rate.

(m) Interest-bearing Loans & 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.

Notes to the Financial Statements

(n) 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 in profit or loss.

(o) 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.

NOTE 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & 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) **Share Milking Arrangements** - The Group has share milking agreements in place on six (2010 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.
- iii) **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.
- iv) **Milk Proceeds** - The Group estimates and accrues the final milk proceeds for the dairy season using the latest milk payout amount announced by Fonterra prior to the finalisation of the financial statements. The final amount received could be different from the amount accrued.

NOTE 3 NZ IAS 12 INCOME TAX (AMENDMENT)

An amendment to IAS 12 was announced by the International Accounting Standards Board on 20 December 2010 and subsequently gazetted in New Zealand in January 2011.

The amendment provides that for investment property measured using the fair value method in accordance with NZ IAS 40, deferred tax assets and liabilities would be measured based on the tax consequences of a sale at fair value. Under the previous accounting policy, deferred tax was recognised using the balance sheet method, providing for temporary differences between the carrying amounts of investment property for financial reporting purposes and the tax base based on use of the asset.

The adoption of the amendments to NZ IAS 12 impacts the calculation of deferred tax temporary differences and requires retrospective application, and therefore adjustments have been made to previously reported balances as detailed on the next page.

Notes to the Financial Statements

NZ IAS 12 INCOME TAX (AMENDMENT) - continued	PREVIOUSLY REPORTED \$000	ADJUSTED BALANCE \$000	CHANGE \$000
Opening Equity 1 July 2009			
Shareholders' funds	168,311	169,103	792
Deferred tax liability (asset)	66	(726)	(792)
Closing Equity 30 June 2010			
Shareholders' funds	161,130	163,501	2,371
Deferred tax liability	3,186	815	(2,371)
Comparative Statement of Comprehensive Income 30 June 2010			
Taxation expense	2,186	607	(1,579)
Total comprehensive income	(4,553)	(2,974)	1,579

There are no retrospective changes to the parent company financial statements.

As a result of the opening equity balances being amended, the balance sheet includes an additional comparative column for the year ended 30 June 2009.

NOTE 4 REVALUATIONS

	GROUP 2011 \$000	GROUP 2010 \$000
Revaluation of investment properties	2,393	(3,318)
Revaluation of property, plant and equipment	(4,075)	(575)
Revaluation of forest assets	45	(203)
	(1,637)	(4,096)

NOTE 5 EXPENSES

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

Logging cost of sales includes harvesting and transporting costs.

	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Specific disclosures are as follows:				
Depreciation - on plant and equipment	281	256	12	13
Depreciation - on buildings	34	42	2	-
Directors' fees	200	200	200	200
Operating lease costs	254	253	39	50
Audit fees	39	47	13	20
Fees paid to Ernst & Young for prospectus audit	-	19	-	19
Key management remuneration - short term benefits	656	593	656	593
Other employee remuneration	499	595	35	15
Amortisation of intangible asset	-	681	-	-
Unrealised exchange loss (gain)	-	(373)	-	(373)
Loss (gain) in fair value of derivatives	18	241	18	252

Notes to the Financial Statements

NOTE 6 CASH FLOW RECONCILIATION

	GROUP 2011	GROUP 2010 <i>Restated</i>	PARENT 2011	PARENT 2010
	\$000	\$000	\$000	\$000
Net profit (loss) after tax	2,908	(3,074)	(2,344)	1,343
Add (deduct) non-cash items:				
Depreciation	315	298	14	13
Amortisation of intangible asset	-	681	-	-
Forest depletion	-	571	-	-
Unrealised exchange loss (gain)	-	(373)	-	(373)
Impairment of investment in subsidiary	-	-	1,828	-
Revaluation movements	1,637	4,096	-	-
	1,952	5,273	1,842	(360)
Changes in assets & liabilities:				
Change in accounts payable & accrued expenses	423	(16)	158	23
Change in derivatives	-	241	-	252
Change in prepaid tax	27	(182)	27	(182)
Change in deferred taxation	1,176	1,541	2	(2)
Change in livestock & feed on hand	(1,616)	785	-	-
Change in receivable from subsidiary	-	-	-	8,068
Change in accounts receivable	(880)	915	17	15
	(870)	3,284	204	8,174
Add (deduct) non-operating items:				
Non-operating items in accounts payable	(50)	(281)	-	-
Non-operating items in accounts receivable	-	(349)	-	-
Non-operating items in receivable from subsidiary	-	-	-	(6,384)
Realised (gains) losses on asset sales	(4)	335	-	-
	(54)	(295)	-	(6,384)
Net cash flows from operating activities	3,936	5,188	(298)	2,773

NOTE 7 TAXATION

Statement of Comprehensive Income				
Net profit (loss) before tax	4,084	(2,467)	(2,342)	911
Tax at the statutory rate of 30%	1,225	(740)	(703)	273
Adjusted for the tax effect of:				
Non assessable property revaluations	509	1,075	-	-
Non assessable income	(333)	(44)	-	-
Non deductible disposal loss	-	87	-	-
Non deductible impairment	-	-	549	-
Depreciation on land improvements	(172)	(275)	-	-
Long life buildings - deferred tax adjustment	-	433	-	-
Group loss offset	-	-	148	(669)
Non assessable intangible asset amortisation	-	204	-	-
Change in company tax rate from 30% to 28%	-	(87)	-	-
Other items	(53)	(46)	8	(36)
Tax expense (credit)	1,176	607	2	(432)
Represented by :				
Current tax	-	(430)	-	(430)
Deferred tax	1,176	1,037	2	(2)
	1,176	607	2	(432)

Notes to the Financial Statements

TAXATION - continued	GROUP	GROUP	PARENT	PARENT
	2011	2010	2011	2010
		<i>Restated</i>		
	\$000	\$000	\$000	\$000
Balance Sheet				
Deferred tax (assets) & liabilities relate to the following:				
Buildings depreciation & revaluation	1,376	1,280	13	-
Forest operations & revaluation	645	529	-	-
Plant depreciation	(77)	(71)	-	1
Livestock revaluation	121	(34)	-	-
Recognition of tax losses	(104)	(862)	-	-
Other items	43	(27)	(6)	(9)
Total	2,004	815	7	(8)
Disclosed as:				
Deferred tax liability	2,004	815	7	-
Deferred tax asset	-	-	-	(8)
	2,004	815	7	(8)

The company tax rate will reduce from 30% to 28% with effect from the 2011/2012 tax year. Therefore deferred tax has been measured at 28% as at 30 June 2011.

Tax losses are subject to the Company meeting the continuity of ownership requirements of tax legislation.

Changes to deferred tax provision	GROUP	GROUP	PARENT	PARENT
	2011	2010	2011	2010
		<i>Restated</i>		
	\$000	\$000	\$000	\$000
1) Recognised in profit or loss				
Buildings depreciation & revaluation	83	266	-	-
Forest operations & revaluation	116	(84)	-	-
Plant depreciation	(6)	10	(1)	-
Livestock revaluation	155	(15)	-	-
Utilisation (recognition) of tax losses	758	870	-	-
Other items	70	(10)	3	(2)
	1,176	1,037	2	(2)
2) Recognised in the balance sheet				
	-	504	-	-
3) Recognised in other comprehensive income				
	13	-	13	-
Total change in deferred tax provision	1,189	1,541	15	(2)

Notes to the Financial Statements

NOTE 8 IMPUTATION CREDIT ACCOUNT

	PARENT 2011 \$000	PARENT 2010 \$000
Balance at beginning of period	189	2,076
Imputation credits attached to dividends paid	-	(1,116)
Income tax paid (refunded) during the period	(26)	(771)
Balance at end of period	163	189

At balance date the imputation credits available to the shareholders of the Company were through direct shareholding in the Company. Imputation credits are dependent on the Company continuing to meet the requirements of tax legislation.

NOTE 9 INSURANCE PROCEEDS

In February 2011 the homestead on the Annandale property was destroyed by fire. The homestead was insured for replacement value. Agreement was reached with the underwriter for a cash settlement in lieu of replacement. This amount is accounted for as income as at 30 June 2011 and payment was received in July 2011. The annual revaluation of the property accounted for the loss of the homestead in the statement of comprehensive income.

NOTE 10 FINANCIAL INSTRUMENTS

Financial Instrument Classification	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
The carrying amounts of financial instruments by category are:				
Loans & receivables:				
Accounts receivable	1,936	1,056	6,204	8,455
Cash at bank	34	6	-	-
Financial assets at fair value through profit or loss:				
Designated - shares	6,919	6,891	-	-
Financial liabilities measured at amortised cost:				
Bank loans & overdraft	22,350	23,749	22,350	23,749
Accounts payable & accruals	1,661	1,238	1,018	861

Interest rate risk

The Group is exposed to changes in interest rates on its bank borrowings. All interest rates are fixed for periods of 120 days or less. As at 30 June 2011 the Group had entered into interest rate swaps to manage 80% (2010 0%) of the interest rate risk on its borrowing.

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 on Group profit after tax and equity of a 1% change in interest rates is \$161,000 (2010 \$166,000).

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

	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Less than one year	8,000	-	8,000	-
Between one and two years	10,000	-	10,000	-
	18,000	-	18,000	-

Notes to the Financial Statements

FINANCIAL INSTRUMENTS - *continued*

Commodity Price Risk

The Group is exposed to price risk on a number of agricultural commodities including logs, wool, meat and milk solids. The directors have identified changes to milk solid prices as having a material impact on profit. The effect on profit after tax and equity of a change in the price of milk solids of \$1.00 per kilogram would be \$522,000 (2010 \$513,000).

Market Price Risk

Shares in Fonterra Co-operative Group Limited are valued at a price set by Fonterra each year. If the price changed by 10% the effect on profit after tax and equity would be \$671,000 (2010 \$671,000).

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 \$1,092,000 (2010 \$784,000) receivable from Fonterra Co-operative Group Ltd. Also included is \$560,000 for building insurance proceeds, which was received in July 2011. There are no other significant concentrations of credit risk.

Maximum exposures to credit risk are:	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Cash at bank	34	6	10	-
Accounts receivable	1,936	1,056	76	93
Accounts receivable from subsidiary	-	-	6,128	8,362

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 2013.

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

	2011 Less than 12 months \$000	2011 1 to 3 years \$000	2010 Less than 12 months \$000	2010 1 to 3 years \$000
Accounts payable & accrued expenses	1,482	-	1,177	-
Interest bearing loans (incl. contracted interest)	22,529	-	23,810	-
	24,011	-	24,987	-

Fair Value of Financial Instruments

The fair values of financial assets designated at fair value through profit or loss are based on quoted prices in an active market for identical assets (Level 1 in the valuation hierarchy). The only material investment in this category is shares in Fonterra Co-operative Group Limited. The quoted price is the price at which Fonterra would have redeemed the shares as at 30 June 2011 if the Group requested a share redemption and complied with the redemption conditions.

Notes to the Financial Statements

NOTE 11 EQUITY

	GROUP 2011	GROUP 2010 <i>Restated</i>	PARENT 2011	PARENT 2010
	\$000	\$000	\$000	\$000
Share capital	107,122	107,122	107,122	107,122
Revaluation reserve	6,573	6,224	44	-
Retained earnings (accumulated deficit)	53,063	50,155	(10,035)	(7,691)
Total	166,758	163,501	97,131	99,431

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.

Share Capital

There are 42,168,932 shares on issue (2010 42,168,932).

	GROUP & COMPANY NUMBER OF SHARES		GROUP & COMPANY VALUE	
	2011	2010	2011	2010
	000	000	\$000	\$000
Opening balance	42,169	26,686	107,122	49,213
Shares issued	-	15,483	-	57,909
Closing balance	42,169	42,169	107,122	107,122

In December 2009 15,483,320 shares were issued to the non-controlling interest in New Zealand Rural Property Trust in exchange for their units in the New Zealand Rural Property Trust at a ratio of one share for 1.15 units held - refer to note 16.

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.

NOTE 12 INVESTMENT PROPERTIES

	GROUP 2011	GROUP 2010
	\$000	\$000
Opening balance	144,356	147,233
Additions	580	441
Revaluations	2,393	(3,318)
Closing balance	147,329	144,356

All investment properties were valued as at 30 June 2011 by independent registered valuer Telfer Young 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.

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 \$1,326,000 (2010 \$2,180,000).

Notes to the Financial Statements

NOTE 13 PROPERTY, PLANT & EQUIPMENT

	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Land & Buildings				
Opening balance	30,790	36,028	-	-
Additions	952	914	505	-
Depreciation	(34)	(42)	(2)	-
Disposals	-	(5,635)	-	-
Revaluations	(3,713)	(475)	57	-
Closing balance	27,995	30,790	560	-
Plant & Equipment				
Opening balance	1,120	1,159	26	36
Additions	632	371	22	3
Disposals	-	(154)	-	-
Depreciation	(281)	(256)	(12)	(13)
Closing balance	1,471	1,120	36	26
Cost	4,097	3,473	110	88
Accumulated depreciation	(2,626)	(2,353)	(74)	(62)
Net carrying amount	1,471	1,120	36	26
Total property, plant & equipment	29,466	31,910	596	26

Rural land and buildings were valued as at 30 June 2011 by independent registered valuer Telfer Young 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.

The commercial land and building was valued as at 30 June 2011 by independent registered valuer Crighton 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.

	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Valuations by valuer				
Telfer Young Limited	27,435	30,790	-	-
Crighton Stone Limited	560	-	560	-
	27,995	30,790	560	-

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

	GROUP 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Land	8,297	7,612	320	-
Buildings	2,128	1,957	185	-
Less accumulated depreciation	(640)	(637)	(2)	-
Net carrying amount	9,785	8,932	503	-

Notes to the Financial Statements

NOTE 14 LIVESTOCK

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

	GROUP 2011 No. of Head	GROUP 2010 No. of Head
Livestock on hand:		
Sheep	12,132	10,487
Cattle	2,977	2,848
	GROUP 2011 \$000	GROUP 2010 \$000
Sheep value		
Opening balance	947	1,225
Increases due to purchases	507	38
Decreases due to sales	(1,070)	(991)
Revaluation gains net of births & deaths	1,352	675
Closing balance	1,736	947
Cattle value		
Opening balance	1,971	2,372
Increases due to purchases	1,040	897
Decreases due to sales	(1,961)	(2,408)
Revaluation gains net of births & deaths	1,452	1,110
Closing balance	2,502	1,971
Total livestock	4,238	2,918

Livestock was valued as at 30 June 2011 by independent livestock valuers. 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.

NOTE 15 FOREST ASSET

The Group owns 860 hectares of pinus radiata trees. The harvesting of the first crop rotation was completed during the 2010 financial year. All trees in the second crop rotation are 10 years of age or younger.

	GROUP 2011 \$000	GROUP 2010 \$000
Opening balance	1,888	2,208
Forest redevelopment	371	454
Forest harvest depletion	-	(571)
Revaluation	45	(203)
Closing balance	2,304	1,888

The forest assets were valued as at 30 June 2011 by independent registered valuers. The valuation is on the basis of current fair value less point of sale costs. For trees over six years old fair value is determined by assessing the present value of the projected net cash flow from the harvest of the forest. An assessment of the appropriate market discount rates is made by the valuer. Trees under six years old are valued at replacement cost which approximates fair value.

The valuer for 2010 and 2011 was Chandler Fraser Keating Limited. A pre tax discount rate of 10% was used in the valuations for 2010 and 2011.

Notes to the Financial Statements

NOTE 16 INVESTMENT IN THE NEW ZEALAND RURAL PROPERTY TRUST

During the year ended 30 June 2010 the Group increased its ownership of units in the New Zealand Rural Property Trust from 62.6% to 100%. This was achieved by the Company making an offer of one ordinary REL share for every 1.15 units in the Trust that it did not own. The offer was approved by Trust unitholders and by the Company's shareholders in November 2009. Consequently the Company then issued 15,483,320 REL shares to the non-controlling interest.

The carrying value of the non-controlling interest as at the date of acquisition was \$67,973,000. The fair value of the shares issued as determined by an independent valuation was \$58,218,000. The principal methodology used in the independent valuation was a net assets based approach whereby the values for the Trust and the Company were derived primarily from the assessed market value of their assets. The difference between the carrying value of the non-controlling interest and the fair value of the shares issued is \$9,755,000 and is recognised directly in equity. The non-controlling interest share of other comprehensive income has been reattributed to REL as the parent. This resulted in a transfer from non-controlling interest of \$4,728,000 to asset revaluation reserve and \$5,027,000 to retained earnings.

As part of the transition to 100% ownership in 2010, REL also acquired 2,553,648 Trust units from subsidiary New Zealand Rural Property Trust Management Limited for \$6,384,000.

NOTE 17 INVESTMENTS

	GROUP	GROUP	PARENT	PARENT
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
Subsidiary Entities				
Shares in New Zealand Rural Property Trust Management Limited - 100% owned	-	-	703	2,532
Shares in REL - Trust Management Limited - 100% owned	-	-	-	-
Units in the New Zealand Rural Property Trust - 100% owned - refer note 16.	-	-	112,993	112,993
	-	-	113,696	115,525
Other Investments				
Shares in Fonterra Co-operative Group Limited	6,712	6,712	-	-
Other shares at valuation	207	179	-	-
	<u>6,919</u>	<u>6,891</u>	<u>113,696</u>	<u>115,525</u>

The investment in New Zealand Rural Property Trust Management Limited has been written down to the value of the net asset value of the Company.

NOTE 18 BANK LOANS

The Company has loan facilities with ANZ National Bank Limited totalling \$30.5M. As at 30 June 2011 the facility was drawn to \$22.4M (2010 \$23.7M) at a weighted average interest rate of 3.60% (2010 3.75%) with maturities reset every 90 days or less.

A general security agreement has been provided to ANZ National Bank Limited covering all the Group's assets. The facility expires on 5 May 2013.

See note 10 for interest rate risk management.

Notes to the Financial Statements

NOTE 19 EARNINGS PER SHARE

	GROUP 2011	GROUP 2010
Numerator - \$000		
Earnings attributable to parent company interests	2,908	(2,617)
Denominator - 000 shares		
Weighted average number of shares on issue	42,169	35,718
Basic Earnings (Loss) per share - \$ per share	\$0.07	\$(0.07)
Diluted Earnings (Loss) per share - \$ per share	\$0.07	\$(0.07)

NOTE 20 RELATED PARTY DISCLOSURES

The Company had entered into a Deed of Lease with Ecco Building Partnership for the lease of the Company's office premises at 120 Karamu Road North, Hastings. Sir Selwyn Cushing, a director of REL, is one of the partners of Ecco Building Partnership. The lease was for a term from 13 February 2006 until 28 February 2011 with a further right of renewal until 25 November 2014. The annual rent was \$23,700. The lease was terminated in October 2010 when REL purchased the building (see below). The amount of rental paid by the Company to Ecco Building Partnership during the four months to October 2010 was \$7,500. For the year ended 30 June 2010 the rent paid was \$22,800. There was no amount owing as at 30 June 2011 (30 June 2010 Nil).

In October 2010 REL purchased the premises at 120 Karamu Road North, Hastings from the partners of Ecco Building Partnership for \$520,000, being the value assigned by independent public valuer, Crighton Stone Limited.

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 \$49,000 (2010 \$22,000). The amount owing at balance date was \$11,000 (2010 \$4,000).

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 \$12,000 (2010 \$10,500). The amount outstanding as at 30 June 2011 was \$12,000 (2010 \$10,500) and has since been paid in full.

During the year the Public Trust provided trustee services to the Group as trustee for the New Zealand Rural Property Trust. Rodger Finlay, a director of REL, is a Board Member of Public Trust. The fees paid to Public Trust for these services totalled \$28,000 for the year. For the part year ended 30 June 2010 the fees paid to Public Trust were \$12,000. The amount outstanding as at 30 June 2011 was \$7,000 (2010 \$7,000) and has since been paid in full.

NOTE 21 COMMITMENTS & CONTINGENT LIABILITIES

Operating Lease Commitments

The Group leases farm land adjacent to three 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 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Within one year	193	232	32	28
After one year but not more than five years	280	335	50	-
Total future minimum lease payments	473	567	82	28

Notes to the Financial Statements

COMMITMENTS & CONTINGENT LIABILITIES - *continued*

Operating Lease Commitments Receivable as Lessor

The Group's investment properties 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 2011 \$000	GROUP 2010 \$000	PARENT 2011 \$000	PARENT 2010 \$000
Within one year	2,845	2,763	30	-
After one year but not more than five years	1,269	1,267	-	-
After more than five years	180	360	-	-
Total	4,294	4,390	30	-

Property, Plant & Equipment Commitments

The Group had commitments contracted but not provided for as at 30 June 2011 for farm development expenditure of \$204,000 (2010 \$70,000).

Contingent Liabilities

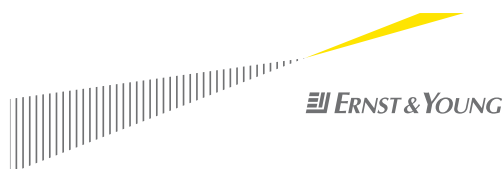
There are no contingent liabilities as at 30 June 2011 (2010 Nil).

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 48% (2010 35%) of its revenue from Fonterra Co-operative Group Limited. This is for milk supplied by the Group's six dairy farms.



To the Shareholders of Rural Equities Limited

Report on the Financial Statements

We have audited the financial statements of Rural Equities Limited and its subsidiaries on pages 8 to 26, which comprise the balance sheet of Rural Equities Limited and the Group as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company and Group, and a summary of significant accounting policies and other explanatory information.

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 has been undertaken so that we might state to the Company's shareholders those matters 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.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that they give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing 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 our 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, we have considered the internal control relevant to the entity's preparation of the 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 entity'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 we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interest in Rural Equities Limited or any of its subsidiaries.

Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Opinion

In our opinion, the financial statements on pages 8 to 26:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Rural Equities Limited and the Group as at 30 June 2011 and the financial performance and cash flows of the Company and Group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required.
- in our opinion proper accounting records have been kept by Rural Equities Limited as far as appears from our examination of those records.

The Ernst & Young signature logo is written in a blue, cursive script.

25 August 2011

Auckland

Additional Disclosures

DIRECTORS AND REMUNERATION

The Directors of Rural Equities Limited ("REL") as at 30 June 2011 were Sir Selwyn Cushing (Chairman), Murray Gough (Deputy Chairman), Sir Ronald Carter, David Cushing, Rodger Finlay, John Green and Andrew Train. There were no resignations or appointments during the year.

The Directors of New Zealand Rural Property Trust Management Limited ("NZRPTML") as at 30 June 2011 were Sir Selwyn Cushing (Chairman), Murray Gough (Deputy Chairman), David Cushing, Rodger Finlay, John Green and Andrew Train. There were no resignations or appointments during the year.

The Directors of REL – Trust Management Limited as at 30 June 2011 were Sir Selwyn Cushing (Chairman), Sir Ronald Carter, David Cushing, Rodger Finlay, Murray Gough and James Wright (Alternate for Sir Selwyn Cushing). 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 2011.

	\$
Sir Ronald Carter	25,000
David Cushing	25,000
Sir Selwyn Cushing	40,000
Rodger Finlay	30,000
Murray Gough	30,000
John Green	25,000
Andrew Train	25,000

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 2011 he was paid consultancy fees of \$12,000 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 2011:

David Cushing is an Alternate Director of PGG Wrightson Limited.

Sir Selwyn Cushing is a Director of PGG Wrightson Limited.

Murray Gough is a Director of ANZCO Foods Limited.

John Green is a Director of Perpetual Capital Management Limited.

Rodger Finlay is a Board Member of Public Trust.

Disclosure of share dealing by Directors and Directors' relevant interest in REL shares as at 30 June 2011

On 14 March 2011 John Green transferred 5,640 REL shares to John Green and Ann Green as Trustees of the J M Green Family Trust (an associate of John Green).

On 14 March 2011 Ann Green (an associate of John Green) transferred 12,180 REL shares to John Green and Ann Green as Trustees of the J M Green Family Trust (an associate of John Green).

On 14 March 2011 Ann Green (an associate of John Green) transferred 17,820 shares to Ann Green and John Green as Trustees of the C A Green No 2 Trust (an associate of John Green).

	Held Beneficially	Held by Associated Persons
Sir Ronald Carter	-	172,150
David Cushing	263,160	21,981,409 ¹
Sir Selwyn Cushing	85,673	22,119,173 ¹
Rodger Finlay	-	937,781
Murray Gough	-	216,488
John Green	-	35,640
Andrew Train	2,872	-

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

DIRECTORS' INDEMNITY AND INSURANCE

On 31 May 2010 REL renewed its Directors' and Officers' Liability insurance policy for the Group for the period 31 May 2010 to 31 May 2011. On 31 May 2011 REL renewed this policy for a further year until 31 May 2012.

DONATIONS

REL did not make any donations during the financial year ended 30 June 2011.

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 2011 three employees received remuneration and other benefits of between \$220,000 and \$230,000.

Shareholder Information

As at 14 September 2011

TOP TWENTY SHAREHOLDERS

Holder	Number of Shares Held	%
H&G Limited	21,092,762	52.55
RotoruaTrust Perpetual Capital Fund Limited	4,255,677	10.60
RGH Holdings Limited	917,293	2.28
WJ Greenwood, ISM Robertson & AJ Mansell (Squirrel Trust)	593,544	1.47
FE Mayell & DA Young (FE & H Mayell Trust)	500,000	1.24
BJ Martin	394,127	0.98
Seajay Securities Limited	313,625	0.78
New Zealand Methodist Trust Association	300,000	0.74
BD & SJ Cushing (KD Cushing Family Trust)	263,160	0.65
JW & MV Spiers	245,492	0.61
Makowai Farm Limited	208,966	0.52
B&S Custodians Limited	182,000	0.45
Ashfield Properties Limited	178,560	0.44
LM Marx-Sheather, WB Sheather, PV Sheather & SM Palmer (Sheather Family Trust)	169,179	0.42
FNZ Custodians Limited	162,029	0.40
Riddell Funds Management Limited	148,000	0.36
New Zealand Central Securities Depository Limited	134,724	0.33
MGS Fund Limited	124,234	0.30
RG Goodrick	120,000	0.29
BJ Cushing	101,823	0.25

ANALYSIS OF SHAREHOLDING BY SIZE

	Number of Shareholders	%	Number of Shares Held	%
1 – 999	202	13.15	92,981	0.23
1,000 - 4,999	810	52.73	2,026,604	5.05
5,000 – 9,999	273	17.77	1,877,579	4.68
10,000 – 49,999	205	13.35	3,896,560	9.71
50,000 – 99,999	25	1.63	1,733,115	4.32
100,000 and over	21	1.37	30,505,985	76.01
Total	1536		40,132,824	

ANALYSIS OF SHAREHOLDING BY LOCATION

	Number of Shareholders	%	Number of Shares Held	%
Upper North Island	697	45.38	9,351,852	23.30
Gisborne	45	2.93	249,731	0.62
Hawke's Bay	191	12.44	24,090,920	60.03
Manawatu/Wanganui/Wairarapa	91	5.92	452,655	1.13
Wellington	169	11.00	2,242,681	5.59
South Island	264	17.19	3,265,896	8.14
Overseas	79	5.14	479,089	1.19
Total	1536		40,132,824	

All the Shareholder Information detailed above was prepared as at 14 September 2011 and therefore excludes the 2,036,108 REL shares that were acquired by the Company on 2 September 2011 and then cancelled.

Corporate Governance

ROLE OF THE DIRECTORS

The Directors of Rural Equities Limited ("REL") are responsible to shareholders for the performance of REL, 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 management.

New Zealand Rural Property Trust Management Limited ("NZRPTML") is responsible for the management of the New Zealand Rural Property Trust ("NZRPT") which, although now 100% owned by REL, remains a separate legal entity with its business (specifically the operation of the farm properties and the forest) overseen by the Directors of NZRPTML.

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

APPOINTMENT AND MEETINGS

The Directors of REL are appointed by the REL shareholders. The Directors of NZRPTML are appointed by REL.

The Directors of REL and NZRPTML meet approximately eight times during the year for scheduled meetings, with additional meetings held if necessary to consider urgent issues. Within each Board is a broad mix of skills and experience relevant to the guidance of the businesses.

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, liaison 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.

Members of the Audit Committee are Rodger Finlay (Chairman), David Cushing, Murray Gough and John Green.



DIRECTORY

DIRECTORS

Sir Selwyn Cushing
Chairman

Murray Gough
Deputy Chairman

Sir Ronald Carter

David Cushing

Rodger Finlay

John Green

Andrew Train

EXECUTIVE

Brian Burrough
Chief Executive Officer

Owen Trimmer
Chief Financial Officer

James Wright
Chief Operating Officer

REGISTERED OFFICE

Rural Equities Limited
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Telephone 06 870 4672
Facsimile 06 870 4673
Email enquiries@ruralequities.co.nz
Website www.ruralequities.co.nz

SHARE REGISTRY

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622
Private Bag 92119, Auckland 1142
Telephone 09 488 8700
Facsimile 09 488 8787



Discussing the day's work at Waikoha



Morning fog at Waimahaka

