



127 QUEEN STREET EAST  
PO BOX 783, HASTINGS 4156  
NEW ZEALAND  
TELEPHONE 06 870 4672  
enquiries@ruralequities.co.nz

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### **RESULT FOR THE YEAR ENDED 30 JUNE 2019**

The Directors of Rural Equities Limited (REL) announce that REL recorded an audited tax loss for the year ended 30 June 2019 of \$7.841 million. This compares with a surplus of \$4.451 million recorded the previous year. REL's net asset value per share (NAV) is \$5.54 which is 25 cents less than last year's record NAV of \$5.79.

REL's operating earnings before interest and tax was \$4.931 million which is down slightly on the \$5.030 million recorded last year. The Group's seven dairy farms performed well and in line with last season. The Group's two Waikato properties were negatively impacted by the severe drought in that region which resulted in low growth rates in lambs and cattle, plus the sale of capital stock.

During the financial year the Group sold six of its rural properties for total proceeds of \$39.142 million. Collectively these sales were at a 6% discount to the 30 June 2018 book values. The farm sales were completed satisfactorily in a challenging environment where the number of farm sales in New Zealand reduced by 10% from the previous year. In addition, the remainder of the property portfolio reduced in value by \$4.253m and the Groups' shareholding in Fonterra and Webster Limited reduced by \$4.308m.

REL is in a strong financial position. During the year, through the sale of properties, all bank debt was eliminated and as at 30 June 2019 REL had cash assets of \$22.701 million. At balance date total assets were \$180.148 million and net equity was \$177.341 million.

As previously advised, REL has been considering alternative investment opportunities. This winter pinus radiata was planted on 100 hectares of unproductive land at Waikoha, with a similar area of natives and pinus radiata to be planted next year. Since balance date REL has acquired a 3.77% stake in rural services company PGG Wrightson Limited for \$6.668 million. Other long term investment opportunities will continue to be evaluated.

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

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

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

*Issued by James Wright, Chief Operating Officer, Rural Equities Limited.*