EASTLAND COMMUNITY TRUST CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

The trustees are pleased to present the consolidated financial statements of Eastland Community Trust for the year ended 31 March 2019.

For and on behalf of the Board of Trustees.

Paul Reynolds
Trustee
Chairman

Ailsa Cuthbert
Trustee,
Chair of Audit, Finance and Risk Committee

19th June 2019

Deloitte.

Independent Auditor's Report

To the Trustees of Eastland Community Trust

Opinion

We have audited the financial statements Eastland Community Trust (the 'Trust') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 55, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of other assurance services relating to the audit of regulatory disclosure statements, we have no relationship with or interests in the Trust or any of its subsidiaries. These services have not impaired our independence as auditor of the Trust or Group.

Other information

The Board of Trustees are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board of Trustee's responsibilities for the consolidated financial statements

The Board of Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Trustees, as a body, in accordance with Section 16 of the Trust Deed. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Deloitte Limited
Wellington, New Zealand
19 June 2019

Consolidated Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 $'000	2018 $'000 Restated *
Revenue from exchange transactions	1	99,761	85,717
Revenue from non-exchange transactions	1	1,391	3,574
Total revenue	1	**101,152**	**89,291**
Operating expenditure	2	(19,581)	(16,923)
Depreciation and amortisation	2	(18,849)	(15,891)
Personnel expenses	29	(13,282)	(11,724)
Administrative expenses	2	(13,185)	(10,928)
Finance expenses	18	(7,196)	(5,144)
Total expenditure		**(72,093)**	**(60,610)**
Operating surplus		**29,059**	**28,681**
Other non-operating income	3	2,090	490
Other non-operating expenditure	4	(315)	(1,561)
Share of surplus/(loss) of joint ventures	16	155	(417)
Share of loss of associate	14	(2,264)	(1,501)
Surplus before income tax		**28,725**	**25,692**
Income tax expense	5	(9,754)	(7,946)
Net surplus after tax		**18,971**	**17,746**
Attributable as:			
Surplus for the year:			
Equity holders of the parent		18,807	17,770
Non-controlling interest		164	(24)
		18,971	**17,746**
Other comprehensive revenue and expense:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment		(1,935)	5,616
Revaluation of movements in investments		1,813	1,249
Tax on other comprehensive income		1,144	(1,011)
Items that will be reclassified subsequently to profit or loss:			
Revaluation of cash flow hedges		(7,678)	704
Tax on revaluation of cashflow hedges		2,150	(197)
Share of associate other comprehensive income	14	450	-
Tax on share of associate other comprehensive income		(126)	-
Total other comprehensive revenue and expense		**(4,182)**	**6,361**
Total comprehensive revenue for the period		**14,789**	**24,107**
Total comprehensive revenue:			
Equity holders of the parent		14,625	24,131
Non-controlling interest		164	(24)
		14,789	**24,107**

* 2018 restatement – refer to Note 25 for detail

These financial statements should be read in conjunction with notes and accounting policies on pages F-9 to F-55

Consolidated Statement of Financial Position

AS AT 31 MARCH 2019

	Notes	2019 $'000	2018 $'000 Restated *
ASSETS			
Current assets			
Cash and cash equivalents		19,044	14,762
Exchange trade and other receivables	10	12,518	10,325
Non exchange other receivables	10	348	348
Other investments and receivables	11	7,336	3,027
Inventory		32	68
Income tax receivable		837	1,404
Derivative financial instruments	19	75	4
Total current assets		**40,190**	**29,938**
Non-current assets			
Property, plant and equipment	7	541,250	502,550
Other investments and receivables	11	45,084	46,309
Derivative financial instruments	19	116	-
Investment properties	8	22,020	20,820
Intangible assets	9	6,277	6,229
Investment in joint venture	16	1,317	2,570
Investment in associate	14	9,887	10,614
Total non-current assets		**625,951**	**589,092**
TOTAL ASSETS		**666,141**	**619,030**
LIABILITIES			
Current liabilities			
Payables and accruals	12	29,858	16,279
Income tax		4,214	2,615
Employee entitlements	29	2,257	1,703
Derivatives financial instruments	19	4,990	837
Total current liabilities		**41,319**	**21,434**
Non-current liabilities			
Loans	17	227,000	210,000
Deferred tax	5	46,613	49,563
Derivative financial instruments	19	13,018	9,307
Provision for restoration costs	7	4,500	-
Income in advance		321	367
Total non-current liabilities		**291,452**	**269,237**
TOTAL LIABILITIES		**332,771**	**290,671**
NET ASSETS		**333,370**	**328,359**
EQUITY			
Retained earnings		177,649	168,620
Trust capital		20,000	20,000
Reserves		135,126	139,308
Non-controlling interest		595	431
TOTAL EQUITY		**333,370**	**328,359**

* 2018 restatement – refer to Note 25 for detail

These financial statements should be read in conjunction with notes and accounting policies on pages F-9 to F-55

Consolidated Statement of Changes in Net Assets/Equity

FOR THE YEAR ENDED 31 MARCH 2019

2019

	Trust capital $'000	Hedge reserve $'000	Asset revaluation reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at beginning of period - 1 April 2018	**20,000**	**(7,198)**	**138,319**	**8,187**	**168,620**	**431**	**328,359**
Surplus for the year	-	-	-	-	18,807	164	18,971
Other comprehensive income:							
Net change in fair value of cash flow hedges	-	(7,354)	-	-	-	-	(7,354)
Disposals of property, plant and equipment	-	-	(121)	-	-	-	(121)
Revaluation of property, plant and equipment	-	-	(1,814)	-	-	-	(1,814)
Revaluation of Investments	-	-	-	1,813	-	-	1,813
Income tax relating to components of other comprehensive income	-	2,150	1,144	-	-	-	3,294
Total comprehensive income	**-**	**(5,204)**	**(791)**	**1,813**	**18,807**	**164**	**14,789**
Transactions with owners							
De-recognition of reserves	-	-	-	-	121	-	121
Joint venture distributions	-	-	-	-	-	-	-
Distributions	-	-	-	-	(10,652)	-	(10,652)
Tax effect on distributions	-	-	-	-	753	-	753
Total transactions with owners	**-**	**-**	**-**	**-**	**(9,778)**	**-**	**(9,778)**
Balance at end of period - 31 March 2019	**20,000**	**(12,402)**	**137,528**	**10,000**	**177,649**	**595**	**333,370**

2018 Restated *

	Trust capital $'000	Hedge reserve $'000	Asset revaluation reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Restated opening balance *	**20,000**	**(7,705)**	**133,714**	**6,938**	**155,062**	**455**	**308,464**
Surplus for the year	-	-	-	-	17,770	(24)	17,746
Other comprehensive income:							
Net change in fair value of cash flow hedges	-	704	-	-	-	-	704
Disposals of property, plant and equipment	-	-	(21)	-	-	-	(21)
Revaluation of property, plant and equipment	-	-	5,637	-	-	-	5,637
Revaluation of Investments	-	-	-	1,249	-	-	1,249
Income tax relating to components of other comprehensive income	-	(197)	(1,011)	-	-	-	(1,208)
Total comprehensive income	**-**	**507**	**4,605**	**1,249**	**17,770**	**(24)**	**24,107**
Transactions with owners							
Movement in non-controlling interest	-	-	-	-	(140)	-	(140)
De-recognition of reserves	-	-	-	-	666	-	666
Joint venture distributions	-	-	-	-	(1)	-	(1)
Distributions	-	-	-	-	(6,196)	-	(6,196)
Tax effect on distributions	-	-	-	-	1,459	-	1,459
Total transactions with owners	**-**	**-**	**-**	**-**	**(4,212)**	**-**	**(4,212)**
Balance at end of period - 31 March 2018	**20,000**	**(7,198)**	**138,319**	**8,187**	**168,620**	**431**	**328,359**

* 2018 restatement – refer to Note 25 for detail

These financial statements should be read in conjunction with notes and accounting policies on pages F-9 to F-55

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2019

	2019 $'000	2018 $'000 Restated *
Cash flows from operating activities:		
Cash provided from:		
Receipts from customers	98,000	82,679
Dividends received	1,179	1,016
Other income	1,931	636
Interest received	1,092	1,063
	102,202	85,394
Cash applied to:		
Payments to suppliers and employees	(45,991)	(39,805)
Interest paid	(10,760)	(8,976)
Income tax paid	(7,180)	(6,840)
	(63,931)	(55,621)
Net cash flows from operating activities	**38,271**	**29,773**
Cash flows from investing activities:		
Cash provided from:		
Distribution from associate	1,289	1,180
Proceeds from sale of investments	6,717	2,116
Proceeds from sale of investment property	-	296
Proceeds from sale of property, plant and equipment	610	960
	8,616	4,552
Cash applied to:		
Purchase of property, plant and equipment	(45,186)	(62,517)
Purchase of investments	(8,344)	(7,089)
Purchase of intangible	(149)	-
Purchase of investment property	(923)	(818)
	(54,602)	(70,424)
Net cash flows used in investing activities	**(45,986)**	**(65,872)**
Cash flows from financing activities:		
Cash provided from:		
Proceeds from bank borrowings	17,000	44,603
	17,000	44,603
Cash applied to:		
Equity distributions	(5,003)	(6,730)
Borrowings	-	(2,300)
	(5,003)	(9,030)
Net cash flows from financing activities	**11,997**	**35,573**
Net cash flows from continuing operations	**4,282**	**(526)**
Net increase in cash and cash equivalents	**4,282**	**(526)**
Cash and cash equivalents at beginning of period	14,762	15,288
Cash and cash equivalents at end of period	**19,044**	**14,762**

* 2018 restatement – refer to Note 25 for detail

These financial statements should be read in conjunction with notes and accounting policies on pages F-9 to F-55

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2019

Reconciliation of the profit for the Period with Net Cash from Operating Activities

	2019 $'000	2018 $'000 Restated *
Net surplus after tax	18,971	17,746
Adjustments for:		
Depreciation and amortisation	18,849	15,891
Vested assets	(783)	(386)
Impairment loss - bad debts	23	530
Loss on sale or disposal of property, plant and equipment	342	1,020
(Gain)/Loss on sale or disposal of investment property	-	(2)
Income from joint venture	(36)	552
Change in fair value of investment property	(277)	(298)
Movements in associate (revaluation/loss)	2,264	-
Accrued interest	(127)	(85)
Interest capitalised to fixed assets	(3,607)	(4,124)
Deferred tax expense	343	1,314
Tax on interest on convertible notes	59	-
Gain on conversion of Flick convertible notes	(788)	-
	16,262	14,412
Movement in working capital:		
(Increase) in trade and other receivables	(2,585)	(2,239)
Decrease/(increase) in inventory	36	(12)
Increase/(decrease) in employee entitlements	443	460
Increase/(decrease) in income tax payable	2,173	(188)
(Decrease) in income in advance	(46)	(46)
Increase/(decrease) in payables and accruals	3,017	(360)
	3,038	(2,385)
Net cash from operating activities	**38,271**	**29,773**

Ⓟ **Statement of Cash Flows**

The following terms are used in the Statement of Cash Flows:

- Cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.
- Operating activities are the principal revenue producing activities of the Trust Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long term assets and other investments not including cash equivalents.
- Financing activities are those that result in change in the size and composition of the contributed equity and borrowings of the entity.
- GST is combined with applicable transactions and borrowings repaid and increased are netted.

* 2018 restatement – refer to Note 25 for detail

These financial statements should be read in conjunction with notes and accounting policies on pages F-9 to F-55

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2019

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Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2019

Our financial statements

a) General information

Eastland Community Trust ("the Trust") is a Trust that was established on the 7th 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 Trust is governed by the Trust Deed including variations made by Deed Polls. The Trust has a termination date of 80 years from the date of execution of the Trust Deed, unless an earlier date is appointed by Deed by trustees.

The consolidated financial statements are for the economic entity comprising Eastland Community Trust and its subsidiaries, associate and joint ventures ("the Trust Group").

The Trust Group's primary operations include electricity distribution and generation, the operation of Gisborne's port and airport, the ownership of strategically located investment properties and investment portfolios.

The Trust Group's financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of financial reporting, the Trust is a Public Benefit Entity (PBE), therefore they comply with Tier 1 PBE Standards, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements of the Trust Group are for the year ended 31 March 2019 and were authorised for issue by the trustees on 19 June 2019.

b) Basis of preparation

The financial statements are prepared on a going concern basis using the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- land and buildings, electrical distribution assets, electrical generation assets and logistics assets are measured at revalued amounts;
- investment properties are measured at fair value; and
- listed investments are measured at fair value.

These financial statements are presented in New Zealand dollars ($), which is the Trust Group's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

Transactions in foreign currencies are translated to the respective functional currencies of the Trust Group's 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 Revenue and Expense.

The Statement of Comprehensive Revenue and Expense has been prepared so that all components are stated exclusive of GST where appropriate. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST.

c) Use of estimates and judgments

The preparation of financial statements requires judgments to be made that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. One of the key judgments this year was the commencement date for the Te Ahi o Maui geothermal power plant which was determined to be 1 November 2018.

Estimates and underlying assumptions are reviewed on an on-going basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Outcomes in the next financial period may be different to the assumptions made. It is impracticable to quantify the impact should assumptions be materially different to actual outcomes, which may result in material adjustments to the carrying amounts of property, plant and equipment and financial instruments reported in these financial statements.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies are designated by an Ⓔ symbol within the following notes:

Note 7 Property plant and equipment (Estimates and Judgment), Note 9 Intangible assets, Note 19 Financial assets and liabilities (Estimate) and Note 20 Interest rate risk (Estimate).

d) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to these financial statements and are designated by a Ⓟ symbol. The principal accounting policies have been applied consistently to all periods.

e) Impairment of non-financial assets

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 Revenue and Expense. 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. Impairment losses are not reversed on goodwill.

Significant transactions and events in the financial year

The following significant transactions and events affected the financial performance and position of the Trust Group for the year ended 31 March 2019.

a) Construction of Te Ahi O Maui

Eastland Generation Limited, a wholly owned subsidiary of Eastland Group Limited, in partnership with the A8D Trust, completed construction of a 25 MW geothermal power plant in Kawerau. The plant commenced operation on 1 November 2018, from which date depreciation and interest were recognised. The commencement date was determined by the directors of Eastland Group Limited when the plant output was approximately 90% of that expected. Revenue earned during the testing of the plant of $2 million was recognised. At 31 March 2019 directly attributable capitalised costs of $149 million were recognised.

b) Prime wood processing cluster

Prime SPV Limited, a wholly owned subsidiary of Eastland Community Trust, invested a further $2.8 million into the Prime wood processing cluster. This was by way of additional advances to the sawmill operator, Far East Sawmill Ltd, which was converted to an equity investment into Spectrum Group Limited in March 2019. Refer to note 11 for further details. The vision for the wood processing cluster is to provide economic benefits and job opportunities for the benefit of beneficiaries. To date, 71 direct jobs have been created within the cluster.

c) Bank facility

On the 1st of March 2019 Eastland Group Limited increased its bank facility by $50 million to $290 million. The incremental facility is to fund capital projects and has a maturity of 1 April 2023. Refer to note 17 for further detail on the banking facilities.

d) Flick Energy Limited

In September 2018, Eastland Energy Solutions Limited, a wholly owned subsidiary of Eastland Group Limited, converted $3 million of convertible notes issued by Flick Energy Limited, to equity. At 31 March 2019 Eastland Energy Solutions Limited owned 20.63% of Flick Energy Limited. Refer to note 14 for further information on the Flick Energy Limited investment.

e) Activate Tairawhiti Limited

Activate Tairawhiti Limited, a wholly owned subsidiary of Eastland Community Trust, invested $1.9 million into delivering economic and tourism development initiatives to support the region to unlock its potential and activate economic growth for the benefit of the Trusts beneficiaries.

f) Cash flow hedges

Cash flow hedges relate to interest rate swaps and collars and electricity derivatives. These hedges provide certainty around interest rates on bank borrowings and electricity revenue. The revaluation of these hedges at balance date resulted in a loss of $7.4 million.

g) New standards and interpretations

There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Trust expects to adopt these when they become mandatory. None are expected to result in a material impact on the Trusts financial statements.

1 Revenue

	2019 $'000	2018 $'000 Restated *
Revenue from exchange transactions		
Revenue from rendering services		
Electricity distribution revenue	36,615	36,748
Logistics revenue	36,669	35,913
Economic development and tourism services	1,665	1,214
Management fees	79	68
Total revenue from rendering services	**75,028**	**73,943**
Revenue from sale of goods		
Electricity generation	18,011	4,669
Customer contributions	394	206
Total revenue from sale of goods	**18,405**	**4,875**
Other exchange transaction revenue		
Other income	1,454	1,945
Rental income	2,484	2,805
Interest income	1,211	1,135
Dividends received	1,179	1,014
Total other exchange transaction revenue	**6,328**	**6,899**
Total revenue from exchange transactions	**99,761**	**85,717**
Revenue from non-exchange transactions		
Other income	1,391	3,574
Total revenue from non-exchange transactions	**1,391**	**3,574**
Total revenue	**101,152**	**89,291**

* 2018 restatement – refer to Note 25 for detail.

Ⓟ **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

i. Regulated electricity distribution and electricity generation sales

Revenue from electricity distributed and generated is recognised in the Statement of Comprehensive Revenue and Expense when the electricity has been distributed or sold to the customers.

ii. Logistics revenue

Revenue from the sales of logistics services is recognised in the Statement of Comprehensive Revenue and Expense 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 provided.

iii. Rental income

Rental income is recognised in the Statement of Comprehensive Revenue and Expense 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.

iv. Customer contributions

Revenue from customer contributions is recognised in the Statement of Comprehensive Revenue and Expense as revenue when all obligations to the customer are satisfied.

v. Dividends received

Dividends received are recognised when the right to receive payments is established. Dividends received from pre-acquisition net surpluses are deducted from the cost of the investment.

vi. Interest income

Interest income comprises income on funds invested, changes in the fair value of financial assets at fair value through the Statement of Comprehensive Revenue and Expense and gains on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense. Interest income is recognised as it accrues, using the effective interest method.

vii. Non-exchange income

Non exchange income comprises of income received from another party without directly giving approximate value in return.

2 Expenditure

	2019 $'000	2018 $'000
Operating expenses		
Electricity distribution expenses	10,844	10,532
Electricity generation expenses	3,453	1,652
Logistics expenses	3,384	3,740
Economic development and tourism services	1,900	999
Total operating expenses	**19,581**	**16,923**
Depreciation and amortisation		
Amortisation	101	56
Depreciation of property, plant and equipment	18,748	15,835
Total depreciation and amortisation	**18,849**	**15,891**
Administrative expenses		
Administration	11,962	9,871
Impairment losses and bad debt write-offs on trade receivables	23	30
Direct operating expenditure arising on investment properties that generated rental income	866	734
Auditor's remuneration to Deloitte comprises:		
audit of financial statements	286	225
audit of Commerce Commission reporting	48	68
Total administrative expenses	**13,185**	**10,928**

Sponsorships of $231,713 were made during the financial year (2018: $161,872).

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

3 Non-operating income

	2019 $'000	2018 $'000
Impairment losses recovered	3	3
Increase in fair value of investment property	277	298
Gain on sale of investments	1,810	189
Total non-operating income	**2,090**	**490**

4 Non-operating expenditure

	2019 $'000	2018 $'000
Loss on sale of investment property	-	1
Loss on revaluations	-	500
Loss on property, plant and equipment	315	1,060
Total non-operating expenditure	**315**	**1,561**

5 Taxation

	2019 $'000	2018 $'000
Income tax expense		
Current tax expense		
Current period	9,820	8,037
Adjustment for prior periods	(410)	(132)
Total current tax expense	**9,410**	**7,905**
Deferred tax expense		
Temporary differences for the year	(9)	(115)
Adjustment for prior periods	353	156
Total deferred tax	**344**	**41**
Total income tax expense	**9,754**	**7,946**

A reconciliation of income tax expense to the statutory income tax rate, is as follows:

	2019 $'000	%	2018 $'000	%
Accounting profit before income tax	**28,725**		**25,692**	
At the statutory income tax rate of 33%	(9,479)	(33.0%)	(8,478)	(33.0%)
Group eliminations	430	1.5%	(1,532)	(6.0%)
Adjustments in respect of current income tax of previous years	55	0.2%	(24)	(0.1%)
Subvention payment	-	0.0%	420	1.6%
Non-deductible expenses	(583)	(2.0%)	(866)	(3.4%)
Share of loss of associate	(779)	(2.7%)	-	0.0%
Non-assessable gains and PIE income	602	2.1%	2,534	9.9%
	(9,754)	**(34.0%)**	**(7,946)**	**(30.9%)**

Note: The Trust tax rate is 33% and subsidiary companies tax rates are 28%. The Trust Group statutory tax rate is calculated at 33% with differences in subsidiary tax calculations eliminated. There is no legal right to offset the Trust tax refund with the tax payable within subsidiary companies.

DEFERRED TAX ASSETS AND LIABILITIES

	2019					
	Property, plant and equipment $'000	**Provisions and accruals $'000**	**Investment property $'000**	**Hedge reserve $'000**	**Other $'000**	**Total $'000**
Balance at beginning of the period	**(52,952)**	**534**	**133**	**2,724**	**(2)**	**(49,563)**
Amounts recognised in the statement of financial performance:						
Relating to the current period	(824)	141	-	-	692	**9**
Prior period adjustments recognised in the current period	(292)	-	-	-	(61)	**(353)**
Amounts recognised directly in other comprehensive income	1,144	-	-	2,150	-	**3,294**
Net deferred tax liabilities	**(52,924)**	**675**	**133**	**4,874**	**629**	**(46,613)**

	2018					
	Property, plant and equipment $'000	**Provisions and accruals $'000**	**Investment property $'000**	**Hedge reserve $'000**	**Other $'000**	**Total $'000**
Balance at beginning of the period	**(51,737)**	**371**	**133**	**2,921**	**(75)**	**(48,387)**
Amounts recognised in the statement of financial performance:						
Relating to the current period	(50)	165	-	-	-	**115**
Prior period adjustments recognised in the current period	(154)	(2)	-	-	73	**(83)**
Amounts recognised directly in other comprehensive income	(1,011)	-	-	(197)	-	**(1,208)**
Net deferred tax liabilities	**(52,952)**	**534**	**133**	**2,724**	**(2)**	**(49,563)**

Group deferred tax net liability

The $46.7 million (2018: $49.6 million) net deferred tax liability includes $53.0 million (2018: $53.0 million) that relates to accounting depreciation on property, plant and equipment that has been revalued, with the remaining relating to 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.

Ⓟ **Tax Policy**

Income tax expense is made up of current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Revenue and Expense 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. The Trust has certain investments made through Portfolio Investment Entities and are excluded income for income tax purposes.

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.

6 Statement of actual and budget

This note compares actual performance against the budget presented in the Statement of Intent for the Trust.

	The Trust		The Trust	
	2019 Actual $'000	2019 Budget $'000	2018 Actual $'000	2018 Budget $'000
Revenue				
Eastland Group Limited capital note interest	2,136	2,130	2,130	2,130
Eastland Group Limited dividends	9,950	9,950	6,500	6,820
EGL - Subvention payment offset	-	(1,452)	-	-
Eastland Development Fund Limited	866	804	709	652
Prime SPV Limited interest	887	779	684	692
Activate Tairawhiti Limited interest	172	29	2	-
Craigs portfolio	1,586	1,406	1,433	1,319
Forsyth Barr portfolio	482	435	461	410
Other income	1,836	-	250	-
Total revenue	**17,915**	**14,081**	**12,169**	**12,023**
Expenditure				
Administration	(233)	(305)	(315)	(300)
Communications and sponsorship	(151)	(262)	(126)	(141)
Office and operational	(384)	(229)	(200)	(198)
Staffing and contractors	(1,188)	(1,267)	(981)	(746)
Strategic and business development	(435)	(402)	(135)	(250)
Trustee costs	(280)	(327)	(235)	(255)
Total expenditure	**(2,671)**	**(2,792)**	**(1,992)**	**(1,890)**
Surplus before income tax	**15,244**	**11,289**	**10,177**	**10,133**
Income tax	(1,859)	-	(1,274)	-
Surplus after income tax	**13,385**	**11,289**	**8,903**	**10,133**

Explanation of significant variances

Financial year ended 31 March 2019

Revenue was above budget by $3.8 million. This was because of the delay in subvention payments between the Trust Group subsidiaries and the gains made on the sale of investments during the year. Interest from subsidiary entities was higher than expected and income from investment portfolio's was higher than budget due to better portfolio performance than expected.

Total expenditure was below budget by $121,000. Operating costs were higher than budgeted reflecting the change in premises and co-location of Activate Tairawhiti and the Trust, this was somewhat offset by lower administration costs. Staff costs were lower than budget as not all positions were filled, and Trustee costs were lower than anticipated.

Financial year ended 31 March 2018

Revenue was down on budget because the final dividend from Eastland Group Limited was lower than budgeted. This is a result of higher subvention payments within the Trust Group subsidiaries, which reduced the amount available for dividends. This reduction in dividend was somewhat offset by higher interest received from Prime and EDFL and better than expected returns from the passive portfolios.

Total expenditure was up around $100,000 on budget. This increase was expected and relates to the changes made to the organisation structure during the year. The most significant changes were increased staffing costs which was somewhat offset by lower costs associated with business development investigation which was performed by Activate Tairawhiti Ltd.

7 Property, plant and equipment

2019

	Land and buildings	Electricity distribution equipment	Electricity generation equipment	Wharves walls and surfaces	Floating plant	Other plant and equipment	Work in progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 1 April 2018, Cost or fair value	60,588	142,949	77,580	108,687	18,039	22,830	109,511	540,184
Additions	1,907	10,728	131,580	1,386	-	4,210	(89,637)	60,174
Disposals	(452)	(296)	-	(5)	-	(1,000)	-	(1,753)
Impairment	-	-	(4,171)	-	-	-	-	(4,171)
Revaluation	1,814	-	-	-	-	-	-	1,814
Transfers	27	(27)	-	-	-	-	-	-
As at 31 March 2019, Cost or fair value	**63,884**	**153,354**	**204,989**	**110,068**	**18,039**	**26,040**	**19,874**	**596,248**
Accumulated depreciation as at 1 April 2018	2,252	1,797	11,615	7,435	4,362	10,173	-	37,634
Depreciation charge for the year	982	5,589	5,938	3,267	880	2,092	-	18,748
Disposals	(57)	(16)	-	(1)	-	(768)	-	(842)
Revaluation	(542)	-	-	-	-	-	-	(542)
Transfers	1	(1)	-	-	-	-	-	-
As at 31 March 2019, accumulated depreciation	**2,636**	**7,369**	**17,553**	**10,701**	**5,242**	**11,497**	**-**	**54,998**
As at 31 March 2019, net of accumulated depreciation	**61,248**	**145,985**	**187,436**	**99,367**	**12,797**	**14,543**	**19,874**	**541,250**

2018

	Land and buildings	Electricity distribution equipment	Electricity generation equipment	Wharves walls and surfaces	Floating plant	Other plant and equipment	Work in progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 1 April 2017, Cost or fair value	65,273	155,949	67,658	108,691	18,228	21,265	60,134	497,198
Additions	1,434	6,388	9,932	7	868	2,527	49,377	70,533
Disposals	(426)	(268)	(10)	-	(1,057)	(712)	-	(2,473)
Revaluation	254	(19,112)	-	-	-	(405)	-	(19,263)
Transfers	(5,947)	(8)	-	(11)	-	155	-	(5,811)
As at 31 March 2018, Cost or fair value	**60,588**	**142,949**	**77,580**	**108,687**	**18,039**	**22,830**	**109,511**	**540,184**
Accumulated depreciation as at 1 April 2017	2,771	20,874	7,152	4,197	4,172	9,335	-	48,501
Depreciation charge for the year	1,323	5,427	2,772	3,239	1,127	1,947	-	15,835
Disposals	-	(36)	(9)	-	(937)	(530)	-	(1,512)
Impairment	-	-	1,700	-	-	-	-	1,700
Revaluation	(1,839)	(24,468)		-	-	(457)	-	(23,364)
Transfers	(3)	-	-	(1)	-	(122)	-	(126)
As at 31 March 2018, accumulated depreciation	**2,252**	**1,797**	**11,615**	**7,435**	**4,362**	**10,173**	**-**	**37,634**
As at 31 March 2018, net of accumulated depreciation	**58,336**	**141,152**	**65,965**	**101,252**	**13,677**	**12,657**	**109,511**	**502,550**

There are no restrictions on title, and property, plant and equipment pledged as security for liabilities.

Land and leasehold improvements of $7.5 million (2018: $7.2 million) which have not been revalued, are included in the property, plant and equipment under the land and buildings class.

In the year to 31 March 2019 $3.6 million (2018: $4.1 million) of interest has been capitalised. The weighted average capitalisation rate on funds borrowed was 4.83% (2018: 4.30%).

Ⓟ Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment.

The initial cost of purchased property, plant and equipment is the value of the consideration given to acquire the property, plant and equipment and the value of other directly attributable costs, which have been incurred in bringing the property, plant and equipment to the location and condition necessary for the intended service.

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense as incurred.

Land and buildings, electricity distribution, electricity generation equipment and walls, wharves and surfaces 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. The assumptions are reviewed annually to ensure that fair value is being stated.

Property, plant and equipment is revalued on a cyclical basis. Valuations are performed by registered valuers. For electricity distribution and electricity generation equipment assets and wharves, walls and surfaces, revaluations are carried out on a cyclical basis not exceeding five years, by independent valuers. Land and building revaluations are carried out on a cyclical basis not exceeding three years.

Any movement on revaluation is reflected through reserves for that class of asset unless there is insufficient reserve in which case that would flow through to the Statement of Comprehensive Revenue and Expense.

All other plant and equipment are valued at historical cost. Leasehold improvements, although not revalued, are grouped within the land and buildings class for reporting purposes.

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 non-operating income' or 'other non-operating expenses', depending on whether a gain or a loss respectively. When revalued assets are sold, the amounts included in the equity reserve are transferred to retained earnings and recognised through other comprehensive income.

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.

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

- the expenditure is expected to be recovered 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 Revenue and Expense 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.

Ⓔ ***i. Classification of expenditure in relation to property, plant and equipment***

On initial recognition of items of property, plant and equipment, judgments must be made about whether costs incurred relate to bringing the items to working condition for their intended use, and therefore are appropriate for capitalisation as part of the cost of the item, or whether they should be expensed as incurred. As required by PBE IPSAS 17, Property, Plant and Equipment, judgment must be exercised to assess the amount of overhead costs which can be reasonably directly attributed to the construction or acquisition of items of property, plant and equipment. For example, employee costs arising directly from such activities are capitalised within the initial cost of property, plant and equipment. Thereafter, judgment is also required to assess whether subsequent expenditure increases the future economic benefits to be obtained from that asset and is therefore also appropriate for capitalisation or whether such expenditure should be treated as maintenance and expensed.

ii. **Valuation and impairment of property, plant and equipment**

Consideration must also be made on whether any indicators of impairment have occurred which might require impairment testing of the current carrying values of property, plant and equipment. Assessing whether individual assets or a grouping of related assets (which generate cash flows co-dependently) are impaired may involve estimating the future cash flows that those assets are expected to generate. This will in turn involve assumptions, including rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate (weighted average cost of capital) for discounting future cash flows. The standard assumptions across all valuations are inflation of 2% and a tax rate of 28%.

Revaluations

i. Land and buildings

Port land and buildings were revalued on 31 March 2018 (total fair value of $33.1 million) by an independent valuer; Colliers International. The method of valuation was market-based for non-specialised land assets. The values ranged from $10m2 - $240m2 in the port location and $7.8m2 - $9m2 for rural storage sites. For specialised buildings, Optimised Depreciated Replacement cost (ODRC) was used. For other buildings a comparison was made of contract income to capitalised market yield rates. The range was from $170m2 - $1,867m2. The per metre rates were affected by building size and other factors. The net book value at 31 March 2019 was $32.3 million (2018: $33.1 million).

Network operational land and buildings were valued on 31 March 2019 (total fair value of $7.4 million) by an independent valuer; AON New Zealand Limited. The method of valuation was the market approach. The methods used were direct comparison, income based, capitalisation and the capitalisation rate or yield. In addition to this valuation, land and buildings of $7.3 million net book value at 31 March 2019 were revalued as part of the distribution asset valuation in 2018.

Eastland Development Fund Limited's Commerce Place property, held for economic development, was valued on 29 March 2019 (total fair value of $5.7 million) by an independent valuer; Lewis Wright Valuation and Consultancy Limited. The approaches used were the Income Approach, consisting of the Discounted Cash Flow and the capitalisation of the market rental methods, based on the properties' highest and best use and the Market Approach, which comprises a direct comparison with comparable sales based on the properties' highest and best use.

ii. Electricity distribution equipment

Electricity distribution assets and related land and buildings were last revalued on 30 November 2017 (fair value $146.7 million) by PricewaterhouseCoopers ("PwC"). The net book value at 31 March 2019 was $145.9 million (2018: $141.7 million).

The valuation method used was a discounted cash flow basis, using the following key assumptions:

- Forecast revenue and operating costs

- Default Price Quality Path (WACC) assumptions 6.19% - 7.28%
- Closing 2030 Regulatory Asset Base used as the terminal value and discounted back to valuation date
- Forecast capital projects

iii. Electricity generation equipment

Electricity generation equipment ("Gensets") were revalued at 31 March 2015 (total fair value of $2.2 million) by an independent valuer; Jacobs New Zealand Limited. The net book value as at 31 March 2019 was $1.2 million (2018: $1.5 million). The valuation method used was a discounted cash flow basis, using the following assumptions:

- A nominal post tax discount rate (WACC) of 8.59%
- Revenue forecasts were based on the terms of the Contact Energy agreement together with assumptions on electricity spot price at time of generation.

The Waihi Hydroelectric Scheme was revalued as at 31 March 2017 (total fair value of $15.4 million) by an independent valuer; Jacobs. The net book value at 31 March 2019 pre-impairment of $4.2 million was $13.5 million (2018: $13.1 million). The valuation used was a discounted cash flow basis, using the following assumptions:

- Outputs were based on an average plant availability of 25.5% of capacity resulting in an average production of 11.19 GWh.
- Wholesale electricity prices were based on the Gisborne reference nodal price path estimates prepared by an independent consultant; Energylink April 2016
- A major half-life overhaul of the generator and turbine equipment was assumed in the forecast of capital expenditure
- A nominal post tax discount rate (WACC) of 8.47% which is reflective of the expectation an investor would expect to receive on private generation projects.

An impairment assessment performed on 31 March 2019, resulted in an impairment of $4.2 million. The contributing factors included changes to ACOD regulations, offset by a change in WACC and reduction in output.

The geothermal plant, owned by Geothermal Developments Limited, was revalued at $38.6 million as at 31 March 2015 by an independent valuer, Jacobs New Zealand Limited. The net book value at 31 March 2019 was $31.5 million (2018: $33.3 million). The valuation used was a discounted cash flow basis using the following assumptions:

- Net output of 66,869 MWh
- Wholesale electricity prices were based on the existing Power Purchase Agreement currently in place and the Kawerau reference nodal price estimates prepared by management taking into consideration independent price path forecasts and prices obtained for long term power purchase agreements

- Capital expenditure was derived from the plant's asset management plan, with a new production well expected to be drilled in 2020, control and instrument replacement and refurbishment in 2024, 2029 and 2034
- A nominal post tax discount rate (WACC) of 8.59% which was reflective of the return an investor in this asset would expect to receive on private generation projects.

An impairment assessment performed on 31 March 2018, resulted in an impairment of $1.7 million. The contributing fact being a reduction in the WACC to 8%.

The Te Ahi o Maui geothermal plant will be revalued for the first time on 31 March 2020. The plant commenced operation on 1 November 2018, from which date depreciation and interest were recognised. The commencement date was determined by the directors of Eastland Group Limited from when generation was 90% of expected output. At 31 March 2019 we had capitalised directly attributable costs of $149 million. Net book value was $146.2 million. Site restoration costs of an estimated $4.5 million have been included in the value of the plant. This is a provision for costs that are expected to be payable at the end of the site lease to remediate the land.

iv. Wharves, walls and surfaces

The port wharves, walls and surfaces and some other plant and equipment were revalued on 31 March 2016 (total fair value $105.9 million) by independent valuers, Opus International Consultants Ltd. The net book value at 31 March 2019 was $99.4 million (2018: $101.2 million). The method of valuation was depreciated replacement cost which is supported by a discounted cash flow valuation prepared, using the following assumptions:

- Revenues were 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 log cargos increase from 1 April 2017 following a customer consultation period
- Capital expenditures include both maintenance and growth capital expenditure to support the estimated volumes
- The post-tax discount rate (WACC) of 8.5% was used
- The terminal value was based on free cash flow at 2030 with the valuation tested at terminal value growth rates of 1.5 - 3.5%.

The following table identifies the key assumptions that have the most impact on the valuation and the effect a change in the assumption would have on fair value.

Valuation technique	Fair value measurement sensitivity to significant unobservable input	Valuations affected by input change
Discounted cash flow model		
Price path	A slight increase in price path would result in a material increase in the fair value, and vice versa.	Waihi, GDL, Te Ahi o Maui
Weighted Average Cost of Capital ("WACC")	A slight decrease in WACC would result in a material increase in the fair value, and vice versa.	Waihi, GDL, Te Ahi o Maui
Plant outputs/Revenue	A slight increase in output or revenue would result in a material increase in the fair value, and vice versa.	GDL, Waihi, GDL, Te Ahi o Maui, Distribution
Optimised Depreciated replacement cost		
Cost of construction	A slight increase in construction costs would result in a material increase in the fair value, and vice versa.	Wharves, Walls and surfaces
Market capitalisation		
Gross market rent	A slight increase in rent received would result in a material increase in the fair value, and vice versa.	Land & Buildings
Market capitalisation rate	A slight decrease in market capitalisation rate would result in a material increase in the fair value, and vice versa.	Land & Buildings
Direct sales comparison		
Rate per square metre	A slight increase in rate per square metre would result in a material increase in the fair value, and vice versa.	Land & Buildings

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

	2019 $'000	2018 $'000
Depreciation		
Depreciation of property, plant and equipment	18,748	15,836

Ⓟ Depreciation is recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis considering the estimated useful life of each part of an item of property, plant and equipment and it's residual value. Land is not depreciated.

The estimated useful lives for significant classes of assets for the current and comparative periods are as follows:

Buildings	40-50 years
Electricity distribution equipment	10-70 years
Electricity generation equipment	10-50 years
Other plant and equipment:	
Plant and equipment	3-20 years
Motor vehicles	5-10 years
Wharves, walls and surfaces	3-100 years
Floating plant	2-25 years

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

Commitments
As at 31 March 2019, the Trust Group had total capital commitments payable within the next 12 months of $16.5 million (2018: $27.1 million). These are principally made up of the Airport Terminal building and the Eastland Port developments.

8 Investment properties

	2019 $'000	2018 $'000
Opening balance at 1 April	20,820	14,065
Additions	923	991
Disposals	-	(470)
Transfers from operational property	-	5,936
Fair value adjustment	277	298
Closing balance at 31 March	**22,020**	**20,820**

Investment properties include parcels of land and buildings strategically located at Eastland Port, Inner Harbour, Gisborne Airport and various other locations in Gisborne.

They are measured at fair value, based on an annual valuation by an independent valuer; Aon New Zealand.

The fair value is based on a discounted cashflow model using expected market rentals for the highest and best use of the property. An analysis of current property sales is also assessed in determining the value. The investment property that has been revalued is categorised as level 3 in the fair value hierarchy. There have been no transfers between levels.

Ⓟ 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 recognised in the Statement of Comprehensive Revenue and Expense within administrative expenses or other income and disclosed separately in the financial statements.

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.

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 Revenue and Expense.

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 Revenue and Expense.

9 Intangible assets

	2019 $'000	2018 $'000
Te Ahi o Maui - Development rights	1,753	1,774
Te Ahi o Maui - Vended assets	1,838	1,861
Resource consents	483	500
Goodwill	710	710
Access rights	1,285	1,314
Other	208	70
Total	**6,277**	**6,229**

The intangible asset groups shown above are amortised over their assessed lives. Goodwill relating to the weighbridge and Inner Harbour Marina, is not amortised, but is reviewed for impairment on an annual basis.

Development rights and vended assets relate to Te Ahi O Maui. These are amortised over the life of the plant, commencing 1 November 2018.

The amortisation charge relating to resource consent, access rights and other intangible assets for the year was $101,000 (2018: $56,000).

Ⓟ Goodwill

Goodwill represents the excess of the cost of the acquisition over the Trust 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 Revenue and Expense. 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 goodwill are assessed as indefinite and tested for impairment each year.

Other Intangibles

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

Ⓔ ***Valuation of goodwill***

The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment requires an estimate of future cash flows to be generated by operating segments to which goodwill has been allocated. Estimating future cash flows entails making judgments including the expected rate of growth of revenues, margins expected to be achieved, the level of future maintenance expenditure required to support these outcomes and the appropriate discount rate to apply when discounting future cash flows.

10 Trade and other receivables

	2019 $'000	2018 $'000
Exchange trade and other receivables		
Trade receivables	8,145	9,067
GST receivable	-	-
Other receivables	4,373	1,258
Total trade and other receivables	**12,518**	**10,325**

Trade receivables are stated net of credit loss of $88,279 (2018: $83,737). Trade receivables that are less than three months past due are not considered impaired, unless there is evidence to the contrary. No impairment losses have been recognised on related party receivables.

	2019 $'000	2018 $'000
Non-exchange other receivables		
Other receivables	348	348
Total non-exchange other receivables	**348**	**348**

11 Other Investments and receivables

Determination of fair value

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

	2019 $'000	2018 $'000
Fixed interest financial instruments	17,588	16,972
Listed equities	30,668	31,132
Unlisted equities	2,932	-
Receivables greater than one year	1,232	1,232
Total other investments and receivables	**52,420**	**49,336**
Split between:		
Current asset	7,336	3,027
Non-current asset	45,084	46,309
Total other investments and receivables	**52,420**	**49,336**

Investments into fixed interest financial instruments and listed equities are made through investment managers. During the year, a portion of these investments were sold to provide the Trust with funds for further investment and distributions for the benefit of beneficiaries.

A loan of $1.2 million was given to Far East Sawmill Limited to execute the sale of the Prime Sawmill assets and associated buildings. This is interest free and to be repaid over three years based on an amount equal to the adjusted EBITDA for the calculation period. If the amount payable for all three calculation periods is less than $1.2 million then the amount of the shortfall shall be due and payable at the third calculation period.

Further advances of $2.8 million were made to Far East Sawmill Limited during the year to assist with cashflow management. These, along with interest received on the advances, were converted into equity in Spectrum Group Limited, the parent company of Far East Sawmill Limited. This advance and subsequent conversion was made as part of the Prime wood processing cluster to provide economic benefits and job opportunities for the benefit of beneficiaries.

12 Payables and accruals

	2019 $'000	2018 $'000 Restated *
Exchange payables and accruals		
Trade payables	8,010	5,066
Non-trade payables and accrued expenses	10,918	5,152
Interest payable	732	683
GST payable	154	39
Total exchange payables and accruals	**19,814**	**10,940**
Non-exchange payables and accruals		
Distribution payables	10,044	5,339
Total non-exchangepayables and accruals	**10,044**	**5,339**
Total payables and accruals	**29,858**	**16,279**

* 2018 restatement – refer to Note 25 for detail.

Trade and other payables generally have terms of 30 days and are interest free. The carrying amount of trade and other payables approximates fair value because the amounts due will be settled within 12 months and are interest free.

13 Investment in subsidiaries

	Parent		Country of incorporation	Ownership Interest (%)	
				2019	2018
Eastland Group Limited	Eastland Community Trust	Infrastructure assets	New Zealand	100%	100%
Eastland Development Fund Limited	Eastland Community Trust	Investment company	New Zealand	100%	100%
Prime SPV Limited	Eastland Community Trust	Investment company	New Zealand	100%	100%
Activate Tairawhiti Limited	Eastland Community Trust	Economic Development	New Zealand	100%	100%
Geothermal Developments Limited	Eastland Generation Limited	Geothermal generation	New Zealand	100%	100%
Te Ahi O Maui Limited Partnership	Eastland Generation Limited	Geothermal generation	New Zealand	94%	94%
Te Ahi O Maui General Partnership Limited	Eastland Generation Limited	Geothermal generation	New Zealand	94%	94%
Eastland Port Limited	Eastland Group Limited	Port services	New Zealand	100%	100%
Eastland Network Limited	Eastland Group Limited	Electrical distribution	New Zealand	100%	100%
Eastech Limited	Eastland Group Limited	Contracting	New Zealand	100%	100%
Eastland Generation Limited	Eastland Group Limited	Electrical generation	New Zealand	100%	100%
Eastland Investment Properties Limited	Eastland Group Limited	Investment property	New Zealand	100%	100%
Gisborne Airport Limited	Eastland Group Limited	Airport services	New Zealand	100%	100%
Inner Harbour Marina Limited	Eastland Investment Properties Limited	Harbour services	New Zealand	100%	100%
Northland Debarking Limited	Eastland Port Debarking Limited	Debarker services	New Zealand	100%	100%
Eastland Port Debarking Limited	Eastland Port Limited	Debarker services	New Zealand	100%	100%
Eastland Energy Solutions Limited	Eastland Group Limited	Energy solutions	New Zealand	100%	100%

There are no restrictions in place on the ability of subsidiaries to transfer funds to their parent in the form of cash dividends or to repay loans or advances. See Note 26 for transactions from the Trust to subsidiary entities.

Ⓟ ***Subsidiaries***

Subsidiaries are entities controlled, directly or indirectly by the Trust Group. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation.

Acquisition or disposal during the period

Where a business becomes or ceases to be a part of the Trust Group during the period, the results of the business are included in the consolidated results from the date that control or significant influence commenced until the date that control or significant influence ceased. Where a business is acquired all identifiable assets, liabilities and contingent liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Trust Group.

Goodwill arising on obtaining control of a subsidiary

Where an acquisition results in obtaining control of a subsidiary for the first time, the carrying amount of any previous non-controlling interest held by the Trust Group is first re-measured to fair value and the difference between the carrying amount and the re-measured fair value is recognised in the Statement of Comprehensive Revenue and Expense. Goodwill is then calculated as the sum of the fair value of the consideration paid, the re-measured fair value of the non-controlling interest previously held by the acquirer and the recognised amount of any remaining non-controlling interest in the acquiree held by third parties less the fair value of the total identifiable assets and liabilities of the acquiree at the date of the acquisition.

If the fair value of the total identifiable assets and liabilities acquired exceeds the sum of the fair value of the consideration paid, the re-measured fair value of the non-controlling interest previously held by the acquirer and the recognised amount of any remaining non-controlling interest in the acquiree held by third parties, then a gain representing a bargain purchase is recognised in the Statement of Comprehensive Revenue and Expense.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Transactions eliminated on consolidation

Intra-group advances are repayable on demand and eliminated on consolidation. Any interest income and interest expense incurred on these advances is eliminated in the Statement of Comprehensive Revenue and Expense on consolidation.

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

14 Investment in associate

The Trust Group has one associate, Flick Energy Limited, which is accounted for using the equity method. The investment consists of:

	2019 $'000	2018 $'000
Investment in associate	9,887	7,529
Convertible note	-	3,085
Investment in Flick Energy Limited	**9,887**	**10,614**
Number of shares owned	**11,967,627**	**8,272,923**
Book value per share	**$0.83**	**$0.91**

Details of the investment in associate at the end of the reporting period is as follows:

Name of associate	Principal activity	Place of Incorporation	Proportion of ownership interest and voting rights held by the Group	
			2019	**2018**
Flick Energy Limited	Retail electricity provider	New Zealand	20.63%	22.60%

The following summarised financial information in respect of the interest in the associate is set out below.

	2019 $'000	2018 $'000
Share of:		
Loss from continuing operations	2,264	(1,501)
Other comprehensive income	(324)	-
Share of loss in associate	**1,940**	**(1,501)**

Reconciliation of the interest in the associate recognised in the consolidated financial statements:

Opening balance	7,529	7,551
Purchase of shares	356	-
Conversion of capital notes to shares	3,942	-
Revaluation of shares on recognition as an associate	-	1,479
Share of change in net assets (share of loss in associate) at 22.60%	(1,398)	(1,501)
Share of change in net assets (share of loss in associate) at 20.63%	(866)	-
Share of associate - other comprehensive income	324	-
Carrying amount of the interest in associate	**9,887**	**7,529**

Ⓟ ***Associates***

An associate is where the Trust Group has significant influence over an investment that is neither a controlled entity nor an interest in a joint venture.

Associates are accounted for using the equity method of consolidation. Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Trust Group share of the surplus or deficit of the investment.

15 Convertible loan

In September 2018, Eastland Energy Solutions Limited, a wholly owned subsidiary of Eastland Group Limited, converted its $3 million of convertible notes issued by Flick Energy Limited to equity. The conversion was based on a price per share of $0.9306, reflecting a 20% discount on the cost of new capital. This resulted in a gain of $0.8 million recognised as other income. Refer to Note 14 for further information on the Flick Energy Limited investment.

16 Investment in joint venture

Details of investment in joint ventures at the end of the reporting period are as follows:

Name of Joint Venture	Principal activity	Place of Incorporation	Proportion of ownership interest and voting rights held by the Group	
			2019	2018
Eastland Debarking	Debarking and anti-sap treatment of export logs stored at the port in Gisborne	New Zealand	50%	50%
WET Gisborne Limited	Wood engineering processing - 50,000 cubic meter plant	New Zealand	49.9%	49.9%

Eastland Debarking is a joint venture accounted for using the equity method with the other 50% share of the joint venture being held by East Coast Forests Limited.

WET Gisborne is a wood processing business accounted for using the equity method with the other 50.1% joint venture partner being Wood Engineering Technology Limited. The share of the loss has been equity accounted to the extent of the carrying value for that investment, this equated to a loss of $1.3 million. The carrying value of the investment is now nil, and the actual share of loss was $1.8 million for the financial year.

The summarised financial information in respect of the Trust Group's interest in joint ventures is set out below:

	2019 $'000	2018 $'000
Trust Group's share of:		
Profit from continuing operations	36	(529)
Group eliminations	119	112
Share of profit of joint ventures	**155**	**(417)**
Net assets of the joint venture	2,634	5,143
Proportion of the Group's ownership interest in the joint venture(s)	50.00%	49.97%
Carrying amount of the interest in the joint venture(s)	**1,317**	**2,570**

Significant restrictions

There are no significant restrictions on the ability of the joint venture to transfer funds to the Group in the form of profit sharing.

Commitments

As at 31 March, total capital expenditure committed but not yet incurred was $Nil (2018: $Nil).

Contingent liabilities

As at 31 March, total contingent liabilities were $Nil (2018: $Nil).

Impairment

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

Ⓟ *Joint Ventures*

Joint ventures are contractual arrangements with other parties which establish joint control for each of the parties over the related operations, assets or entity. The Trust Group is jointly and severally liable in respect of costs and liabilities, and shares in any resulting profit/(loss) or output.

Joint ventures are accounted for through inclusion of the Trust Group 's share of the joint venture's operations in the financial statements, using the equity method of consolidation. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the share of the post-acquisition profits or losses and movements in the Statement of Comprehensive Revenue and Expense. Where the share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the net investment in the joint venture), the Trust Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Trust Group and its joint ventures are eliminated to the extent of the interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Trust Group.

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

17 Loans

All borrowings are in Eastland Group Limited and information about the contractual terms of interest-bearing loans and borrowings follows.

	2019 $'000	2018 $'000
The borrowings are repayable as follows:		
Within one to five years	227,000	210,000
Total bank borrowings	**227,000**	**210,000**
Classified as follows:		
Non-current liabilities	227,000	210,000
Total bank borrowings	**227,000**	**210,000**

	Drawn $'000	Undrawn $'000
As at 31 March 2019		
Facility A - Tranche A - maturing 1 April 2021	210,000	-
Facility A - Tranche B - maturing 1 April 2022	17,000	13,000
Facility A - Tranche C - maturing 1 April 2023	-	50,000
Facility B maturing 30 June 2020	-	15,000
	227,000	**78,000**
As at 31 March 2018		
Facility A maturing 1 April 2021	210,000	
Facility A maturing 1 April 2022	-	30,000
Facility B maturing 30 June 2019	-	15,000
	210,000	**45,000**

Eastland Group Limited has arranged bank funding from the ANZ Bank, ASB and BNZ ("Syndicate"). As at 31 March 2019 there were total bank facilities of NZD $305 million (2018: $255 million) which are unsecured and subject to a Deed of Negative Pledge. The borrowings are in the name of Eastland Group Limited, and the guaranteeing subsidiaries are as follows:

- Gisborne Airport Limited
- Eastland Port Limited
- Eastland Port Debarking Limited
- Eastland Investment Properties Limited
- Eastland Generation Limited
- Te Ahi o Maui Limited Partnership
- Geothermal Developments Limited
- Inner Harbour Marina Limited
- Eastland Network Limited
- Eastech Limited
- Northland Debarking Limited

These borrowings are rolled over at 90 day intervals spread throughout the year. The interest rate on these borrowings is the BKBM rate at the rollover date plus a margin of 0.96% to 1.21% (2018: 0.86%). As at 31 March 2019, the rates on borrowings range from 2.86% to 3.19% (2018: 2.78% to 2.87%). Facilities with the Syndicate have expiry dates of 1 April 2021 Tranche A ($210 million), 1 April 2022 Tranche B

($30 million), 1 April 2023 Tranche C ($50 million) and an evergreen facility of $15 million which expires 18 months from drawdown. There have been no defaults during the period of principal, interest, sinking fund, covenants or redemption terms of those loans payable during the period.

18 Finance expenses

	2019 $'000	2018 $'000
Interest expense	7,196	5,144
Total finance expense	**7,196**	**5,144**

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

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 Revenue and Expense in the period which they are incurred.

19 Financial assets and liabilities

This note discloses the Trust Group's financial assets and liabilities, how they are valued and managed.

Comprehensive policies are in place to manage the risks of financial instruments. These outline the objectives and approach applied in the financial risk management processes. They cover, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk. Non-derivative financial liabilities are categorised as 'amortised cost', derivative financial instruments are categorised as 'fair value through profit and loss' unless hedge accounting is applied. Hedge accounting is applied for all derivative financial instruments.

The financial assets and liabilities are presented below:

2019

	Notes	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets; and liabilities	Fair value
		$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents		19,044	-	-	-	19,044
Trade and other receivables	10	-	-	12,866	-	12,866
Electricity derivatives		-	191	-	-	191
Other investments and receivables	11			1,232	51,188	52,420
Total financial assets		**19,044**	**191**	**14,098**	**51,188**	**84,521**
Financial liabilities						
Payables and accruals	12	-	-	-	(29,858)	(29,858)
Employee entitlements	29	-	-	-	(2,257)	(2,257)
Electricity derivatives		-	(4,979)	-	-	(4,979)
Derivative financial instruments		-	(13,029)	-	-	(13,029)
Loans	17	-	-	-	(227,000)	(227,000)
Total financial liabilities		**-**	**(18,008)**	**-**	**(259,115)**	**(277,123)**
Total net financial assets/(liabilities)		**19,044**	**(17,817)**	**14,098**	**(207,927)**	**(192,602)**

2018

	Notes	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets; and liabilities	Fair value
		$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents		14,762	-	-	-	14,762
Trade and other receivables	10	-	-	10,673	-	10,673
Derivative financial instruments		-	4	-	-	4
Other investments and receivables	11	-	-	1,232	48,104	49,336
Convertible note	15	-	-	-	3,085	3,085
Total financial assets		**14,762**	**4**	**11,905**	**51,189**	**77,860**
Financial liabilities						
Payables and accruals	12	-	-	-	(16,279)	(16,279)
Employee entitlements	29	-	-	-	(1,703)	(1,703)
Derivative financial instruments		-	(10,144)	-	-	(10,144)
Loans	17	-	-	-	(210,000)	(210,000)
Total financial liabilities		**-**	**(10,144)**	**-**	**(227,982)**	**(238,126)**
Total net financial assets/(liabilities)		**14,762**	**(10,140)**	**11,905**	**(176,793)**	**(160,266)**

Ⓔ ***Valuation of financial assets and liabilities***

The following methods and assumptions were used to estimate the carrying amount and fair value of each asset class of financial instrument carried at fair value. Where financial instruments are measured at fair value they have been classified at the following levels.

Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities; or

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices): or

Level 3: Inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are interest rate swaps, collars and caps. These are based on Level 2 fair value methodologies, and were calculated using valuation models applying observable market data such as forward rates and contract rates, discounted at a rate that reflects the credit risk of various counterparties.

Electricity derivatives are contract for differences. These are based on level 3 fair value methodologies and were calculated using valuation models applying forward price rates and discount at a rate that reflects the credit risk of various counterparties.

20 Interest rate risk

Loans predominantly have floating interest rates and interest rate exposure is managed in accordance with treasury policy. In this respect, at least fifty percent of interest costs must be fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the loans and to match the interest rate risk profile of debt with the expected return on assets. The treasury policy sets parameters for managing the interest rate risk profile.

Cash-flow hedging is applied to all of its interest rate swaps, collars and caps a notional value totalling $200 million (2018: $175 million) with terms or maturity dates between 9 and 108 months, interest on a floating rate for fixed interest is between 2.03% to 5.94% (2018: 2.43% to 5.94%). The last cash-flow hedge swap matures on 31 March 2028.

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. The hedge relationships are expected to be highly effective over the life of the swaps.

	2019 Notional Amount $'000	**2018 Notional Amount $'000**
Interest rate swaps (floating to fixed)		
Maturing in less than 1 year	20,000	-
Maturing between 1 and 2 years	60,000	20,000
Maturing between 2 and 5 years	60,000	85,000
Maturing after 5 years	60,000	70,000
Total notional interest rate swaps	**200,000**	**175,000**

Ⓔ ***Hedge accounting and sensitivity analysis***

The sensitivity analysis has been determined based on the exposure to interest rates and foreign exchange rates for both derivatives and non-derivative instruments at balance date. It is assumed that the amount of the liability at balance date was outstanding for the whole year. A one percent increase or decrease is used for interest rates and these changes represent management's current assessment of the reasonably possible change over a year.

Interest rate swaps and collars hedging the floating rate debt are hedge accounted and treated as cash flow hedges and hence any changes in interest rates would have no material impact on profits as changes in the fair value of these swaps and collars are taken through other comprehensive income where the hedge is an effective hedge. The fair value of these interest rate swaps is a $8.4 million loss (2018: $7.1 million loss). A fall of 1% in interest rates would result in a loss in other comprehensive income of $3.7 million (2018: $4.3 million) whereas an increase of 1% in interest rates would result in a gain in other comprehensive income of $3.6 million (2018: $4.1 million).

Forward starting interest rate swaps and collars hedging the forecasted floating rate debt are also hedge accounted and are recognised as cash flow hedges and hence any changes in interest rates would have no material impact on profits as changes in the fair value of these swaps are taken through other comprehensive income where the hedge is an effective hedge. The fair value of these interest rate swaps and collars is a $4.6 million loss (2018: $2.4 million loss). A fall of 1% in interest rates would result in a loss in other comprehensive income of $2.5 million (2018: $1.8 million loss) whereas an increase of 1% in interest rates would result in a gain in other comprehensive income of $2.3 million (2018: $1.6 million).

Electricity derivatives hedge the forecasted revenues from electricity generation and are recognised as cash flow hedges, and hence any changes in electricity prices would have no material impact on profit as changes in fair value are recognised through other comprehensive income where the hedge is effective. The fair value of the electricity derivatives is $4.8 million loss (2018: $0.1 million loss). A reduction of 1% in electricity prices would result in a gain in other comprehensive income of $162,162, whereas an increase in electricity prices would result in a loss in other comprehensive income of $162,162 .

21 Liquidity risk

The risk that the Trust Group will not be able to meet its financial obligations as they fall due is described as liquidity risk. The 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 reputation.

There are sufficient funding and banking facilities available to meet the liquidity requirements of the Trust Group.

	Notes	<6 months $'000	6 -12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
				2019			
Financial assets							
Cash and cash equivalents		19,044	-	-	-	-	19,044
Trade and other receivables	10	12,866	-	-	-	-	12,866
Electricity derivatives		-	75	116	-	-	191
Other investments and receivables	11	5,631	1,706	7,714	6,081	31,288	52,420
Total financial assets		**37,541**	**1,781**	**7,830**	**6,081**	**31,288**	**84,521**
Financial liabilities							
Payables and accruals	12	(29,858)	-	-	-	-	(29,858)
Employee entitlements	29	(2,257)	-	-	-	-	(2,257)
Electricity derivatives		-	(4,774)	(205)	-	-	(4,979)
Derivative financial instruments		-	(216)	(2,215)	(4,149)	(6,449)	(13,029)
Loans and borrowings	17	-	-	-	(227,000)	-	(227,000)
Total financial liabilities		**(32,115)**	**(4,990)**	**(2,420)**	**(231,149)**	**(6,449)**	**(277,123)**
Liquidity gap		**5,426**	**(3,209)**	**5,410**	**(225,068)**	**24,839**	**(192,602)**

	Notes	<6 months $'000	6 -12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
				2018			
Financial assets							
Cash and cash equivalents		14,762	-	-	-	-	14,762
Trade and other receivables	10	10,673	-	-	-	-	10,673
Derivative financial instruments		2	-	2	-	-	4
Convertible note	13	-	-	3,085	-	-	3,085
Other investments and	11	2,254	773	6,949	6,044	33,316	49,336
Total financial assets		**27,691**	**773**	**10,036**	**6,044**	**33,316**	**77,860**
Financial liabilities							
Payables and accruals	12	(16,279)	-	-	-	-	(16,279)
Employee entitlements	29	(1,703)	-	-	-	-	(1,703)
Electricity derivatives							
Derivative financial instruments		(723)	(114)	(2,670)	(780)	(5,857)	(10,144)
Loans and borrowings	17	-	-	-	(210,000)	-	(210,000)
Total financial liabilities		**(18,705)**	**(114)**	**(2,670)**	**(210,780)**	**(5,857)**	**(238,126)**
Liquidity gap		**8,986**	**659**	**7,366**	**(204,736)**	**27,459**	**(160,266)**

22 Credit risk

Business transactions are largely with large wholesale intermediaries or agents representing a number of exporting clients. Sales transactions are typically settled intra-month resulting in relative low receivable balances. Our businesses incur credit risk in the following ways:

- Networks – distributes electricity selling to electricity retailers, who settle on the 20th of the month. Historically, there have been no defaults by electricity retailers.

- Ports – Export agents and logistics companies represent customers who ship product through Eastland Port using a variety of port services. These agents generally settle transactions intra-month while settling sale proceeds with their customers. Historically there have been no defaults by these agents.

  Airport landing charges paid by Air New Zealand represent 80% of Gisborne Airports' revenue. These landing charges are typically settled on the 20th of the month.

- Generation – The majority of power generated is sold through the NZX and settled on the 20th of the month. The NZX acts as clearing agent ensuring the cash settlement of electricity sold. Where electricity revenue is hedged, through the use of contracts for differences, counterparty credit risk may exist. Contract for differences are with multiple counterparties and are settled monthly, reducing this credit risk. Historically there have been no defaults on electricity sales.

Credit risk and expected credit losses are assessed on recognition of revenue. The credit risk of a debtor is assumed to have increased significantly since initial recognition if the contractual obligations are over 90 days past due. Assessments are made on increases in credit risk through consideration of changes in a debtors' industry or adverse changes in the debtor's environment that result in significant decreases in the debtors' ability to meet its obligations. Where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. placed in liquidation or has entered into bankruptcy proceedings, the debt will be impaired and recognised as a bad debt in the Statement of Comprehensive Revenue and Expense.

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 financial assets that have been pledged as collateral for liabilities or contingent liabilities.

Expected credit losses are recognised on trade and other receivables that are believed to be irrecoverable. The expected credit loss at 31 March 2019 was $88,279 (2018: $83,737). Actual bad debts written off in the Statement of Comprehensive Revenue and Expense were $23,764 (2018: $29,641) and there was no adjustment to the specific expected credit loss.

23 Capital management

A strong capital base is maintained so as to continue investor, creditor and market confidence and to sustain future development of the business. The return on capital is monitored on a regular basis. This involves the management of reserves and issued capital.

The Trust 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.

Ⓟ ***i. Non-derivative financial instruments***

Financial Assets

Financial assets consist of cash and cash equivalents, loans and receivables.

Cash and cash equivalents, loans and receivables

Trade receivables, loans, cash and cash equivalents and other receivables are initially recorded at fair value and subsequently measured at amortised cost less impairment. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the inception of the loan or receivable. Discounting is not undertaken when the receivable is expected to be collected within twelve months. A provision for doubtful debts is recognised to allow for the reduction in fair value attributable to expected doubtful or delayed collection of receivables.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when there is a legal right to offset the amounts and intend to either settle on a net basis or realise the asset and settle the liability simultaneously. Cash and cash equivalents comprise cash on hand, cash in banks and short term deposits maturing within three months. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Other assets

Certain perpetual shares and listed equities held by the Trust Group are classed as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the investment 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 investment revaluation reserve is included in profit or loss for the period.

Certain fixed interest securities, capital notes and convertible notes held by the Trust 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.

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

Financial liabilities

Loans are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in finance costs in the Statement of Comprehensive Revenue and Expense over the period of the borrowing using the effective interest rate method.

Other financial liabilities comprise trade and other payables. Discounting is not undertaken when the payable is expected to be paid within twelve months. Financial liabilities are when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, there is a legal right to offset the amounts and intend to either settle on a net basis or realise the asset and settle the liability simultaneously.

ii. Derivative financial instruments

Derivative financial instruments are entered into to manage its exposure to interest rate and foreign exchange rate risk, including interest rate and foreign exchange forwards, swaps and options. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The resulting gain or loss is recognised in the Statement of Comprehensive Revenue and Expense immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Revenue and Expense depends on the nature of the designated hedge relationship. Certain derivatives designated as either hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges). Documentation of the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions is maintained at the inception of the transaction. The assessment, both at hedge inception and on an on-going basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items is also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Revenue and Expense immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to both the effective and the ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Comprehensive Revenue and Expense within finance costs. Changes in the fair value of the underlying hedged fixed rate borrowings attributable to interest rate risk are also recognised in the Statement of Comprehensive Revenue and Expense within finance costs.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the Statement of Comprehensive Revenue and Expense from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the Statement of Comprehensive Revenue and Expense within finance costs.

Amounts accumulated in equity are recognised as finance costs in the Statement of Comprehensive Revenue and Expense in the periods when the hedged item is recognised in the Statement of Comprehensive Revenue and Expense. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Statement of Comprehensive Revenue and Expense within finance costs, when the underlying transaction affects earnings.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Thereafter, any cumulative gain or loss previously recognised in equity is only recognised in the Statement of Comprehensive Revenue and Expense when the forecast transaction is ultimately recognised in the Statement of Comprehensive Revenue and Expense. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was previously recognised in equity is recognised immediately in the Statement of Comprehensive Revenue and Expense.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Revenue and Expense within finance costs.

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

iii. Debt and equity instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Revenue and Expense within finance costs.

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

Interest and dividends

Interest paid and dividends paid are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

iv. Impairment of financial assets

The carrying amount of assets is reviewed at balance date to determine whether there is any evidence of impairment. Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount exceeds its recoverable amount. Impairment losses reduce the carrying amount of assets and are recognised as an expense in the Statement of Comprehensive Revenue and Expense within non-operating expenses.

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.

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.

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 Revenue and Expense within administrative expenses.

Ⓔ Valuation of financial instruments

Fair value of financial instruments has been estimated based on valuation models that use observable market inputs. Note 19 of these financial statements provides a list of the key observable inputs that management have applied in reaching their estimates of the fair values of financial instruments and also provides a sensitivity analysis detailing the potential future impacts of reasonably possible changes in those observable inputs over the next financial period.

24 Operating leases

Operating leases receivable

The Trust Group has leased certain investment properties (refer to Note 8) and some other land and buildings, under operating leases. These are recognised under rental income in the Statement of Comprehensive Revenue and Expense. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2019 $'000	2018 $'000
Less than one year	2,689	2,338
Between one and five years	3,470	4,326
More than five years	535	366
Total operating leases receivable	**6,694**	**7,030**

Operating leases payable

The Trust Group leases land and/or buildings in Gisborne, Kawerau, Whakatane and Northland, as well as some other office equipment and vehicles. The Trust Group leases land sites throughout the East Coast for the right to lay and maintain power cables and radio transmissions on these sites.

	2019 $'000	2018 $'000
Less than one year	1,166	953
Between one and five years	3,672	2,939
More than five years	18,153	15,488
Total operating leases payable	**22,991**	**19,380**

Operating lease payments of $1,184,956 were made during this financial year (2018: $1,094,318). These are recognised within operating expenses on the Statement of Comprehensive Revenue and Expense.

Ⓟ **Operating leases**

i. as lessee

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used under operating leases are not recognised in the Statement of Financial Position.

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 the Investment property policy.

Leasehold improvements

The cost of improvements to leasehold property are capitalised and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

25 Controlled Entity

Eastland Network Charitable Trust is a Charitable Trust established by the Trust Deed dated 19 April 2002 and was incorporated under the Charitable Trust Act 1957 on 4 December 2002. The purpose of the Trust is to support charitable purposes for which the trustees of Eastland Community Trust could apply income. The trustees of Eastland Network Charitable Trust are the same as Eastland Community Trust .

Eastland Network Charitable Trust receives distributions from Eastland Community Trust and passes these onto charitable applicants. The number of distributions through Eastland Network Charitable Trust have increased during the year.

During the year, Trustees reviewed the need to consolidate Eastland Network Charitable Trust into its Group financial statements. This entailed a review of the adopted PBE IPSAS 6 Consolidated Financial Statements and the new, yet to be adopted, PBE IPSAS 35 Consolidated Financial Statements accounting standards. Under PBE IPSAS 35 the element of control moves from a voting right position to consideration of broader factors including the purpose of the Trust.

Trustees considered these standards, the increased transactions, and in the interest of full transparency, decided to consolidate Eastland Network Charitable Trust. This resulted in a restatement of the Group's 2018 comparative figures as set out in the table below.

Trustees consider the substance of Eastland Network Charitable Trust's grants paid are the same as Eastland Community Trust's distributions. To ensure the information is consistently and coherently presented these have been presented through equity as distributions to owners.

Restatement of 2018 Group comparatives

	2018 Audited $'000	Consolidation Adjustment	2018 Restated $'000
Statement of comprehensive revenue and expense			
Revenue from exchange transactions	85,631	86	85,717
Revenue from non-exchange transactions	2,322	1,252	3,574
Administrative expenses	(10,923)	(5)	(10,928)
Statement of financial position			
Cash and cash equivalents	11,865	2,897	14,762
Exchange trade and other receivables	10,318	7	10,325
Payables and accruals	15,178	1,101	16,279
Retained earnings	166,820	1,800	168,620

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

	2018 Audited $'000	Consolidation Adjustment	2018 Restated $'000
Statement of changes in net assets/equity			
Retained earnings			
Balance at beginning of period - 1 April 2017	154,860	202	155,062
Surplus for the year	16,437	1,333	17,770
Distributions	(6,461)	265	(6,196)
Balance at end of period - 31 March 2018	166,820	1,800	168,620
Statement of cashflows			
Cash flows from operating activities			
Interest received	965	98	1,063
Other income	189	447	636
Payments to suppliers and employees	(39,797)	(8)	(39,805)
Net cash flow from operating activities	29,236	537	29,773
Cash flows from investing activities			
Proceeds from sale of investments	-	2,116	2,116
Net cash flow used in investing activities	(67,988)	2,116	(65,872)
Cash flows from financing activities			
Equity distributions	(4,085)	(2,645)	(6,730)
Net cash flow from financing activities	38,218	(2,645)	35,573
Net (decrease)/increase in cash and cash equivalents	(534)	8	(526)
Cash and cash equivalents at beginning of period	12,399	2,889	15,288
Cash and cash equivalents at end of period	11,865	2,897	14,762

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

26 Related parties

Wholly owned subsidiaries

Eastland Group Limited, Eastland Development Fund Limited, Prime SPV Limited and Activate Tairawhiti Limited are wholly owned by Eastland Community Trust. All transactions with controlled subsidiaries have been eliminated on consolidation.

Joint ventures

Eastland Debarking and WET Gisborne Limited are joint ventures of the Trust Group.

Associate

Flick Energy Limited is an associate of the Trust Group.

Controlled entity

Eastland Network Charitable Trust is a controlled entity of the Trust Group, refer to Note 25 for further details.

	Notes	2019 $'000	2018 $'000
Transactions with associates, joint ventures and controlled entities			
Distributions to Eastland Network Charitable Trust	25	6,437	5,536
Electricity derivative with Flick Energy Limited	19	954	-
Settlements of sales of electricity were made to Flick Energy Limited		420	244
Provision of heat to WET Gisborne Limited		300	275
Lease to WET Gisborne Limited Joint Venture		169	169

Other transactions

Trustees and management may transact with the Trust Group in the ordinary course of business on an arm's length basis.

During the year Eastland Group Limited contracted the services of Diane Murphy, a related party to the Trust CEO, to assist with health and safety and risk management at Te Ahi o Maui. Payments of $107,302 were made during the year on an arm's length basis.

Subvention payments of $Nil (2018: $1.5 million) were made between Eastland Group Limited, Prime SPV Limited and Eastland Development Fund Limited to maximise tax efficiencies.

27 Trustees' information

Trustee fees are paid by Eastland Community Trust. Total fees paid excluding GST were $250,000 (2018: $196,480).

P Reynolds (Chairman)	52,924	A Cuthbert	32,846
M Foon	32,846	J Chrisp	32,846
J Clarke	32,846	M Muir	32,846
T Kupenga	32,846		

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

All trustees hold shares in trust, for the Trust, in Eastland Group Limited, Prime SPV Limited, Eastland Development Fund Limited and Activate Tairawhiti Limited. All trustees are also trustees of Eastland Network Charitable Trust and directors in Prime SPV Ltd. In addition to these, trustees have notified the following:

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 and subsidiaries

Trustee of Strive Rehabilitation Centre

Trustee of Tairawhiti Trust

Shareholder/Director Muir Family Holdings Ltd

Director The Wairoa Star Ltd

Trustee of Tairawhiti Museum – Gisborne Museum of Art & History

Director of the Newspaper Publishers Association

Trustee of Clark Charitable Trust

Trustee of Chelsea Hospital Trust

Director Activate Tairawhiti Ltd

Director New Zealand Press Association Ltd

Shareholder Waiapu Investments (Hikurangi Cannabis Company Ltd)

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

Director MY Gold Investments

Director MY Trust Investments

Shareholder Straker TS

Member Asian Leaders

Chair Special Olympics Tairawhiti

Director/Shareholder Alpha12 Ltd

Trustee Arts Foundation

President Gisborne Chinese Association

Mayor Gisborne District Council

Member RSG Local Government

Chairman Gisborne Art in Public Places

Member Institute of Directors

Patron The Duke of Edinburgh's Hillary Award

Chair/Director Aotearoa Social Enterprises Trust

Director/Shareholder Triple Eight Investments Ltd

Dr P Reynolds gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Acting Chair AgResearch Ltd

Deputy Chair Landcare Research Ltd

Chair Our Land & Water Science Challenge

Chair Eastland Network Charitable Trust

Chair Sir Peter Blake Trust

Chair Enviro-Mark Solutions Ltd

Director Eastland Development Fund Limited

Ms A Cuthbert gave general notice that she has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Associate Director Dragon Capital Group Ltd

Trustee Wainui Beach School Board of Trustees

Mr T Kupenga gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Trustee Te Pariha o Hikurangi Charitable Trust

Director/Shareholder Gizza Look Ltd

Member Ministerial Whanau Ora Review Panel

Member Ministerial Advisory Group on Charter Schools

Director Te Runanganui o Ngati Porou Trustee Ltd

Director /Shareholder Te Amokura Consultants Ltd

Director/Shareholder Waihuka Ltd

Director /Shareholder Te Amokura Properties Ltd

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

Director NZW Wines General Partner Ltd

Trustee The Sunrise Foundation

Director Thos Corson Holdings Ltd

Director Eastwoodhill Trust Board

Trustee Ilfracombe Trust

Director NZ Grapegrowers Ltd

Director New Zealand Winegrowers Inc.

Director Activate Tairawhiti Ltd

Alternative Civil Defence Controller - GDC

Independent Chair Makauri Aquifer Recharge Ltd

Dr J Chrisp gave general notice that she has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Shareholder Waiapu Investments (Hikurangi Cannabis Company Ltd)

28 Management compensation

Key management compensation comprises of the Trust's Chief Executive Officer, Eastland Group's Group Chief Executive, Eastland Group's Chief Financial Officer and the General Managers:

	2019 $'000	2018 $'000
Short term employee benefits	2,994	2,801
Kiwisaver and other contributions	220	217
Total key management compensation	**3,214**	**3,018**

29 Employee entitlements

	2019 $'000	2018 $'000
Provisions for:		
Annual leave	1,149	943
Short-term benefits	1,032	690
Post-employment benefits	76	70
Total employee entitlements	**2,257**	**1,703**
Expenses recognised in profit or loss:		
Wages and salaries	12,650	11,177
Contributions to defined contribution plans	632	547
Total personnel expenses	**13,282**	**11,724**

During the year the following number of employees received remuneration of at

	2019	2018
100,000 - 109,999	11	8
110,000 - 119,999	7	4
120,000 - 129,999	3	4
130,000 - 139,999	3	3
140,000 - 149,999	1	5
150,000 - 159,999	5	2
160,000 - 169,999	3	2
170,000 - 179,999	2	4
180,000 - 189,999	1	1
200,000 - 209,999	2	-
210,000 - 219,999	-	1
230,000 - 239,999	2	-
240,000 - 249,999	2	1
250,000 - 259,999	1	-
280,000 - 289,999	1	1
300,000 - 309,999	1	1
310,000 - 319,999	1	-
350,000 - 359,999	1	1
400,000 - 409,999	1	1
620,000 - 629,999	1	1

Ⓟ ***Short-term benefits***

Short-term benefits, payable within 12 months, are measured on an undiscounted basis and are expensed as the related service is provided. This includes wages, salaries, retirement benefits, 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 Trust 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.

30 Contingencies

At 31 March 2019, there were no known contingent liabilities (2018:$Nil).

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

31 Distributions paid over $1000

	2019	
	Approved	Paid
	$	$
Eastland Network Charitable Trust for:		
Te Ha 1769 Sestercentennial Trust	1,500,000	500,000
Hospice Tairawhiti	1,000,000	-
The Gisborne Cycle and Walkway Trust	871,000	-
Te Aitanga a Hauiti Centre of Excellence	660,000	64,869
Aotearoa Social Enterprise Trust	564,270	-
The Sunrise Foundation	400,000	-
Tairawhiti Museum	250,000	-
Te Runanga o Turanganui a Kiwa	100,000	-
Tairawhiti REAP Inc	100,000	100,000
Springboard Trust	200,000	100,000
Tairawhiti Connext Charitable Trust	89,000	89,000
Wainui Surf Life Saving Club	87,000	-
Rongowhakaata Iwi Trust	85,000	-
Ka Pai Kaiti Inc	79,980	-
Gizzy School Lunches	72,735	-
Swim for Life Tairawhiti	60,000	20,000
Plant Based New Zealand Health Trust	48,000	48,000
Enterprise Aquatic Swim Team	30,000	30,000
Historic Places Tairawhiti Inc	10,000	10,000
Gisborne Volunteer Centre	10,000	10,000
Gisborne Stroke Support Group Inc	10,000	10,000
Gisborne Free Kindergarten Assn	10,000	10,000
Gisborne Art in Public Places Charitable Trust	10,000	10,000
Brain Injury Association Gisborne	10,000	10,000
Citizens Advice Bureau Gisborne Inc	10,000	10,000
Little Sprouts Charitable Trust	10,000	10,000
Weetbix TRYathlon Foundation	10,000	10,000
Tairawhiti Environment Centre Inc	10,000	10,000
Muscular Dystrophy Assocation (Tuaatara/Central	10,000	-
Ngai Tamanuhiri Whanui Trust	10,000	10,000
Paikea Whitireia Trust	10,000	10,000
Waikohu Sports Club	9,580	-
Vanessa Lowndes Turanga Trust	9,500	9,500
Parkinson's New Zealand Charitable Trust	9,500	9,500
Life Education Trust	9,200	9,200
Tairawhiti Multicultural Council	8,000	8,000
Presbyterian Support East Coast	8,000	8,000
Gisborne Riding for Disabled	5,000	5,000
The Serve and Protect Charitable Trust	4,499	4,499
Womens Native Tree Project Trust	2,880	2,880
Te Aka Ora Charitable Trust	2,383	2,383
	6,395,527	**1,130,831**

	2019 Approved $	Paid $
Distributions to others		
Energy Options Charitable Trust T/A Smart	1,600,000	-
Gisborne District Council	1,496,000	100,000
Whakarua Park Trust Board	195,000	-
Straker Translations Limited	167,934	35,839
Gisborne Mountain Bike Club	129,000	129,000
Gisborne Herald	75,500	75,500
Te Puka Hunting and Fishing Club	62,000	62,000
Sonic Surf Craft	30,000	13,000
Gisborne Chamber of Commerce	46,500	46,500
Wainui Lions	41,385	41,385
ThinkSafe Ltd	30,000	10,103
Eagle Flight Training School	30,000	30,000
Dare 2 Sweat Events Ltd	30,000	30,000
Dnature Diagnostics and Research Ltd	29,600	29,600
Haley Heathwaite- Ziggy Ardor	27,791	22,791
Gizzy Kai Rescue	24,270	24,270
Andrew Lawton	20,500	20,500
Surf Life Saving New Zealand	20,000	20,000
Whangara Global Genetics Ltd	20,000	20,000
VLU Science Ltd	19,000	19,000
Torere Macadamias	14,550	14,550
Awhi Tree Limited	10,000	10,000
Poverty Bay A & P Assn	10,000	10,000
Maori Women's Welfare League Inc	10,000	10,000
Snug Tech Limited	10,000	-
Waikanae Surf Life Saving Club	10,000	10,000
Plus Business	10,000	10,000
Tairawhiti Museum	10,000	10,000
Tairawhiti Softball Association	10,000	10,000
Te Runanganui o Ngati Porou	10,000	10,000
Gisborne Trampoline Club Inc	9,800	9,800
In Gizzy- Kirsten Morris	7,500	7,500
Gisborne Girls High School	5,960	5,960
Tu Hikitia- Elgin Kids Club	5,000	5,000
Turanga Ararau	5,000	5,000
Poverty Bay Hockey Association	5,000	5,000
Health Impact Ltd	5,000	5,000
Shiloh Community Church	4,000	4,000
Tongan Methodist Youth Group	3,000	-
GNS Science	2,442	2,442
Te Tairawhiti Science & Technology Fair	2,181	2,181
Institute of Directors	2,153	2,153
	4,256,066	**878,074**
	10,651,593	**2,008,905**

Consolidated Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2019

	2019 Paid $
Approved prior years paid this year	
War Memorial Theatre Trust	1,000,000
Eastland Rescue Helicopter Trust	350,000
Train Me Quality Services Limited	200,000
Long Bush Ecological Trust	97,650
Tairawhiti Environment Centre Inc	70,000
Ka Pai Kaiti	53,000
Te Whare Hukahuka	45,000
Gisborne Intermediate School	30,000
OBM Rugby Football Club Inc	30,000
International Music Competition	30,000
Gisborne Mountain Bike Club	25,000
Surf Lifesaving NZ	25,000
Huringa Pai Charitable Trust	22,000
Swim for Life	20,000
Gisborne Girls' High School	20,000
Tikitiki School Board of Trustees	10,000
Gisborne Netball Centre Inc	10,000
Rutene Road Kindergarten	10,000
Kanakanaia Security Camera	4,000
Giant Pumpkin Competition	2,500
	2,054,150
Total distributions paid during the year	**4,063,055**

32 Subsequent events

On 5 April 2019 the Provincial Growth Fund granted Gisborne Airport Limited $5.5 million towards the construction of an airport terminal. The Trust has also committed $5 million towards the project. The estimated cost of this project is $12.5 million.

On 4 June 2019 a commitment was made to invest up to $6 million into the Prime wood processing cluster. This investment will increase the amount of product produced within the cluster which will result in additional jobs being created.

An update to the shareholder agreement in WET Gisborne Ltd is underway, once complete this will see a further investment of $1.5 million into WET Gisborne Limited.