ECT

EASTLAND COMMUNITY TRUST

ANNUAL REPORT 2012

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CHAIRMAN'S REPORT

Eastland Community Trust has had an exciting and rewarding year.

We have been faced with a range of strategic challenges across all areas of the business. The most significant being the maintenance of community investment levels at a time when income streams were adversely affected by the global financial crisis. I am pleased to say this challenge was overcome through careful planning and decisive action.

Early in the year the trustees set a clear intention to support more projects. This was critical for the Trust to deliver on the vision of making the region a more positive, prosperous and attractive place to live. To deliver these projects the Trust recognised a need to strengthen and build its own resource capacity. This has also required a good deal of planning and was not entered into lightly, especially in the current economic climate. In the coming financial year the positive results of this planning will materialise. The trustees look forward to being able to deliver on more beneficiary expectations in the future which will make a greater impact in our community.

Chairman Nelson Cull, the directors, Chief Executive Matt Todd and the entire Eastland Group team need to be congratulated for the results that they have achieved this year. The year saw the retirement of long serving director Vern Dark and resignation of Shaan Stevens. The Trust thanks both directors for their effort, particularly Vern who served on the board for nine years. Anne Blackburn and Mike Glover were welcomed to the board and we appreciate the value they bring with them to the role.

We welcomed Joe Martin for his second stint on the Trust replacing long-serving Peter Farley whose insight, point of view and commitment will be missed. On behalf of the trustees I would like to thank Peter for his support and input over the past nine years

I would like to acknowledge the Trustees for their input this year and to congratulate and thank our operational team Leighton Evans our General Manager, Phil McLeod and Yvonne Berry.

Richard Brooking
CHAIRMAN

GENERAL MANAGER'S REPORT

2012 was a year of preparation, caution and maintenance of our community investment programme.

Financially the Trust performed credibly. Trust equity increased by just over 5% from 2011 and income was up marginally. While income was behind the budget target set in 2010, given the variable nature of the world economy since that time, a result which includes positive growth is a significant achievement.

The other significant highlight for the year has to be the volume of distribution. The Trust has focused on delivering funding to make projects happen. Significant commitments were made to marquee projects of the Warm Up Eastland programme and rescue helicopter. Significant sums were also committed to community assets, infrastructure and events.

Maximising the investment portfolio returns was hard work in 2012. Uncertain financial markets and turbulent global economies caused the Trust to take a more conservative approach to its investment portfolio. This conservatism was well founded with the total equity of the Trust growing, despite global equity and property markets struggling, domestic interest rates being at record lows and the exchange rates, particularly the US dollar, working against us.

The underpinning solid and steady returns from the Eastland Group were again a strong and secure base against these external effects. While profits for the company were down on the previous year, it was pleasing that this did not impact on the dividend payments made by the company. The continuing growth of the company was, and will remain, critical to this dividend growth.

The capital required to fund this future growth will continue to be a significant matter to consider in the coming year.

Costs were also carefully monitored and controlled. Total administration costs were below budget by 11.6% but up from 2011. This increase was as a result of investigating projects and evaluating potential applications. Such is the nature of community distribution work - the more applications received the more work we need to do on evaluating them.

The Trust was pleased to be involved in a wide range of projects throughout the community. A number of these are highlighted in this report. The Trust committed $3.4 million to projects and organisations during the year, exceeding our $2.6m budgeted amount by 30%. This increase in distributions was made possible by utilising unspent funds accumulated from previous years. While some of these funds will be picked up by entities in the coming financial year the commitment shows the Trust's intent to fulfil its project portfolio objectives.

Of most significance was the extension to the home insulation project. In association with EECA, $5m was committed to providing subsidised home insulation in the Warm Up Eastland programme. This funding will see over 1600 more low and middle income homes insulated on top of the 1800 funded under previous Trust sponsored schemes. Equally pleasing has been the positive relationships and partnerships developed with our service providers, Turanga Health and Te Runanga o Ngati Porou.

Throughout the year the Trust initiated two key pieces of work to better understand the environment around two areas we are always being asked to fund. Firstly we looked into event infrastructure and secondly sporting

infrastructure needs within our community. These two reports are an important addition to our community body of information. It has been particularly satisfying to see the Council and other agencies pick up the relevant elements of these reports in their thinking processes.

The Trust continued to build its relationship with Council, beneficiary interest groups and iwi. Strong relationships between these key parties are seen as being critical to the development of our region.

We would like to thank all the people who have worked with us in the past year to deliver what we believe was a solid performance in difficult times.

Leighton Evans
GENERAL MANAGER

OUR TRUSTEES

RICHARD BROOKING

"I was born and raised here, my local whakapapa - the two major iwi groups in Tairawhiti - stretches back several hundred years, and most of my long-term friendships are with people who are also from here."

GEOFF MILNER

"Our family are dedicated to the Eastland region because it's a fantastic place to raise a family. There's a real community spirit where different cultures engage and there is an understanding and acceptance of different cultures."

PHILIP SEARLE

"Gisborne is a very special place to me. I was born here and have lived virtually my whole life here. The friendliness of the people, lovely beaches, great fishing and great climate makes the area my pick of places to live."

BRIAN WILSON

"I love water sports and find it hard to imagine living anywhere else. I have travelled to many parts of the world but enjoy living here with its natural beauty and the people that make up the community."

VICKI THORPE

"I have a strong desire to see the Gisborne community thrive – economically, socially, culturally and environmentally. They are all aspects that contribute to a community's well-being, each one is important and they all must go hand in hand."

MICHAEL MUIR

"Over the years I have had the opportunity to see the level of support this community gives to one another and it is awesome. I am pleased that my family and I have been a part of contributing to an informed and engaged community."

JOE MARTIN

"My family has been in Gisborne many years. I was born and grew up here and have a deep love for our region. Our region is steeped in nationally significant history and being able to contribute to this legacy and be a part of that is special."

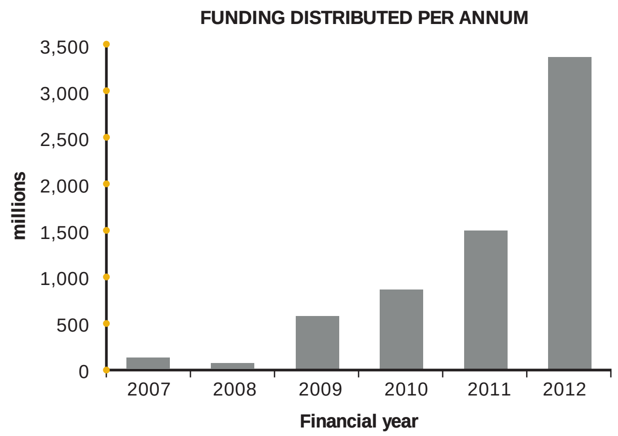
Left to right: ECT trustees Phillip Searle, Brian Wilson, Michael Muir, Chairman Richard Brooking, Geoff Milner, Joe Martin and Vicki Thorpe

OUR YEAR IN REVIEW

The Eastland Community Trust results for 2012 were extremely pleasing. Although net income before tax was down on our projected results, this was largely attributed to tough economic conditions, which yielded lower returns on investments.

We have increased our trust fund value by more than five percent and received more than $1.6 million from other investments.

	Forecasted 2012	Actual 2012
Total income	$8,933,430	$8,576,000
Total expenses	$1,013,000	$1,152,000
Net pre-tax operating profit	$7,920,000	$7,424,000
Profit after tax	$5,306,000	$6,191,000



KEY HIGHLIGHTS

$6.9 million

was received from Eastland Group during the year from dividends and interest on capital notes.

$3.4 million

distributed to projects and organisations.

Total administration costs were

11.6% under budget

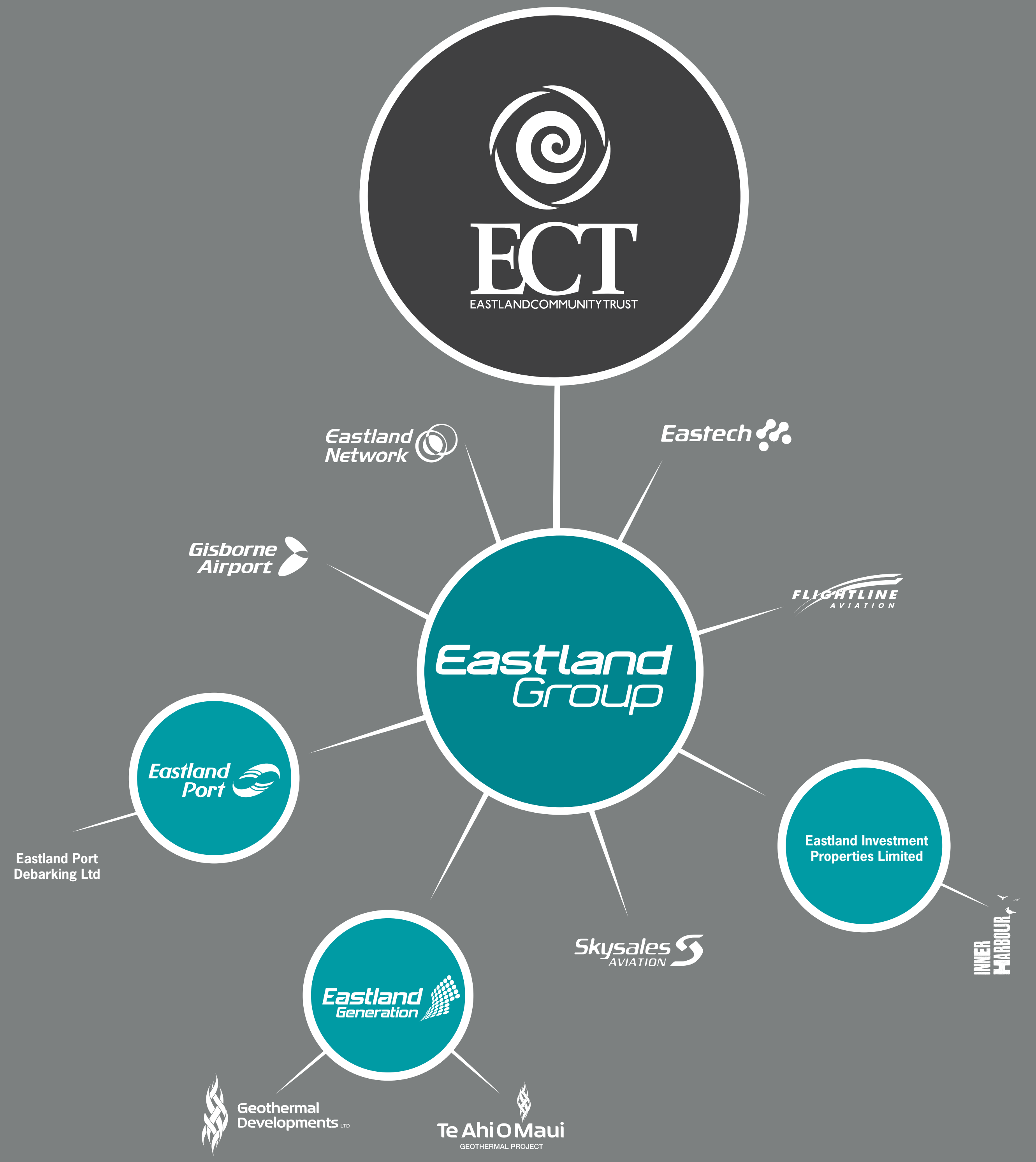
Trust equity increased by

5% this year

Total income increased by

1.9% this year

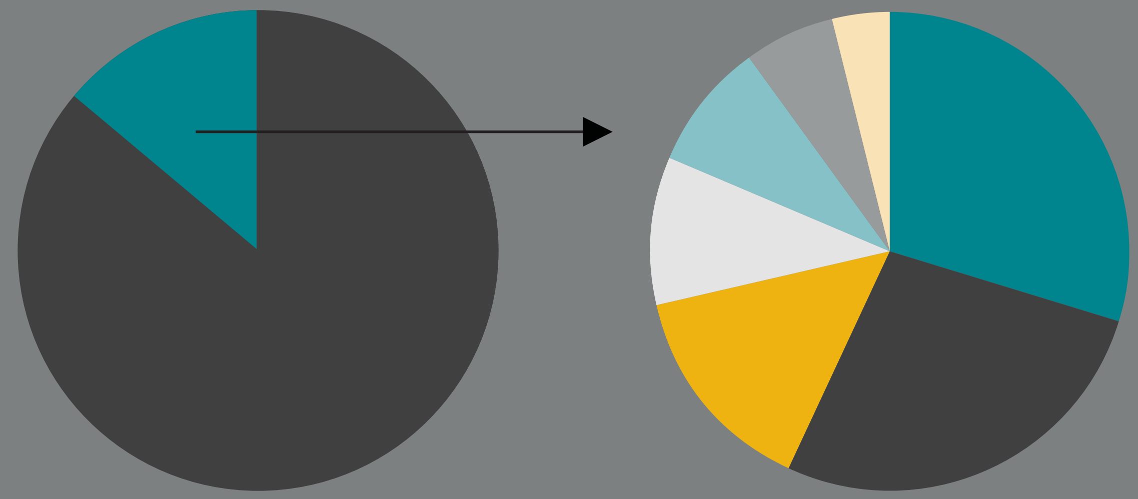
OUR STRUCTURE



OUR INVESTMENTS

INVESTMENT ALLOCATION

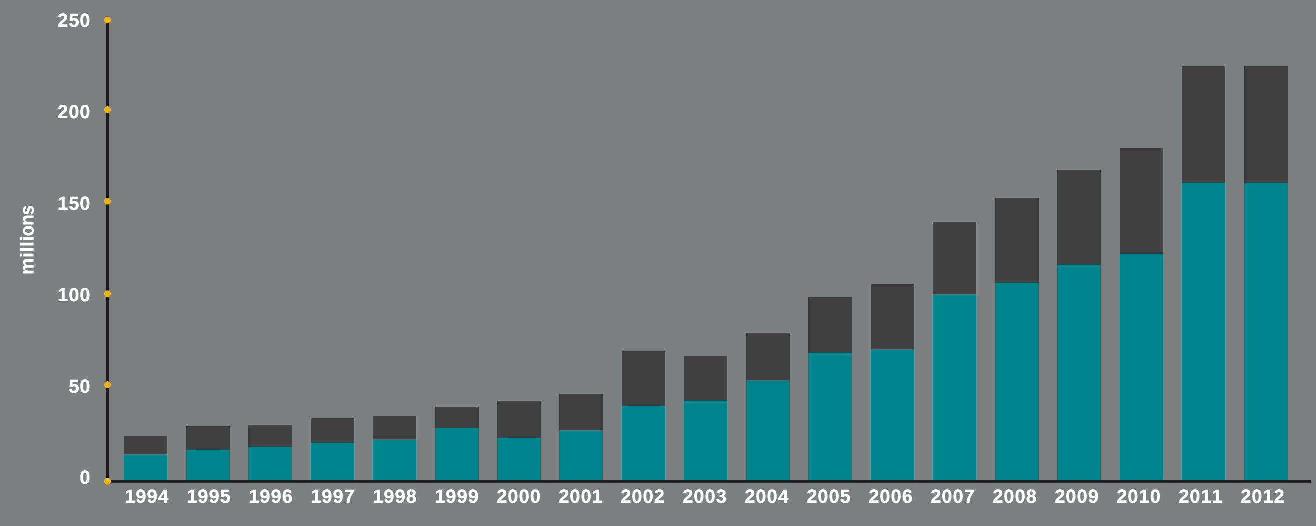
BREAK DOWN OF OTHER INVESTMENTS

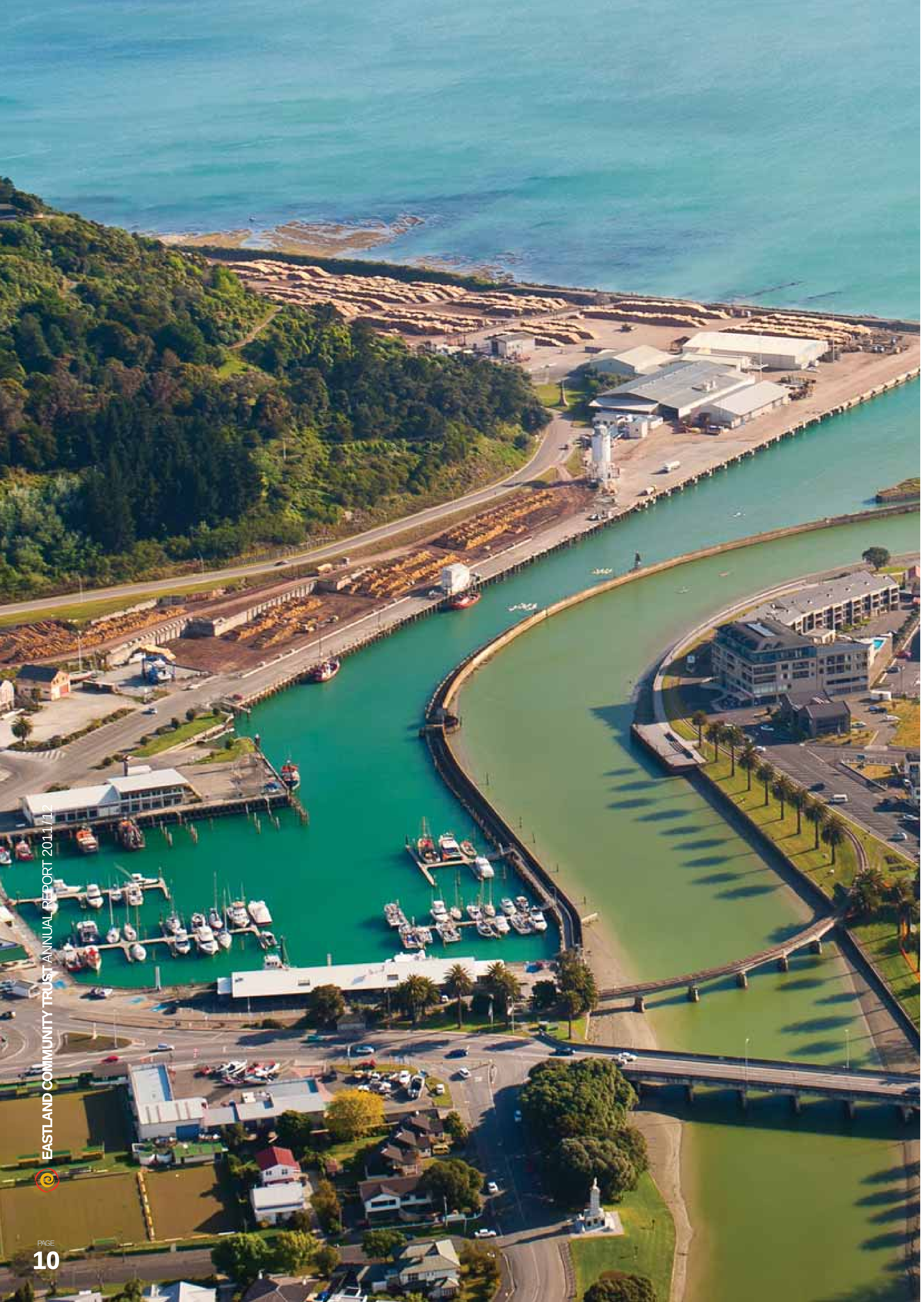


- Eastland Group (EGL) 84.59%
- Other Investments 15.41%

- Term Deposits 29.98%
- NZ Fixed Interest 26.98%
- Global Equities 14.61%
- Cash 9.97%
- NZ Equities 8.49%
- Australian Equities 6.30%
- Property 3.66%

ECT ADJUSTED NET ASSETS





EASTLAND GROUP PERFORMANCE

HIGHLIGHTS

- Total revenue - $76.2m
- Underlying profit to $8.7m up by 8.2%
- 12.6% increase in overall port export volumes with a 18% increase in non-log exports
- Total annual energy distributed by the network 305 GWHRS
- 45% reduction in bank facility costs following completion of the refinancing in December 2011
- Network and generation accreditation gained for the new public safety management system regulation

OVERVIEW

The Eastland Group is a Gisborne-based company, which invests in and manages a targeted portfolio of businesses throughout New Zealand with a focus on the energy, logistics and aviation sectors.

Eastland Group has a simple goal – to be one of New Zealand's great companies. With a clear strategic model for growth and a strong performance over the past 12 months, the company's future is an exciting one and on the road to achieving its goal.

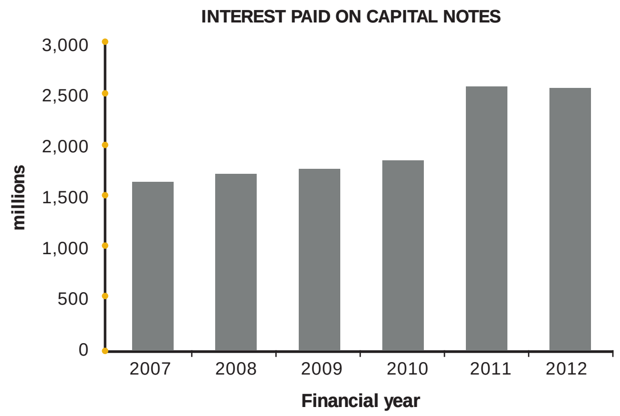
Revenues for Eastland Group grew 4.6% and total assets have increased from $344.99m to $353.83m. While net profit after tax was down on 2011, underlying profit was 8.6% ahead of the previous year at $8.7m.

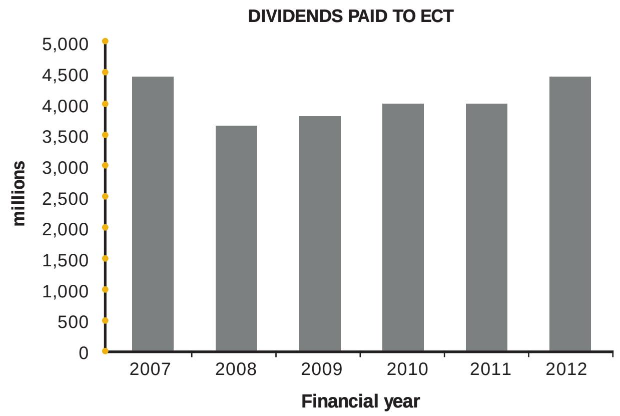
Underlying profit	2012	2011
NPAT	5.32	8.00
Impairment losses on intangible assets	1.86	0.04
Provision of loan receivable	1.52	-
Underlying Profit	**8.7**	**8.04**

The company has also continued its trend over recent years of growing the dividend paid to its shareholder Eastland Community Trust - this year distributing $4.4m to the trust, up from $4.2m the previous year.

The Group is currently assessing a range of business development opportunities. These range from projects that will augment and grow capacity from existing business, to those that will provide new and incremental revenue streams. These projects are within the regulated and unregulated energy arena as well as its logistics businesses.

This level of development and growth does present issues about funding future growth. This has been a focus of discussions between the Group and the Trust over the past year, and will continue to be investigated.





RELATIONSHIPS AND COMMUNITY INVESTMENT

The Trust's vision is clear: The ECT will assist in creating a more positive, prosperous and attractive community. The funding application process is well-established now and helps ensure the distribution programme has both direction and purpose.

In the face of a challenging economic environment, trustees set a clear intention earlier in the year to fulfil its vision and deliver projects. It is pleasing to announce the Trust delivered on this promise and distributed a record $3.4 million in the past year. This amount is double the distributions made last year and almost equals the total distribution between 2007 and 2011.

ECT RESCUE HELICOPTER

$300,000

The Eastland Community Trust is in its second year of a financial arrangement with the Eastland Rescue Helicopter Trust. The agreement, $300,000 per annum for two years, was to secure the rescue helicopter's 24/7 standby service. The Trust agreed this service was crucial to the region due to its geographical terrain, the distances between towns and medical facilities and nature of the region's remote rural economy.

The Eastland Rescue Helicopter flies an average of 80 missions a year from Mahanga and Waikaremoana in the south to Waihau Bay in the north, helping the people of this region when they need it most – in a medical or accident related emergency.

"$300,000 per annum has given the Eastland Rescue Helicopter Trust certainty that it can continue operating its 24/7 standby service. While we work very hard to raise further funds, and enjoy generous support from the wider community, ECT's support is vital."

Patrick Willock
EASTLAND RESCUE HELICOPTER RESCUE TRUST CHAIRMAN

ST JOHN BUILDING RENOVATION

$100,000

The $2,000,000 St John building renovation was always designed with the community in mind. The Trust recognises the significant contribution the St John service makes to our community and was pleased to help them meet the increased demands on its service.

The new building has been designed to provide additional garaging capacity for ambulances, increasing the three bays to five. However, it is the separate lecture room and community services area that revolutionises the building.

Well-equipped meeting and lecture rooms are available for use by community groups, sports clubs, other health providers and businesses. ECT's grant assisted in the completion of this important community project.

"Operationally we are in a much better space and the renovation has also enabled us to strengthen our community relationships. We've already had sports organisations, Tairawhiti District Health groups and the NZ Childcare Association use our meeting and lecture facilities."

Carnie Nelson
ST JOHN GISBORNE AREA EXECUTIVE OFFICER

TOKO TORU TAPU CHURCH RESTORATION PROJECT

$25,000

Toko Toru Tapu Church is arguably the most important Maori church in New Zealand and probably the most historically significant church in the East Coast region.

While restoration is being carried out on the fourth church to be built on this site, successive churches have been pivotal in the development of tohunga whakairo (artwork or carving) with Rukupo credited for introducing the manaia pattern during the build of the second Church to appease the moral concerns of Rev Williams.

Despite its cultural significance however, very little work had been carried out on the Church over the past 50 years. Now an $840,000 restoration project is underway, saving the remaining artworks.

The ECT grant has allowed the restoration trust to complete stage one - a general upgrade, the majority of the structural strengthening and the reroofing. Once complete, the long term hope is to have all the remaining whakairo returned with the blessing of current owners.

"This project is not just about bricks and mortar. The restoration of this church has stimulated a cultural and historical revival. The project has peaked both local and national interest in the artworks, carvings, and history of Manutuke."

Stan Pardoe
TOKO TORU TAPU RESTORATION TRUST CHAIRMAN

GISBORNE TENNIS CLUB COURT RESURFACING $40,000

The Eastland Community Trust grant enabled the Gisborne Tennis Club to complete the resurfacing of its Childers Road courts. As a result they've seen a dramatic increase in tennis participation.

With the $110,000 project now complete the club is experiencing a revival. Extra court participation during the week, a 30% increase in club membership, revitalised junior tennis and growing evening mercantile events are keeping the volunteer club management and the three part time coaches extremely busy.

"The Gisborne Seniors Tennis Club who leases our courts hosted a touring group of 35 Australian tennis players on Anzac Day. It was their first time in Gisborne and they told us ours was the best event they had been to in New Zealand. They'll be back and they'll bring others with them. Many of them stated these were the best courts they had played on so far."

Brent Lowry
GISBORNE TENNIS CLUB (INC) CHAIRMAN

GISBORNE I-SITE MINI GOLF UPGRADE PROJECT

$25,000

As one of Gisborne's favourite family activities, ECT could see commercial sense in supporting the Gisborne i-SITE Mini Golf course upgrade. This year-round family activity was in dire need of a revamp. Thanks to the financial support of ECT, and after months of planning, designing, building, planting and painting it has opened to rave reviews from the unprecedented numbers of golfers enjoying the new facilities.

A labour of love by local creatives Ian Smail, Terry Costello and Brian Campbell, it is hoped that the Out East theme featuring iconic East Coast scenes will also encourage visitors and locals to explore the real SH35 around the coast for themselves.

"Thanks to financial assistance from local organisations including Eastland Community Trust, this project has transformed what was already a popular facility into a unique not-to-be-missed experience for locals and visitors. The course is now also available for private hire, after hours for birthday parties, work functions and fundraisers, providing a much needed revenue stream to sustain the other services Tourism Eastland provides."

Darryl Monteith
COMMERCIAL MANAGER TOURISM EASTLAND

WARM UP EASTLAND $2,000,000

The Eastland Community Trust (ECT) and the Energy Efficiency and Conservation Authority (EECA) combined forces in 2011 to bring an additional $5 million worth of funding to insulate Gisborne and Tairawhiti homes.

A two year project, Warm Up Eastland is a true example of a project that benefits the region in a number of different ways.

Warmer houses are a key contributor to healthier people, meaning more productivity, less money spent on heating and overall better general wellbeing," Trust Chairman Richard Brooking said. "Improving insulation in old houses has been shown to have a significant impact on the health of the occupant."

A study has shown that by spending $1800 on insulation a household will spend $165 less in doctor's fees per annum, will take fewer days off school, will reduce its power bill by up to $786 a year and will have fewer days off work. It is estimated that an $1800 insulation project in a house will conservatively save that household up to $2857 every year.

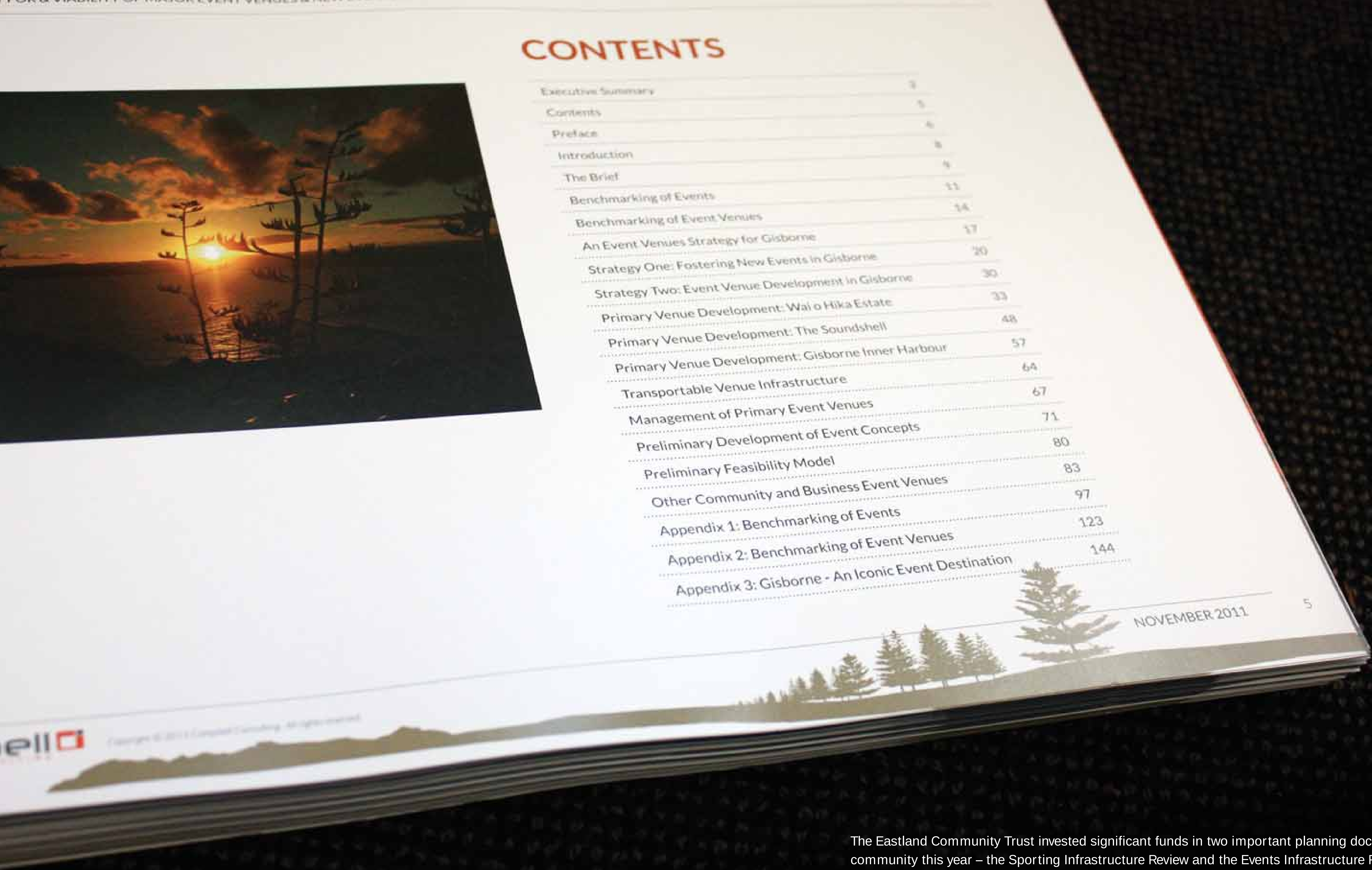
To date over 900 homes have benefited from the Warm Up Eastland project.

"ECT's on-going contribution and support continues to be a key element in the success of this project which has brought benefits for the Eastland community that extend beyond the enjoyment of warmer homes; this is an investment in the community's future well-being with sustainable health improvements that will impact for generations."

Kerry Shannon
BUSINESS UNIT MANAGER - HOME&DRY

"On behalf of my family and I, we would like to thank you for allowing our family to be part of the Warm Up Eastland project. The difference is already noticeable in our house and will make a tremendous difference, especially over the winter season… Again thank you so much… we really appreciate it."

Maihana Haenga
TOKOMARU BAY



SPORTING AND EVENTS INFRASTRUCTURE REVIEWS

The Eastland Community Trust invested significant funds in two important planning documents for the community this year – the Sporting Infrastructure Review and the Events Infrastructure Review.

These two plans assessed all the events and sporting infrastructure in our community in a bid to provide the Trust with valuable analysis on what the community has, what it needs and where we should apply our focus.

These documents have provided a great assessment of Gisborne's existing infrastructure in both sporting and events fields. They have each identified issues and gaps that could be improved upon to drive greater economic return to this region. And they have made suggestions on where the ECT could provide some leadership and focus to bring about greater results.

The Trust is now working through the documents and will use them as a basis for decision making in the future.

SPONSORSHIPS

Smart Energy Solutions	1,200,000
Home & Dry	800,000
Eastland Helicopter Rescue Trust	300,000
Tairawhiti District Learning Centre	150,000
Community House	133,000
Oceania - RWC Big Screen	121,153
Gisborne.Net	120,000
St John Building project	100,000
Gisborne Gymnastics Club	100,000
Transit of Venus	60,000
Te Matatini	50,000
National Surf Lifesaving Champs	47,707
Gisborne Tennis Club	40,000
Gisborne Conventions	34,000
GDC - Navigational Project	25,000
Tourism Eastland	25,000
Toko Toru Tapu	25,000
Eastland Airport Ltd - Q300 Distributions	19,188
Energy Options Charitable Company Ltd	19,118
Optiblocks	15,000
Gisborne Palliative Care	13,495
Awapuni School	13,050
Te Unga Mai Trust - Te Unga Mai Voyaging Festival 2011	12,000
GDC - Arts and Public Places	10,000
Gisborne City Vintage Railway Inc	5,000

ECT
EASTLAND COMMUNITY TRUST

FINANCIAL REVIEW

Contents

Signed for and on behalf of the

Eastland Community Trust by:

R M W Brooking

CHAIRMAN

Geoff Milner

TRUSTEE

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF
EASTLAND COMMUNITY TRUST AND GROUP

Report on the Financial Statements

We have audited the financial statements of Eastland Community Trust and group on pages 32 to 98, which comprise the consolidated statement of financial position of Eastland Community Trust and group, as at 31 March 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Trustees' Responsibility for the Financial Statements

The Board of Trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carried out a service review of the Eastland Community Trust Rescue Helicopter for Eastland Community Trust. In addition to this, partners and employees of our firm deal with Eastland Community Trust on normal terms within the ordinary course of trading activities of the business of Eastland Community Trust. The firm has no other relationship with, or interest in, Eastland Community Trust or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 32 to 98:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Eastland Community Trust and group as at 31 March 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

- we have obtained all the information and explanations we have required
- in our opinion proper accounting records have been kept by Eastland Community Trust and group as far as appears from our examination of those records.

Chartered Accountants
18 July 2012
Hamilton, New Zealand

This audit report relates to the financial statements of Eastland Community Trust and group for the year ended 31 March 2012 included on Eastland Community Trust's website. The Board of Trustees are responsible for the maintenance and integrity of Eastland Community Trust's website. We have not been engaged to report on the integrity of Eastland Community Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 18 July 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

For the year ended 31 March 2012

		GROUP		PARENT	
		2012	2011	2012	2011
	Notes	$'000	$'000	$'000	$'000
Revenue	6	**76,227**	72,896	**-**	-
Cost of sales		**(29,217)**	(29,475)	**-**	-
Gross profit		**47,010**	**43,421**	**-**	**-**
Other operational income	7	**197**	284	**-**	10
Administrative expenses	8	**(18,244)**	(13,546)	**(1,146)**	(1,118)
Depreciation	17	**(10,617)**	(8,496)	**(6)**	(3)
Net total costs		**(28,664)**	**(21,758)**	**(1,152)**	**(1,111)**
Net results from operating activities		**18,346**	**21,663**	**(1,152)**	**(1,111)**
Finance income	10	**1,847**	1,849	**8,576**	8,410
Finance expenses	10	**(8,142)**	(8,837)	**-**	-
Net Finance costs		**(6,295)**	**(6,988)**	**8,576**	**8,410**
Profit before income tax		**12,051**	**14,675**	**7,424**	**7,299**
Income tax expense	11	**(4,945)**	(4,397)	**(1,233)**	(793)
Profit for the year		**7,106**	**10,278**	**6,191**	**6,506**
Profit for the year is attributable to:					
Equity holders of the parent		**7,184**	10,311	**6,191**	6,506
Non-controlling interest		**(78)**	(33)	**-**	-
		7,106	10,278	**6,191**	6,506
Other comprehensive income					
Cash flow hedges		**(1,047)**	(1,413)	**-**	-
Revaluation movements of property		**2,247**	48,603	**-**	-
Revaluation movements of investments		**125**	153	**125**	153
Tax on comprehensive income		**271**	(11,641)	**-**	-
Other comprehensive income for the period, net of income tax		**1,596**	**35,702**	**125**	**153**
Total comprehensive income for the period		**8,702**	**45,980**	**6,316**	**6,659**

The accompanying notes form part of and should be read in conjunction with the Financial Statements

Statement of Financial Position

As at 31 March 2012

		GROUP		PARENT	
		2012	2011	2012	2011
ASSETS	Notes	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	12	**8,092**	11,934	**7,353**	9,859
Trade and other receivables	14	**10,065**	9,253	**271**	369
Current investments	13	**6,934**	3,500	**6,934**	3,500
Income tax refundable		**-**	1,073	**-**	605
Property held for sale	19	**3,827**	5,230	**-**	-
Inventory	15	**7,321**	7,004	**-**	-
Total current assets		**36,239**	**37,994**	**14,558**	**14,333**
Non-current assets					
Property, plant & equipment	17	**294,764**	282,577	**13**	13
Investment properties	21	**16,026**	16,968	**-**	-
Derivatives	16	**-**	473	**-**	-
Investment in subsidiaries		**-**	-	**15,400**	15,400
Other Investments	22	**21,248**	17,121	**51,248**	47,121
Intangibles	18	**20,890**	21,320	**-**	-
Loan receivable	20	**486**	-	**-**	-
Total non-current assets		**353,414**	338,459	**66,661**	62,534
TOTAL ASSETS		**389,653**	**376,453**	**81,219**	**76,867**
LIABILITIES					
Current Liabilities					
Derivatives	16	**614**	192	**-**	-
Employee entitlements	9	**1,722**	1,310	**7**	7
Income in advance		**1,233**	319	**-**	-
Income tax payable		**1,560**	-	**297**	-
Trade and other payables	23	**8,377**	7,512	**112**	70
Total current liabilities		**13,506**	**9,333**	**416**	**77**
Non-current liabilities					
Loans and borrowings	24	**100,500**	97,400	**-**	-
Derivatives	16	**5,954**	5,398	**-**	-
Income in advance		**669**	722	**-**	-
Deferred income tax liabilities	25	**39,304**	40,241	**-**	-
Total non-current liabilities		**146,427**	143,761	**-**	-
TOTAL LIABILITIES		**159,934**	153,094	**416**	77
NET ASSETS		**229,720**	**223,359**	**80,803**	**76,790**
EQUITY					
Trust capital	32	**20,000**	20,000	**20,000**	20,000
Reserves	32	**113,943**	121,244	**396**	8,571
Non-controlling interest	32	**510**	128	**-**	-
Retained earnings	32	**95,267**	81,987	**60,407**	48,219
		229,720	**223,359**	**80,803**	**76,790**

The accompanying cotes form part of and should be read in conjunction with the Financial Statements

Statement of Changes in Equity

For the year ended 31 March 2012

		GROUP		PARENT	
		2012	2011	2012	2011
Trust capital	Notes	$'000	$'000	$'000	$'000
Opening balance		**20,000**	20,000	**20,000**	20,000
Acquisitions		**-**	-	**-**	-
Closing balance		**20,000**	**20,000**	**20,000**	**20,000**
Hedge reserve					
Opening balance		**(3,581)**	**(2,558)**	**-**	**-**
Acquisitions		**-**	-	**-**	-
Fair value movements: cash flow derivatives (net of deferred tax)		**(1,047)**	(980)	**-**	-
Change in deferred tax rate on opening balance/acquisitions		**-**	(43)	**-**	-
Closing balance		**(4,628)**	**(3,581)**	**-**	**-**
Asset revaluation reserve					
Opening balance		**116,254**	79,938	**-**	-
Disposals		**(328)**	(515)	**-**	-
Revaluation of property, plant and equipment (net of deferred tax @ 28%)		**2,249**	34,583	**-**	-
Prior period errors		**-**	(255)	**-**	-
Change in deferred tax rate on acquisitions		**-**	2,503	**-**	-
Closing balance		**118,175**	**116,254**	**-**	**-**
Realised capital reserve					
Opening balance		**8,300**	8,300	**8,300**	8,300
Reclassification	40	**(8,300)**	-	**(8,300)**	-
Closing balance		**-**	**8,300**	**-**	**8,300**
Investment revaluation reserve					
Opening balance		**271**	118	**271**	118
Movement in investment revaluation reserve		**125**	153	**125**	153
Closing balance		**396**	**271**	**396**	**271**
Non-controlling interest					
Opening balance		**128**	-	**-**	-
Movement in non-controlling interest		**456**	161	**-**	-
Prior period adjustment	39	**4**	-	**-**	-
Profit/(loss) for the year		**(78)**	(33)	**-**	-
Closing balance		**510**	**128**	**-**	**-**
Retained earnings					
Opening balance		**81,987**	72,607	**48,219**	42,931
Acquisitions/JV distributions		**309**	-	**-**	-
Profit/(loss) for the year		**7,184**	10,311	**6,191**	6,506
Reclassification	40	**8,300**	-	**8,300**	-
Prior period adjustments	39	**(210)**	287	**-**	-
Beneficiary distributions (net of tax @ 33%)		**(2,303)**	(1,218)	**(2,303)**	(1,218)
Closing balance		**95,267**	**81,987**	**60,407**	**48,219**
Balance at 31 March 2012		**229,720**	**223,359**	**80,803**	**76,790**

The accompanying notes form part of and should be read in conjunction with the Financial Statements

Statement of Cashflows

For the year ended 31 March 2012

		GROUP		PARENT	
		2012	2011	2012	2011
	Notes	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Receipts from customers		**75,795**	72,919	**-**	-
Dividends received		**291**	229	**4,691**	4,429
Other income		**26**	-	**26**	-
Payments to suppliers and employees		**(43,133)**	(42,170)	**(1,117)**	(1,003)
Interest paid		**(8,619)**	(8,686)	**-**	-
Income tax (paid)/received		**(3,146)**	(2,941)	**(331)**	(1,007)
Interest received		**1,507**	1,507	**3,972**	4,185
Net cash flow from (used in) operating activities	28	**22,721**	20,858	**7,241**	6,604
Cash flows from investing activities					
Purchase of intangibles		**(1,047)**	(815)	**-**	-
Purchase of property, plant & equipment		**(17,558)**	(11,758)	**(9)**	(6)
Purchase of investments		**(5,719)**	-	**(5,719)**	-
Proceeds from sale of property, plant and equipment		**484**	-	**2**	-
Related party advances		**(2,005)**	-	**-**	-
Sale of investments		**1,717**	152	**1,717**	152
Proceeds from sale of investment property		**1,000**	(1,113)	**-**	(1,127)
Purchase of investment properties		**(1,105)**	42	**-**	-
Net cash flow from (used in) investing activities		**(24,233)**	(13,492)	**(4,009)**	(981)
Cash flows from financing activities:					
Proceeds from bank borrowings		**3,100**	(1,700)	**-**	-
Distributions from associates		**308**	-	**-**	-
Equity distributions		**(2,304)**	(1,218)	**(2,304)**	(1,942)
Net cash flow from (used in) financing activities		**1,104**	(2,918)	**(2,304)**	(1,942)
Net (decrease)increase in cash and cash equivalents		**(408)**	4,448	**928**	3,681
Cash and cash equivalents at beginning of period		**15,434**	10,986	**13,359**	9,678
Cash and cash equivalents at end of period		**15,026**	**15,434**	**14,287**	**13,359**

The accompanying notes form part of and should be read in conjunction with the Financial Statements

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Notes to the financial statements

For the year ended 31 March 2012

1 REPORTING ENTITY

The Eastland Energy Community Trust ("the Trust") was incorporated on the 7 of May 1993 pursuant to the Energy Companies (Eastland Energy Limited) Vesting Order 1993 upon the vesting in the Trust of the equity and debt securities issued by Eastland Energy Limited. The Trust changed its name to Eastland Community Trust on 6 December 2004.

The financial statements for the Trust are for Eastland Community Trust as a separate legal entity. The consolidated financial statements for the Group are for the economic entity comprising Eastland Community Trust and its subsidiaries.

The financial statements and group financial statements have been prepared in accordance with the requirements of the Electricity Act 1992 and the Financial Reporting Act 1993.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 18 July 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- electricity distribution property, plant and equipment is measured at revalued amounts;
- certain property, plant and equipment is measured at revalued amounts; and
- investment properties are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are detailed in note 4.

Notes to the financial statements

For the year ended 31 March 2012

(e) Principles of consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, and with a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, related party borrowings, capital notes, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are no longer recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Instruments at fair value through profit or loss

An instrument is classified in the Statement of Comprehensive Income if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, financial instruments at fair value through the Statement of Comprehensive Income are measured at fair value, and changes therein are recognised in the Statement of Comprehensive Income in administrative expenses.

Notes to the financial statements

For the year ended 31 March 2012

Available-for-sale financial assets

Certain perpetual shares and capital notes and listed equities held by the Group are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 4. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Held-to-maturity investments

Certain fixed interest securities held by the Group are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade and other receivables

Trade and other receivables are stated at amortised cost using the effective interest method, less any impairment losses.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest method.

Compound financial instruments

Compound financial instruments issued by the Group comprise of Capital Notes that can be converted in to share capital or redeemed for cash at the option of the Group.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

(ii) Derivative financial instruments

Derivative instruments comprise of interest rate swaps, caps and collars.

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative

Notes to the financial statements

For the year ended 31 March 2012

financial instruments are recognised initially at fair value and transaction costs are expensed immediately to the Statement of Comprehensive Income within finance expenses. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on revaluation to fair value is recognised immediately in the Statement of Comprehensive Income within finance expenses. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Statement of Comprehensive Income within finance expenses.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Statement of Comprehensive Income in the same period that the hedged item affects profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Any surplus on revaluation is transferred directly to the property, plant and equipment revaluation reserve in equity, unless it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case it is recognised in the Statement of Comprehensive Income within administrative expenses. A decrease in value is recognised in the Statement of Comprehensive Income where it exceeds the amount of the revaluation reserve recognised in equity in prior periods.

Cost includes expenditures that are directly attributed to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in ‘other income’ or ‘administrative expenses’. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Land and buildings, electricity distribution and electricity generation equipment are subsequently stated at revalued amounts, less any subsequent accumulated depreciation and impairment losses.

Land and buildings, electricity distribution and electricity generation equipment are revalued with sufficient regularity to ensure that the carrying amount of these items does not significantly differ from that which would be determined using fair value at the date of the financial statements.

Land and building revaluations are carried out on a cyclical basis that does not exceed three years, by independent valuers. For electricity distribution and electricity generation equipment assets, revaluations are carried out on a cyclical basis not exceeding five years, by independent valuers. The basis of valuation is discussed in notes 4 and 17.

Notes to the financial statements

For the year ended 31 March 2012

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is revalued to a fair value and reclassified as investment property. Any gain or loss arising on revaluation is recognised in the Statement of Comprehensive Income within administrative expenses.

When the use of a property changes from owner-occupied to investment property, the property is revalued to fair value and reclassified as investment property. Any gain arising on revaluation is recognised directly in equity. Any loss is recognised immediately in the Statement of Comprehensive Income.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The costs of the day-to-day servicing of the property, plant and equipment are recognised in the Statement of Comprehensive Income as incurred.

(iv) Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	40 - 100 years
• Electricity distribution	10 - 60 years
• Electricity generation equipment	15 - 25 years
• Plant and equipment	3 - 20 years
• Motor vehicles	5 - 10 years
• Wharves, walls and surfaces	3 - 100 years
• Floating Plant	25 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The Group’s policy in relation to helicopters is to undertake an industry recognised fleet maintenance program which includes componentry and other replacements. Market experience indicates that by undertaking these maintenance programs the value of these assets retain at least their initial purchase price value, negating the need to provide for depreciation. Should this situation reverse and the value of this class of property, plant and equipment begins to diminish, then depreciation will be applied.

(c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure in relation to geothermal sites is accounted for in accordance with the area of interest method. The cost of drilling wells on an established geothermal field are capitalised on the basis that it is expected the expenditure will be recovered through future energy sales, or alternatively, by sale of the assets. Depreciation commences once the wells are put into productive use.

All exploration and evaluation costs, including directly attributable overheads, general permit activity, resource consents, geological testing, geophysical testing and drilling are initially capitalised as work in progress, pending the determination of the success of the area. Costs are expensed where the area of interest does not result in a successful discovery.

Notes to the financial statements

For the year ended 31 March 2012

Exploration and evaluation expenditure is partially or fully capitalised where either:

- The expenditure is expected to be recouped through the successful development and exploration of the area of interest (or alternatively by its sale); or
- The exploration and evaluation activities in the area of interest have not, at the end of each reporting period, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs are reviewed at the end of each reporting period to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of the capitalised costs. Exploration and evaluation expenditure is impaired in the Statement of Comprehensive Income under the successful efforts method of accounting in the period that exploration work demonstrates that an area of interest is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made.

Land access rights for exploration activities are amortised over the life of the right.

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in the Statement of Comprehensive Income within administrative expenses. The basis of valuation is discussed in note 4 and 21.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted using the effective interest method. Receivables with a short duration are not discounted.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

All impairment losses are recognised in the Statement of Comprehensive Income within administrative expenses.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Statement of Comprehensive Income within administrative expenses.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Notes to the financial statements

For the year ended 31 March 2012

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the Statement of Comprehensive Income within administrative expenses. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (Group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(f) Provisions

A provision is recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised.

(i) Customer contributions

Revenue from customer contributions is recognised in the Statement of Comprehensive Income as revenue when the contribution is received from the customer. Non-monetary customer contribution revenue is recognised at cost to the customer.

(ii) Sales of goods

Revenue from sales of goods is recognised in the Statement of Comprehensive Income when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. The revenue is net of returns, trade discounts and volume rebates.

(iii) Sales of services

Revenue from sales of services is recognised in the Statement of Comprehensive Income in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Management fee

Revenue from management services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to costs incurred to date over total expected costs.

Notes to the financial statements

For the year ended 31 March 2012

(v) Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income arising from line rentals is recognised as income in the periods in which it is earned, based on usage rates of the relevant customer.

(vi) Dividend income

Dividend income is recognised when the right to receive payments is established.

(h) Finance income and expenses

Finance income comprises of interest income on funds invested, changes in the fair value of financial assets at fair value through the statement of comprehensive income and gains on hedging instruments that are recognised in the Statement of Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method. Foreign exchange gains and losses are further detailed in policy (m) below.

Finance expenses comprises of interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the Statement of Comprehensive Income and impairment losses recognised on financial assets (except for trade receivables), and losses on hedging investments that are recognised in the Statement of Comprehensive Income.

All borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for use. All other borrowing costs are recognised in the profit or loss section of the Statement of Comprehensive Income in the period which they are incurred.

(i) Income tax expense

Income tax expense is made up of current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the financial statements

For the year ended 31 March 2012

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the purchase. When the excess is negative (negative goodwill), it is recognised immediately in the statement of comprehensive income. Impairment losses are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The useful lives of the goodwill as assessed as indefinite and tested for impairment each year.

(ii) Other intangibles

Other intangibles held by the Group are amortised over the defined finite life of the intangible asset.

(k) Employee benefits

(i) Short-term benefits

Short-term benefits are measured on an undiscounted basis and are expensed as the related service is provided. This includes wages, salaries, annual leave and sick leave.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(l) Investment in subsidiaries

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the Investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements

For the year ended 31 March 2012

(m) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in foreign currency at the beginning of the period, adjusted for effective interest and payments during the period.

The amortised cost in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

(n) Inventory

Inventories are stated at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted from the estimated selling price in net realisable value. Cost is based on the first in first out principle and includes expenditure incurred in acquiring inventories and bringing them to their existing condition and location.

(o) Leases

(i) As lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(ii) As lessor

Assets leased under operating leases are included in investment property in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. For more details see policy (d).

(p) Goods and Services Tax (GST)

The Statement of Comprehensive Income and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST.

(q) Share capital

Ordinary shares are classified as equity.

(r) Dividend distribution

Dividend distributions to Eastland Community Trust from Eastland Group Ltd are recognised as revenue in the Eastland Community Trust parent results in the period in which the dividends are approved by the Directors.

(s) Joint ventures

Joint Ventures are accounted for through inclusion of the Group's share of the joint venture's operations in the financial statements, using the proportionate method of consolidation.

Notes to the financial statements

For the year ended 31 March 2012

(t) Prior period errors

Prior period errors are recognised in the Statement of Movements in Equity as an adjustment to opening equity balances if any have occurred during the year.

(u) Statement of cashflows

For the purpose of the statement of cashflows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cashflows;

(i) operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;

(ii) investing activities are the acquisition and disposal of long term assets and other investments not including cash equivalents; and

(iii) financing activities that result in change in the size and composition of the contributed equity and borrowings of the entity.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for revaluation and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of certain property, plant and equipment is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have acted knowledgeably, prudently and without compulsion. Fair values are determined by independent valuers. The market value of plant and equipment (excluding electricity distribution, port wharves walls and surfaces) is based on the quoted market prices for similar items. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from the operation of that plant and equipment. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the valuation. Electricity distribution plant and equipment and port wharves, walls and surfaces, are valued using optimised depreciated replacement cost methodology.

(b) Investment Property

An external, independent valuation company with appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have acted knowledgeably, prudently and without compulsion.

Notes to the financial statements

For the year ended 31 March 2012

(c) Trade and other receivables and trade and other payables

The fair value of trade and other receivables and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying values of trade and other receivables and trade and other payables that are of a short-term duration are a reasonable approximation of their fair values.

(d) Derivatives

The fair value of interest rate swaps is based on broker quotes obtained by the Group's treasury advisors, Bancorp Treasury Services Limited. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using the Bloomberg Discount factor.

(e) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in 3 (j) above. The recoverable amounts of cash-generating units have been determined based on discounted cash flow calculations. These calculations require the use of estimates (note 18).

(f) Available-for-sale financial assets

The fair value of available-for-sale financial assets held by Group entities is based on broker quotes provided by the entities' investment advisors.

5 CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies during the year.

6 REVENUE

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Electricity line revenue	**30,180**	29,387	-	-
Customer contributions	**146**	1,928	-	-
Rendering of services	**23,647**	20,131	-	-
Sale of goods	**12,474**	12,853	-	-
Property rentals	**3,437**	3,093	-	-
Energy sales	**5,656**	5,484	-	-
Ripple relays	**14**	-	-	-
Vested assets income	**597**	-	**-**	**-**
Compensation receipts	**34**	-	**-**	**-**
Other sales	**42**	20	**-**	**-**
Total revenue	**76,227**	**72,896**	**-**	**-**

Notes to the financial statements

For the year ended 31 March 2012

7 OTHER OPERATIONAL INCOME

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Other income	**164**	264	**-**	10
Impairment losses recovered	**16**	20	**-**	-
Gain on disposal of assets	**5**	-	**-**	-
Change in fair value of investment property	**12**	-	**-**	-
Dividends received	**-**	-	**-**	-
Total operational income	**197**	**284**	**-**	**10**

8 ADMINISTRATIVE EXPENSES

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Administrative expenses include:				
Change in fair value of investment property	**-**	112	**-**	-
Impairment losses and bad debt write-offs on trade receivables	**22**	187	**-**	-
Impairment losses on intangible assets	**1,859**	40	**-**	-
Provision of loan receivable	**1,519**	-	**-**	-
Impairment losses on investment in subsidiaries	**-**	-	**-**	13
Loss on revaluation	**266**	45	**-**	-
Loss on sale of property, plant and equipment	**43**	177	**-**	-
Loss on sale of investment property	**331**	-	**-**	-
Amortisation of intangible assets	**4**	1	**-**	-
Direct operating expenditure arising on investment properties that generated rental income	**461**	345	**-**	-
Auditor's remuneration to Deloitte comprises:				
• audit of financial statements	**253**	325	**14**	9
• other services	**25**	30	**25**	-
Other	**13,461**	12,284	**1,107**	1,096
Total administrative expenses	**18,244**	**13,546**	**1,146**	**1,118**

The audit fees are for work done regarding the annual financial statements.

The other services charged by Deloitte relate to a service review in relation to the Eastland Rescue Helicopter Trust for the parent.

Donations of $10,846 were made during the financial year (2011: $450) and sponsorships of $40,000 were made during the financial year (2011: $14,000). These are included in other administrative expenses.

Notes to the financial statements

For the year ended 31 March 2012

9 EMPLOYEE ENTITLEMENTS

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Liability for annual leave	**809**	675	**7**	7
Liability for other short-term benefits	**820**	534	**-**	-
Liability for post-employment benefits	**93**	101	**-**	-
Total employee benefit liability	**1,722**	**1,310**	**7**	**7**
Expenses recognised in profit or loss				
Wages and salaries	**9,906**	9,276	**128**	133
Contributions to defined contribution plans	**228**	129	**2**	-
Total employee entitlement expenses	**10,134**	**9,405**	**130**	**133**

Employees remuneration

During the year the following number of employees of the Group received remuneration of at least $100,000.

360,000 - 370,000	1
240,000 - 250,000	1
210,000 - 220,000	2
190,000 - 200,000	1
180,000 - 190,000	1
170,000 - 180,000	1
130,000 - 140,000	3
120,000 - 130,000	3
110,000 - 120,000	1
100,000 - 110,000	4

10 FINANCE INCOME AND EXPENSES

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest income on cash and cash equivalents	**617**	674	**495**	522
Interest income on investments	**919**	833	**3,374**	3,413
Dividends received	**291**	229	**4,691**	4,429
Gain on sale of investments	**16**	46	**16**	46
Fair value gains on derivative instruments at fair value through profit or loss	**4**	67	**-**	-
Total finance income	**1,847**	**1,849**	**8,576**	**8,410**
Interest expense on financial liabilities measured at amortised cost	**8,113**	8,686	**-**	-
Net foreign exchange losses	**29**	151	**-**	-
Total finance expense	**8,142**	**8,837**	**-**	**-**
Net finance costs	**(6,295)**	**(6,988)**	**8,576**	**8,410**

Notes to the financial statements

For the year ended 31 March 2012

11 INCOME TAX EXPENSE

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current tax expense				
Current period	**(5,440)**	(3,348)	**(1,233)**	(1,147)
Adjustment for prior periods	**(143)**	559	**-**	354
Total current tax (expense)/income	**(5,583)**	**(2,789)**	**(1,233)**	**(793)**
Deferred tax expense				
Temporary differences for the year	**593**	(1,780)	**-**	-
Reduction in tax rate	**-**	399	**-**	-
Adjustment for prior periods	**45**	(227)	**-**	-
Total deferred tax (expense)/income	**638**	**(1,608)**	**-**	**-**
Total income tax (expense)/income	**(4,945)**	**(4,397)**	**(1,233)**	**(793)**

A reconciliation of income tax expense applicable to accounting profit before income tax, at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2012 and 2011, is as follows:

	GROUP				PARENT			
	2012		2011		2012		2011	
	%	$'000	%	$'000	%	$'000	%	$'000
Accounting profit before income tax		**12,051**		**14,675**		**7,424**		**7,299**
At the statutory income tax rate	**(41.30%)**	**(4,978)**	(40.08%)	(5,882)	**(33.00%)**	**(2,450)**	(33.00%)	(2,409)
Acquired adjustments in respect of current income tax of previous years	**(0.81%)**	**(98)**	3.81%	559	**0.00%**	**-**	4.85%	354
Fair value revaluation on fixed assets/investments	**0.00%**	**-**	0.11%	16	**0.00%**	**-**	0.00%	-
Non-deductible expenses	**(9.03%)**	**(1,088)**	(1.03%)	(151)	**(0.03%)**	**(2)**	(0.14%)	(10)
Adjustments in respect of changes to buildings tax depreciation	**0.00%**	**-**	(6.58%)	(965)	**0.00%**	**-**	0.00%	-
Change of company income tax rate to 28%	**0.00%**	**-**	2.73%	400	**0.00%**	**-**	0.00%	-
Tax exempt income	**10.12%**	**1,219**	11.07%	1,624	**16.42%**	**1,219**	17.43%	1,272
Subsidiary losses not recognised for tax purposes	**0.00%**	**-**	0.01%	2	**0.00%**	**-**	0%	-
	(41.03%)	**(4,945)**	**(29.96%)**	**(4,397)**	**(16.61%)**	**(1,233)**	**(10.86%)**	**(793)**

Note: The statutory tax rate shown as 41.30% is the result of amounts eliminated before tax is calculated. The Eastland Group Limited company tax rate is 28% and the Trust tax rate is 33%.

Notes to the financial statements

For the year ended 31 March 2012

12 CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current accounts	827	3,170	2,638	2,546
Petty cash	5	3	-	-
Call deposits	7,260	8,761	4,715	7,313
Total cash and cash equivalents	**8,092**	**11,934**	**7,353**	**9,859**

Bank balances earn interest at floating rates based on daily bank deposit rates. Refer to Note 24 for further discussion on the Group's funding facilities.

The effective interest rate on call deposits in 2012 were as follows:

- NZD denominated 2.5% (2011: 2.5% - 3.0%).
- USD denominated 0% (2011: 0.0%)

13 CURRENT INVESTMENTS

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deposits held with banks	6,934	3,500	6,934	3,500
	6,934	3,500	6,934	3,500

Interest rates were between 4.5% and 4.75% (2011: 5.69%)

14 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables	7,277	6,678	-	-
Customer deposits	287	103	-	-
Other receivables	2,501	2,472	271	369
Total trade and other receivables	**10,065**	**9,253**	**271**	**369**

Trade receivables generally have terms of 30 days and are interest free.

Trade receivables are stated net of impairment loss allowances of $29,991 (2011: $75,542). Trade receivables that are less than three months past due are not considered impaired. For an aging analysis of trade receivables see note 29 (f). No impairment losses have been recognised on related party receivables.

Notes to the financial statements

For the year ended 31 March 2012

14 TRADE AND OTHER RECEIVABLES continued

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	75	-	-	-
Impairment losses recognised	30	75	-	-
Total impairment allowance	**105**	**75**	**-**	**-**

15 INVENTORY

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Consumables	13	5	-	-
Work in progress	4,042	4,385	-	-
Finished goods	3,266	2,614	-	-
Total inventory	**7,321**	**7,004**	**-**	**-**

There is no inventory pledged as security for liabilities.

16 DERIVATIVES

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current assets: derivatives held for cash-flow hedging	-	473	-	-
Total Non-current assets: derivatives	**-**	**473**	**-**	-
Current liabilities: derivatives held for cash-flow hedging	614	192	-	-
Total current (liabilities): derivatives	**614**	**192**	**-**	-
Non Current liabilities: derivatives held for cash-flow hedging	5,954	5,398	-	-
Total Non-current (liabilities): derivatives	**5,954**	**5,398**	**-**	-

The Group enters into interest rate swaps, collars and caps to hedge its exposures to changes in the floating interest rates on loans. The Group has elected to apply cash-flow hedging to 17 interest rate swaps, collars and caps on external loans totalling $70 million (2011: $90 million) in compliance with NZ IAS 39 ($75 million of these have start dates ranging from 15/12/2012 to 30/06/2016).

Interest rate swaps, collars and caps are between 24 and 69 months and swap interest on a floating rate for fixed interest of between 4.17% and 8.07% (2011: 4.17% and 8.07%). The interest rate swaps, collars and caps settle on a quarterly basis. The last cash-flow hedge swap matures on 30 June 2020.

The interest rate swaps, collars and caps that have been designated as cash-flow hedges affect profit and loss at the same time as the underlying interest expense is recognised on the retrospective borrowings (see note 24). Any ineffective portion of cash-flow hedges is removed from equity and recognised immediately in the Statement of Comprehensive Income (2012: Nil). The hedge relationships are expected to be highly effective over the life of the swaps.

The Group's exposure to interest rate risks related to derivatives is disclosed in note 29 (c).

Notes to the financial statements

For the year ended 31 March 2012

17 PROPERTY, PLANT AND EQUIPMENT

GROUP

Year ended 31 March 2012	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves, Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2011, net of accumulated depreciation	38,822	136,148	9,459	63,405	4,124	30,619	-	282,577
Transfer work in progress allocations	(970)	(1,734)	-	(945)	(1,344)	(977)	5,970	-
Additions	1,112	5,210	83	13,567	8	1,451	(2,033)	19,398
Disposals	-	(521)	(1)	-	-	(467)	-	(989)
Revaluations	2,217	-	-	-	-	-	-	2,217
Revaluations of property held for sale	2,185	-	-	-	-	-	-	2,185
Transfer to investment property (Note: 19)	-	-	-	-	-	(7)	-	(7)
Transfers between asset classes	(1,625)	-	-	1,681	-	(56)	-	-
Depreciation charge for the year	(637)	(4,156)	(702)	(2,728)	(309)	(2,085)	-	(10,617)
At 31 March 2012, net of accumulated depreciation	**41,104**	**134,947**	**8,839**	**74,980**	**2,479**	**28,478**	**3,937**	**294,764**
At 31 March 2012								
Cost or fair value	41,832	147,204	12,386	79,790	3,671	36,308	3,937	325,128
Accumulated depreciation and impairment	(728)	(12,257)	(3,547)	(4,810)	(1,192)	(7,830)	-	(30,364)
Net carrying amount	**41,104**	**134,947**	**8,839**	**74,980**	**2,479**	**28,478**	**3,937**	**294,764**

Notes to the financial statements

For the year ended 31 March 2012

17 PROPERTY, PLANT AND EQUIPMENT continued

GROUP

Year ended 31 March 2011	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves, Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2010, net of accumulated depreciation	37,365	134,352	10,125	13,601	2,474	30,885	-	228,802
Additions	1,918	6,802	31	1,943	1,943	1,225	-	13,862
Disposals	(771)	(914)	-	-	-	(80)	-	(1,765)
Revaluations	-	-	-	48,865	-	495	-	49,360
Transfer to property held for sale	850	-	-	-	-	-	-	850
Transfers to investment property	(36)	-	-	-	-	-	-	(36)
Depreciation charge for the year	(504)	(4,092)	(697)	(1,004)	(293)	(1,906)	-	(8,496)
At 31 March 2011, net of accumulated depreciation	**38,822**	**136,148**	**9,459**	**63,405**	**4,124**	**30,619**	**-**	**282,577**
At 31 March 2011								
Cost or fair value	39,776	144,323	12,318	65,298	5,006	36,711	-	303,432
Accumulated depreciation and impairment	(954)	(8,175)	(2,859)	(1,893)	(882)	(6,092)	-	(20,855)
Net carrying amount	**38,822**	**136,148**	**9,459**	**63,405**	**4,124**	**30,619**	**-**	**282,577**

Notes to the financial statements

For the year ended 31 March 2012

17 PROPERTY, PLANT AND EQUIPMENT continued

PARENT								
Year ended 31 March 2012	**Land & Buildings**	**Electricity Distribution**	**Electricity Generation Equipment**	**Wharves, Walls & Surfaces**	**Floating Plant**	**Other Plant & Equipment**	**Work In Progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 April 2011, net of accumulated depreciation	-	-	-	-	-	13	-	13
Additions	-	-	-	-	-	6	-	6
Disposals	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	(6)	-	(6)
At 31 March 2012, net of accumulated depreciation	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**
At 31 March 2012								
Cost or fair value	-	-	-	-	-	39	-	39
Accumulated depreciation and impairment	-	-	-	-	-	(26)	-	(26)
Net carrying amount	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**

There are no restrictions on title, and property, plant and equipment pledged as security for liabilities. Regarding the revaluation surplus this has increased by $2.217 million this year (2011: $49.360 million) and there is no restriction on the distribution of the balance to shareholders.

There has been no impairment of property, plant and equipment during the current year, however there has been some downward revaluation of some items within classes of asset which are reflected in the Statement of Comprehensive Income.

In the year to 31 March 2012 $294,061 (2011: $19,705) has been capitalised as a result of this change in accounting policy. The rate of capitalisation used was the effective borrowing rate for the Group of 7.67%-8.03%.

Please note that two further classes of assets have been added to these tables to align directly with the Eastland Group financial statements presentation. These are Electricity Generation and Floating Plant.

Notes to the financial statements

For the year ended 31 March 2012

17 PROPERTY, PLANT AND EQUIPMENT continued

PARENT								
Year ended 31 March 2011	**Land & Buildings**	**Electricity Distribution**	**Electricity Generation Equipment**	**Wharves, Walls & Surfaces**	**Floating Plant**	**Other Plant & Equipment**	**Work In Progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 April 2010, net of accumulated depreciation	-	-	-	-	-	9	-	9
Additions	-	-	-	-	-	7	-	7
Disposals	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	(3)	-	(3)
At 31 March 2011, net of accumulated depreciation	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**
At 31 March 2011								
Cost or fair value	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**33**
Accumulated depreciation and impairment	-	-	-	-	-	(20)	-	(20)
Net carrying amount	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**

Eastland Network Ltd

Operational land and buildings were valued on 31 March 2010 ($5.632 million) by an independent valuer, Roger Kelly ANZIV SNZPI of the firm Valuation and Property Services. The method of valuation was depreciated replacement cost, calculated using current market data on building costs adjusted by an appropriate multiple based on the type of asset being valued. All valuations of land and buildings were carried out by Valuation and Property Services.

Electricity distribution assets and related land and buildings were last revalued on 31 March 2009, (fair value $130.063 million) by Pricewaterhouse Coopers ("PWC") using modern equivalent replacement costs and depreciated against the asset lives which reflect the service potential of each asset class. Any assets which do not meet the used and useful test are not included in the valuation. In reviewing the depreciated replacement cost PWC have relied on advice from Sinclair Knight Merz Limited ("SKM"). In particular SKM has reviewed the asset lives, replacement costs and optimisation of the system fixed assets. SKM also confirmed the physical existence of a sample of assets included in the asset register.

The carrying values of revalued items of property, plant and equipment that would have been recognised had the assets been recognised on the cost model is as follows:

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Land and buildings	**1,634**	1,714	**-**	-
Electricity distribution	**98,279**	97,535	**-**	-
	99,913	**99,249**	**-**	**-**

Notes to the financial statements

For the year ended 31 March 2012

Eastland Port Ltd

Land and buildings were last revalued on 31 March 2012 (total fair value of $32.845 million) by an independent valuer; Logan Stone. The method of valuation was depreciated replacement cost calculated on current market data on current building costs adjusted, by an appropriate multiple based on the type of asset being valued.

The Port wharves, walls and surfaces and some other plant and equipment were revalued on 31 March 2011 (total fair value $63,134 million) by independent valuers Opus International Consultants Ltd. The method of valuation was depreciated replacement cost which is supported by a discounted cashflow valuation prepared, using the following assumptions:

- Revenues are based on management's best estimate of cargo volumes (predominantly logs) over the years to 2030 with these estimates supported in the case of log exports by external reports and customer forecasts of likely log volumes
- Port charges for all cargos (excluding logs) grow at 3% per annum
- Port charges for all log cargos increase by 3.75% from 2021 when planned capital growth projects are expected to be complete
- Operating costs are based on current operating cost to volume ratios plus inflation of 3% per annum
- Capital expenditures include both maintenance and growth capital expenditure
- A corporate tax rate of 28% is assumed
- The post-tax discount rate of 10.9% is per the recently completed independent report on the weighted average cost of capital (WACC) for Eastland Port as prepared by Pricewaterhouse Coopers
- The terminal value is based on free cashflow at 2030 with the valuation tested at terminal value growth rates of 1.5 - 3.5%

The carrying values of revalued items of property, plant and equipment that would have been recognised had the assets been recognised on the historic cost model is as follows.

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Land and buildings	**11,217**	10,911	**-**	-
Wharves, walls & surfaces	**19,245**	8,335	**-**	-
	30,462	**19,246**	**-**	**-**

Notes to the financial statements

For the year ended 31 March 2012

18 INTANGIBLE ASSETS

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Cost				
Balance at 1 April 2011	**21,952**	21,137	**-**	-
Acquisitions	**1,433**	815	**-**	-
Acquisitions through business combinations	**-**	-	**-**	-
Balance at 31 March 2012	**23,385**	21,952	**-**	-
Amortisation and impairment losses				
Balance at 1 April 2011	**632**	592	**-**	-
Amortisation for the year	**4**	1	**-**	-
Impairment losses	**1,859**	39	**-**	-
Balance at 31 March 2012	**2,495**	**632**	**-**	**-**
Carrying values				
At 1 April 2011	**21,320**	20,545	**-**	-
At 31 March 2012	**20,890**	**21,320**	**-**	**-**

Amortisation and impairment charge

Impairment losses are recognised in administrative expenses in the Statement of Comprehensive Income. The amortisation of the airport obstruction survey is over a five year period. As the development rights were acquired part way through the previous financial year and the Geothermal Generation project to which they relate has not yet reached the effective date as set out in the development agreement, amortisation of this asset has not yet commenced.

Amortisation will commence upon effective date (expected to be during the 2013 year), and is expected to result in amortisation of this development right over a period of up to five years.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Skysales Aviation (NZ) Limited	**-**	1,859	**-**	-
Geothermal Developments Limited	**17,937**	17,937	**-**	-
Port Weighbridge (owned by Eastland Port Limited)	**500**	500	**-**	-
Inner Harbour Marina Limited	**210**	210	**-**	-
	18,647	20,506	**-**	-

Notes to the financial statements

For the year ended 31 March 2012

18 INTANGIBLE ASSETS continued

Skysales Aviation (NZ) Limited

In accordance with NZ IAS 36, the goodwill of Skysales has been tested for impairment. The testing performed considered future cashflows, particularly future sales assumptions in what is an uncertain economy with this leading to a lower estimate for future sales, which together with the how this business would be viewed by the market has resulted in the goodwill of $1.859 million associated with this business being written off as at 31 March 2012.

Geothermal Developments Limited

In accordance with NZ IAS 36, the goodwill of the Geothermal Developments acquisition has been tested for impairment. The valuation model used in the purchase has been updated to reflect management's latest estimates of key assumptions as follows;

1. The base case assumption for electricity revenue growth is the current off take price through to the expiry of this contract when it has been assumed that pricing reverts to a mix of market (being the latest MED price path plus inflation of 2.5%) plus the current off-take agreement's pricing through to 2036.
2. Operating costs are based on actual for the year ended 31 March 2012 plus inflation at 2.5% per annum
3. Forecast capital expenditure is at levels appropriate to maintain the plant's current estimated useful life.
4. The terminal value has been calculated as the present value of the plant in 2036 when it assumed that the plant will have a further 10 years of useful life at a reduced output.
5. The model uses a 24 year period as this is considered to represent the remaining useful life of this asset at current availability and output levels.

The resulting valuation which is based on the aforementioned assumptions produces a value which is in excess of the current book value proving that the goodwill is not impaired.

Port Weighbridge

In accordance with NZ IAS 36, the goodwill of the weighbridge acquisition has been tested for impairment. Three alternate scenarios were run based on December 2011 year to date cashflows and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years. In calculating NPV under the three alternate scenarios management used the current, per truck charge rate with an annual increase of 1.5%, discount rates of 14.14%, 15.14% and 16.14% and inflation assumed at 2.5% per annum. This analysis produced a range of valuations which are all in excess of the current book value of the goodwill proving that the goodwill relating to the weighbridge acquisition is not impaired.

Inner Harbour Marina Limited

In accordance with NZ IAS 36, the goodwill of the Inner Harbour Marina Ltd has been tested for impairment. Three scenarios were run based on cashflow forecasts of management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years. Discount rates of 9.90%, 10.90% and 11.90% were used with inflation assumed at 2.5% per annum. This analysis produced a range of valuations which are in line with or in excess of the current book value of the goodwill proving that the goodwill relating to the Inner Harbour Marina Limited acquisition is not impaired.

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For the year ended 31 March 2012

19 PROPERTY HELD FOR SALE

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Investment properties held for sale	2,571	1,789	-	-
Operational land and buildings held for sale	1,256	3,441	-	-
Total property held for sale	**3,827**	**5,230**	**-**	**-**

As disclosed in note 22, to the 31 March 2008 Eastland Port Limited financial statements, the agreement for sale and purchase dated 16 September 2002 with Port Gisborne Limited provided for a transfer of certain lands between Eastland Port Limited and the Gisborne District Council following completion of the new port access road. Under the terms of this agreement, the Gisborne District Council would receive the land on which the new road is constructed, plus areas of reserve and carpark and in return the Group will receive stopped road and other land at Dunstan Road. The final transaction has been agreed to, and all that remains is for the final subdivision to take place and final settlement to be completed. This is expected to take place during the 2013 financial year. The investment property above was revalued up by $61,496 to fair value at 31 March 2012 and the operational land and buildings were revalued down by $2.185 million as part of the Port land and buildings valuation at 31 March 2012. The investment property at Christchurch has been included here this year as well valued at $720,000.

20 LOAN RECEIVABLE

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cost				
Balance at 1 April 2011	-	-	-	-
Advances - Innovations Developments Group	2,005	-	-	-
Balance at 31 March 2012	**2,005**	**-**	**-**	**-**
Amortisation and provisions				
Balance at 1 April 2011	-	-	-	-
Provision	1,519	-	-	-
Balance at 31 March 2012	**1,519**	**-**	**-**	**-**
Carrying values				
At 1 April 2011	-	-	-	-
At 31 March 2012	**486**	**-**	**-**	**-**

Eastland Group Limited has advanced to Innovations Development Group (IDG) a total Of USD $1.65 million which, as at 31 March 2012 had a carrying value of NZD $2.0 million. USD $400k of this loan is repayable in six monthly instalments, once management fees payable to IDG in accordance with the TAOM project development agreement are paid to them. It is expected that these repayments will commence during the 2012/13 financial year. The remaining US $1.25 million is repayable within five years either in cash or by the exercise of an option held by EGL to invest in a Hawaiian based geothermal project controlled by IDG. After taking into consideration the stage that the TAOM and Hawaiian projects are at as at 31 March 2012, and in accordance with the requirements of New Zealand International Financial Reporting Standards, the Directors have decided to provide for the USD $1.25 million as at this date and will continue to monitor this on an on-going basis for indication of reversal of this provision. There is a general charge over the IDG interest in TAOM as security for the USD $1.25 million loan.

Notes to the financial statements

For the year ended 31 March 2012

21 INVESTMENT PROPERTIES

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Opening balance at 1 April	**16,968**	**17,127**	**-**	**-**
Additions	**1,105**	-	**-**	-
Additions (subsequent expenditure)	**-**	815	**-**	-
Disposals	**(1,278)**	(12)	**-**	-
Transfer from /(to) property, plant, & equipment	**7**	(850)	**-**	-
Depreciation	**(7)**	-	**-**	-
Transfers to property held for sale	**(781)**	-	**-**	-
Fair value adjustment	**12**	(112)	**-**	-
Closing balance at 31 March	**16,026**	**16,968**	**-**	**-**

Investment properties are stated at fair value, and are revalued annually at year end by an independent valuer; Michael Blair ANZIV, SPINZ, of Lewis Wright Valuation and Consultancy Limited from 31 March 2012.

The properties held include parcels of land and buildings located at Eastland Port, Inner Harbour, Airport and various other locations in Gisborne and Christchurch. The valuation undertaken was based on an investment property approach to fair value. The investment property approach to fair value is based on current market rentals and an analysis of current property sales in order to arrive at an appropriate yield for each investment property. The determination of the fair values of the investment properties was determined by reference to observable market data.

22 OTHER INVESTMENTS

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Capital notes (related parties)	**-**	-	**30,000**	30,000
Fixed interest financial instruments	**9,556**	10,081	**9,556**	10,081
Listed equities	**11,692**	7,040	**11,692**	7,040
Closing balance at 31 March	**21,248**	**17,121**	**51,248**	**47,121**

The Trust subscribed for $30 million of Capital Notes on 1 April 2010 issued by wholly-owned subsidiary Eastland Group Limited. The issue is for five years at an interest rate of 8.6% with interest paid quarterly. At the end of this period EGL may elect to redeem all or part of the notes for cash. If EGL does not make an election to redeem the capital notes for cash the Trust can elect to either renew the capital notes for a further period or convert them to ordinary shares based on a predetermined formula contained in the Capital Notes Deed.

Notes to the financial statements

For the year ended 31 March 2012

23 TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables	**4,906**	3,314	**112**	70
Non-trade payables and accrued expenses	**2,787**	3,181	**-**	-
Interest payable	**672**	883	**-**	-
GST payable	**12**	134	**-**	-
Total trade and other payables	**8,377**	**7,512**	**112**	**70**

Trade and other payables generally have terms of 30 days and are interest free.

Most cash receipts and payments are made through the bank accounts of Eastland Group Limited, who provides treasury services to the Eastland Group companies.

24 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 29.

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current bank borrowings	**100,500**	97,400	-	-
Total bank borrowings	**100,500**	**97,400**	**-**	**-**

Terms and debt repayment schedule
Terms and conditions of outstanding loans are as follows:

	GROUP						
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				2012	2012	2011	2011
				$'000	$'000	$'000	$'000
ANZ A	NZD	4.53%	2014	**3,500**	**3,500**	50,000	50,000
ANZ B	NZD	3.57%	2016	**97,000**	**97,000**	-	-
BNZ A	NZD	4.41%	2014	**-**	**-**	14,100	14,100
BNZ B	NZD	4.03%	2012	**-**	**-**	16,700	16,700
BNZ C	NZD	3.82%	2013	**-**	**-**	16,600	16,600
Total interest-bearing liabilities				**100,500**	**100,500**	**97,400**	**97,400**

Eastland Group Limited has arranged bank funding from the ANZ Bank on behalf of the Group. At 31 March 2012 there were total bank facilities of NZD $125 million (2011: $125 million) including a USD facility (2011: $3 million), which are unsecured and subject to a Deed of Negative Pledge. The borrowings are in the name of Eastland Group Limited. The guaranteeing subsidiaries of the Group debt held by the Parent entity are as follows:

Notes to the financial statements

For the year ended 31 March 2012

24 LOANS AND BORROWINGS - continued

Gisborne Airport Limited	**Geothermal Developments Limited**
Eastland Port Limited	**Inner Harbour Marina Limited**
Eastland Network Limited	**Eastland Port Debarking Limited**
Eastland Investment Properties Limited	**Eastech Limited**
Eastland Generation Limited	

These borrowings are rolled over at 90 day intervals spread throughout the year. The interest rates on these borrowings is the BKBM rate at the rollover date plus a margin of 0.77% to 0.90% (2011:1.15% to 1.40%). At 31 March 2012, the rates on borrowings ranged from 3.54% to 4.11% (2011: 3.81% to 4.68%).

Facilities as at 31 March 2012 with the ANZ Bank had expiry dates of 12th December 2014 ($100 million) and 12th December 2016 ($25 million).

There have been no defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable during the period.

25 DEFERRED TAX ASSETS AND LIABILITIES

GROUP						
Recognised deferred tax assets and liabilities:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
	2012	**2012**	**2012**	**2011**	**2011**	**2011**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property plant & equipment	**35**	**(41,335)**	**(41,300)**	47	(41,384)	(41,337)
Investment property	**84**	**-**	**84**	70	-	70
Derivatives	**1,442**	**-**	**1,442**	605	-	605
Provisions	**470**	**-**	**470**	378	-	378
Other items	**-**	**-**	**-**	43	-	43
Net tax (liabilities)/assets	**2,031**	**(41,335)**	**(39,304)**	**1,143**	**(41,384)**	**(40,241)**

PARENT						
Recognised deferred tax assets and liabilities:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
	2012	**2012**	**2012**	**2011**	**2011**	**2011**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Derivatives	**-**	**-**	**-**	-	-	-
Net tax (liabilities)/assets	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the financial statements

For the year ended 31 March 2012

25 DEFERRED TAX ASSETS AND LIABILITIES - continued

	GROUP		PARENT	
Deferred tax movements for the year:	**2012**	**2011**	**2012**	**2011**
Through equity:	**$'000**	**$'000**	**$'000**	**$'000**
- Property, plant and equipment	**(106)**	(12,100)	**-**	-
- On subsidiary acquisition	**-**	131	**-**	-
- Cash-flow hedge derivatives	**406**	(645)	**-**	-
	300	(12,614)	**-**	-
Through profit or loss:				
- Property, plant and equipment	**363**	(2,026)	**-**	-
- Derivatives	**-**	(20)	**-**	-
- Other	**431**	469	**-**	-
- Accounts receivable	**-**	47	**-**	-
- Provisions	**(201)**	149	**-**	-
- Prior periods	**45**	(227)	**-**	-
	638	(1,608)	**-**	-
Total deferred tax movements for the year	**938**	**(14,222)**	**-**	**-**

Group deferred tax net liability

The $39.304 million (2011: $40.241 million) net deferred tax liability includes $41.3 million (2011: $41.337 million) that relates to accounting depreciation on property, plant and equipment revalued, with the remaining differences between accounting and tax depreciation rates. As the network and port assets are held for the long term, this liability is unlikely to be realised.

26 CONTINGENT LIABILITIES

Eastland Network Limited

At 31 March 2012, Eastland Network Limited (ENL) had a contingent liability of $48,549 (2011: $48,549) in respect to subdivision developers' rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

There is uncertainty of the timing and the amount of outflows associated with this liability and there is no possibility of any reimbursement.

Eastland Port Limited

Eastland Port held a registered lease for the harbour basin with the Gisborne District Council. This lease expired in September 2010 and under the provisions of the Foreshore and Seabed Act 2004, this lease could not be renewed. Eastland Port also hold Coastal Permits, issued by the Minister of Transport under the Resource Management Act 1991, that enable Eastland Port Limited to manage and operate Port related commercial undertakings and occupy the parts of the Coastal Marine Area identified in the Coastal Permit until 30 September 2026. It is generally accepted by other Ports and the Department of Conservation that a Coastal Permit is all that is required to undertake Port and Port related activities.

Notes to the financial statements

For the year ended 31 March 2012

26 CONTINGENT LIABILITIES continued

Gisborne Airport Limited

There were no contingent liabilities at year end (2011: $Nil).

Geothermal Developments Limited

Geothermal Developments Limited is involved in a dispute with its operations and maintenance provider regarding performance payments under the operations and maintenance contract. Negotiation between both parties to this dispute are currently in progress with resolution of this dispute expected to occur during the financial year ended 31 March 2013 and is not expected to have a material impact on Geothermal Developments Limited. (2011:$Nil)

Eastland Generation Limited

Upon achievement of Effective Date as specified in the Project Development Agreement (PDA) for the Te Ahi O Maui (TAOM) geothermal project administration and scholarship fee obligations commence as set out in the PDA. These fees total $975k payable to the minority partners in the TAOM partnership for a period of approximately three and a half years from Effective Date. The payment of the fees by TAOM will rely on Eastland Generation Limited funding these obligations.

Eastland Group Limited

Under clause 16 of the Participation agreement with IDG there is an obligation to cover any NZ based consulting costs regarding the project.

27 COMMITMENTS

At 31 March 2012, the Group had total capital commitments of $6.9 million (2011: $6.7 million) made up of:

Log yard project $6.7 million (2011: $5.1 million)

Breakwater refurbishment $Nil (2011: $0.8 million)

Airport carpark extension $Nil (2011: $0.3 million)

Business intelligence software $Nil (2011: $0.2 million)

Land purchase $Nil (2011: $0.3 million)

Hangar construction $0.08 million (2011: $Nil)

Esplanade project $0.1 million (2011: $Nil)

Notes to the financial statements

For the year ended 31 March 2012

28 RECONCILIATION OF THE PROFIT FOR THE PERIOD WITH NET CASH FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Profit for the period	**7,106**	**10,278**	**6,191**	**6,506**
Adjustments for:				
Depreciation	**10,626**	8,496	**6**	3
Customer contributions	**(742)**	(1,928)	**-**	-
Impairment loss/(gain)	**1,865**	340	**-**	-
Impairment loss on investment in subsidiary	**-**	-	**-**	13
Loss on sale of fixed assets	**374**	177	**-**	-
Non-controlling interest	**78**	-	**-**	-
Provision for loss/(gain) loan receivable	**1,519**	-	**-**	-
Movement in non-current income in advance	**-**	(53)	**-**	-
Change in the fair value of investment property	**266**	112	**-**	-
Change in fair value of derivatives	**(4)**	(67)	**-**	-
Interest capitalised to fixed assets	**(294)**	-	**-**	-
Tax expense	**4,848**	1,625	1,101	-
	18,536	8,702	**1,107**	16
Movement in working capital:				
(Increase)/decrease in trade and other receivables	**(630)**	1,627	**99**	294
(Increase)/decrease in derivatives	**(184)**	(3,548)	**-**	-
(Increase)/decrease in tax refundable	**-**	(1,089)	**-**	(213)
(Increase)/decrease in inventory	**(317)**	1,404	**-**	-
Increase/(decrease) in income in advance	**861**	167	**-**	-
Increase/(decrease) in employee entitlements	**411**	48	**-**	7
Increase/(decrease) in income tax payable	**(3,060)**	-	**(199)**	-
Increase/(decrease) in trade and other payables	**(2)**	(999)	**43**	(731)
Increase/(decrease) in property held for resale	**-**	(5)	**-**	-
	(2,921)	(2,395)	**(57)**	(643)
Movement in working capital not related to operating cash flows:				
(Increase)/decrease in grants included in payables	**-**	725	**-**	725
(Increase)/decrease in derivatives applicable to direct equity changes	**-**	3,548	**-**	-
New movement in working capital attributable to operating cash flows	**(2,921)**	1,878	**(57)**	82
Net cash from operating activities	**22,721**	20,858	**7,241**	6,604

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its financial instruments:

- credit risk
- iquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative instruments (being interest rate swaps) to hedge its exposures to cash-flow interest rate risk. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Group's governing bodies. These policies provide principles for overall risk management, as well as policies covering specific areas such as interest rate risk.

There are no financial assets that have been pledged as collateral for liabilities or contingent liabilities.

The Group holds the following financial instruments:

	Notes	GROUP		PARENT	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	12	**8,092**	11,934	**7,353**	9,859
Current investments	13	**6,934**	3,500	**6,934**	3,500
Loans and receivables:					
- Trade and other receivables	14	**10,065**	9,253	**271**	369
- Loan receivable	20	**486**	-	**-**	-
- Taxation receivable		**-**	1,073	**-**	605
Derivative instruments (interest rate swaps):					
- Held as cash-flow hedges	16	**-**	473	**-**	-
Investments					
- Designated as available for sale	22	**12,249**	7,637	**12,249**	7,637
- At amortised cost	22	**8,999**	9,484	**8,999**	9,484
- Capital notes	22	-	-	**30,000**	30,000
Total financial assets		**46,825**	**43,354**	**65,806**	**61,454**
Financial Liabilities					
Non-derivative liabilities at amortised cost:					
- Employee entitlements	9	**(1,722)**	(1,310)	**(7)**	(7)
- Trade and other payables	23	**(8,377)**	(7,512)	**(112)**	(70)
- Bank borrowings: long term	24	**(100,500)**	(97,400)	**-**	-
- Income in advance		**(1,902)**	(1,041)	**-**	-
Derivative instruments (interest rate swaps):					
- Held as cash-flow hedges	16	**(6,568)**	(5,590)	**-**	-
Total financial liabilities		**(119,069)**	**(112,853)**	**(119)**	**(77)**

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For the year ended 31 March 2012

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the cash and cash equivalents, trade receivables and related party balances.

The treasury function of the Group is provided to all the subsidiary companies. Credit risk exposure in relation to the subsidiaries is not considered to be significant, and no specific risk management policies have been put in place in relation to inter-group balances. The majority of the parent company's receivables are with subsidiaries for the year ended 31 March 2012.

The customers of Group's Limited are of good credit standing and management believes that the Group is not exposed to any undue risk in relation to these customers, which is supported by past history of payment by these customers. The credit risk in relation to the trade receivables is not considered to be significant.

Credit risk in relation to customers is spread across the Group with the largest customers by $ value being in the energy and logistics sectors. The retailers are of good credit standing and management believes that the Group is not exposed to any undue risk, which is supported by past history of payment by these customers. The credit risk in relation to the remaining trade receivables is not considered to be significant.

There are no financial assets that have been pledged as collateral for liabilities or contingent liabilities.

The Group recognises impairment losses on trade and other receivables that are believed to be irrecoverable. Specific impairment losses are made for individually significant exposures that are known at year end. The impairment loss allowance at 31 March 2012 was $30k (2011: $76k). Actual bad debts written off in the Statement of Comprehensive Income were $22k (2011: $187k) and there was no adjustment to the specific allowance. A collective impairment loss component is established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Trade and other receivables are analysed in note 14.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The majority of the Group's cash management function is undertaken by subsidiary company Eastland Group Limited on behalf of all significant subsidiary companies of the Parent. All cash transactions and funding taking place as part of the Group's treasury function. Eastland Group Limited has sufficient funding and banking facilities available to meet the liquidity requirements of the Group. For details of the funding and banking facilities arranged by Eastland Group Limited, please refer to note 24. The Group has entered into interest rate swaps to hedge its exposure to variability in interest rate payments on these borrowings. This is discussed further below.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return. Those risks include:

(i) Cash flow interest rate risk

The Group's main interest exposure arises on external borrowings (see note 24). All borrowings are at variable interest rates, which expose the Group to cash flow interest rate risk.

The Group adopts a policy of ensuring that a portion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps, caps and collars. For further details on interest rate swaps, caps and collars refer to note 16.

The Group is exposed to interest rate risks on that portion of external loans not swapped to fixed rates, gains or losses arising from the differences between variable rates and fixed rates on the swap instruments in place, and interest payable on the loans and capital notes. At balance date, an increase of 100 basis points on borrowings would result in a decrease in profit before tax of $505,000 (2011: $324,000). A decrease of 100 basis points on borrowings would result in an increase in profit before tax of $505,000 (2011: $324,000).

(ii) Foreign exchange rate risk

The Group is exposed to foreign currency exchange rate risk primarily against the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. Management has set up a policy that requires each entity in the Group to manage its own foreign exchange risk against its functional currency.

(iii) Price risk

The Group is exposed to price risk on bank facilities when they mature and capital notes on their election date if the capital notes are not redeemed for cash or converted to ordinary shares. The price for new bank facilities and capital notes is determined when they are refinanced or reissued and reflects market pricing at that time.

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital on a regular basis. This involves the management of reserves and issued capital.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the current or prior year. The Group is not subject to externally imposed capital requirements.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

(e) Classification and fair values

		GROUP						
At 31 March 2012	**Notes**	**Available for sale investments**	**Cash and cash equivalents**	**Cash-flow hedges**	**Loans and receivables**	**Other assets/ liabilities at amortised cost/fair value**	**Total carrying amount**	**Fair value**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets								
Cash and cash equivalents	12	-	8,092	-	-	-	8,092	8,092
Current investments	13	-	-	-	-	6,934	6,934	6,934
Trade and other receivables	14	-	-	-	10,065	-	10,065	10,065
Loan receivable	20	-	-	-	486	-	486	486
Available for sale investments	22	12,249	-	-	-	-	12,249	12,249
Investments at amortised cost	22	-	-	-	-	8,999	8,999	8,999
Total financial assets		**12,249**	**8,092**	**-**	**10,551**	**15,933**	**46,825**	**46,825**
Financial liabilities								
Derivatives (interest rate swaps, caps, collars)	16	-	-	(6,568)	-	-	(6,568)	(6,568)
Bank borrowings: long term	24	-	-	-	-	(100,500)	(100,500)	(100,500)
Trade and other payables	23	-	-	-	-	(8,377)	(8,377)	(8,377)
Employee entitlements	9	-	-	-	-	(1,722)	(1,722)	(1,722)
Income in advance		-	-	-	(1,902)	-	(1,902)	(1,902)
Total financial liabilities		**-**	**-**	**(6,568)**	**(1,902)**	**(110,599)**	**(119,069)**	**(119,069)**
Total net financial assets (liabilities)		**12,249**	**8,092**	**(6,568)**	**8,649**	**(94,666)**	**(72,244)**	**(72,244)**

Estimation of fair values

The methods used in determining the fair values of the financial instruments are discussed in note 4.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

GROUP

At 31 March 2011	Notes	Available for sale investments	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets/ liabilities at amortised cost/fair value	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Derivatives (interest rate swaps, caps, collars)	16	-	-	473	-	-	473	473
Trade and other receivables	14	-	-	-	9,253	-	9,253	9,253
Available for sale investments	22	7,637	-	-	-		7,637	7,637
Investments at amortised cost	22	-	-	-	-	9,484	9,484	9,484
Taxation receivable		-	-	-	-	1,073	1,073	1,073
Current investments	13	-	-	-	-	3,500	3,500	3,500
Cash and cash equivalents	12	-	11,934	-	-	-	11,934	11,934
Total financial assets		**7,637**	**11,934**	**473**	**9,253**	**14,057**	**43,354**	**43,354**
Financial liabilities								
Derivatives (interest rate swaps, caps, collars)	16	-	-	(5,590)	-	-	(5,590)	(5,590)
Bank borrowings: long term	24	-	-	-	(97,400)	-	(97,400)	(97,400)
Income in advance		-	-	-	-	(1,041)	(1,041)	(1,041)
Trade and other payables	23	-	-	-	-	(7,512)	(7,512)	(7,512)
Employee entitlements	9	-	-	-	-	(1,310)	(1,310)	(1,310)
Total financial liabilities		**-**	**-**	**(5,590)**	**(97,400)**	**(9,863)**	**(112,853)**	**(112,853)**
Total net financial assets (liabilities)		**7,637**	**11,934**	**(5,117)**	**(88,147)**	**4,194**	**(69,499)**	**(69,499)**

Estimation of fair values

The methods used in determining the fair values of the financial instruments are discussed in note 4.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

PARENT

At 31 March 2012	Notes	Available for sale investments	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets/ liabilities at amortised cost/fair value	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Cash and cash equivalents	12	-	7,353	-	-	-	7,353	7,353
Current investments	13	-	-	-	-	6,934	6,934	6,934
Trade and other receivables	14	-	-	-	271	-	271	271
Available for sale investments	22	12,249	-	-	-	-	12,249	12,249
Investments at amortised cost	22	-	-	-	-	38,999	38,999	38,999
Total financial assets		**12,249**	**7,353**	**-**	**271**	**45,933**	**65,806**	**65,806**
Financial liabilities								
Employee entitlements	9	-	-	-	-	(7)	(7)	(7)
Trade and other payables	23	-	-	-	-	(112)	(112)	(112)
Total financial liabilities		**-**	**-**	**-**	**-**	**(119)**	**(119)**	**(119)**
Total net financial assets (liabilities)		**12,249**	**7,353**	**-**	**271**	**45,814**	**65,687**	**65,687**

Estimation of fair values

The methods used in determining the fair values of the financial instruments are discussed in note 4.

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

		PARENT						
At 31 March 2011	**Notes**	**Available for sale investments**	**Cash and cash equivalents**	**Cash-flow hedges**	**Loans and receivables**	**Other assets / liabilities at amortised cost / fair value**	**Total carrying amount**	**Fair value**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets								
Cash and cash equivalents	12	-	9,859	-	-	-	9,859	9,859
Current investments	13	-	-	-	-	3,500	3,500	3,500
Trade and other receivables	14	-	-	-	369	-	369	369
Available for sale investments	22	7,637	-	-	-	-	7,637	7,637
Investments at amortised cost	22	-	-	-	-	39,484	39,484	39,484
Taxation receivable		-	-	-	-	605	605	605
Total financial assets		**7,637**	**9,859**	**-**	**369**	**43,589**	**61,454**	**61,454**
Financial liabilities								
Trade and other payables	23	-	-	-	-	(70)	(70)	(70)
Employee entitlements	9	-	-	-	-	(7)	(7)	(7)
Total financial liabilities		**-**	**-**	**-**	**-**	**(77)**	**(77)**	**(77)**
Total net financial assets (liabilities)		**7,637**	**9,859**	**-**	**369**	**43,512**	**61,377**	**61,377**

Estimation of fair values

The methods used in determining the fair values of the financial instruments are discussed in note 4.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

(f) Age analysis of financial assets

	GROUP					
At 31 March 2012	**Current**	**60 days**	**90 days**	**180 days**	**>1 year**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Past due, but not impaired						
Trade and other receivables						
- Trade receivables	3,606	806	137	228	-	4,777
Total past due, but not impaired financial assets	**3,606**	**806**	**137**	**228**	**-**	**4,777**
Impaired						
Trade and other receivables						
- Trade receivables	-	-	-	30	-	30
Total impaired financial assets	**-**	**-**	**-**	**30**	**-**	**30**

The above receivables are determined to be impaired due to the nature of the debtor and the lack of payment to date.

	GROUP					
At 31 March 2011	**Current**	**60 days**	**90 days**	**180 days**	**>1 year**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Past due, but not impaired						
Trade and other receivables						
- Trade receivables	3,160	401	225	406	-	4,192
Total past due, but not impaired financial assets	**3,160**	**401**	**225**	**406**	**-**	**4,192**
Impaired						
Trade and other receivables						
- Trade receivables	-	-	-	76	-	76
Total impaired financial assets	**-**	**-**	**-**	**76**	**-**	**76**

The above receivables are determined to be impaired due to the nature of the debtor and the lack of payment to date.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

(f) Age analysis of financial assets

PARENT						
At 31 March 2012	Current	60 days	90 days	180 days	>1 year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Past due, but not impaired						
Trade and other receivables						
- Trade receivables	-	-	-	-	-	-
Total past due, but not impaired financial assets	-	-	-	-	-	-
Impaired						
Trade and other receivables						
- Trade receivables	-	-	-	-	-	-
Total impaired financial assets	-	-	-	-	-	-

The above receivables are determined to be impaired due to the nature of the debtor and the lack of payment to date.

PARENT						
At 31 March 2011	Current	60 days	90 days	180 days	>1 year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Past due, but not impaired						
Trade and other receivables						
- Trade receivables	-	-	-	-	-	-
Total past due, but not impaired financial assets	-	-	-	-	-	-
Impaired						
Trade and other receivables						
- Trade receivables	-	-	-	-	-	-
Total impaired financial assets	-	-	-	-	-	-

The above receivables are determined to be impaired due to the nature of the debtor and the lack of payment to date.

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

(g) Maturity analysis

GROUP							
At 31 March 2012	Notes	<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
Financial assets		$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	12	8,092	-	-	-	-	8,092
Current investments	13	-	6,934	-	-	-	6,934
Trade and other receivables	14	10,065	-	-	-	-	10,065
Loan receivable	20	-	-	486	-	-	486
Available for sale investments	22	-	99	454	-	11,696	12,249
Investments at amortised cost	22	1,500	96	6,312	570	521	8,999
Total financial assets		**19,657**	**7,129**	**7,252**	**570**	**12,217**	**46,825**
Financial liabilities							
Employee entitlements	9	(1,722)	-	-	-	-	(1,722)
Derivatives (interest rate swaps and collars)	16	-	(614)	(4,105)	(1,024)	(825)	(6,568)
Trade and other payables	23	(8,377)	-	-	-	-	(8,377)
Bank borrowings: long term	24	-	-	(3,500)	(97,000)	-	(100,500)
Income in advance		-	(1,233)	(669)	-	-	(1,902)
Total financial liabilities		**(10,099)**	**(1,847)**	**(8,274)**	**(98,024)**	**(825)**	**(119,069)**
Liquidity gap		**9,558**	**5,282**	**(1,022)**	**(97,454)**	**11,392**	**(72,244)**

GROUP							
At 31 March 2011	Notes	<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
Financial assets		$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	12	11,934	-	-	-	-	11,934
Current investments	13	-	3,500	-	-	-	3,500
Trade and other receivables	14	9,253	-	-	-	-	9,253
Derivatives (interest rate swaps)	16	-	-	-	-	473	473
Available for sale investments	22	-	-	-	-	7,637	7,637
Investments at amortised cost	22	1,290	-	3,583	4,111	500	9,484
Taxation receivable		1,073	-	-	-	-	1,073
Total financial assets		**23,550**	**3,500**	**3,583**	**4,111**	**8,610**	**43,354**
Financial liabilities							
Employee entitlements	9	(1,310)	-	-	-	-	(1,310)
Derivatives (interest rate swaps and collars)	16	(192)	-	(1,925)	(3,406)	(67)	(5,590)
Trade and other payables	23	(7,512)	-	-	-	-	(7,512)
Bank borrowings: long term	24	-	-	(97,400)	-	-	(97,400)
Income in advance		(319)	-	(722)	-	-	(1,041)
Total financial liabilities		**(9,333)**	**-**	**(100,047)**	**(3,406)**	**(67)**	**(112,853)**
Liquidity gap		**14,217**	**3,500**	**(96,464)**	**705**	**8,543**	**(69,499)**

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

PARENT

At 31 March 2012	Notes	<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
Financial assets		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	12	7,353	-	-	-	-	7,353
Current investments	13	-	6,934	-	-	-	6,934
Trade and other receivables	14	271	-	-	-	-	271
Available for sale investments	22	-	99	454	-	11,696	12,249
Investments at amortised cost	22	1,500	96	6,312	570	521	8,999
Capital notes	22	-	-	30,000	-	-	30,000
Total financial assets		**9,124**	**7,129**	**36,766**	**570**	**12,217**	**65,806**
Financial liabilities							
Employee entitlements	9	(7)	-	-	-	-	(7)
Trade and other payables	23	(112)	-	-	-	-	(112)
Total financial liabilities		**(119)**	**-**	**-**	**-**	**-**	**(119)**
Liquidity gap		**9,005**	**7,129**	**36,766**	**570**	**12,217**	**65,687**

PARENT

At 31 March 2011	Notes	<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
Financial assets		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	12	9,859	-	-	-	-	9,859
Current investments	13	-	3,500	-	-	-	3,500
Trade and other receivables	14	369	-	-	-	-	369
Available for sale investments	22	-	-	-	-	7,637	7,637
Investments at amortised cost	22	1,290	-	3,583	4,111	500	9,484
Taxation receivable		605	-	-	-	-	605
Capital notes	22	-	-	-	30,000	-	30,000
Total financial assets		**12,123**	**3,500**	**3,583**	**34,111**	**8,137**	**61,454**
Financial liabilities							
Income in advance		-	-	-	-	-	-
Employee entitlements	9	(7)	-	-	-	-	(7)
Trade and other payables	23	(70)	-	-	-	-	(70)
Total financial liabilities		**(77)**	**-**	**-**	**-**	**-**	**(77)**
Liquidity gap		**12,046**	**3,500**	**3,583**	**34,111**	**8,137**	**61,377**

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

(h) Fair value measurements recognised in the statement of financial position

The following table provides as analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

GROUP

	Notes	Level 1	Level 2	Level 3	Total
		$'000	**$'000**	**$'000**	**$'000**
As at 31 March 2012					
Derivatives (interest rate swaps)		**-**	**-**	**-**	**-**
Available for sale investments	22	12,249	-	-	12,249
Financial liabilities at FVTPL					
Derivatives (interest rate swaps and collars)	16	-	(6,568)	-	(6,568)
		12,249	**(6,568)**	**-**	**5,681**

There were no transfers between Level 1 and 2 in the period.

	Notes	Level 1	Level 2	Level 3	Total
		$'000	**$'000**	**$'000**	**$'000**
As at 31 March 2011					
Financial assets at FVTPL					
Derivatives (interest rate swaps)	16	-	473	-	473
Available for sale investments	22	7,637	-	-	7,637
Financial liabilities at FVTPL					
Derivatives (interest rate swaps and collars)	16	-	(5,590)	-	(5,590)
		7,637	**(5,117)**	**-**	**2,520**

Notes to the financial statements

For the year ended 31 March 2012

29 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

		PARENT			
	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
As at 31 March 2012					
Derivatives (interest rate swaps)		**-**	**-**	**-**	**-**
Available for sale investments	22	12,249	-	-	12,249
Financial liabilities at FVTPL					
Derivatives (interest rate swaps and collars)		-	-	-	-
		12,249	**-**	**-**	**12,249**

There were no transfers between Level 1 and 2 in the period.

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
As at 31 March 2011					
Financial assets at FVTPL					
Derivatives (interest rate swaps)		-	-	-	-
Available for sale investments	22	7,637	-	-	7,637
Financial liabilities at FVTPL					
Derivatives (interest rate swaps and collars)		-	-	-	-
		7,637	**-**	**-**	**7,637**

Notes to the financial statements

For the year ended 31 March 2012

30 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Those with measurement impact:

Amendments to NZ IAS 12 - Income Taxes	This standard was early adopted in the 2011 financial statements.

Those with no impact:

Adoption of the following Standards, Interpretations and Amendments has not led to any changes in the Group's accounting policies with measurement or recognition impact on the periods presented in these financial statements:

Name	Nature of Amendment
NZ IFRS 7 - Appendix E	This standard does not apply to the Group as it applies to non-bank deposit takers.
IFRIC 19 - Extinguishing Liabilities with Equity Instruments	This standard does not apply to the Group as we currently do not hold any debt for equity swaps.
NZ IAS 24 - Amendments - Related Party Disclosures	Changes have been made in relation the public benefit entities and government departments and the definition of a related party has been clarified. This does not apply to the Group.
IFRIC 14 - Amendments - Prepayments of a Minimum Funding Requirement	Remedies an unintended consequence of NZ IFRIC 14 where entities were in some cases not permitted to recognise as an asset prepayment of minimum funding contributions. This does not apply to the Group.
Annual Improvement Process 2010	Several changes that are not applicable to the Group have been made to various standards. These include issues around customer loyalty programmes, interim financial statements and contingent consideration during a business combination. There have also been adjustments regarding measurement on non-controlling interests in certain circumstances.
NZ IAS 26 - Accounting and Reporting by Retirement Benefit Plans	This standard does not apply to the Group as no retirement benefit plans are held.

STANDARDS AND INTERPRETATIONS ISSUED, NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the Group for the year ended 31 March 2012 were on issue but not yet effective:

Notes to the financial statements

For the year ended 31 March 2012

	Standard / Interpretation	Financial periods effective date commencing on or after
NZ IFRS 7	Amendments to NZ IFRS 7 - Financial Instruments: Disclosures	1 July 2011*
Various	"Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards"	1 July 2011*
FRS 44	Harmonisation amendments and FRS-44 NZ Additional disclosures	1 July 2011*
FRS 43	Amendments to FRS 43 - Summary Financial Statements	1 January 2012*
NZ IAS 1	Amendments to NZ IAS 1 - Presentation of Financial Statements	1 July 2012*
NZ IAS 19	Amendments to NZ IAS 19 - Employee Benefits	1 January 2013*
NZ IAS 27	Separate Financial Statements (revised 2011)	1 January 2013*
NZ IAS 28	Investments in Associates and Joint Ventures (revised 2011)	1 January 2013*
NZ IFRIC 20	Stripping Costs in the production phase of a surface mine	1 January 2013*
NZ IFRS 7	Amendments re Offsetting Financial Assets and Financial Liabilities	1 January 2013*
NZ IAS 32	Amendments to NZ IAS 32 - Financial Instruments Presentation	1 January 2014*
NZ IFRS 11	Joint Arrangements	1 January 2013*
NZ IFRS 12	Disclosure of Interests in Other Entities	1 January 2013*
NZ IFRS 13	Fair Value Measurement	1 January 2013*
NZ IFRS 10	Consolidated Financial Statements	1 January 2013*
IAS 32	Amendments re Offsetting Financial Assets and Financial Liabilities	1 January 2014*
NZ IFRS 9	NZ IFRS 9 - Financial Instruments	1 January 2015*
IFRS 9 and IFRS 7	Amendments re Mandatory Effective Date and Transition Disclosures	1 January 2015*

* All standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

It is expected that most of these amendments to standards will have some impact on the financial statements in the future. However it is not practicable to provide a reasonable estimate of that effect until an detailed review has been completed.

Notes to the financial statements

For the year ended 31 March 2012

31 RELATED PARTIES

The Group has a related party relationship with its subsidiaries (see note 32), directors of subsidiaries, executive officers and Trustees of the Parent.

Eastland Group Limited paid dividends to the Trust during the year amounting to $4.4 million (2011 $4.2 million) on an investment of $15.4 million and paid interest on capital notes of $30 million of $2.587 million (2011: $2.580 million).

(a) Key management personnel compensation

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
Key management personnel compensation comprises of:	**$'000**	**$'000**	**$'000**	**$'000**
Short-term employee benefits	**1,716**	1,572	**130**	133
Trustees' fees	**106**	96	**106**	96
Total key management personnel compensation	**1,822**	**1,668**	**236**	**229**

(b) Directors' fees

Directors' fees are paid by Eastland Group Limited to the Directors, as the Directors of the Group. Total fees paid were $251,666 (2011: $228,500). There are no separate fees paid in respect of the subsidiaries.

W J Clarke	$36,750		J M Rae	$38,250	
N J P Cull	$67,550	Chairman	S W Stevens	$3,125	Resigned 1 May 2011
V J Dark	$14,583	Retired 30 August 2011	R N Taylor	$40,583	Chairman of audit and finance committee
M Glover	$25,333	Appointed 1 August 2011	A Blackburn	$25,492	Appointed 1 September 2011

Mr N J P Cull gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

MSC CONSULTING GROUP LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
STONEWOOD HOMES WEST AUCKLAND LIMITED

Notes to the financial statements

For the year ended 31 March 2012

Mr W J Clarke gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

INTERNATIONAL CHARDONNAY CHALLENGE LIMITED
GISBORNE WINE CENTRE LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
EASTWOODHILL TRUST BOARD
WINES OF GISBORNE EVENTS LIMITED
NEW ZEALAND WINEGROWERS

Mr V J Dark gave general notice that he is a director and/or officer of the following Companies and will therefore be interested in all transactions between any of them and the Company

TAVO NEW ZEALAND LIMITED
FRESSURE INTERNATIONAL LIMITED
INVIVO WINES NEW ZEALAND LIMITED
FRESSURE FOODS LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND GROUP LIMITED
EASTLAND NETWORK LIMITED
NORTHLAND POLYTECHNIC

Mr R N Taylor gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

TE KAIRANGA WINES LIMITED
McKEE NOMINEES LIMITED
MITI PARTNERS LIMITED
ICON TEXTILES LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
PORT TARANAKI LIMITED
THE NEW ZEALAND SYMPHONY ORCHESTRA and TE AHO O TE KURA POUNAMU CORRESPONDENCE SCHOOL
VICTORIA UNIVERSITY OF WELLINGTON

Notes to the financial statements

For the year ended 31 March 2012

J M Rae gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
F J HAWKES & CO LIMITED
JAFFA HOLDINGS LIMITED
SMART ENVIRONMENTAL LIMITED
KINGYO FOODS LIMITED
NZ COUNCIL FOR INFRASTRUCTURE DEVELOPMENT
GRAFFITI SYSTEMS LIMITED
NATIONAL INFRASTRUCTURE ADVISORY BOARD

M J Glover gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
COLD STORAGE NELSON LIMITED
GOLDPINE GROUP LIMITED
GOLDPINE PROPERTIES LIMITED
FRUIT SOLUTIONS LIMITED
RIO DOLORES (2006) LIMITED
GOLDPINE INDUSTRIES LIMITED

A Blackburn gave general notice that she is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
TEN GRACIE SQUARE LIMITED
AUCKLAND COUNCIL PROPERTY LIMITED
FIDELITY LIFE LIMITED
ROYAL DISTRICT NURSING SERVICE NEW ZEALAND LIMITED
UNITEC
NEW ZEALAND VENTURE INVESTMENT FUND
WARREN AND MAHONEY
CENTRE FOR CLINICAL TRIALS AND EFFECTIVE PRACTICE (CCRep)
FORSYTH BARR

Notes to the financial statements

For the year ended 31 March 2012

S W Stevens gave general notice that he is a director and/or officer of the following companies and will therefore be interested in all transactions between any of them and the Company

GUINNESS GALLAGHER CORPORATE ADVISORY LIMITED
NEW ZEALAND CARBON SECURITIES LIMITED
GALA DEVELOPMENTS LIMITED
GUINNESS GALLAGHER CORPORATE SERVICES LIMITED
NEW ZEALAND MAORI RUGBY LEAGUE TRUSTEE LIMITED
GUINNESS GALLAGHER INVESTMENTS LIMITED
GUINNESS GALLAGHER INTERNATIONAL LIMITED
FOREST LAKE PRODUCTS LIMITED
GUINNESS GALLAGHER HOLDINGS LIMITED
PORT ROAD MILL LIMITED
GUINNESS GALLAGHER ACCOUNTING LIMITED
PIPITEA STREET DEVELOPMENTS LIMITED
WORKFORCE DEVELOPMENT TRUSTEE LIMITED
HALIFAX TRUSTEE SERVICES LIMITED
WOOD TRUSTEE SERVICES LIMITED
REAL LIFE GROUP LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
HYDRAX LIMITED
SHOW IT SERVICES LIMITED
MABODE LIMITED
KAPUA COMMUNICATIONS LIMITED

c) Trustees' fees

Trustees fees paid from Eastland Community Trust.

R Brooking	$25,250	Chairman	B Wilson	$13,475
M Muir	$13,475		G Milner	$13,475
J Martin	$13,475		V Thorpe	$13,475
P Searle	$13,475			

Mr R Brooking gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

CHAIRMAN TE UNGA MAI TRUST
BOARD MEMBER OF TAIRAWHITI MUSEUM
SHAREHOLDER/DIRECTOR ABR LIMITED
SHAREHOLDER/DIRECTOR INDEPENDENT FACILITATORS LIMITED
FACILITATOR TO TOURISM RESOURCES CONSULTANTS GROUP (THROUGH INDEPENDENT FACILITATORS LIMITED)
INTERIM CHAIR NGAI TAMANUHIRI WHANAU TRUST
GENERAL MANAGER NGAI TAMANUHIRI TUTUPOROPORO TRUST

Notes to the financial statements

For the year ended 31 March 2012

Mr M Muir gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

DIRECTOR/CHAIRMAN GISBORNE HERALD LTD
DIRECTOR/CHAIRMAN TE RAU PRESS LTD
DIRECTOR/CHAIRMAN GISBORNE OFFICE EQUIPMENT LTD
DIRECTOR/CHAIRMAN DESTINATION GISBORNE LTD NON TRADING
DIRECTOR MUIR FAMILY HOLDINGS LTD
DIRECTOR THE WAIROA STAR LTD
DIRECTOR NEW ZEALAND PRESS ASSOCIATION LTD
DIRECTOR NEWSPAPER HOUSE LTD
TRUSTEE OF CLARK CHARITABLE TRUST
TRUSTEE OF TAIRAWHITI TRUST
TRUSTEE OF JAMES COOK CHARITABLE TRUST
TRUSTEE OF GISBORNE STEWART CENTRE
TRUSTEE OF TAIRAWHITI MUSEUM – GISBORNE MUSEUM OF ART & HISTORY
TRUSTEE/CHAIRMAN OF CHELSEA HOSPITAL TRUST
MEMBER OF TAIRAWHITI LOCAL ALLOCATION COMMITTEE OF THE TINDALL FOUNDATION
PRESIDENT OF THE NEWSPAPER PUBLISHERS ASSOCIATION
EXECUTIVE MEMBER OF GISBORNE CHAMBER OF COMMERCE INC

Mr J Martin gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

MANAGING PARTNER, BURNARD BULL & CO
SHAREHOLDER AND DIRECTOR, MARTIN PASTORAL LTD
SHAREHOLDER AND DIRECTOR, GISBORNE PROFESSIONAL CHAMBERS LTD
SHAREHOLDER AND DIRECTOR, FIRST NIGHT LTD
EXECUTIVE MEMBER, GISBORNE CHAMBER OF COMMERCE
MEMBER, GISBORNE BRANCH OF NZ LAW SOCIETY
REGIONAL COMMITTEE MEMBER, TAIRAWHITI BRANCH GISBORNE, NZ HISTORIC PLACES TRUST
TRUSTEE, TAIRAWHITI HERITAGE TRUST

Mr P Searle gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

SHAREHOLDER MATAWHERO HOLDINGS LTD
SHAREHOLDER MATAWHERO VINEYARDS LTD
DIRECTOR MATAWHERO WINES LTD
SHAREHOLDER QUAY REAL ESTATE LTD
QUAY PROPERTY MANAGEMENT LTD
PRINCIPAL/SHAREHOLDER/DIRECTOR FIRST CITY REALTY LTD
SHAREHOLDER/DIRECTOR BRUNTON ROAD WINES LTD
SHAREHOLDER/DIRECTOR BRUNTON ROAD DEVELOPMENTS LTD
SHAREHOLDER/DIRECTOR STERLING PARK DEVELOPMENTS LTD
MEMBER REAL ESTATE INSTITUTE OF NZ
MEMBER GISBORNE WINEGROWERS SOCIETY
BOARD MEMBER STEPPING STONE FOUNDATION
BOARD MEMBER REAL ESTATE INSTITUTE OF NEW ZEALAND
TRUSTEE OF SEARLE FAMILY TRUST
TRUSTEE OF SEARLE FAMILY TRUST NO. 2

Notes to the financial statements

For the year ended 31 March 2012

Mr B Wilson gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

TRUSTEE B & P WILSON FAMILY TRUST
TRUSTEE GISBORNE SURF LIFESAVING CHARITABLE TRUST
MEMBER SURF LIFE SAVING NZ HONOURS AND AWARDS COMMITTEE
MEMBER GISBORNE WEST ROTARY
GISBORNE DISTRICT COUNCILLOR
BOARD MEMBER OF GISBORNE YMCA
TRUSTEE OF ART IN PUBLIC PLACES
EXECUTIVE MEMBER GISBORNE CHAMBER OF COMMERCE
BOARD MEMBER OF TAIRAWHITI DISTRICT HEALTH BOARD
TAIRAWHITI YOUTH VOICE EXECUTIVE

Mr G Milner gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

PRINCIPAL OF GMA CHARTERED ACCOUNTANTS
DIRECTOR – NGATI POROU FISHERIES
INDEPENDENT BOARD MEMBER FOR THE EAST COAST RUGBY FOOTBALL UNION INC (AND BY ASSOCIATION, REPRESENTATIVE ON LOCAL RWC 2011 STEERING GROUP)
EXECUTIVE MEMBER AND TREASURER OF TAIRAWHITI MAORI BUSINESS NETWORK INCORPORATED
BOARD MEMBER OF TAIRAWHITI DISTRICT HEALTH BOARD
DIRECTOR TAIRAWHITI LAUNDRY SERVICES LTD
TRUSTEE OF EASTERN & CENTRAL COMMUNITY TRUST
DIRECTOR – NGATI POROU SEAFOODS GROUP (INCORPORATING NGATI POROU FISHERIES LTD AND NGATI POROU SEAFOODS LTD)
DIRECTOR – NGATI POROU SEAFOODS LTD
BOARD MEMBER FOR THE EAST COAST RUGBY FOOTBALL UNION INC
CHAIRMAN OF HOROUTA SPORTS CLUB INC

Ms V Thorpe gave general notice that she has the following interests and will therefore be interested in all transactions between any of them and the Group.
TENANT OF EASTLAND PORT LTD
TRUSTEE OF TAIRAWHITI TRUST
TRUSTEE OF GISBORNE SPCA
MEMBER OF EAST COAST BAY OF PLENTY CONSERVATION BOARD

d) Chief Executive

Matthew Todd is the Chief Executive Officer of the Group. During the year he leased a private hangar at Gisborne Airport. The terms of Matthew Todd's lease are on a commercial basis and are identical to those in place for other hangar occupants. The annual rental paid for this hangar is $3,537 plus GST per annum. (2011: $3,537)

From time to time Matthew Todd flies himself on Eastland Group Limited business using his own aircraft. On these occasions payment is made to Matthew Todd's company Matt Todd Holdings Limited. The agreed rate is equivalent to the ruling aero club hire charge for a similar aircraft. Payments made during the year totalled $7,682 (including GST) (2011: $4,275).

Notes to the financial statements

For the year ended 31 March 2012

e) Employee related parties

During the year the following individuals who are related to key personnel of Eastland Group Limited were paid the following amounts for services provided.

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
D Murphy	43	24	-	-
B Penny	64	41	-	-
	107	65	-	-

f) Other related party transactions

Please note all inter-entity transactions have been eliminated on consolidation.

Credit risk exposure in relation to the subsidiaries is not considered to be significant, and no specific risk management policies have been put in place in relation to inter-group balances. There are no guarantees held regarding subsidiary balances.

The current accounts that were previously held by Gisborne Airport Limited for the Group companies (2011: 8.871 million), are now held by the parent company Eastland Group Limited $7.401 million.

The management fees which were previously charged by Gisborne Airport Limited to the Group companies are now charged by Eastland Group Limited.

The management of the Group companies debtors and creditors which were previously held by Gisborne Airport Limited are now held by Eastland Group Limited.

(i) Gisborne Airport Limited

Gisborne Airport Limited is 100% owned by Eastland Group Limited. See note c above regarding director's fees.

Eastland Group Limited holds a current receivable account with Gisborne Airport Limited of $601,354. Eastland Group Limited provides the management services to the other entities in the Group. There are borrowings of $530,418 (2011: $685,988) owing to the parent company.

As the Group oncharges are now invoiced from Eastland Group Limited to the Debarker Joint Venture, the receivable balance is $Nil (2011: $4,847).

Rent is also received from Eastland Investment Properties Limited for a rented property of $14,931 (2011: $14,931) Rental income was also received from Eastland Port Limited for log storage and bark storage of $48,000 (2011: $30,000).

Services were contracted from Eastech during the year to the value of $8,586 (2011: $Nil).

(ii) Eastland Port Limited

Eastland Port Limited is 100% owned by Eastland Group Limited.

Eastland Group Limited provided management services to Eastland Port Limited. Fees for these services amounted to $0.90 million (2011: $0.65 million).

During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012 the balance was $0.634 million (2011:$2.586 million). Advances outstanding from Eastland Group Limited at 31 March 2012 were $13.1 million (2011: $13.1 million). Interest paid to the parent company during the year totalled $1.780 million (2011: $1.758 million).

Dividends were paid to the parent company during the year totalling $840,000 (2011: $800,000).

Notes to the financial statements

For the year ended 31 March 2012

There was also a receivable balance owing from the Debarker Joint Venture of $12,769 (2011: $14,308) at 31 March 2012. Charges of $97,188 were passed through to the Debarker Joint Venture during the year.

Rental charges were paid to Gisborne Airport Limited for log and bark storage of $48,000 (2011: $30,000).

Services were contracted from Eastech Limited during the year to the value of $47,880 (2011: $ Nil).

(iii) Eastland Network Limited

Eastland Network Limited is 100% owned by Eastland Group Limited.

Eastland Group Limited provided management services to Eastland Network Limited. Fees for these services amounted to $2.337 million (2011: $2.388 million).

Eastland Group Limited leases office space in Eastland Network Limited's Carnarvon Street premises for which an annual rent of $80,088 is charged (2011: $80,088). Eastech Limited also leases office space from Eastland Network Limited for which an annual rent of $34,492 is charged (2011: $34,492).

During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012 the balance was $9.107 million (2011: $7.542 million). Advances outstanding from Eastland Group Limited at 31 March 2012 were $47.82 million (2011: $47.82 million). Interest paid to the parent company during the year totalled $5.302 million (2011: $5.49 million).

During the year maintenance charges were oncharged to Eastland Generation Limited of $264,804 (2011: $250,877) and avoided transmission charges received of $2.847 million (2011: $2.438 million).

During the year Eastland Network Limited made purchases from Eastech Limited totalling $2.637 million (2011: $2.163 million) and made sales to Eastech Limited of $22,859 (2011: $21,616).

Dividends were paid to the parent company during the year totalling $3.56 million (2011: $3.4 million).

The balance owing to Eastech Limited at 31 March was $440,664 (2011: 389,293) and receivable from Eastech Limited was $2,093 (2011: $1,449).

(iv) Flightline Aviation Limited

Flightline Aviation Limited is 100% owned by Eastland Group Limited.

Eastland Group Limited provided management services to Flightline Aviation Limited. Fees for these services amounted to $45,163 (2011:$61,007).

During the year, Flightline Aviation Limited made sales of $304,871 (2011: $58,647) to Skysales Aviation (NZ) Limited. Flightline Aviation Limited has also made purchases of $60,556 (2011:$235,546) from Skysales Aviation (NZ) during the year.

At 31 March 2012, there is a current account balance of $288,846 (2011: $727,397) receivable from Skysales Aviation (NZ) Limited.

During the year, Eastland Group Limited has received deposits from and made advances to Flightline Aviation Limited via a current account. At 31 March 2012 the balance was $2.03 million receivable (2011: $1.13 million payable). Advances outstanding from Eastland Group Limited at 31 March 2012 were $2.68 million (2011: $2.68 million). No interest was paid to the parent company during the year (2011: $Nil).

Notes to the financial statements

For the year ended 31 March 2012

(v) Eastech Limited

Eastech Limited is 100% owned by Eastland Group Limited.

Eastland Group Limited provides management services to Eastech Limited. Fees for these services amounted to $89,273 (2011:$82,130).

During the year, Eastech Limited made purchases of $22,859 (2011 $21,616) from Eastland Network Limited and made sales to Eastland Network Limited of $2.637 million (2011:$2.16 million).

Eastech Limited also rents workshop and office space from Eastland Network Limited totalling $34,492 for this financial year (2011: $34,492).

During the year, Eastland Group Limited has received deposits from and made advances to Eastech Limited. Interest paid to the parent company during the year totalled $Nil (2011: $171,429). During the year, Eastland Group Limited has managed some of the payables and receivables of each subsidiary through a current account. At 31 March 2012 the current account balance was $1.39 million receivable (2011: $1.37 million).

(vi) Skysales Aviation (NZ) Limited

Skysales Aviation (NZ) Limited is 100% owned by Eastland Group Limited.

Eastland Group Limited provides management services to Skysales Aviation (NZ) Limited. Fees for these services amounted to $Nil (2011: $118,811).

During the year, Skysales Aviation (NZ) Limited made purchases of $304,872 (2011: $58,647) from Flightline Aviation Limited and made sales to Flightline Aviation Limited of $60,556 (2011: $235,546).

At 31 March 2012, there is a current account balance of $288,846 payable to Flightline Aviation Limited (2011: $727,397).

During the year, Eastland Group Limited has made advances to Skysales Aviation (NZ) Limited. Advances outstanding at 31 March 2012 were $1.99 million (2011: $1.99 million). No interest was paid to the parent company during the year (2011: $Nil).

During the year, Eastland Group Limited has received deposits from and made advances to Skysales Aviation (NZ) Limited. The balance at 31 March 2012 was $2.58 million payable (2011: $1.73 million payable).

(vii) Eastland Generation Limited

Eastland Generation Limited is 100% owned by Eastland Group Limited.

Eastland Generation Limited has an advance to Geothermal Developments Limited. Advances outstanding at 31 March 2012 were $24.29 million (2011: $24.29 million). There was no interest paid on these loans during the year (2011: $Nil).

Advances outstanding from Eastland Group Limited at 31 March 2012 were $42.20 million (2011: $42.20 million). Interest paid on these loans during the year totalled $1.293 million (2011: $1.93 million). During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012, the current account balance was $4.271 million receivable (2011: $3.51 million).

Management service fees were charge to the Limited Partnership Te Ahi O Maui during the year to the value of $172,500 (2011: $Nil).

Eastland Generation Limited has made capital payments to IDG regarding development rights in Te Ahi O Maui of $977,060 (2011: $792,976) during the year which complete the commitments within the project development agreement.

Maintenance charges were paid to Eastland Network Limited of $264,804 (2011: $250,877).

Avoided transmission charges were received from Eastland Network Limited of $2.847 million (2011: $2.438 million).

Notes to the financial statements

For the year ended 31 March 2012

(viii) Geothermal Developments Limited

Geothermal Developments Limited is 100% owned by Eastland Generation Limited.

During prior years, Eastland Generation Limited has made advances to Geothermal Developments Limited. Advances outstanding at 31 March 2012 were $24.29 million (2011: $24.29 million). Interest paid on these loans during the year totalled $1.827 million (2011: $Nil). During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012, the current account balance was $5.575 million payable (2011: $3.601 million).

Eastland Group Limited provides management services to Geothermal Developments Limited. Fees for these services amounted to $154,591 (2011:$117,615).

Services were contracted from Eastech during the year to the value of $6,191 (2011: $Nil).

(ix) Eastland Investment Properties Limited

Eastland Investment Properties Limited is 100% owned by Eastland Group Limited.

During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012, the current account balance was $19.025 million receivable (2011: $19.166 million receivable). Interest paid on these loans during the year totalled $330,000 (2011: $365,113).

Eastland Group Limited provides management services to Eastland Investment Properties Limited. Fees for these services amounted to $148,245 (2011:$122,399).

Rental income was charged to Skysales during the year to the value of $50,000 (2011: $50,000). Rent was charged by Gisborne Airport Limited during the year to the value of $14,931 (2011: $14,931).

(x) Inner Harbour Marina Limited

Inner Harbour Marina Limited is 100% owned by Eastland Investment Properties Limited.

During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012, the current account balance was $218,664 payable (2011: $230,740).

(xi) Eastland Port Debarking Limited

Eastland Port Debarking Limited is 100% owned by Eastland Port Limited.

Eastland Group Limited provides management services to Eastland Port Debarking Limited. Fees for these services amounted to $33,727 (2011:$17,560). There was also a payable balance owing to Eastland Port Limited of $12,769 (2011: $14,308) at 31 March 2012 and a balance owing to Eastland Group Limited of $4,492 (2011 $4,848).

During the year, Eastland Group Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2012, the current account balance was $114,942 receivable (2011: $674,738).

Charges for operating costs and management services were passed on from Eastland Port Limited and Eastland Group Limited during the year to the value of $97,188 and $33,727 respectively.

(xii) Te Ahi O Maui (TAOM)

Te Ahi O Maui is a limited partnership that Eastland Generation is a partner in holding 80% of the partnership units.

Charges for management services were passed through to the Te Ahi O Maui Limited Partnership during the year from Eastland Generation Limited totalling $172,500.

A management fee of $120,000 was also charged from Eastland Group Limited during the year.

Notes to the financial statements

For the year ended 31 March 2012

(xiii) Innovative Developments Group (IDG)

IDG is also a partner in the Te Ahi O Maui limited partnership holding 10% of the partnership units.

Eastland Group Limited has made a loan advance of $2.005 million (USD $1.65 million) to IDG, the carrying amount of this loan is $486k. Refer to Note 20 for more detail. This loan is interest free. The value of the notional interest not charged is $34,000. This loan is in US Dollars, unrealised foreign exchange losses on this loan are $94,000 at 31 March 2012. This loan is associated with a contract option to investment in further geothermal power station development.

(xiv) East Coast Farms Limited (ECFL)

ECFL is the partner in the Debarking Joint Venture with Eastland Port Debarking Limited. There have been no transactions between the Group entities and this party in this financial year.

(xv) Eastland Development Fund Limited

Eastland Development Fund Ltd is a subsidiary of the Eastland Community Trust. During the year advances were made to Eastland Development Fund Limited amounting to $14,000 (2011: $13,000).

During the year Eastland Development Fund Ltd entered into a lease with the Searle Family Trust No. 2 for $38,800 p.a. This transaction has occurred at market value. A Trustee of Searle Family Trust No. 2 is also a Trustee of Eastland Community Trust.

(xvi) Eastland Network Community Trust

Eastland Network Charitable Trust is a related party of Eastland Community Trust. During the year distributions were paid to Eastland Network Charitable Trust amounting to $3.078 million (2011: $1.111 million), these distributions were used to make charitable distributions.

32 ISSUED CAPITAL AND RESERVES

(a) Trust capital

There was no movement in the total number of shares during the year.

All shares are classed as ordinary, have no par value and are subject to the same rights and privileges and are subject to the same restrictions. There are no restrictions on the distribution of dividends and the repayment of capital.

(b) Asset revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment (after tax).

(c) Cash flow hedging reserve

The cash-flow hedging reserve is the cumulative fair value gains and losses (after tax) relating to the interest rate derivatives on the bank borrowings until the derivative matures or the hedging relationship expires.

(d) Realised capital reserve

This reserve has now been reclassified, refer to Note 40 for further details.

Notes to the financial statements

For the year ended 31 March 2012

(e) Investment revaluation reserve

The revaluation reserve relates to the revaluation of investments.

33 INVESTMENT IN SUBSIDIARIES

The following subsidiaries have been included in the Group consolidated financial statements.

	Country of incorporation	Ownership Interest (%)	
		2012	2011
Eastland Group Limited	New Zealand	100%	100%
Eastech Limited	New Zealand	100%	100%
Eastland Debarking Limited (bare trustee - non trading)	New Zealand	50%	50%
Eastland Development Fund Limited	New Zealand	100%	100%
Eastland Generation Limited	New Zealand	100%	100%
Eastland Port Debarking Limited	New Zealand	100%	100%
Eastland Investment Properties Limited	New Zealand	100%	100%
Eastland Network Limited	New Zealand	100%	100%
Eastland Port Limited	New Zealand	100%	100%
Flightline Aviation Limited	New Zealand	100%	100%
Geothermal Developments Limited	New Zealand	100%	100%
Gisborne Airport Limited	New Zealand	100%	100%
Inner Harbour Marina Limited	New Zealand	100%	100%
Skysales (NZ) Limited	New Zealand	100%	100%
Te Ahi O Maui General Partnership Limited	New Zealand	100%	100%
Te Ahi O Maui Limited Partnership	New Zealand	80%	80%

There are no restrictions in place on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

34 OPERATING LEASES

(a) Operating leases receivable

The Group leases out its investment properties (refer to note 21) and some other land and buildings, under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Less than one year	2,556	2,987	-	-
Between one and five years	5,204	3,097	-	-
More than five years	714	1,014	-	-
Total operating leases receivable	**8,474**	**7,098**	**-**	**-**

Notes to the financial statements

For the year ended 31 March 2012

(b) Operating leases payable

The Group leases land and/or buildings at Ardmore, Christchurch, Dunedin Airport and Kawerau, as well as some other office equipment and vehicles.

The Group leases land sites throughout the East Coast for the right to lay and maintain power cables and radio transmissions on these sites.

Eastland Generation Ltd has a subsidiary, Geothermal Developments Limited, which is involved in Maori Land Court proceedings relating to its lease which if successful will have an impact on its financial position. It is likely that the lease will be confirmed with a possibility that there may be an increase in rent payable. The maximum possible increase is not considered material.

	GROUP		PARENT	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Less than one year	488	443	51	11
Between one and five years	1,795	1,674	161	18
More than five years	3,159	3,501	-	-
Total operating leases payable	**5,442**	**5,618**	**212**	**29**

Operating lease payments of $515,359 were made during this financial year. (2011: $471,787)

35 BUSINESS COMBINATIONS

There were no business combinations in the current year.

Prior year

On 1 April 2010 all of the shares in Gisborne Airport Limited, Eastland Network Limited and Eastland Port Limited were transferred to another wholly-owned subsidiary, Eastland Group Limited. All assets and liabilities were transferred at fair value which was effectively their book values as at 31 March 2010. The transfer of the shares does not have any impact on financial reporting in these financial statements.

Notes to the financial statements

For the year ended 31 March 2012

36 JOINT VENTURE

Eastland Port Debarking Limited has a 50% share in the Eastland Debarking Joint Venture with the other 50% held by East Coast Forests Limited. The joint venture provides debarking and anti-sap treatment of export logs stored at the port.

Debarker	**2012**	**2011**
	$'000	**$'000**
Revenue	**2,247**	1,180
Expenses	**(910)**	(513)
Net Income	**1,337**	**667**
	2012	**2,011**
	$'000	**$'000**
Current assets	**1,479**	736
Current liabilities	**(163)**	(73)
Non current assets	**72**	9
	1,388	**672**

Commitments

At 31 March 2012 total capital expenditure committed but not yet incurred was Nil.

Contingent Liabilities

At 31 March 2012 total contingent liabilities were Nil.

Impairment

No assets employed in the jointly controlled operations were impaired during the year.

37 GUIDELINES FOR ACCESS TO INFORMATION

Pursuant to clause 10.1 of the Guidelines For Access By Beneficiaries Of The Eastland Community Trust (the Guidelines). The Trust must report on the following in each annual report:

- The number of requests for information received;
- The costs incurred to process those requests;
- Any cost recoveries made;
- The number of Trust decisions which were subject to review;
- A summary of the outcome of those reviews;
- The costs incurred in respect of those reviews;
- Any cost recoveries in respect of those reviews;

The Trust did not receive any requests for information and therefore no costs were incurred or decisions reviewed.

Notes to the financial statements

For the year ended 31 March 2012

38 GRANTS MADE OVER $1,000

Community House	133,000	Eastland Airport Ltd - Q300 Distributions	19,188
Energy Options Charitable Company Ltd	19,118	Te Matatini o tera	50,000
GDC	10,000	Gisborne City Vintage Railway Inc	5,000
Gisborne Conventions	34,000	Gisborne Palliative Care	13,495
Gisborne Gymnastics Club	100,000	GDC - Navigational Project	25,000
Gisborne Tennis Club	40,000	Oceania - RWC Big Screen	121,153
Gisborne.Net	120,000	Awapuni School	13,050
Eastland Helicopter Rescue Trust	300,000	Te Unga Mai Trust - Te Unga Mai Voyaging Festival 2011	12,000
Home & Dry	800,000	St Johns	100,000
National Surf Lifesaving Champs	47,707	Tairawhiti District Learning Centre	150,000
Optiblocks	15,000	Toko Toru Tapu	25,000
Smart Energy Solutions	1,200,000	Tourism Eastland	25,000
		Transit of Venus	60,000

Note: Subsequent to balance date the Trust has received advice that the Community House project will not proceed, and the grant will be returned to Eastland Community Trust.

39 PRIOR PERIOD ADJUSTMENTS

(i) This entry was not reversed after an adjustment regarding the transfer of Eastland Infrastructure Limited entities to Eastland Group Limited. This adjusts the retained earnings brought forward for the Group on a consolidated basis only.

	$000	**$000**	
Tax expense	200		Dr
Tax payable		200	Cr

(ii) Adjustment to non-controlling interest share of loss and Eastland share of loss re audit fee and tax effect.

	$000	**$000**	
Eastland Generation share of loss	10		Dr
Eastland Generation Equity on TAOM		10	Cr
NCI share of loss	4		Dr
NCI equity		4	Cr

Notes to the financial statements

For the year ended 31 March 2012

40 RECLASSIFICATION

A reclassification has been made of the Realised Capital Reserve of $8.3 million. This was transferred into retained earnings during the year to reflect common accounting practices for Trusts.
A reclassification was also made regarding cash balances with maturity dates over three months to current investments of $6.934 million (2011: $3.5 million).

A reclassification has been made in the prior year in relation to auditors' remuneration of the financial statements. It included a fee charged for the consolidation of the financial statements by a third party of $26,000.

41 SUBSEQUENT EVENTS

Current year

There are no matters affecting the Group between balance date and the signing of the financial statements which materially impact on the financial position of the Group.

The trustees' have approved the release of an Information Memorandum from Eastland Group Ltd in order for the company to raise further equity.

This may result in additional shares in the Company being issued which would result in a reduction of the current shareholding of Eastland Community Trust in the Company.


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