rural equities LIMITED

ANNUAL REPORT 2022

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DIRECTORY

DIRECTORS

David Cushing
Executive Chairman

Rodger Finlay
Deputy Chairman

Nigel Atherfold

Sir Selwyn Cushing

EXECUTIVES

Brian Burrough
Chief Executive Officer

Shona Devescovi
Chief Financial Officer

James Wright
Chief Operating Officer

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Highlands Deer

Cover: Highlands at Rakaia Gorge looking towards Mt Hutt.

Executive Chairman's Report

THE YEAR IN REVIEW

The Directors of Rural Equities Limited (REL) are pleased to present the 2022 Annual Report for the REL Group (the Group).

The Group's audited Total Comprehensive Income for the year ended 30 June 2022 was $16.665 million. This compares with $14.313 million recorded the previous year.

Important features of the year were:

- Net Asset Value per share at 30 June 2022 was a record $6.65 which is a 57 cent per share gain on last year's NAV of $6.08.
- The Group's operating earnings before interest and tax were $6.814 million.
- The Group has no bank debt and as at 30 June 2022 had cash assets of $1.714 million.
- REL completed a share buy-back of 1.338 million REL shares at $5.70 per share in October 2021.
- Property revaluation gains amounted to $15.040 million. The Group's equity investment portfolio however reduced in value by $3.529 million.
- An additional 227 hectare irrigated dairy farm in Canterbury milking 750 cows was purchased for $11.3 million during the year with possession on 1 June 2022.
- The other six dairy farms produced 2.052 million kilograms of milk solids.

The Group's six existing dairy farms performed well in a difficult season producing 2.052 million kilograms of milk solids, slightly behind last season. In the sheep and beef group, the Waikato property, Waikoha, was impacted by another serious drought. However the Hawke's Bay property, Middle Hills, had a favourable season with reasonable results.

Fonterra's final milk price for the season ended 31 May 2022 was a record $9.30 per kilogram of milk solids. This is an increase of $1.76 on last season's milk price. Synlait Milk also paid $9.30 per kilogram ($7.55 last season). The Group continues to receive premiums in addition to the base milk price from Synlait for a2 milk and for Lead With Pride accreditation. All four Canterbury dairy farms, including the new Isleworth farm, have this accreditation and supply a2 milk. International dairy prices have continued at high levels despite difficulties in international markets and supply lines. Global demand for milk products remains strong. Drought conditions throughout much of Europe and high feed input costs in the USA are limiting production of exportable dairy products internationally.

The Group remains in a strong financial position. At balance date total assets were $192.855 million and net equity was $188.943 million.

Isleworth dairy farm

ASSET PORTFOLIO

The new 227 hectare "Isleworth" dairy farm was purchased on 1 June 2022. Located near Lowcliffe in Mid-Canterbury, the farm is fully irrigated and milks 750 cows. Like the other six dairy farms, it will be operated by a 50-50 sharemilker. It is expected to produce 340,000 kilograms of milk solids annually.

While the Directors are pleased with the quality of the Group's equity investment portfolio, equity markets around the world experienced difficult conditions and volatility which impacted on the value of the portfolio during the financial year. It is intended to expand the current portfolio and where appropriate accumulate other equities over the long term for dividend yield and capital growth and to provide some diversification alongside the Group's core rural property portfolio.

This winter, an additional 143 hectares of lower performing land at Waikoha has been planted in trees with a combination of radiata pine, redwoods and mixed native species. These additional planted areas will be for future income from both production forestry and long-term carbon sequestration which will earn carbon credits. There is currently approximately 365 hectares of forestry at Waikoha which represents approximately 17% of the total farm area. Some further planting at Waikoha and on other properties within the Group's portfolio is planned over the next two years. Reducing and offsetting the greenhouse gas emissions from the Group's farms is essential and this forestry plan is part of that strategy.

DIVIDEND

The Group's cash reserves were $22.763 million at the start of the financial year and have reduced to $1.714 million as at 30 June 2022. Funds have been utilised to complete the share buy-back in October 2021, the accumulation of further equity investments, the purchase of the Isleworth dairy farm and other capital expenditure (including forestry) on the Group's property portfolio. Given the reduction in cash reserves and potential investment opportunities, no dividend was declared for the year ended 30 June 2022. A three cents per share dividend was paid last year.

SUMMARY AND OUTLOOK

The sheep, beef and dairy sectors continue to experience solid returns from stable and high red meat and milk prices. Wool continues to sell at low prices, not covering shearing costs. Environmental, financial and climate related factors are limiting global food production thus there is strong demand for food produced in New Zealand. Our farming industry is well positioned to benefit from this demand and continues to produce quality food for the world.

There are however challenges ahead. The shortage of labour in all sectors of the New Zealand economy and increases in farm operating costs on a scale not seen in the last three decades are having a significant impact domestically. These are further compounded by global issues including ongoing international shipping and supply chain difficulties, the war in Ukraine and heightened geopolitical tensions in other regions. In addition, increasing regulatory control and compliance as well as better managing our environmental footprint to meet increasing environmental and market-led standards, presents national challenges.

The rural property market exhibited high sales activity with a corresponding increase in farm values across all land classes and types during the 2021-22 year. Accordingly dairy and arable farm values lifted significantly. In addition, the value of pastoral hill country showed a very strong increase in value pushed by demand from forestry interests who are establishing forests for long term carbon farming.

Waikoha ewes

New shelter planting – Rocklea

We expect these factors to continue to influence the rural property market in the year ahead although higher farm operating costs and other economic factors may negatively impact rural property values. Looking ahead, the Directors expect beef, lamb and dairy product prices to remain at elevated levels in the short term.

REL is a long term investor with a diversified portfolio of quality prime agricultural properties and equity investments. The Directors will continue to invest to grow and enhance the income earning ability and value of the property portfolio. To provide further diversification REL intends to accumulate a larger portfolio of equity investments over the long term for dividend yield and capital growth.

The financial year ended 30 June 2022 was challenging but produced a pleasing result for the Group. The Directors maintain a positive outlook but note with caution the head winds in some sectors of the New Zealand and global economies.

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 6,988 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. Seven farms (2,193 hectares) are leased to external operators and the other ten farms (4,795 hectares) are directly managed.

Seven of the directly managed farms are dairy farms comprising 1,657 hectares and approximately 5,460 cows are milked in conjunction with 50-50 sharemilkers. There is one dairy grazing property in Canterbury. The other directly managed properties are two sheep and beef properties in Waikato and Hawke's Bay. These two farms comprise 3,055 hectares and run approximately 17,500 stock units with some forestry.

FARMED PROPERTIES

The directly managed farms continue to make a significant contribution to profit at $6.39 million in the year ended 30 June 2022. This is $578,000 (10%) higher than last year. The dairy farms showed another improved result with higher milk prices, however total milk production declined by 4% to 2.052 million kilograms of milk solids due to difficult seasonal conditions in all areas and a drought in Southland. Record high milk prices were paid by Fonterra and Synlait with both paying $9.30 per kilogram of milk solids. The sheep and beef farm result was lower than last year due to severe drought conditions in Waikato impacting Waikoha, however Middle Hills in Hawke's Bay had a favourable season and result with good trading margins on both lambs and cattle.

Livestock prices were above five year average levels throughout the season. Both beef and sheep meat schedule prices, at or near record levels, are being supported by strong global demand for protein. Wool prices remain at historically low levels and do not cover the cost of shearing. Shearing is however necessary for animal health and welfare. There have been substantial increases in farm operating costs for essential input items such as farm labour, fuel, fertiliser, contracting costs, grain, other supplementary feed and grazing. These cost increases are impacting profitability on all farms.

Improving environmental outcomes is an important part of farm planning and operations on all properties in the Group. Farm Environment Plans are in place for most farms with others being developed. The major riparian fencing and planting programme at Waikoha was completed this year, although there is more forestry planting being undertaken on that property. Trees appropriate to the location are planted. Nitrogen fertiliser use on the dairy farms has been reduced to comply with regulations. An ongoing programme to plant shelter trees for the cows is in place on the Canterbury and Southland dairy farms. Over 15 kilometres of fencing with shelter belts and amenity trees has been completed to date.

Green house gas emissions have been calculated for the directly managed farms and a plan to mitigate or reduce those is being developed. Planting both native, redwood and pinus radiata trees, mainly at Waikoha, is part of that plan and in time will offset most if not all carbon dioxide equivalents produced from the directly managed farms in the Group.

Waikoha bred Angus bulls at Middle Hills

DAIRY FARMS

This season 2.052 million kilograms of milk solids were supplied to Fonterra and Synlait which is 4% lower than the 2.137 million kilograms supplied last season. The difficult season experienced in all regions combined with the unusual late summer / autumn drought in Southland caused the lower milk production. The addition of the Isleworth dairy farm to the Group on 1 June 2022 will mean seven dairy farms are operated in the 2022-23 season with total milk production expected to be approximately 2.4 million kilograms of milk solids.

The Isleworth farm has very good infrastructure with a fully automated 60 bale rotary dairy shed, a modern and compliant effluent system with solids separation, full irrigation capability and good housing. It also has quality pastures, ample irrigation water, suitable soils, is well located near Lowcliffe and will fit well with the other Group dairy farms in Canterbury.

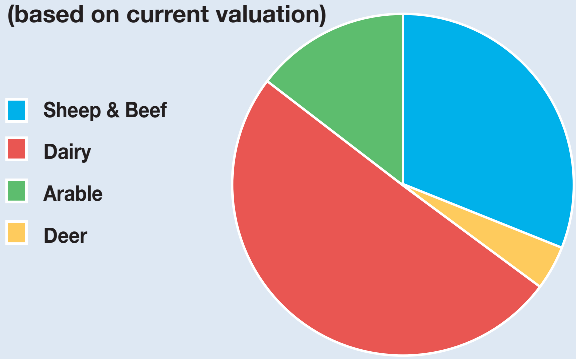
Milk prices for the 2021-22 season were a record $9.30 per kilogram of milk solids, up from $7.54 from Fonterra and $7.55 from Synlait in the previous season. Premiums from Synlait for a2 milk (20 cents) and Lead With Pride accreditation (up to a further 20 cents) totalling up to 40 cents per kilogram of milk solids were received in addition to the base milk price for the Canterbury dairy farms. All Canterbury dairy farms including Isleworth now have Lead With Pride accreditation and supply a2 milk to Synlait.

For the new dairy season ending 31 May 2023 the forecast milk price from Fonterra is in the range from $8.50 to $10.00 (mid-point $9.25) and $9.50 per kilogram from Synlait.

SHEEP AND BEEF FARMS

The directly managed sheep and beef farms are Middle Hills in Hawke's Bay and Waikoha in Waikato. In total approximately 17,500 stock units are carried on both farms on approximately 2,120 effective hectares.

PORTFOLIO BY SECTOR (based on current valuation)



Milking at Isleworth

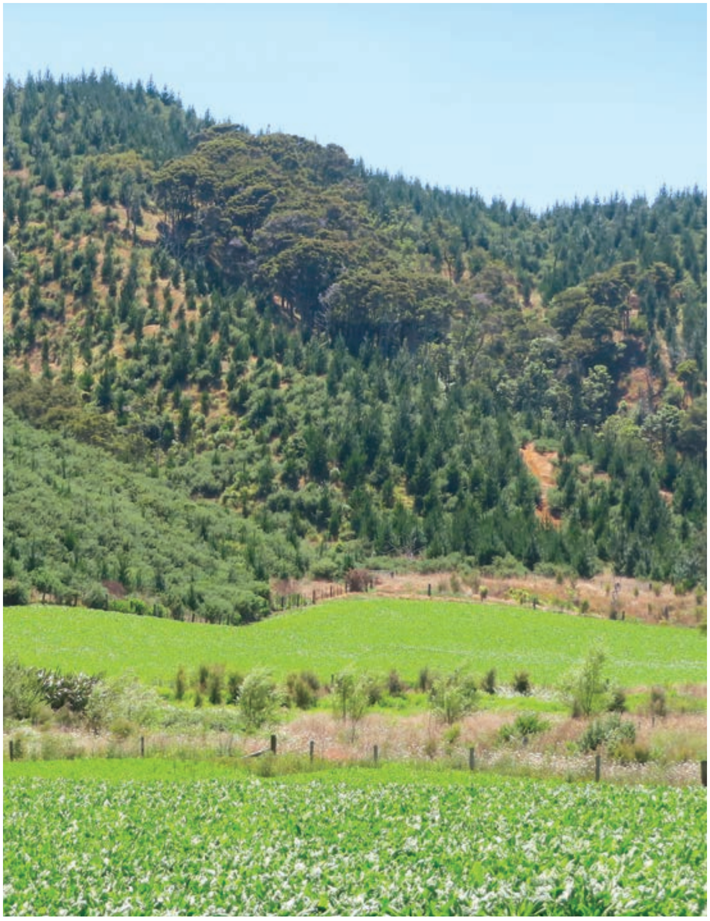
Middle Hills, located at Ashley Clinton in Central Hawke's Bay, operates as a finishing unit in association with Waikoha which is located near Whatawhata, in close proximity to Hamilton. Waikoha is a sheep and cattle breeding and trading unit with approximately 6,000 ewes and 1,400 ewe hoggets. The Waikoha cattle policy has changed from breeding cows to trading cattle in response to recurring consecutive summer droughts and much of the country that is best suited to grazing beef cows being planted in forestry. In future years, around 1,000 cattle will be traded or finished for slaughter each year. The integrated livestock policy allows surplus store lambs and male yearling cattle from Waikoha to be farmed at Middle Hills until they are ready for slaughter, thereby obtaining maximum value for all livestock.

Middle Hills had a favourable season after two successive very dry seasons. The livestock transferred from Waikoha was finished to target weights and additional lambs were purchased. Approximately 6,500 lambs and 550 cattle were traded in the 2021-22 season. A summer forage crop (chicory) and pasture renewal programme is central to the livestock finishing programme and is helping lift overall pasture growth and livestock performance.

FORESTRY

The forestry programme at Waikoha is continuing. There is now approximately 365 hectares of forest including 106 hectares of pines and 37 hectares of redwoods and natives planted in the 2022 winter. There is a further 60 hectares intended to be planted in pines and redwoods next winter which will largely complete the forestry planting at Waikoha. In total around 17% of the total area at Waikoha will be planted in forest. Smaller areas on some other farms in the Group will also be planted. The blend of redwoods and pinus radiata means the tree species best suit the land will provide greater biodiversity and a mix of both production and permanent forestry for timber and carbon sequestration. Carbon credits will be earned from both forest types which will provide income over the life of the forest, not just from log sales at the time of harvest.

Although the forestry areas at Waikoha are predominantly lower producing hill country, livestock numbers have been reduced by around 2,000 stock units as the effective grazable area has reduced. Over time, the income from carbon credits is expected to exceed the lost income from livestock.



Forestry on low producing hills at Waikoha

Farm entrance amenity planting – Rocklea

LEASED PROPERTIES

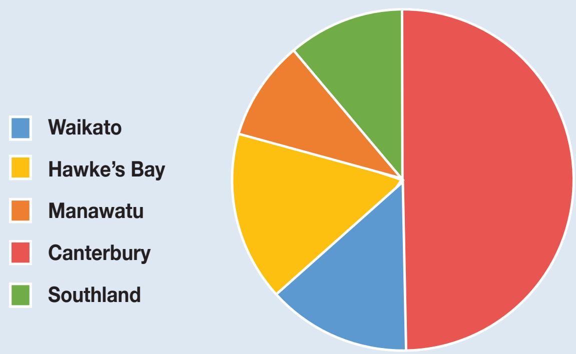
The Group has seven properties totalling 2,193 hectares that are leased which provide monthly rental income. These properties provide both sector diversity and geographical spread in the farm portfolio and are located in Hawke's Bay and Canterbury. Rent reviews are completed every two years. Monthly rental income provides regular cash flow to the Group and is unaffected by fluctuating farm product prices in the various sectors.

The name, location, size and type of property in the Group's portfolio are shown in the Farm Property Schedule and Location Map on page 6.

Brian Burrough

CHIEF EXECUTIVE OFFICER

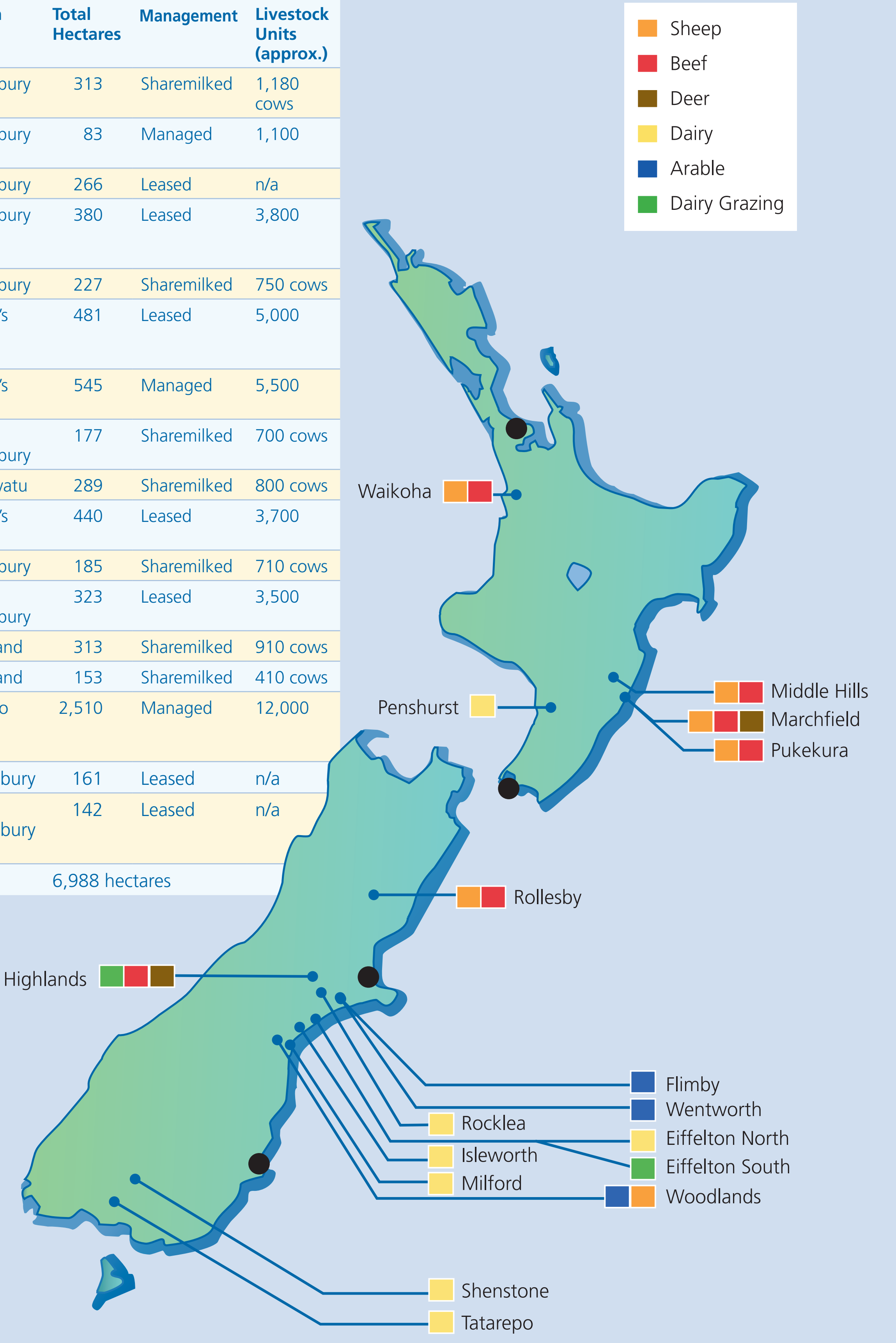
PORTFOLIO BY REGION
(based on current valuation)



Farm Property Schedule and Location Map

As at 30 June 2022

Property	Type	Region	Total Hectares	Management	Livestock Units (approx.)
Eiffelton North	Dairy	Canterbury	313	Sharemilked	1,180 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
Isleworth	Dairy	Canterbury	227	Sharemilked	750 cows
Marchfield	Sheep/ Beef/Deer Finishing	Hawke's Bay	481	Leased	5,000
Middle Hills	Sheep/Beef Finishing	Hawke's Bay	545	Managed	5,500
Milford	Dairy	South Canterbury	177	Sharemilked	700 cows
Penshurst	Dairy	Manawatu	289	Sharemilked	800 cows
Pukekura	Sheep/Beef Finishing	Hawke's Bay	440	Leased	3,700
Rocklea	Dairy	Canterbury	185	Sharemilked	710 cows
Rollesby	Sheep/Beef Finishing	North Canterbury	323	Leased	3,500
Shenstone	Dairy	Southland	313	Sharemilked	910 cows
Tatarepo	Dairy	Southland	153	Sharemilked	410 cows
Waikoha	Sheep/Beef Breeding/ Finishing	Waikato	2,510	Managed	12,000
Wentworth	Arable	Canterbury	161	Leased	n/a
Woodlands	Arable/ Sheep Finishing	South Canterbury	142	Leased	n/a
Total			6,988 hectares		



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Revenue			
Farm income	5	12,978	10,862
Leased property income		1,121	1,136
Dividend income		806	371
Interest income		178	418
Other income		275	314
		15,358	**13,101**
Expenses			
Farm working expenses	6	5,478	4,975
Leased property expenses		82	65
Loss on derivatives		1,290	220
Other expenses	6	1,694	1,439
		8,544	**6,699**
Operating income		**6,814**	**6,402**
Interest expense		(13)	(8)
Gain on sale of shares	15	-	1,521
Gain / (loss) on sale of property, plant and equipment		52	(195)
Gain in value of assets at fair values	4	7,601	5,774
		7,640	**7,092**
Net profit before tax		**14,454**	**13,494**
Income tax expense	8	1,675	1,500
Net profit after tax		**12,779**	**11,994**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain in fair value of property, plant and equipment	4	3,910	2,314
Tax credit on other comprehensive income	8	(24)	5
Total other comprehensive income net of tax		**3,886**	**2,319**
Total comprehensive income		**16,665**	**14,313**
Earnings per share for profit attributable to the ordinary equity holders of the Company during the period.			
Basic earnings - cents per share	17	44.47	38.57
Diluted earnings - cents per share	17	44.47	38.57

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Share Capital $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2020		**69,251**	**12,046**	**98,163**	**179,460**
Net profit after tax for the year		-	-	11,994	11,994
Other comprehensive gain net of tax		-	2,319	-	2,319
Total comprehensive gain		**-**	**2,319**	**11,994**	**14,313**
Share repurchase and cancellation		(12,060)	-	-	(12,060)
Dividend paid		-	-	(949)	(949)
Balance at 30 June 2021	11	**57,191**	**14,365**	**109,208**	**180,764**
Balance at 1 July 2021		57,191	14,365	109,208	180,764
Net profit after tax for the year		-	-	12,779	12,779
Other comprehensive gain net of tax		-	3,886	-	3,886
Total comprehensive gain		**-**	**3,886**	**12,779**	**16,665**
Share repurchase and cancellation		(7,634)	-	-	(7,634)
Dividend paid		-	-	(852)	(852)
Balance at 30 June 2022	11	**49,557**	**18,251**	**121,135**	**188,943**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 $000	2021 $000
Current assets			
Cash and cash equivalents		1,714	22,763
Accounts receivable and prepayments	10	3,279	2,238
Held for trading instruments	10	317	155
Livestock	14	1,132	1,295
Feed and produce on hand		778	463
		7,220	26,914
Non current assets			
Investment properties	12	129,534	104,136
Property, plant and equipment	13	31,943	29,589
Livestock	14	1,989	2,714
Forest		897	636
Investments	15	21,272	20,034
		185,635	157,109
Total assets		**192,855**	**184,023**
Current liabilities			
Accounts payable and accrued expenses		1,460	999
Lease liabilitilies	19	136	140
Provision for tax		671	581
		2,267	1,720
Non-current liabilities			
Lease liabilitilies	19	48	174
Deferred tax liability	8	1,597	1,365
		1,645	1,539
Equity			
Fully paid up ordinary shares		49,557	57,191
Asset revaluation reserve		18,251	14,365
Retained earnings		121,135	109,208
	11	188,943	180,764
Total liabilities and equity		**192,855**	**184,023**

On behalf of the Directors, who authorised the issue of these consolidated financial statements, dated 31 August 2022.

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 2022

	Notes	2022 $000	2021 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		14,633	11,727
Dividends received		807	371
Interest received		220	528
		15,660	12,626
Cash was applied to:			
Payments to suppliers and employees		8,884	6,351
Taxation paid		1,378	1,194
Interest paid		8	8
		10,270	7,553
Net cash flows from operating activities	7	**5,390**	**5,073**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of shares		-	3,853
Proceeds from sale of property, plant and equipment		69	3,783
		69	7,636
Cash was applied to:			
Purchase and improvements to investment properties		11,641	113
Improvements to other properties		308	605
Purchases of plant and equipment		1,131	148
Purchase of shares	15	4,766	13,720
		17,846	14,586
Net cash flows used in investing activities		**(17,777)**	**(6,950)**
Cash flows from financing activities			
Cash was applied to:			
Repayments of borrowings and leasing liabilities		176	177
Share repurchase and cancellation	11	7,634	12,060
Dividend paid		852	949
		8,662	13,186
Net cash flows used in financing activities		**(8,662)**	**(13,186)**
Net change in cash and cash equivalents		**(21,049)**	**(15,063)**
Cash and cash equivalents at beginning of year		22,763	37,826
Cash and cash equivalents at end of year		**1,714**	**22,763**

The accompanying notes form part of these financial statements.

For the year ended 30 June 2022

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. Rural Equities Limited 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" or "REL")

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

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

The Group owns seventeen farms (2021: sixteen). Two of the farms are sheep and beef farms operated directly by the Group. The 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

There have been no changes to accounting policies during the reporting period.

Accounting policies set out below have been applied consistently to both periods presented in these financial statements.

NZ IFRS ISSUED BUT NOT YET EFFECTIVE

There are no standards, amendments or interpretations that have been issued but are not yet effective that 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

Properties which are held primarily to earn rentals and/or for capital appreciation are classified as investment properties at their acquisiton date. 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 independent registered 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.

Depreciation is not charged on buildings as the future residual value is not expected to be less than the carrying amount.

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) Leased Assets

The Group as a lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets two key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

On the statement of financial position, right-of-use assets have been included in investment properties, and property, plant and equipment. Lease liabilities have been shown separately.

The Group as a lessor

Income from operating lease agreements are recognised as income on a straight-line basis over the lease term.

(e) Livestock

Livestock are recorded at fair value as assessed by an independent valuer, less estimated point of sale costs. Changes in fair value including animal growth and changes in livestock numbers 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 IFRS 16 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.

Milk revenue is recognised following collection by the milk processor and using the processors most recent forecast price and dividend information. Differences between forecast and actual revenue for the current year are accounted for in the following financial year. The company holds NZX milk price futures in order to manage commodity risk. The fair value gains or losses on these futures are reported in the Consolidated Statement of Comprehensive Income at balance date.

(j) 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.

(k) Impairment testing of property, plant and equipment

Individual assets not held at fair value 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.

(l) 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 publically traded equities 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 trade and other payables. The Group has no borrowings.

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 $129,534,000 (2021: $104,136,000).

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 $31,215,000 (2021: $27,048,000).

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 Taxation for the impact.

iv) Livestock - The fair value of livestock is based on market values, as assessed by an independent valuer. These market values reflect livestock of similar age, breed and genetic merit throughout New Zealand. Trading stock is carried on the statement of financial position as a current asset of $1,132,000 (2021: $1,295,000), and breeding stock is carried on the statement of financial position as a non current asset of $1,989,000 (2021: $2,714,000).

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 $2,935,000 (2021: $1,881,000).

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

	2022	2021
Revaluations recognised in profit and loss:	$000	$000
Fair value gain / (loss) in value of:		
Investment properties	11,109	3,676
Property, plant and equipment (refer note 1(c))	21	(3)
Investments in shares	(3,529)	2,101
	7,601	5,774
Revaluations recognised in other comprehensive income:		
Investment properties	(19)	(31)
Property, plant and equipment (refer note 1(c))	3,929	2,345
	3,910	2,314

NOTE 5 FARM INCOME

	2022	2021
Farm income comprises:	$000	$000
Milk income	10,780	8,279
Livestock income (refer note 14)	2,109	2,446
Other farm income	89	137
	12,978	10,862

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

NOTE 6 EXPENSES

	2022	2021
Other expenses comprise:	$000	$000
Depreciation - on plant and equipment	8	11
Depreciation - on buildings	4	4
Depreciation - on right of use assets	170	175
Directors' fees	416	275
Operating lease costs	14	13
Statutory audit fees	37	34
Other fees to auditor	-	-
Key management remuneration - short term benefits	846	791
Other employee remuneration	-	-
Other expenses	199	136
	1,694	1,439

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

Farm working expenses comprise:	2022 $000	2021 $000
Animal health	142	132
Depreciation	132	407
Feed	870	827
Fertiliser	940	694
Grazing	791	710
Farm salaries and wages	402	387
Repairs and maintenance	719	445
Weed and pest	168	99
Other farm expenses	1,314	1,274
	5,478	4,975

NOTE 7 CASH FLOW RECONCILIATION

	2022 $000	2021 $000
Net profit after tax	12,779	11,994
Add / (deduct) non-cash items:		
Depreciation	170	449
Milk Price Futures mark to market	(161)	(7)
Fair value movements	(7,601)	(5,774)
	(7,592)	(5,332)
Changes in assets and liabilities:		
Increase / (decrease) in accounts payable	247	(18)
Increase / (decrease) in current tax liability	65	195
Increase in deferred taxation liability	231	112
(Increase) / decrease in right of use assets	2	(2)
(Increase) / decrease in livestock and feed on hand	574	(736)
(Increase) / decrease in accounts receivable	(1,041)	17
	78	(432)
Add / (deduct) non-operating items:		
Lease payments classified as financing cashflows	177	177
Realised (profit) / loss on asset sales	(52)	(1,334)
	125	(1,157)
Net cash flows from operating activities	5,390	5,073

NOTE 8 TAXATION

Statement of Comprehensive Income	2022 $000	2021 $000
Net profit before tax	14,454	13,494
Tax at the statutory rate of 28%	4,047	3,778
Adjusted for the tax effect of:		
Non assessable asset revaluations and realisations	(1,938)	(2,023)
Non assessable livestock revaluations	(149)	(73)
Non assessable dividend income	(14)	-
Depreciation on land improvements	(170)	(118)
Depreciation on buildings	(18)	(7)
Imputation credits	(85)	(58)
Other items	2	1
Tax expense	1,675	1,500
Represented by:		
Current tax	1,468	1,383
Deferred tax	207	117
	1,675	1,500

Statement of Financial Position		
Deferred tax assets and liabilities relate to the following:		
Buildings depreciation and revaluation	1,100	878
Forest operations and revaluation	251	172
Plant depreciation	188	117
Livestock revaluation	27	187
Leases	2	3
Other items	29	8
	1,597	1,365
To be recovered after more than 1 year	1,568	1,357
To be recovered within 1 year	29	8
	1,597	1,365
Disclosed as:		
Deferred tax liability	1,597	1,365
Deferred tax asset	-	-
	1,597	1,365
Changes to deferred tax liability:		
1) Recognised in profit or loss:		
Buildings depreciation and revaluation	197	(30)
Forest operations and revaluation	79	45
Plant depreciation	71	(3)
Livestock revaluation	(160)	111
Leases	-	1
Other items	21	(7)
	208	117
2) Recognised in other comprehensive income	24	(5)
Total change in deferred tax liability	232	112

NOTE 9 IMPUTATION CREDIT ACCOUNT

	2022 $000	2021 $000
Imputation credits available for subsequent reporting periods	5,380	4,125

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:	2022 $000	2021 $000
Amortised cost:		
Accounts receivable	3,159	2,104
Cash and cash equivalents	1,714	22,763
Fair value through profit or loss:		
Investment equity shares - Level 1 fair value hierarchy	21,270	20,032
Derivatives - Level 2 fair value hierarchy	317	155
Fair value through other comprehensive income:		
Other investments	2	2
Liabilities at amortised cost:		
Accounts payable and accruals	1,352	885

Interest rate risk

The Group can be exposed to changes in interest rates on its bank term deposits. There were no term deposits at 30 June 2022. (2021: 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 $144,000).

Commodity Price Risk

	2022 $000	2021 $000
Finance receivable with Jarden Securities	1,606	375
Derivative liability	(1,289)	(220)
Held for Trading Instruments	317	155

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 $739,000 (2021: $770,000).

Singapore Stock Exchange ("SGX") (2021: New Zealand Stock Exchange ("NZX")) offers fixed price contracts in the form of milk price futures. There are also Put options available from time to time which secure a minimum price. The Group evaluates milk price futures and Put options and uses them to manage commodity price risk by securing a fixed or a minimum 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.

	2022 $000	2021 $000
2021 Milk Price Futures - expire 1 October 2021	-	2,351
2022 Milk Price Futures - expire 1 October 2022	2,893	2,099
2023 Milk Price Futures - expire 1 October 2023	4,213	-

These have been revalued to market at reporting period end which resulted in a loss of $1,289,000 (2021: loss of $220,000).

Market Price Risk

Investment Equity Shares reported at market value are valued at the market price at the reporting period ending 30 June 2022. 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 $2,127,000 (2021: $2,003,000).

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.

There are no term deposits included in cash and cash equivalents (2021: $20,000,000 held with Westpac Bank which is a registered trading bank prudentially supervised by the Reserve Bank of NZ, and which had a Standard & Poor's credit rating of AA-).

Included in accounts receivable is $781,000 (2021: $722,000) receivable from Fonterra Co-operative Group Ltd and $1,146,000 (2021: $1,086,000) receivable from Synlait Milk Ltd. There are accruals for milk escalation repayments from the sharemilkers of $1,057,000 (2021: $73,000). 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.

	2022	2021
Maximum exposures to credit risk are:	$000	$000
Accounts receivable	3,159	2,104
Term Deposits	-	20,000
Derivatives (milk price futures margin account)	317	155

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

The status of accounts receivable at balance date was:

Not yet due	3,159	2,104
Past due - up to 30 days	-	-
Past due - more than 31 days	-	-
	3,159	2,104

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 31 October 2022.

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

	2022	2021
	Less than 12 months	Less than 12 months
	$000	$000
Accounts payable and accrued expenses	1,352	885
	1,352	885

Currency risk

The Group does not have any direct exposure to currency risk.

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 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

	2022	2021
	$000	$000
Share capital - see below	49,557	57,191
Asset Revaluation reserve	18,251	14,365
Retained earnings	121,135	109,208
Total	188,943	180,764

Share capital

There are 28,404,784 authorised shares on issue (2021: 29,742,899). 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 27 October 2021 the Company repurchased 1,338,115 shares from 46 shareholders at $5.70 per share, totalling $7,627,000. The repurchased shares were then cancelled. (2021: On 16 October 2020 the Company repurchased 403,765 shares from 38 shareholders at $4.70 per share, totalling $1,898,000. The repurchased shares were then cancelled. On 22 March 2021 the Company repurchased 1,877,178 shares from 91 shareholders at $5.35 per share, totalling $10,043,000. The repurchased shares were then cancelled).

There was $6,000 in transaction fees relating to capital matters this financial year (2021: $120,000).

Capital Maintenance

The Group's capital is primarily invested in rural property and equity investments which are held for long term capital appreciation, and investment decisions to rebalance the portfolio are periodically made based upon long term future yield expectations. 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, asset revaluation reserve and retained earnings.

The Group is not exposed to any borrowing covenants.

NOTE 12 INVESTMENT PROPERTIES

All investment property balances are represented by land and buildings.

	2022 $000	2021 $000
Gross carrying amount		
Opening Balance	104,440	104,312
Additions	12,532	427
Disposals	-	(3,944)
Property previously classified as property, plant and equipment	1,913	-
Fair value gain / (loss)	11,089	3,645
Closing balance	129,974	104,440
Depreciation of right-of-use assets		
Opening Balance	(304)	(168)
Depreciation	(136)	(136)
Closing Balance	(440)	(304)
Carrying amount	129,534	104,136

All rural investment properties held as non current assets were valued as at 30 June 2022 by independent registered valuers Property Advisory Limited or Tizard Valuers 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 2022 by independent registered valuer Added Valuation 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	2022 $000	2021 $000
Added Valuation Limited	450	465
Tizard Valuers Limited	27,250	22,800
Property Advisory Limited	101,440	80,437
	129,140	103,702
Right-of-use assets	182	314
Assets not yet completed	212	120
Carrying amount	129,534	104,136

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	2022 $000	2021 $000
Land and Buildings		
Opening balance	27,048	24,548
Additions	290	229
Reclassed to Forestry	(49)	-
Reclassed from Plant and Equipment	10	-
Fair value gain	3,916	2,271
Closing balance	31,215	27,048
Plant and Equipment		
Opening balance	2,541	2,827
Additions	259	139
Reclassed to Investment Properties	(1,913)	-
Reclassed to Land and Buildings	(10)	-
Disposals	(17)	(8)
Depreciation	(132)	(417)
Closing balance	728	2,541
Cost	2,107	7,990
Accumulated depreciation	(1,379)	(5,449)
Net carrying amount	728	2,541
Total property, plant and equipment	31,943	29,589

	Plant and equipment $000	**Land and buildings** $000	**Total** $000
Gross carrying amount			
Balance 1 July 2021	8,014	27,632	35,646
Property reclassified as investment property	(1,923)	10	(1,913)
Property reclassed to Forestry	-	(49)	(49)
Additions	258	289	547
Disposals	(55)	-	(55)
Fair value gain	-	3,950	3,950
Balance 30 June 2022	6,294	31,832	38,126
Depreciation and impairment			
Balance 1 July 2021	(5,473)	(584)	(6,057)
Disposals	39	-	39
Depreciation	(132)	(33)	(165)
Balance 30 June 2022	(5,566)	(617)	(6,183)
Carrying amount 30 June 2022	728	31,215	31,943
Included in the above are the following:			
Property plant and equipment	728	31,200	31,928
Assets not yet completed	-	7	7
Right-of-use assets	-	8	8
	728	31,215	31,943

	Plant and equipment	Land and buildings	Total
	$000	$000	$000
Gross carrying amount			
Balance 1 July 2020	7,907	25,061	32,968
Additions	140	229	369
Disposals	(33)	-	(33)
Revaluations	-	2,342	2,342
Balance 30 June 2021	8,014	27,632	35,646
Depreciation and impairment			
Balance 1 July 2020	(5,080)	(513)	(5,593)
Disposals	25	-	25
Depreciation	(418)	(71)	(489)
Balance 30 June 2021	(5,473)	(584)	(6,057)
Carrying amount 30 June 2021	2,541	27,048	29,589
Included in the above are the following:			
Property plant and equipment	2,541	27,000	29,541
Assets not yet completed		39	39
Right-of-use assets	-	9	9
	2,541	27,048	29,589

Rural land and buildings were valued as at 30 June 2022 by independent registered valuer Tizard Valuers 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	2022	2021
	$000	$000
Tizard Valuers Limited	31,200	27,000
	31,200	27,000

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

	2022	2021
	$000	$000
Land	4,410	4,153
Buildings	1,669	1,583
Less accumulated depreciation	(550)	(506)
Net carrying amount	5,529	5,230

NOTE 14 LIVESTOCK

The Group has operated two sheep and beef farms during the financial year. (2021: Two). Livestock are held for meat and wool production.

	2022 No. of Head	2021 No.of Head
Livestock on hand:		
Sheep	8,922	11,311
Cattle	1,287	1,607
	$000	$000
Sheep value		
Opening balance	2,157	2,021
Increases due to purchases	268	141
Decreases due to sales	(1,696)	(1,274)
Gains due to net births and deaths	742	669
Fair value gains	196	600
Closing balance	1,667	2,157
Cattle value		
Opening balance	1,852	1,240
Increases due to purchases	484	428
Decreases due to sales	(1,330)	(512)
Gains due to net births and deaths	89	72
Fair value gains	359	624
Closing balance	1,454	1,852
Total livestock	3,121	4,009
Classified as:		
Current asset	1,132	1,295
Non current asset	1,989	2,714
	3,121	4,009

Livestock were valued as at 30 June 2022 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	2022	2021
	$000	$000
Sheep	1,196	1,535
Beef	913	911
	2,109	2,446
Livestock Income		
Livestock Sales	4,393	2,907
Book value of livestock sold	(3,670)	(2,425)
Births	1,035	964
Losses	(204)	(224)
Increase in value	555	1,224
	2,109	2,446

NOTE 15 INVESTMENTS

	2022 $000	2021 $000
Shares in public companies held at fair value	21,270	20,032
Shares in private companies held at cost	2	2
	21,272	20,034

Shares at market value are valued at quoted prices in active markets. This is level 1 of the fair value hierarchy - refer to note 10.

During the year there were no shares sold (2021: Shares with a carrying value of $2,331,000 were sold for $3,852,000 giving a realised gain of $1,521,000).

NOTE 16 BANK LOANS

The Company has undrawn loan facilities with ANZ Bank New Zealand Limited totalling $480,000 (2021: $480,000).

A global security deed has been provided to ANZ Bank New Zealand Limited covering all the Group's assets. The facility expires on 31 October 2022.

NOTE 17 EARNINGS PER SHARE

Basic Earnings Per Share

Basic earnings per share are calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

	2022	2021
Net profit after tax ($000)	12,779	11,994
Basic Earnings - cents per share	44.47	38.57
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the year	29,742,899	32,023,842
Issued ordinary shares at the end of the year	28,404,784	29,742,899
Weighted average number of ordinary shares	28,739,313	31,095,292
Weighted average number of ordinary shares (diluted)	28,739,313	31,095,292

Diluted Earnings Per Share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding and to assume conversion of all dilutive potential ordinary shares.

	2022	2021
Diluted Earnings - cents per share	44.47	38.57

NOTE 18 RELATED PARTY DISCLOSURES

David Cushing and Rodger Finlay, who are directors of REL, were appointed directors of PGG Wrightson Limited (PGW) in 2019. David Cushing retired as a Director of PGW on 30 April 2021 and Rodger Finlay also retired as a Director of PGW on 30 June 2022 . REL is party to an Administration and Secretarial Services Agreement with the Trustee of the PGG Wrightson Employee Benefits Plan (the Plan). During the financial year REL received fees from the Plan for the provision of these services during the financial year of $185,000 (2021: $225,000). The Group also purchased goods and services, paid livestock commissions and wool brokerage to PGW this financial year to the value of $2,180,000 (2021: $1,852,000).

REL provides 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 received during the financial year were $33,000 (2021: $31,000). The amount owing at balance date was $10,000 (2021: $9,000) and has since been paid in full.

The Company leases its office premises at 127 Queen Street East, Hastings from Seajay Securities Limited. David Cushing and Sir Selwyn Cushing, who are directors of REL, are shareholders and directors of Seajay Securities Limited. The lease expired on 30 September 2021 and was renewed for a further 12 month period until 30 September 2022. On renewal the annual rental was increased from $40,000 to $41,700 (both plus outgoings). The amount of rental paid to Seajay Securities Limited during the financial year was $41,000 (2021: $40,000).

During the financial year the Group purchased $304,000 (2021: $189,000) 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 financial year was $110,000 (2021: $110,000). The rental is set by reference to an assessment completed by an independent registered valuer.

NOTE 19 LEASES

The Group has a lease for the head office and two property leases adjoining two of the farms which are subject to sharemilking contracts. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its investment property (see note 12), and property, plant and equipment (see note 13). The Group had three right-of-use asset leases at 30 June 2022 with terms ranging from 1-2 years and an average remaining lease term of one year (2021: The Group had three right-of-use asset leases with terms ranging from 1-3 years and an average remaining lease term of two years).

Lease payments are generally fixed.

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2022 $000	2021 $000
Current	136	140
Non-current	48	174
	184	314

Maturity analysis of lease liabilities	Within 1 year	1-2 years	2-3 years	4-5 years	5-10 years
Land and buildings	136	48	-	-	-

Additional cashflow information

Total cash outflow in respect of leases in the year is $181,000 (2021: $185,000).

NOTE 20 COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments receivable as lessor

The Group's investment properties (excluding the dairy farms) are leased for terms of up to ten 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.

	2022 $000	2021 $000
Within one year	1,047	1,033
After one year but not more than five years	477	523
More than five years	-	-
Total	1,524	1,556

Property, Plant and Equipment and Investment Properties Commitments

As at 30 June 2022, there are no land transactions in progress (2021: none).

Contingent Liabilities

There are no contingent liabilities as at 30 June 2022 (2021: $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 farm revenue as reported in note 5 is derived from New Zealand domiciled entities. Income from investment in shares is derived from investments held in New Zealand publically traded companies.

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

Major Customers

The Group has seven dairy farms (2021: six). Three supply Fonterra Co-operative Group and four supply Synlait Milk Limited (however one of the Synlait farms was only acquired on 1 June 2022 and therefore did not produce milk for the Group during 2022). The Group obtained $4,077,000 which is 29% (2021: $3,460,000 - 28%) of its revenue from Fonterra, and $5,563,000 which is 39% (2021: $4,772,000 - 39%) of its revenue from Synlait.

NOTE 22 EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no significant events subsequent to the reporting date.

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To the Shareholders of Rural Equities Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rural Equities Limited and its controlled subsidiaries, "the Group", on pages 7 to 20 which comprise the consolidated statement of financial position as at 30 June 2022, 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 consolidated 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 the Group as at 30 June 2022 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 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant

Investment Property and Property, Plant & Equipment held at fair value – Valuation and classification.

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about the classification and carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on the primary purpose of the asset or liability, use of and historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements.

As at 30 June 2022, Investment Property is carried at fair value of $130m and Property Plant and Equipment, land and buildings is carried at fair value of $32m.

The Group engages third party independent property valuers (specifically Property Advisory Limited and Tizard Valuers Limited) to perform their independent valuations of property held by the Group at year end to determine their fair value. There are a number of risks that can have a material impact on the Investment Property and Property, Plant and Equipment balance in the consolidated financial statements, principally:

- Valuations of property may not be performed by qualified and experienced commercial property valuers and or the methods and assumptions used may not be considered appropriate.
- The calculation of the fair value amount for each property as well as the revaluation adjustment for the year may not be correct.
- The data provided to the property valuers may not be appropriate; and
- Management's classification of property plant and equipment versus investment property may not be accurate.

How our audit addressed the key audit matter

We evaluated the appropriateness and classification of the fair value of the Group's property held at year end by:

- Obtained and agreed the schedule of revalued property to the respective independent valuation reports, performed by valuation experts.
- Evaluated the qualifications and work of each valuation expert.
- Inquired about and documented the methods and assumptions used by the expert and considered the appropriateness of those assumptions and methods used, for each property valuation.
- Confirmed each property valuation was performed in accordance with appropriate accounting standards for use in determining the carrying value of investment property or property, plant and equipment as at 30 June 2022.
- Recalculated the revaluation adjustment to be recorded for the year of each revalued property as at 30 June 2022.
- Assessed the appropriateness of data provided to the expert, for each property valuation.
- Considered the classification of property as investment property or property, plant and equipment and the adequacy of disclosures made in Note 2 Significant Accounting Judgement, Estimates and Assumptions and Note 12 Investment Property and Note 13 Property, Plant and Equipment which sets out the key judgements and estimates including valuation techniques.

Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. 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. The Annual Report is expected to be made available after the date of this auditor's report.

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 identified above when it becomes available 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.

When we read the Annual Report if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance for resolution.

Directors' responsibilities for the Consolidated Financial Statements

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

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-3/

Restriction on use of our report

This report is made solely to the Companies shareholders, as a body. Our audit work has been undertaken so that we might state to the Companies shareholders, as a body those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

K. Price
Partner, Auckland
31 August 2022

Shareholder Information

As at 4 October 2022

TWENTY LARGEST SHAREHOLDERS

Holder	Number of shares held	%
H&G Limited	22,740,567	80.06
RGH Holdings Limited	729,186	2.57
JN Pearson and AJ Mansell (Sam Pearson Family Trust)	437,330	1.54
Custodial Services Limited (A/C 4)	389,363	1.37
SL Pearson and AJ Mansell (Jake Pearson Family Trust)	217,682	0.77
BD Cushing and SJ Cushing (K D Cushing Family Trust)	197,328	0.69
CAZNA (2904) Limited (Douglas Goodfellow Charitable Trust)	165,854	0.58
Makowai Farm Limited	156,691	0.55
JH Eriksen	81,000	0.29
BJ Cushing	76,351	0.27
R Sami	75,476	0.27
JR Gabor	72,416	0.25
AR Taggart and EC Ledgerwood	62,301	0.22
FNZ Custodians Limited	61,170	0.22
AM Grace, AI Grace and PM Reese (AM Grace Family Trust)	60,139	0.21
RG Goodrick	60,000	0.21
AJ Mansell and SL Pearson and JN Pearson (Squirrel A/C)	59,456	0.21
Custodial Services Limited (A/C 12)	56,500	0.20
DA Streeter and EB Streeter and MD Torrie (Coley Investment A/C)	51,162	0.18
DJ Orr	51,041	0.18

ANALYSIS OF SHAREHOLDING BY SIZE

	Number of Shareholders	%	Number of shares held	%
2,000 - 4,999	157	44.73	469,672	1.65
5,000 - 9,999	110	31.34	751,034	2.64
10,000 - 49,999	62	17.66	1,283,065	4.52
50,000 - 99,999	14	3.99	867,012	3.05
100,000 and over	8	2.28	25,034,001	88.14
Total	**351**	**100.00**	**28,404,784**	**100.00**

ANALYSIS OF SHAREHOLDING BY LOCATION

	Number of Shareholders	%	Number of shares held	%
Upper North Island	122	34.76	1,253,760	4.42
Gisborne	9	2.56	86,700	0.31
Hawke's Bay	39	11.11	23,445,943	82.54
Waikato / Bay of Plenty	67	19.09	946,688	3.33
Manawatu/Whanganui/Wairarapa	21	5.98	222,229	0.78
Wellington	31	8.83	1,099,253	3.87
South Island	46	13.11	1,207,188	4.25
Overseas	16	4.56	143,023	0.50
Total	**351**	**100.00**	**28,404,784**	**100.00**

Additional Disclosures

DIRECTORS AND REMUNERATION

The Directors of Rural Equities Limited ("REL") on 30 June 2022 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 2022 were Nigel Atherfold, David Cushing, Sir Selwyn Cushing, Rodger Finlay and James Wright.

The Directors of New Zealand Rural Property Trust Management Limited on 30 June 2022 were Nigel Atherfold, David Cushing, Sir Selwyn Cushing, Rodger Finlay and James Wright.

The Directors of REL Trustee Services Limited on 30 June 2022 were Nigel Atherfold, David Cushing, Sir Selwyn Cushing, Rodger Finlay and James Wright.

The Directors of New Zealand Rural Property Trust Nominees Limited as at 30 June 2022 were Nigel Atherfold, David Cushing, 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 2022.

The table below details the remuneration received by the Directors from REL during the year ended 30 June 2022.

Name	$
Nigel Atherfold	60,000
David Cushing	200,000
Sir Selwyn Cushing	60,000
Rodger Finlay	100,000

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

The amount of remuneration paid to REL's Directors during the financial year ended 30 June 2022 was $420,000. The total Directors' fee pool, approved by REL's shareholders in 2021, is $445,000.

REL's constitution allows for a cessation payment to be made when a director ceases to hold office. Any payment must be approved by an ordinary resolution of REL's shareholders. No such payments are contemplated.

ENTRIES RECORDED IN THE INTERESTS REGISTER

The following entries were recorded in the Group's Interests Registers during the year ended 30 June 2022:

Nigel Atherfold is a director of Landcorp Farming Limited.

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

David Cushing is a director and shareholder of Makowai Farm Limited.

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

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

Sir Selwyn Cushing is a director and shareholder of Makowai Farm Limited.

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

Rodger Finlay is a director of Ngai Tahu Holdings Corporation Limited.

Rodger Finlay retired as a director of PGG Wrightson Limited on 30 June 2022.

REL share transactions undertaken by the Directors of REL during the year ended 30 June 2022

On 27 October 2021:

- Ashfield Properties Limited (an associate of David Cushing and Sir Selwyn Cushing) accepted REL's share repurchase offer for 133,891 REL shares for consideration of $5.70 per share.
- RGH Holdings Limited (an associate of Rodger Finlay) accepted REL's share repurchase offer for 195,625 REL shares for consideration of $5.70 per share.
- Seajay Securities Limited (an associate of David Cushing and Sir Selwyn Cushing) accepted REL's share repurchase offer for 235,169 REL shares for consideration of $5.70 per share.

Directors' relevant interest in REL shares as at 30 June 2022

Name	Held Beneficially	Held by Associated Persons
Nigel Atherfold	-	-
David Cushing	197,328	23,020,174
Sir Selwyn Cushing	-	23,141,151
Rodger Finlay	-	729,186

No share options have been issued to REL's Directors.

There is no requirement in REL's constitution for REL Directors to hold REL shares.

Directors' indemnity and insurance

On 31 May 2021 REL renewed its Directors' and Officers' Liability insurance policy for the Group for the period 31 May 2021 to 31 May 2022. On 31 May 2022 REL renewed this policy for a further year until 31 May 2023.

DONATIONS

REL did not make any donations during the financial year ended 30 June 2022.

EMPLOYEES

During the financial year ended 30 June 2022 the Group paid remuneration in excess of $100,000 to four employees in the following bands:

1 employee	$130,000 and $140,000
1 employee	$220,000 and $230,000
1 employee	$270,000 and $280,000
1 employee	$280,000 and $290,000

A portion of these employees' remuneration is a discretionary bonus, to be determined at the sole discretion of the Remuneration Committee. Historically this has not exceeded 20% of any employee's annual remuneration.

AUDITOR

REL's auditor is Grant Thornton New Zealand Audit Limited (GT), whose initial appointment was confirmed by shareholders at the 2017 Annual Shareholders' Meeting. The audit partner responsible for the REL audit, Kerry Price, can act for a maximum of seven years. Annually, REL's shareholders consider a resolution that authorises REL's Directors to set the Auditor's remuneration.

During the year ended 30 June 2022, GT did not provide any non-audit services to the Group.

Director Profiles

DAVID CUSHING BCom, ACA

Executive Chairman

David was appointed a director of REL in 2004 when REL was separated from Williams & Kettle Limited. He was appointed REL's Executive Chairman in 2012. He is a former investment banker with the BNZ and has over 20 years' experience as a director of listed companies.

David is currently an independent director for Skellerup Holdings Limited and Managing Director of private investment company H&G Limited. He has experience across a broad range of industries having previously been a director of Fruitfed Supplies Limited, Williams & Kettle Limited, ASX listed Webster Limited, Tourism Holdings Limited, Acurity Health Group Limited, PGG Wrightson Limited, Red Steel Limited and NPT Limited.

David is a member of the REL Audit, Equity Investment, Health and Safety and Remuneration Committees.

RODGER FINLAY BCom, FCA, CFInstD

Deputy Chairman

Rodger has been a director of REL since 2008 and has extensive private and public sector governance experience. He is currently Chair of Crown Regional Holdings, Director of the Reserve Bank of New Zealand and Ngai Tahu Holdings and a director or trustee of several other New Zealand and internationally based entities.

Previous governance roles include Chair of listed company PGG Wrightson, Chair of NZ Post, Chair of the Independent Advisory Panel of the Provincial Growth Fund, Chair of New Zealand Oil and Gas and Kiwi Group Holdings, a director of Public Trust and ASX listed Tandou Limited and a Governor of Radio New Zealand. He has significant agricultural knowledge having previously part-owned and farmed a dry stock and arable operation in South Canterbury.

Rodger is a member of the REL Audit, Equity Investment, Health and Safety and Remuneration Committees.

NIGEL ATHERFOLD MBS, BMS

Director

Nigel joined the board in 2016 and is an experienced director. In the last 15 years he has served on boards that have covered the spectrum from farming to manufacturing to consumer-branded goods, from start-ups to rapid growth to mature companies.

Nigel is currently Deputy Chair of Landcorp Farming Limited and a director of Melody Dairies GP Limited, Spring Sheep Dairy NZ Management Limited, Terracostosa Limited and Shopping Centre Investments Limited.

The early part of his career was spent in the property finance and corporate banking areas of New Zealand's major banks before spending five years in the treasury division of the New Zealand Dairy Board. He has been self-employed since 2006 and is part-owner of an economics and treasury risk management advisory firm, TDB Advisory Limited.

Nigel is a member of the REL Audit and Health and Safety Committees.

SIR SELWYN CUSHING ACA, KNZM, CMG

Director

Sir Selwyn Cushing was appointed Chairman of REL in 2004 when REL was separated from Williams & Kettle Limited. He remained a director when David Cushing succeeded him as Executive Chairman in 2012.

Sir Selwyn has compiled a track record of outstanding commercial success over many years and in diverse industries. He has chaired major entities including Air New Zealand Limited, Electricity Corporation of New Zealand, Carter Holt Harvey Limited and Skellerup Holdings Limited. Sir Selwyn developed a particular empathy with the rural sector while serving on the boards of Williams & Kettle Limited, Fruitfed Supplies Limited and PGG Wrightson Limited.

CORE COMPETENCIES

- Agriculture
- Capital Markets
- Finance & Accounting
- Governance
- Growth
- Health & Safety
- International
- Risk Management
- Regulatory

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. Profiles of the Directors of REL are set out on page 24.

The Directors of REL meet approximately seven 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

The Directors have 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.

EQUITY INVESTMENT COMMITTEE

The Directors have constituted an Equity Investment Committee to oversee the management of the Group's equity investment portfolio.

HEALTH AND SAFETY COMMITTEE

The Directors have constituted a Health and Safety Committee to ensure that health and safety is an integral component of the Group's everyday business. Its 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.

REMUNERATION COMMITTEE

The Directors have constituted a Remuneration Committee. Its responsibilities are to:

- Review and set the remuneration arrangements for the Group's three executives.
- Make recommendations to Shareholders in relation to the appropriate level of REL's Directors' fee pool.
- Make recommendations to the Directors of REL as to how the approved Directors' fee pool should be allocated.

Rocklea

Prime lambs – Middle Hills

Waikoha Angus heifers


rural
equities
LIMITED