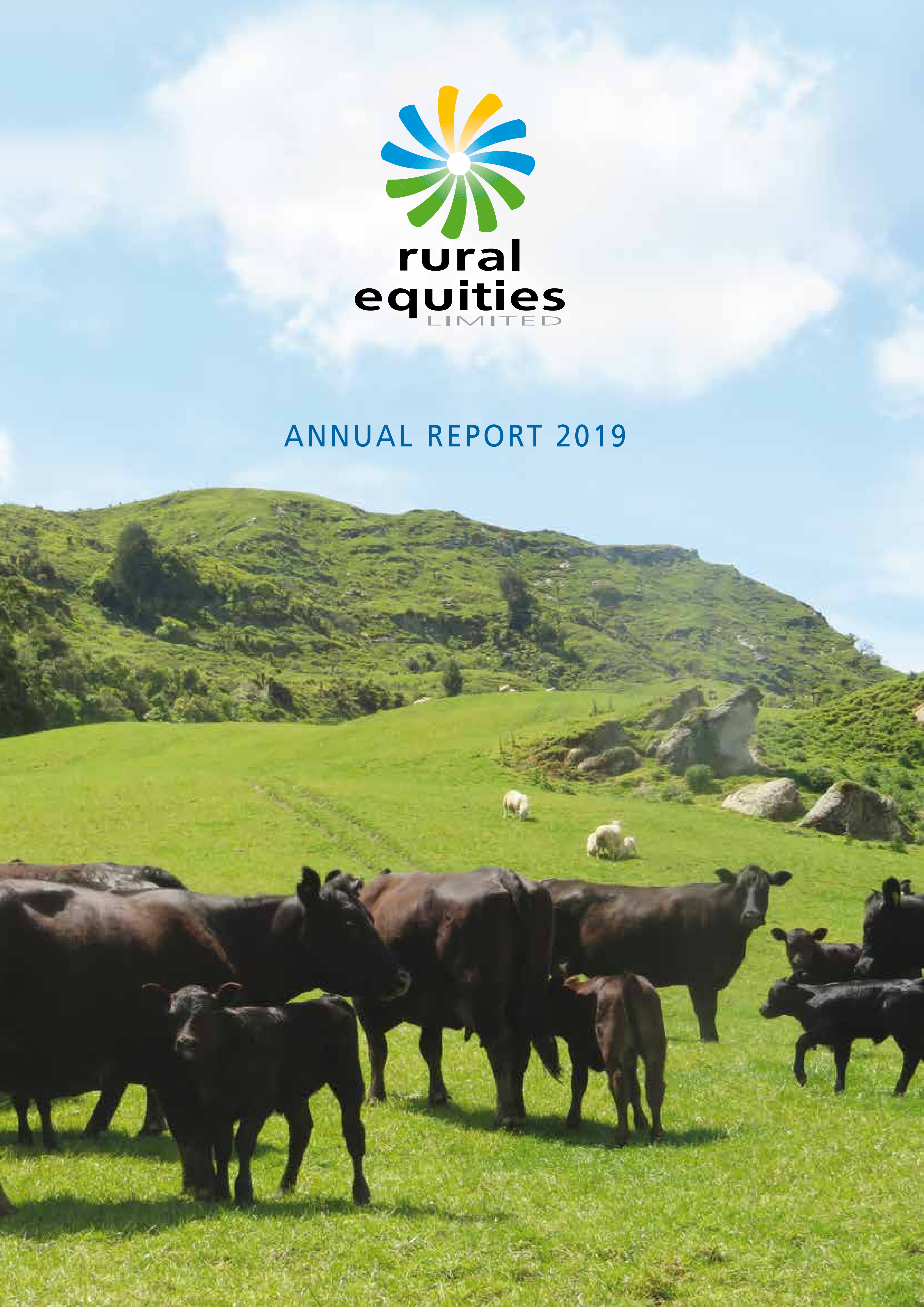
rural equities LIMITED

ANNUAL REPORT 2019



CONTENTS

Executive Chairman's Report	1
Farming Review	3
Farm Property Schedule	7
Property Location Map	7
Financial Statements	8
Independent Auditor's Report	22
Additional Disclosures	23
Shareholder Information	24
Corporate Governance	24
Directory	IBC

Maize silage grown under irrigation - Wentworth

Cover: *Angus cows with calves at foot – 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 20 November 2019 at 3.30 pm.

ORDINARY BUSINESS

1. To receive and consider the Company's financial statements for the year ending 30 June 2019 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, Nigel Atherfold retires by rotation and is 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.

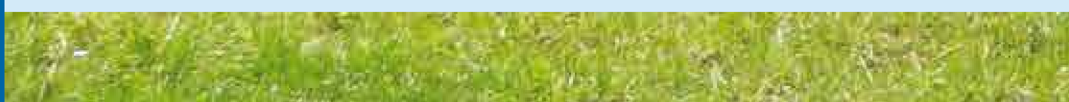
NOTES

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 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) to be received not less than 48 hours before the commencement 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 of Rural Equities Limited (REL) are pleased to present the 2019 Annual Report for the REL Group (the Group).

The Group recorded an audited tax loss for the year ended 30 June 2019 of $7.84 million. This compares with a surplus of $4.45 million recorded the previous year.

Important features of the year were:

- Net Asset Value per share at 30 June 2019 was $5.54 which is a reduction of 25 cents per share on last year's record NAV of $5.79.
- The Group's operating earnings before interest and tax was $4.93 million.
- A 3 cents per share dividend will be paid on 16 October 2019 for the year ended 30 June 2019.
- The Group sold six of its rural properties for total proceeds of $39.20 million.
- All the Group's bank debt was repaid and as at 30 June 2019 the Group had cash assets of $22.70 million.
- The Group produced a record 2.19 million kilograms of milk solids from its seven dairy farms, a 4% increase on the previous season.

The Group's operating earnings before interest and tax was $4.93 million which is down slightly on the $5.03 million recorded last year. The Group's seven dairy farms performed well producing 2.19 million kilograms of milk solids, slightly ahead of last season. The two Waikato properties were negatively impacted by the severe drought in that region which resulted in low growth rates in lambs and cattle, and the necessity to sell capital stock.

The contribution from the Group's leased properties was $1.84 million which is back slightly on last year. This contribution will reduce further as a consequence of the property sales.

The value of the properties in the Group's property portfolio on 30 June 2019 reduced in value by $4.25m and the book value of the Group's shareholding in Fonterra and Webster Limited declined by $4.31m.

Fonterra's final milk price for the season ended 31 May 2019 was $6.35 per kilogram of milk solids, which is a $0.34 decrease on last season's milk price. Synlait's final base milk price was $6.40 per kilogram ($6.65 last season). In addition, the Group receive premiums for a2 milk and Lead With Pride from Synlait. This year international dairy prices have once again been relatively stable. There is strong

Pastoral scene - Waikoha

global demand for milk products, particularly from China, while there has only been modest growth in global milk supply. We expect milk prices to remain generally firm over the coming season.

The Group is in a strong financial position. During the year, through the sale of properties, all bank debt was repaid and as at 30 June 2019 the Group had cash assets of $22.70 million. At balance date total assets were $180.15 million and net equity was $177.34 million.

PORTFOLIO

During the financial year the Group sold six rural properties; Delorain, Tahuna, Maranoa, Puketotara, Glendowns and part of Dalmuir. The total proceeds from these sales was $39.20 million - collectively a 6% discount to the 30 June 2018 book values. The six farm sales were completed satisfactorily in a challenging market where the number of farm sales in New Zealand reduced by 10% from the previous year.

As previously advised, the Directors have been considering alternative investment opportunities. This winter radiata pine was planted on 100 hectares of unproductive land at Waikoha, with a similar area of natives and radiata pine to be planted next year. These will provide future income from production forestry and carbon credits.

Since balance date the Group has acquired a 3.77% stake in rural services company PGG Wrightson Limited for $6.67

million. Other long term investment opportunities continue to be evaluated.

CAPITAL MANAGEMENT

During the financial year under review REL completed two repurchase offers to shareholders. In October 2018, 650,000 shares were repurchased for $4.90 per share and in March 2019, 650,000 shares were repurchased for $4.75 per share. Both offers were oversubscribed and scaling was required. The shares repurchased were subsequently cancelled and REL now has 32,023,842 shares on issue.

Over the past eight years REL has completed eight repurchase offers and has cancelled more than 10 million shares.

DIVIDEND

Due to the loss incurred, modest operating cash flows and the desire by the Directors to retain cash for further investment, the dividend has been reduced to 3 cents per share (last year 5 cents). The record date was Friday 4 October 2019 and the dividend will be paid on Wednesday 16 October 2019.

DIRECTORS

In accordance with REL's constitution Nigel Atherfold retires by rotation at this year's Annual Meeting on 20 November 2019 and is seeking re-election as a Director.

Aerial topdressing - Waikoha

Woodlands

OUTLOOK

As anticipated, the rural property market continues to be subdued as a consequence of the exclusion of foreign buyers, more restrictive bank lending and the likelihood of the introduction of more stringent environmental requirements. We expect these factors to continue to impact on the rural property market in the short to medium term.

At this stage agricultural commodity prices for the year ahead are firm, with the exception of wool. However, this could change quickly as global trade issues play out. A weaker New Zealand dollar and lower interest rates will benefit the rural sector.

REL 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. Further investment opportunities will be considered that provide improved returns and portfolio diversification.

David Cushing
EXECUTIVE CHAIRMAN

Farming Review

SCOPE OF OPERATIONS

REL is a company which primarily invests in and manages rural property for long term capital growth and income. REL owns seventeen farms comprising 7,176 hectares. The farms are a mix of sheep and beef, deer, dairy and arable farms that are spread throughout New Zealand from Waikato to Southland. There are twelve properties in the South Island and five in the North Island. Nine farms (3,153 hectares) are leased to external operators and the other eight farms (4,023 hectares) are directly managed.

Six of the directly managed farms are dairy farms comprising 1,430 hectares and approximately 4,800 cows are milked in conjunction with 50-50 sharemilkers. There is one dairy grazing property in Canterbury. The remaining directly managed property (Waikoha) is a large sheep and beef farm with some forestry, comprising 2,510 hectares and running 14,500 stock units in the Waikato.

FARMED PROPERTIES

The directly managed farms produced another solid contribution to profit in the year to 30 June 2019 of $3.89 million. This is $240,000 (6%) lower than last year. Although the milk prices from Fonterra and Synlait reduced, milk production increased by 4% to a record 2.19 million kilograms. This is a creditable result. The Waikato sheep and beef farms were both severely impacted by a 50 year summer and autumn drought and accordingly produced a lower contribution. At Waikoha, capital stock numbers were reduced by 30%, and trading stock – store lambs and cattle – were sold early and at lower weights from both Puketotara and Waikoha due to the dry conditions and feed shortages. The drought conditions continued from January until late May. Fortunately, lamb, mutton and beef schedule prices continued at favourable levels thereby supporting a strong store livestock market. Wool prices declined further from already historically low levels. The cost of shearing the ewe flock is now higher than the income earned from the wool shorn. The sheep must however be shorn as normal for animal health and welfare reasons.

DAIRY FARMS

This season 2.19 million kilograms of milk solids were supplied to Fonterra and Synlait. This level of milk production is 4% ahead of the 2.10 million kilograms produced in the 2017-18 season and is the third year in which milk production has exceeded two million kilograms. Cow numbers and stocking rates on the farms are relatively constant, however each season improvements in the farm management systems and feed planning produces additional milk.

Once again, we have seen relatively stable milk prices compared to the volatility that was previously evident. The opening forecast milk price from Fonterra was $7.00 per kilogram of milk solids which then reduced and varied in the range from $6.25 to $6.60, ending the season at $6.35. Synlait's opening forecast milk price was also $7.00 but reduced in steps to end the season at $6.40 per kilogram. Premiums from Synlait for a2 Milk and Lead With Pride (LWP) accreditation were paid in addition to the milk price. These premiums vary between farms with 20 cents paid for a2 Milk and up to another 20 cents for LWP.

Dairy cows - Tatarepo

Milk Price Futures, for a proportion of the milk produced, were again used as a risk management strategy to provide certainty for some of the Group's milk income. Additional futures contracts have been placed for the season ending 31 May 2020 and we expect this will be an ongoing strategy.

For the current season ending 31 May 2020, the opening forecast milk price from Fonterra is in the range from $6.25 to $7.25 (mid-point $6.75) and $7.00 per kilogram from Synlait. As indicated by milk commodity futures prices and in line with global dairy commodity market prices, forecast milk prices are expected to remain reasonably stable and within the indicated price range as the season progresses.

We are pleased to continue supplying milk to Synlait from the three Canterbury dairy farms. This allows the Group and its sharemilkers to be financially rewarded for additional value created on the farms. All three Canterbury dairy farms supply a2 Milk and two of the farms have been audited to achieve LWP accreditation which is an internationally recognised ISO quality assurance programme. The four areas of LWP best management practice cover social responsibility (people), animal health and welfare, milk quality and importantly, the environment.

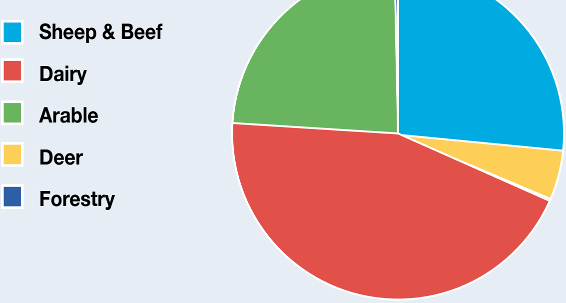
New effluent storage pond - Rocklea

It is pleasing to note that the new sharemilkers at Rocklea worked very hard to achieve LWP accreditation in their first season on the farm and were justly rewarded by winning the Excellence in Social Responsibility Award in the 2019 Synlait Dairy Honours Awards. Our Milford sharemilkers were also recognised and nominated for the Excellence in Animal Health and Welfare Award.

Implementing documented and audited best farm practice systems and upgrading the effluent infrastructure, also in accordance with best farm practice, forms part of achieving LWP status. This season new effluent storage ponds were built and the effluent distribution system was upgraded at Rocklea. Similar improvements are planned at Milford in the 2019-20 season and follow new larger effluent storage ponds in Southland at both Shenstone and Tatarepo in recent years.

Improving environmental outcomes are a normal part of our dairy farm operations. Eiffelton was converted using the most modern systems and technology available covering animal identification, recording and management, effluent solid separation, computer controlled variable rate irrigation for both water and effluent, and soil moisture monitoring. This has resulted in a greater than 60% reduction of nitrogen leaching losses to the soil. The same technology is being introduced to the other dairy farms. We are also looking more at our carbon footprint. Planting both native and radiata pine trees at Waikoha over the next few years will offset a significant proportion of carbon produced from other farms in the Group. We will look to adopt new research techniques where appropriate which may include methane-reducing animal drenches and new pasture species.

PORTFOLIO BY SECTOR
(based on current valuation)



SHEEP AND BEEF FARMS

The directly managed sheep and beef farms have comprised the two Waikato properties - Puketotara (1,146 hectares) and Waikoha (2,510 hectares). In total approximately 26,500 stock units were carried on 2,800 effective hectares. Puketotara, located near Huntly, operated as a finishing unit in association with Waikoha which is located at Te Pahu, near Hamilton. Waikoha is a breeding unit with approximately 7,800 ewes and 420 beef breeding cows plus replacement and trading stock. This integrated policy allows store lambs and non-replacement weaner cattle bred at Waikoha to be farmed within the Group until they are ready for slaughter. Obtaining maximum value from all stock that is bred is a key element in the integration of these farms.

Puketotara was sold during the year and settled in late June 2019. This decision was made as part of the farm portfolio review. Although it provided scale of operations and worked well with Waikoha, both farms are in the same climatic zone which was apparent this season when both were impacted by the severe drought.

Middle Hills in Central Hawke's Bay (545 hectares) has been a leased farm owned by the Group for 30 years. At the end of the Middle Hills current lease in February 2020, the property will become part of the Group's sheep and beef directly farmed properties and will be run in conjunction with Waikoha. This is a positive move and will enable winter finishing of store lambs from Waikoha which is when lamb schedule prices are at their highest seasonal levels. Surplus trade cattle from Waikoha will also be finished at Middle Hills which is in a normally higher rainfall area of Hawke's Bay with a different climate compared to Waikoha.

Waikoha will continue to operate as a predominantly sheep and beef cattle breeding property. Both stock numbers and farm performance at Waikoha have improved over the past 13 years, since the property has been directly managed. The result is increased numbers of lambs bred and cattle

Pastoral scene – Middle Hills

being finished for slaughter. Significant improvements can be seen over the last three years particularly, coming from new management, improved soil fertility and pasture production, gorse control, fencing, stock water and other infrastructure being developed.

Three years of farm environment plan work has been completed in association with the Waikato Regional Council. This has included the permanent retirement from grazing of 190 hectares of native bush as well as an extensive stream bank and wetland fencing and planting programme. A plan is in place for more work in identified wetlands and additional streambank fencing and planting in the 2019-20 financial year.

At Waikoha there is approximately 92 hectares of radiata pine trees. Most were replanted following harvest of the previous plantation in 2010 and others in new blocks over the last three years. There are a further 10 hectares of new manuka plantings which are intended for honey production. In addition, low productive hill country areas have been

Kaniwhaniwha Stream fenced off showing stream bank planting after 6 years – Waikoha

identified at Waikoha that will be planted in both native and radiata pine trees. In the 2019 winter approximately 100 hectares have been planted with another similar area planned for planting next winter. We expect to plant around 300 hectares in the next three years which will provide future income from production forestry and sequester carbon to earn income from carbon credits or offset the carbon footprint from other farms in the Group. We have also identified areas on other sheep and beef farms in the Group which can be planted in trees, with a mix of natives and radiata pine planned. The tree planting and forestry programme will add diversity to the property portfolio with another income stream and make optimum use of different land classes.

Hill country pastures at Waikoha showing riparian planting and fenced off waterways

LEASED PROPERTIES

The Group now has nine properties totaling 3,153 hectares 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 many 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. The rental yields from the leased farms tend to be in the range from two to three percent.

The name, location, size and type of property in the Group's portfolio are shown in the Farm Property Schedule and the Property Location Map on page 7.

OTHER FARM MATTERS

Health and Safety

The daily operation of our farms exposes our own farm staff and other people who work there to a wide range of risks. The Health and Safety at Work Act 2015 provides that all businesses have the primary responsibility for the health and safety of their workers and are required to take all practical steps to eliminate or mitigate other risks.

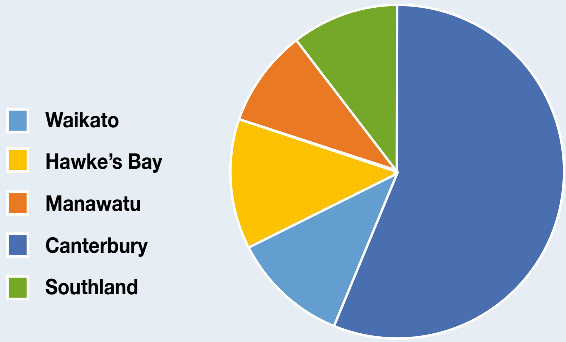
A health and safety programme is in place on all the Group's properties and the Directors have constituted a Committee specifically to oversee this important area of the Group's activities – further details are provided under Corporate Governance on page 24.

Mycoplasma bovis

Mycoplasma bovis (M bovis) is a disease affecting dairy and beef cattle and was discovered in New Zealand in July 2017. Since then infected animals have been found on 193 properties across New Zealand, of which 172 have been cleared of the disease by depopulating cattle and undergoing a thorough cleaning and disinfection process. The infected properties are then able to resume normal farm operations.

Two of the Group's properties have had animals from infected farms traced to them but have been cleared with no infection after testing of the cattle on those farms.

PORTFOLIO BY REGION
(based on current valuation)



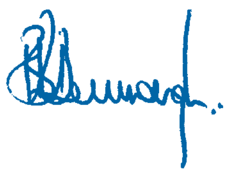
A further two properties were confirmed to have M bovis and have now been cleared and have returned to normal farm operations. One of those, a Canterbury dairy farm, was confirmed to have M bovis in February 2019. The source of the infection was a group of 15 replacement heifers that were purchased from another farm, which was clear of M bovis at the time, but later became infected from other animal movements that were traced to that property. The process of depopulating the farm of the whole cow herd, which was slaughtered was very stressful to the sharemilkers. There were initially several rounds of cow testing to confirm the disease was present then the cows were dried off early and slaughtered with the consequent loss of milk production. This was necessary in order to have the farm cleaned and certified for the replacement herd to arrive ready for calving and the start of the 2019-20 milking season. Compensation is payable for the lost milk production and the value of the herd. We anticipate other properties in the Group may also be affected before the disease is eradicated from New Zealand.

Action for Healthy Waterways

The Government has recently released the Action for Healthy Waterways discussion document that sets out numerous proposals to improve the quality of freshwater in New Zealand. The proposals call for action so that tangible benefits are evident within five years, thus there will be some necessary short to medium term actions required as well as longer term consequences and associated costs for almost all farms in New Zealand.

Like many other farmers, the Group has been voluntarily undertaking a range of initiatives by committing significant capital and working within existing Regional Plans and nitrogen reduction rules to achieve improved environmental outcomes. Some examples of this work are covered earlier in this report.

We anticipate there will be more work to do, with Farm Environment Plans required for all farms, additional streambank fencing on the sheep and beef farms and further reduction of nutrient losses on some properties. There will be an impact and additional costs for all farms in the Group.

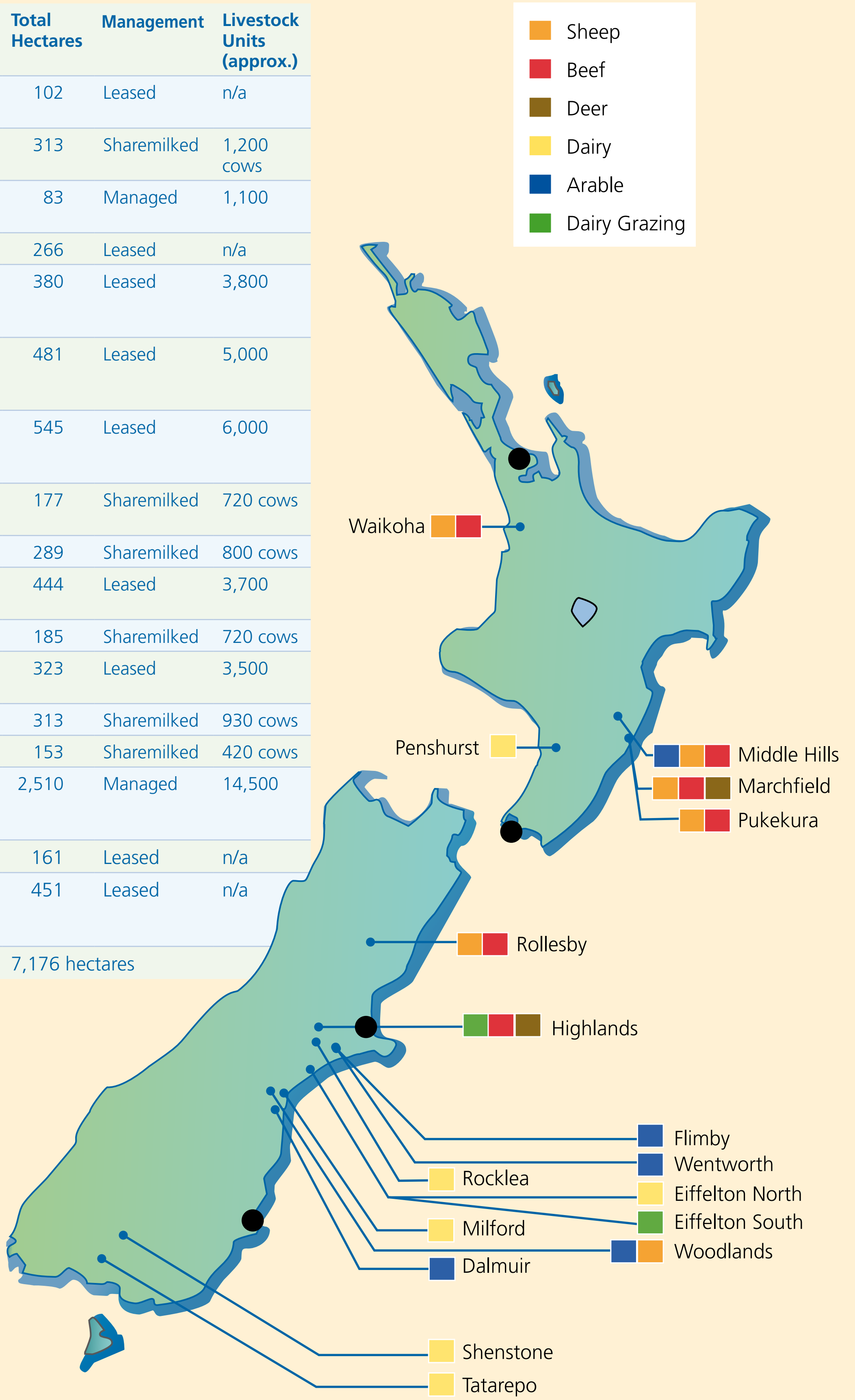


Brian Burrough
CHIEF EXECUTIVE OFFICER

Farm Property Schedule and Location Map

As at 30 June 2019

Property	Type	Region	Total Hectares	Management	Livestock Units (approx.)
Dalmuir	Arable	South Canterbury	102	Leased	n/a
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
Highlands	Deer/ Beef/Dairy Grazing	Canterbury	380	Leased	3,800
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	289	Sharemilked	800 cows
Pukekura	Sheep/Beef Finishing	Hawke's Bay	444	Leased	3,700
Rocklea	Dairy	Canterbury	185	Sharemilked	720 cows
Rollesby	Sheep/Beef Finishing	North Canterbury	323	Leased	3,500
Shenstone	Dairy	Southland	313	Sharemilked	930 cows
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			7,176 hectares		



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $000	2018 $000
Revenue			
Farm income	5	9,528	9,875
Leased property income		1,889	1,977
Dividend income		175	261
Other income		434	141
		12,026	**12,254**
Expenses			
Farm working expenses	6	5,642	5,748
Leased property expenses		53	56
Other expenses		1,400	1,420
		7,095	**7,224**
Net profit before interest, property sales and revaluations		**4,931**	**5,030**
Interest expense		(438)	(636)
Loss on sale of property, plant and equipment		(2,676)	-
Revaluations	4	(8,561)	1,103
		(11,675)	**467**
Net profit / (loss) before tax		**(6,744)**	**5,497**
Income tax expense	8	967	977
Net profit / (loss) after tax		**(7,711)**	**4,520**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of property, plant and equipment	4	(270)	(60)
Tax credit / (expense) on other comprehensive income	8	140	(9)
Total other comprehensive income net of tax		**(130)**	**(69)**
Total comprehensive income / (loss)		**(7,841)**	**4,451**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Share Capital $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2017		**75,537**	**11,457**	**103,323**	**190,317**
Net profit after tax for the year		-	-	4,520	4,520
Other comprehensive loss net of tax		-	(69)	-	(69)
Total comprehensive income		**-**	**(69)**	**4,520**	**4,451**
Share repurchase and cancellation		-	-	-	-
Dividend paid		-	-	(1,666)	(1,666)
Balance at 30 June 2018	11	**75,537**	**11,388**	**106,177**	**193,102**
Balance at 1 July 2018		75,537	11,388	106,177	193,102
Net loss after tax for the year		-	-	(7,711)	(7,711)
Other comprehensive loss net of tax		-	(130)	-	(130)
Total comprehensive loss		**-**	**(130)**	**(7,711)**	**(7,841)**
Share repurchase and cancellation		(6,286)	-	-	(6,286)
Dividend paid		-	-	(1,634)	(1,634)
Balance at 30 June 2019	11	**69,251**	**11,258**	**96,832**	**177,341**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $000	2018 $000
Current assets			
Cash and cash equivalents		22,701	20
Accounts receivable and prepayments	10	2,063	2,004
Held for trading instruments	10	161	127
Properties held for sale	13	-	8,815
Livestock	15	138	2,111
Feed and produce on hand		624	797
		25,687	13,874
Non Current Assets			
Investment properties	12	122,398	145,798
Property, plant and equipment	14	18,102	31,354
Livestock	15	2,249	2,637
Forest		379	220
Investments	16	11,333	15,894
		154,461	195,903
Total assets		**180,148**	**209,777**
Current liabilities			
Accounts payable and accrued expenses		882	1,390
Provision for tax		598	720
Bank loans	17	-	12,800
		1,480	14,910
Non-current liabilities			
Deferred tax liability	8	1,327	1,765
		1,327	1,765
Equity			
Fully paid up ordinary shares		69,251	75,537
Asset revaluation reserve		11,258	11,388
Retained earnings		96,832	106,177
	11	177,341	193,102
Total liabilities and equity		**180,148**	**209,777**

On behalf of the Directors, who authorised the issue of these consolidated financial statements, dated 2 September 2019.

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 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		15,049	12,965
Dividends received		176	444
Interest received		15	2
		15,240	13,411
Cash was applied to:			
Payments to suppliers and employees		7,885	8,687
Taxation paid		1,384	477
Interest paid		621	593
		9,890	9,757
Net cash flows from operating activities	7	**5,350**	**3,654**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of shares		315	-
Proceeds from sale of property, plant and equipment		39,201	123
		39,516	123
Cash was applied to:			
Improvements to investment properties		646	2,068
Improvements to other properties		465	203
Purchases of plant and equipment		353	261
		1,464	2,532
Net cash flows from (used in) investing activities		**38,052**	**(2,409)**
Cash flows from financing activities			
Cash was provided from:			
Term loans advance		-	400
		-	400
Cash was applied to:			
Term loans reduction		12,800	-
Share repurchase and cancellation	11	6,287	-
Dividend paid		1,634	1,666
		20,721	1,666
Net cash flows used in financing activities		**(20,721)**	**(1,266)**
Net change in cash and cash equivalents		**22,681**	**(21)**
Cash and cash equivalents at beginning of year		20	41
Effect of exchange rate changes		-	-
Cash and cash equivalents at end of year		**22,701**	**20**

The accompanying notes form part of these financial statements.

For the year ended 30 June 2019

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 reporting entity under the Financial Markets Conduct Act 2013. These financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. Company shares are traded on the Unlisted Securities Exchange, a financial product market operating under an exemption from 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 seventeen farms (2018: twenty two). One of the farms is a sheep and beef farm operated directly by the Group (2018: two of the farms were 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.

The consolidated financial statements have been prepared on the basis that the Group is a going concern.

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 elected to apply 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

In 2019 the Group has adopted NZ IFRS 15 Revenue from Contracts with Customers. The Group has chosen to apply NZ IFRS 15 using the full retrospective approach. There were no changes to the accounts as a result of adopting NZ IFRS 15.

Further, the Group has adopted NZ IFRS 9 Financial Instruments. The Group has chosen to apply NZ IFRS 9 using the full retrospective approach. There were no changes to the accounts as a result of adopting NZ IFRS 9.

Other than the new accounting standards adopted during the year as detailed above, there have been no other 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.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

NZ IFRS 9 FINANCIAL INSTRUMENTS

NZ IFRS 9 Financial Instruments (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

NZ IFRS 9 also contains new requirements on the application of hedge accounting. The requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

When adopting NZ IFRS 9, the Group has applied the full retrospective method. There were no differences arising from the adoption of NZ IFRS 9 in relation to classification, measurement and impairment, with the exception of other investments which were previously classified as available for sale and are now classified as fair value through other comprehensive income.

NZ IFRS 15 REVENUE

NZ IFRS 15 Revenue from Contracts with Customers and the related Clarifications to NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) replace NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts, and several revenue-related Interpretations. When adopting NZ IFRS 15, the Group has applied the full retrospective method. There were no differences arising. In accordance with the transition guidance, NZ IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018. There is no impact on opening retained earnings as a result of the initial application of NZ IFRS 15. Leased property income continues to be accounted for under NZ IAS 17 Leases.

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, nor intend to be, early adopted by the Group. The following is considered relevant to the Group:

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 Directors' preliminary evaluation of the impact of adopting this new standard has indicated that there is no potentially material effect on the Group's result but additional disclosures will be required. Note 20 outlines operating lease commitments that are expected to be recognised as a right to use asset and a lease liability in the Statement of Financial position.

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 Consolidated 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 increase 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 Consolidated Statement of Comprehensive Income, in which case the increase is recognised within net profit in the Consolidated Statement of Comprehensive Income.

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

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 are 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 three to twenty 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 Held for Sale

Properties held for sale comprise land and buildings that have been identified at the reporting date and action has been taken for the properties to be sold within the next financial year. They are classified under current assets and are measured at fair value based upon valuation prepared by registered independent valuers or sale value if an unconditional sale agreement has been obtained.

(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 Consolidated 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 Consolidated 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

Revenue arises from farm income (the sale of livestock, wool and milk), and lease rental revenue from investment properties. Rental income is recognised in accordance with NZ IAS 17 Leases.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when and as its performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue from the sale of goods is recognised when goods are transferred to the customer and the customer has control of the goods, which is upon delivery, therefore revenue is recognised in the statement of comprehensive income at the time of delivery. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods when the performance obligation has been satisfied.

(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. Where the Group is a lessor, income from operating lease agreements are recognised as income on a straight-line basis over the lease term.

(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 transactions 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:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial liabilities at amortised cost

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.

Financial assets at amortised cost

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.

Financial assets at FVOCI

Financial assets at FVOCI include financial assets that are either classified as available for sale or that meet certain conditions and are designated at FVOCI upon initial recognition. The Group's investments in shares other than those included in FVTPL fall into this category.

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 evaluate judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, 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 judgements, 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 $122,398,000 (2018: $145,798,000).

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 $15,200,000 (2018: $28,200,000).

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 does not rebut the presumption.

Deferred tax in relation to investment properties is therefore calculated on a sale basis. See note 8 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 $138,000 (2018: $2,111,000), and breeding stock is carried on the statement of financial position as a non current asset of $2,249,000 (2018: $2,637,000).

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 $1,483,000 (2018: $1,704,000).

NOTE 3 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities are classified as follows:

Assets:

Accounts receivable	Amortised Cost
Cash and cash equivalents	Amortised Cost
Shares - Level 1 fair value hierarchy	Fair Value Through Profit or Loss
Derivatives - Level 2 fair value hierarchy	Fair Value Through Profit or Loss
Other investments	Fair Value Through Other Comprehensive Income

Liabilities:

Bank loans and overdraft	Liabilities at Amortised Cost
Accounts payable and accruals	Liabilities at Amortised Cost

NOTE 4 REVALUATIONS

Revaluations recognised in profit and loss:	2019 $000	2018 $000
Investment properties	(4,253)	(1,545)
Property, plant and equipment (refer note 1(c))	-	44
Investments in shares	(4,308)	2,604
	(8,561)	1,103
Revaluations recognised in other comprehensive income:		
Property, plant and equipment (refer note 1(c))	(270)	(60)

NOTE 5 FARM INCOME

Farm income comprises:	2019 $000	2018 $000
Milk income	6,973	7,018
Livestock income (refer note 15)	2,112	2,700
Other farm income	443	157
	9,528	9,875

All revenue is New Zealand based, and all revenue is recognised at a point in time.

NOTE 6 EXPENSES

Expenses include:	2019 $000	2018 $000
Depreciation - on plant and equipment	393	382
Depreciation - on buildings	25	42
Directors' fees	275	235
Operating lease costs	235	231
Statutory audit fees	33	26
Key management remuneration - short term benefits	717	731
Other employee remuneration	500	458
Loss (profit) in fair value of derivatives	(64)	103

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

Farm expenses include:		
Animal health	152	142
Depreciation	384	391
Feed	845	873
Fertiliser	798	944
Grazing	758	657
Farm salaries and wages	500	459
Repairs and maintenance	711	778
Weed and pest	105	130
Other farm expenses	1,389	1,374
	5,642	5,748

NOTE 7 CASH FLOW RECONCILIATION

	2019 $000	2018 $000
Net profit / (loss) after tax	(7,711)	4,520
Add / (deduct) non-cash items:		
Depreciation	418	425
Milk Price Futures mark to market	1	60
Rebates received as shares	(62)	-
Revaluation movements	8,144	(1,103)
	8,501	(618)
Changes in assets and liabilities:		
Decrease in accounts payable	(513)	(238)
Decrease in current tax liability	20	460
Increase / (decrease) in deferred taxation liability	(438)	40
Decrease / (increase) in livestock and feed on hand	2,533	(166)
Increase in accounts receivable	(90)	(333)
	1,512	(237)
Add / (deduct) non-operating items:		
Realised (profit) / loss on asset sales	3,048	(11)
	3,048	(11)
Net cash flows from operating activities	5,350	3,654

NOTE 8 TAXATION

Statement of Comprehensive Income	2019 $000	2018 $000
Net (loss) / profit before tax	(6,744)	5,497
Tax at the statutory rate of 28%	(1,888)	1,539
Adjusted for the tax effect of:		
Non assessable asset revaluations and realisations	3,063	(360)
Non assessable livestock revaluations	(40)	(61)
Depreciation on land improvements	(169)	(141)
Other items	1	-
Tax expense	967	977
Represented by:		
Current tax	1,265	937
Deferred tax	(298)	40
	967	977

Statement of Financial Position		
Deferred tax assets and liabilities relate to the following:		
Buildings depreciation and revaluation	1,132	1,619
Forest operations and revaluation	93	61
Plant depreciation	109	89
Livestock revaluation	(39)	(56)
Other items	32	52
	1,327	1,765
To be recovered after more than 1 year	1,295	1,713
To be recovered within 1 year	32	52
	1,327	1,765
Disclosed as:		
Deferred tax liability	1,327	1,765
Deferred tax asset	-	-
	1,327	1,765
Changes to deferred tax liability:		
1) Recognised in profit or loss:		
Buildings depreciation and revaluation	(345)	(25)
Forest operations and revaluation	31	29
Plant depreciation	18	37
Livestock revaluation	18	(5)
Other items	(20)	4
	(298)	40
2) Recognised in other comprehensive income	(140)	9
Total change in deferred tax liability	(438)	49

NOTE 9 IMPUTATION CREDIT ACCOUNT

	2019 $000	2018 $000
Imputation credits available for subsequent reporting periods	2,102	1,471

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 10 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).

There have been no transfers of assets between levels during the financial year.

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:	2019 $000	2018 $000
Amortised cost:		
Accounts receivable	1,975	1,888
Cash and cash equivalents	22,701	20
Fair value through profit or loss:		
Shares - Level 1 fair value hierarchy	10,969	15,592
Derivatives - Level 2 fair value hierarchy	161	127
Fair value through other comprehensive income:		
Other investments	364	303
Liabilities at amortised cost:		
Bank loans and overdraft	-	12,800
Accounts payable and accruals	690	1,233

Interest rate risk

The Group is exposed to changes in interest rates on its bank term deposits. The effect of a 1% increase/decrease in interest rates on the Group's profit after tax and the Group's equity is an increase/decrease of $82,800. The Group is no longer exposed to changes in interest rates on its bank borrowings as all debt was repaid during the year.

(2018: The Group was exposed to changes in interest rates on its bank borrowings. As at 30 June 2018 the Group had entered into interest rate swaps to manage 78% of the interest rate risk on its borrowing, and the fair value of the interest rate swap agreements was a liability to the Group of $136,000. 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 $92,000).

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 $772,000 (2018: $758,000).

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 price risk by securing a fixed price for a determined proportion of the expected milk solids production for the season.

At financial year end the Group has locked in the following milk revenue by selling milk price futures.

	2019	2018
	$000	$000
2018 Milk Price Futures - expire 1 October 2018	-	2,400
2019 Milk Price Futures - expire 1 October 2019	3,134	903
2020 Milk Price Futures - expire 1 October 2020	2,130	-

These have been revalued to market at reporting period end which resulted in a profit of $64,000 (2018: loss of $144,000).

Market price risk

Shares reported at market value are valued at the market price at the reporting period ending 30 June 2019. 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 $1,097,000 (2018: $1,559,000).

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 bank term deposits, derivative financial instruments and accounts receivable.

Included in accounts receivable is $672,000 (2018: $664,000) receivable from Fonterra Co-operative Group Ltd and $811,000 (2018: $1,040,000) receivable from Synlait Milk Ltd. There are no other significant concentrations of credit risk.

The Directors do not consider there to be any credit losses or expected credit loss to be recognised in respect of accounts receivable.

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.

	2019	2018
Maximum exposures to credit risk are:	$000	$000
Accounts receivable	1,975	1,888
Properties held for sale	-	8,815
Derivatives (milk price futures and interest rate swaps)	-	408

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

	2019	2018
The status of accounts receivable at balance date was:		
Not yet due	1,975	1,888
Past due - up to 30 days	-	-
Past due - more than 31 days	-	-
	1,975	1,888

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 2020.

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

	2019 Less than 12 months $000	2018 Less than 12 months $000
Accounts payable and accrued expenses	690	1,185
Interest bearing loans (incl. accrued interest)	-	12,848
	690	14,033

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 $905,000 (2018: $1,245,000). A 10% weakening in the Australian dollar exchange rate would decrease the Group's profit after tax and the Group's equity by $740,000 (2018: $1,019,000).

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 Consolidated 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 11 EQUITY

	2019 $000	2018 $000
Share capital - see below	69,251	75,537
Revaluation reserve	11,258	11,388
Retained earnings	96,832	106,177
Total	177,341	193,102

Share capital

There are 32,023,842 authorised shares on issue (2018: 33,323,842). 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 25 October 2018 the Company repurchased 650,000 shares from 122 shareholders at $4.90 per share, totalling $3,185,000. The repurchased shares were then cancelled. On 27 March 2019 the Company repurchased 650,000 shares from 57 shareholders at $4.75 per share, totalling $3,087,500. The repurchased shares were then cancelled.

Total transaction fees relating to capital matters totalled $12,000 (2018: $nil).

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 has been required to maintain financial debt covenants whilst it had debt to the ANZ Bank. The Group has complied with all covenants in the reporting period (2018: no breaches).

NOTE 12 INVESTMENT PROPERTIES

	2019 $000	2018 $000
Opening balance	145,798	140,970
Additions to existing properties	599	2,090
Disposals	(19,650)	-
Properties no longer classified as held for sale	-	3,774
Revaluations	(4,349)	(1,036)
Closing balance	122,398	145,798

All rural investment properties held as non current assets were valued as at 30 June 2019 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 10.

The commercial land and building was valued as at 30 June 2019 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 10.

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	2019 $000	2018 $000
Curnow Tizard Limited	30,115	49,600
Logan Stone Limited	560	630
Property Advisory Limited	91,723	95,568
	122,398	145,798

NOTE 13 PROPERTIES HELD FOR SALE

	2019 $000	2018 $000
Opening balance	8,815	13,082
Disposals	(8,815)	-
Movements in properties held for sale	-	(3,774)
Revaluations	-	(493)
Closing balance	-	8,815

As at 30 June 2018 there was one property subject to a conditional contract for sale. That contract became unconditional in July 2018 and settled in April 2019. A contract for another property held for sale as at 30 June 2018 was signed in early August 2018. That contract was declared unconditional in late August 2018 and settled in April 2019.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	2019 $000	2018 $000
Land and Buildings		
Opening balance	28,200	28,100
Additions	281	175
Disposals	(13,500)	-
Revaluations	219	(75)
Closing balance	15,200	28,200
Plant and Equipment		
Opening balance	3,154	3,112
Additions	338	425
Disposals	(197)	(1)
Depreciation	(393)	(382)
Closing balance	2,902	3,154
Cost	7,574	7,783
Accumulated depreciation	(4,672)	(4,629)
Net carrying amount	2,902	3,154
Total property, plant and equipment	18,102	31,354

Rural land and buildings were valued as at 30 June 2019 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 10.

Valuations by valuer	2019 $000	2018 $000
Curnow Tizard Limited	15,200	28,200
	15,200	28,200

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

	2019 $000	2018 $000
Land	2,784	5,222
Buildings	997	1,782
Less accumulated depreciation	(441)	(771)
Net carrying amount	3,340	6,233

NOTE 15 LIVESTOCK

The Group operated two sheep and beef farms throughout the financial year. One of those sheep and beef farms was sold in June 2019. Livestock are held for meat and wool production.

	2019 No. of Head	2018 No. of Head
Livestock on hand:		
Sheep	8,763	13,785
Cattle	822	2,507
	$000	$000
Sheep value		
Opening balance	2,246	1,615
Increases due to purchases	233	478
Decreases due to sales	(1,515)	(989)
Gains due to net births and deaths	407	301
Revaluation gains	180	840
Closing balance	1,551	2,245
Cattle value		
Opening balance	2,503	3,100
Increases due to purchases	634	1,259
Decreases due to sales	(2,453)	(2,316)
Gains due to net births and deaths	(16)	(35)
Revaluation gains	168	495
Closing balance	836	2,503
Total livestock	2,387	4,748
Classified as:		
Current asset	138	2,111
Non current asset	2,249	2,637
	2,387	4,748

Livestock were valued as at 30 June 2019 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 region the Group's livestock is located. This is level 2 of the fair value hierarchy - refer to note 10.

Livestock Income	2019 $000	2018 $000
Sheep	1,310	1,714
Beef	802	986
	2,112	2,700
Livestock Income		
Livestock Sales	5,342	4,404
Book value of livestock sold	(4,308)	(3,524)
Births	685	560
Losses	(295)	(294)
Increase in value	688	1,554
	2,112	2,700

NOTE 16 INVESTMENTS

	2019 $000	2018 $000
Shares at market value	10,969	15,591
Shares at cost	364	303
	11,333	15,894

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 10.

NOTE 17 BANK LOANS

The Company has loan facilities with ANZ Bank New Zealand Limited totalling $480,000 (2018: $20M). As at 30 June 2019 the facility was not drawn on (2018: $12.8M at a weighted average interest rate of 3.64%).

A global security deed has been provided to ANZ Bank New Zealand Limited covering all the Group's assets. The facility expires on 3 May 2020.

See note 10 for interest rate risk management.

The fair value of borrowings equals their carrying amount.

NOTE 18 EARNINGS PER SHARE

	2019	2018
Numerator - $000		
Net profit / (loss) after tax attributable to parent company shareholders	(7,711)	4,520
Denominator - 000 shares		
Weighted average number of shares on issue	32,024	33,324
Basic earnings per share - $ per share	($0.24)	$0.14
Diluted earnings per share - $ per share	($0.24)	$0.14

NOTE 19 RELATED PARTY DISCLOSURES

David Cushing and Rodger Finlay, who are directors of REL, were appointed directors of PGG Wrightson Limited (PGW) on 30 April 2019. REL is party to an Administration and Secretarial Services Agreement with the Trustee of the PGG Wrightson Employee Benefits Plan (the Plan). During that period REL received fees for the provision of these services of $31,000. During that period REL also received $30,000 from PGW for additional services related to the administration of the Plan. The Group also purchases goods and services from PGW. During the period from 30 April 2019 to 30 June 2019 these transactions totalled $342,000.

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 were $36,000 (2018: $34,000). The amount owing at balance date was $10,000 (2018: $15,000) 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 that expires on 30 September 2019. The annual rental is $40,000 (plus outgoings). The amount of rental paid to Seajay Securities Limited during the financial year was $40,000 (2018: $40,000).

During the financial year the Group purchased $93,000 (2018: $160,000) of livestock from Makowai Farm Limited. Sir Selwyn Cushing and David Cushing, who are directors of REL are directors and shareholders of Makowai Farm Limited.

Nigel Atherfold who is a director of REL is a director of Landcorp Farming Limited. Landcorp Farming Limited leases one of the Group's properties. Rental paid by Landcorp Farming Limited for lease of that property during the year was $107,000 (2018: $105,000). The rental is set by reference to an assessment completed by an independent registered valuer.

NOTE 20 COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Group leases farm land adjacent to two (2018: three) of its farms to extend the farming operations on 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:

	2019 $000	2018 $000
Within one year	164	89
After one year but not more than five years	454	28
More than five years	-	-
Total future minimum lease payments	618	117

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.

	2019 $000	2018 $000
Within one year	1,372	1,041
After one year but not more than five years	454	349
More than five years	-	-
Total	1,826	1,390

Property, plant and equipment and investment properties commitments

The The Group had no commitments contracted but not provided for as at 30 June 2019 (2018: $nil).

Contingent liabilities

There are no contingent liabilities as at 30 June 2019 (2018: $nil).

NOTE 21 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 $3,198,000 (2018: 27% or $3,282,000) 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 31% or $3,768,000 (2018: 31% or $3,829,000) of its revenue from Synlait Milk Limited for milk supplied by three of its dairy farms.

NOTE 22 EVENTS SUBSEQUENT TO THE REPORTING DATE

Dividend

On 2 September 2019 the Directors approved the payment of a dividend of three cents per share amounting to $1,334,327 to be paid on 16 October 2019.

Properties held for sale

In August 2019, Real Estate Agents were appointed to market one further property for sale.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140
T +64 9 308 2570
F +64 9 309 4892
www.grantthornton.co.nz

Independent Auditor's Report

To the Shareholders of Rural Equities Limited

Opinion

We have audited the consolidated financial statements of Rural Equities Limited on pages 8 to 21 which comprise the consolidated statement of financial position as at 30 June 2019, 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 consolidated financial statements present fairly, in all material respects, the financial position of Rural Equities Limited as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the 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 Auditing 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.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of these consolidated financial statements in accordance with the New Zealand Equivalents to International Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance 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, those charged with governance are responsible 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.

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 consolidated 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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/assurance-standards/auditors-responsibilities/audit-report-7/

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company'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

2 September 2019

Additional Disclosures

DIRECTORS AND REMUNERATION

The Directors of Rural Equities Limited ("REL") on 30 June 2019 were David Cushing (Executive Chairman), Rodger Finlay (Deputy Chairman), Nigel Atherfold and Sir Selwyn Cushing.

The Directors of REL – Trust Management Limited on 30 June 2019 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright.

The Directors of New Zealand Rural Property Trust Management Limited on 30 June 2019 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing and Rodger Finlay.

The Directors of REL Trustee Services Limited on 30 June 2019 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright.

The Directors of New Zealand Rural Property Trust Nominees Limited as at 30 June 2019 were David Cushing (Chairman), Nigel Atherfold, Sir Selwyn Cushing, Rodger Finlay and James Wright.

There were no resignations or appointments to REL or any of REL's four subsidiary companies during the year ended 30 June 2019.

The table below details the remuneration received by the Directors from REL during the year ended 30 June 2019.

Name	$
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 2019:

Nigel Atherfold is a director of Landcorp Farming Limited.

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

David Cushing was appointed a director of PGG Wrightson Limited on 30 April 2019.

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.

Rodger Finlay was appointed a director of PGG Wrightson Limited on 30 April 2019.

Share transactions undertaken by the Directors of REL during the year ended 30 June 2019

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

40,863 REL shares for $4.85 per share on 29 October 2018.

55,640 REL shares for $4.75 per share on 1 April 2019.

19,800 REL shares for $4.70 per share on 5 April 2019.

5,540 REL shares for $4.67 per share on 11 April 2019.

2,000 REL shares for $4.70 per share on 16 April 2019.

16,235 REL shares for $4.67 per share on 18 April 2019.

5,500 REL shares for $4.70 per share on 23 April 2019.

3,000 REL shares for $4.67 per share on 23 May 2019.

8,299 REL shares for $4.67 per share on 28 May 2019.

RGH Holdings Limited (an associate of Rodger Finlay) sold 165,000 REL shares for $4.75 per share on 27 March 2019.

Directors' relevant interest in REL shares as at 30 June 2019

Name	Held Beneficially	Held by Associated Persons
Nigel Atherfold	-	-
David Cushing	263,160	22,310,866
Sir Selwyn Cushing	85,673	22,472,203
Rodger Finlay	-	924,811

Directors' indemnity and insurance

On 31 May 2018 REL renewed its Directors' and Officers' Liability insurance policy for the Group for the period 31 May 2018 to 31 May 2019. On 31 May 2019 REL renewed this policy for a further year until 31 May 2020.

DONATIONS

REL did not make any donations during the financial year ended 30 June 2019.

EMPLOYEES

For the year ended 30 June 2019 employees received remuneration and other benefits from REL as follows:

1 employee	$210,000 and $220,000
2 employees	$250,000 and $260,000

Shareholder Information

As at 16 September 2019

LARGEST SHAREHOLDERS

Holder	Number of shares held	%
H&G Limited	21,602,669	67.45
RGH Holdings Limited	924,811	2.88
FE Mayell and D A Young (F E & H Mayell Trust)	500,000	1.56
BJ Martin	394,127	1.23
JN Pearson and AJ Mansell (Sam Pearson Family Trust)	393,804	1.23
Seajay Securities Limited	313,625	0.97
New Zealand Methodist Trust Association	300,000	0.93
BD Cushing and SJ Cushing (K D Cushing Family Trust)	263,160	0.82
Makowai Farm Limited	208,966	0.65
Winders Investments Limited	203,789	0.63
B&S Custodians Limited	182,000	0.56
Ashfield Properties Limited	178,560	0.55
CAZNA (2904) Limited (Douglas Goodfellow Charitable Trust)	165,854	0.51
Sky Hill Limited	150,000	0.46
AJ Mansell, SL Pearson and JN Pearson (Squirrel Trust)	143,544	0.44
LM Marx-Sheather, WB Sheather, PV Sheather and SM Palmer (Sheather Family Trust)	125,716	0.39
Custodial Services Limited (A/C 3)	113,930	0.35
BJ Cushing	101,823	0.31
Villarcia Limited	100,790	0.31
RG Goodrick	100,000	0.31
Riddell Funds Management Limited	100,000	0.31

ANALYSIS OF SHAREHOLDING BY SIZE

	Number of shareholders	%	Number of shares held	%
2,000 - 4,999	228	42.77	692,387	2.16
5,000 - 9,999	152	28.52	1,054,214	3.29
10,000 - 49,999	110	20.64	2,295,354	7.17
50,000 - 99,999	21	3.94	1,414,719	4.42
100,000 and over	22	4.13	26,567,168	82.96
Total	**533**	**100.00**	**32,023,842**	**100.00**

ANALYSIS OF SHAREHOLDING BY LOCATION

	Number of shareholders	%	Number of shares held	%
Upper North Island	272	51.03	3,273,347	10.21
Gisborne	14	2.63	158,938	0.50
Hawke's Bay	76	14.26	23,849,215	74.47
Manawatu/Whanganui/Wairarapa	26	4.88	274,998	0.86
Wellington	47	8.82	1,401,920	4.38
South Island	74	13.88	2,656,783	8.30
Overseas	24	4.50	408,641	1.28
Total	**533**	**100.00**	**32,023,842**	**100.00**

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 23.

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 Rodger Finlay (Chairman) and David Cushing.

DIRECTORY

DIRECTORS

David Cushing
Executive Chairman

Nigel Atherfold

Rodger Finlay
Deputy Chairman

Sir Selwyn Cushing

EXECUTIVE

Brian Burrough
Chief Executive Officer

James Wright
Chief Operating Officer

Shona Devescovi
Chief Financial Officer

REGISTERED OFFICE

Rural Equities Limited
127 Queen Street East, Hastings
PO Box 783, Hastings 4156
Telephone 06 870 4672
Email enquiries@ruralequities.co.nz
Website www.ruralequities.co.nz

AUDITOR

Grant Thornton
Level 4, Grant Thornton House, 152 Fanshawe Street
PO Box 1961, Auckland 1140
Telephone 09 308 2570

SHARE REGISTRY

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

Irrigation - Rocklea


rural
equities