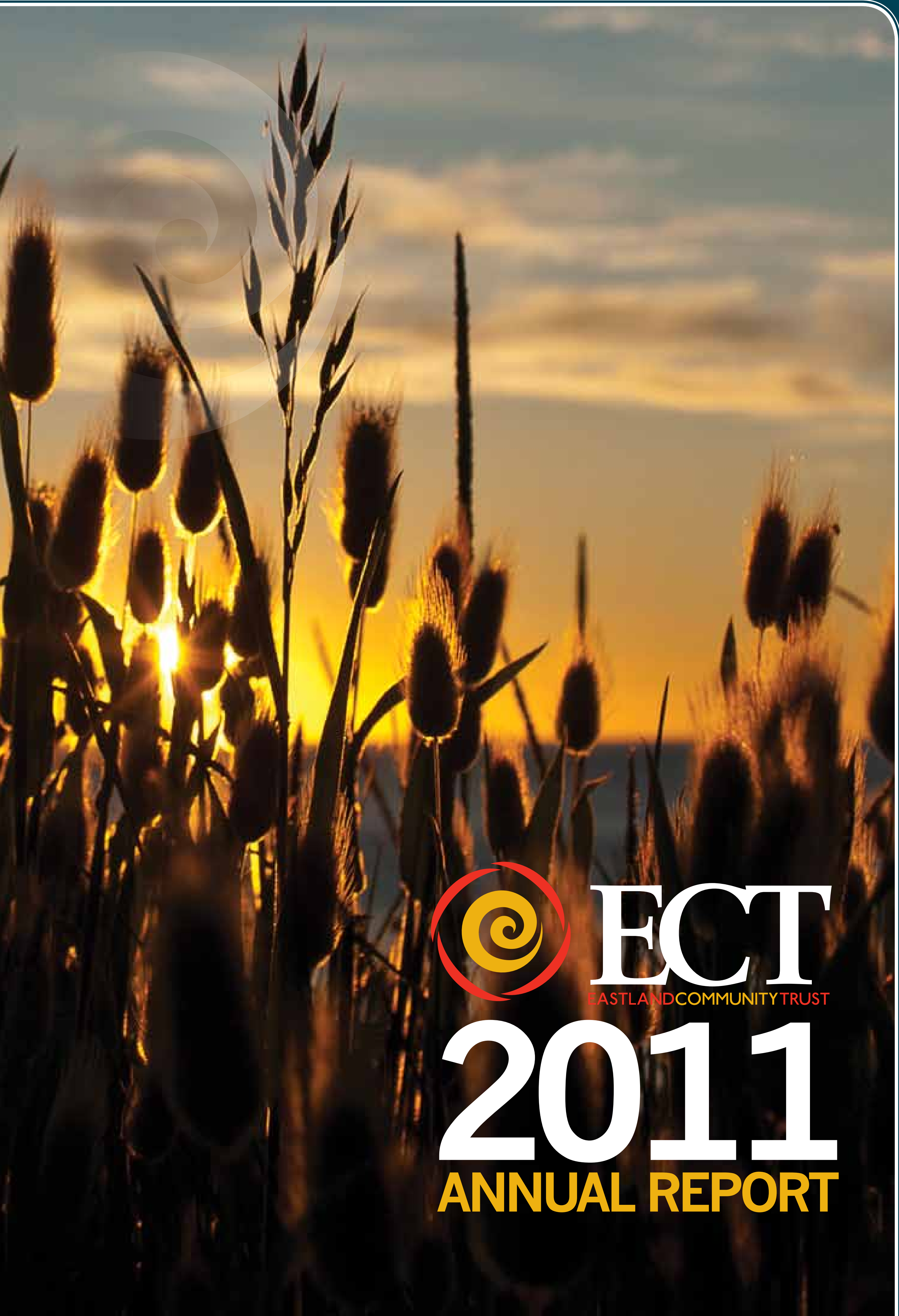


ECT

EASTLAND COMMUNITY TRUST

2011 ANNUAL REPORT

Left to right: ECT trustees Geoff Milner, Chairman Richard Brooking, Brian Wilson, Michael Muir, Peter Farley, Phillip Searle, and General Manager Leighton Evans Absent: Vicki Thorpe (Trustee).

ECT

EASTLAND COMMUNITY TRUST

2011 ANNUAL REPORT

ECT
EASTLAND COMMUNITY TRUST

TRUST IN YOUR COMMUNITY

CONTENTS

CHAIRMAN'S REPORT

Presenting the annual report and financial statements for the Community Trust on behalf of the trustees and staff is an absolute pleasure.

At the beginning of the year trustees considered what we wanted our community to be like in the year 2035. The result - we will be a positive, prosperous and attractive community. This statement will ensure the Trust remains focused on the future and our pathway will reflect this overarching vision.

To be more prosperous our region has to increase the quantity and quality of choices people and groups have to build meaningful lives. We need a more positive and vibrant business community and higher quality community assets and facilities. Our children must have confidence in their future and our unique cultural makeup should be celebrated as a positive point of difference strengthened through partnerships, understanding and goodwill.

The Trust has ownership responsibility for Eastland Group Limited and we have been working really hard to assist its growth strategy. This is a critical issue and the Trust will have to overcome a number of challenges before the pathway forward is finally agreed.

The Group recorded a record net profit after tax of $8 million compared with $5.6million last year. Revenue was also up on the previous year from $61.9million in 2010 to $72.9million in 2011. The performance of our company is paramount to our success and this year the group paid ECT $4.2million in dividends and $2.6million in interest on capital notes. This is a great return and we congratulate the Group on its continued success.

We have had a successful and rewarding year with the establishment of our project committees and new frameworks for assessing funding applications and community investments.

The various roles in which the Trust is currently engaged go well beyond simple grant funding. The opportunity to be the initiator, facilitator or catalyst for change is reflected in the Trust's current work load. Our continuing role in the home insulation project is one of the best examples of investment in a transformational project attracting significant government investment and achieving multiple outcomes for the community. Other significant investments are contributing to community wellbeing by addressing cultural, social and economic outcomes.

The Trust is still looking at securing charitable/ tax exempt status which will ensure tax savings in the order of $750,000 per annum. This has been a challenging issue for trustees but we believed that it would have been imprudent to ignore the possibility of securing this additional income.

Strategic relationships are also very important and to this end the Trust is actively working with the Chamber of Commerce and other community organisations and is developing stronger links with our main tribal groups.

In closing I want to acknowledge retiring trustee Peter Farley for his major contribution to the Trust and for his role as inaugural chair of our Projects Sub-committee. Also, congratulations to Joe Martin and Brian Wilson who were most recently reappointed to the Trust.
I would like to thank Leighton Evans our General Manager for ensuring Trust operations have been well managed during the year and June Hall and the team at Graham & Dobson for the wonderful support that they have also provided.

Richard Brooking
CHAIRMAN

GENERAL MANAGER'S REPORT

It is with a true sense of satisfaction that I report on the Trust's operations for the year. The Trust not only achieved all its targets but also recorded a strong performance financially while improving community relationships, internal processes and systems.

A growth in the Trust fund was matched by significant investments to strengthen our region's wellbeing.

The Trust prospered financially, beating its net income target by 1.7%. In a world of economic uncertainty and variable investment returns, this is a great achievement.

The underpinning contribution of the Eastland Group cannot be overstated. Continued strong results from the Eastland Group are exceptional and the Group board and executive should be proud of their efforts.

During the year, the Trust improved its efficiency. Tight controls imposed on operating costs resulted in spending being 8.17% below budget and virtually the same as the previous year. This is extremely positive given the extra work we did and the resources required to process increased numbers of funding applications, manage the volume of distributions, optimise and monitor our investments, progress internal trust developments and continue building trust structures and processes. We expect the Trust's operations will continue to grow as we engage more actively in meeting community expectations.

The Trust's new subcommittee structure – with established subcommittees for finance, audit, investment and projects - improved efficiency and effectiveness but also placed additional time burdens on the trustees. However the improved internal assessment processes allowed the Trust to 'catch up' on the backlog of applications and become more proactive with projects.

The Trust worked actively with Gisborne District Council staff to address various significant initiatives and is keen to continue its work on the Waikanae Precinct, the Navigations Project and cohesive sporting and events infrastructure.

Other key goals achieved during the year included:

- Updating our long-term strategic plan
- Implementing project, sponsorship and investment policy and process frameworks
- And creating enduring community relationships.

A key highlight was the Trust's involvement with Te Matatini o Te Ra. While economic impact studies validated the financial benefits to this region, the less-tangible benefits that accrued had a much wider and arguably more enduring effect. Significant intangible benefits included community pride, self-belief, role modelling for young people, engagement with Maori culture and relationship building. The challenge for our district is to learn and grow from this, and build ourselves into a more positive, prosperous and attractive community.

I believe we have embraced all this year's challenges. I acknowledge and thank all those people who contributed to supporting delivery of the Trust operations over the past year. The Trust operates on a small employee base and relies on a dedicated support team. I look forward to continuing to work with you into the future.

During the year, I had the opportunity to meet and talk with many people throughout our community. I am regularly amazed by the passion, enthusiasm and level of dedication shown by many. Our region has a great community and I am proud of the role the Trust plays in supporting many different community initiatives. I look forward with great excitement and expectation to the coming year.

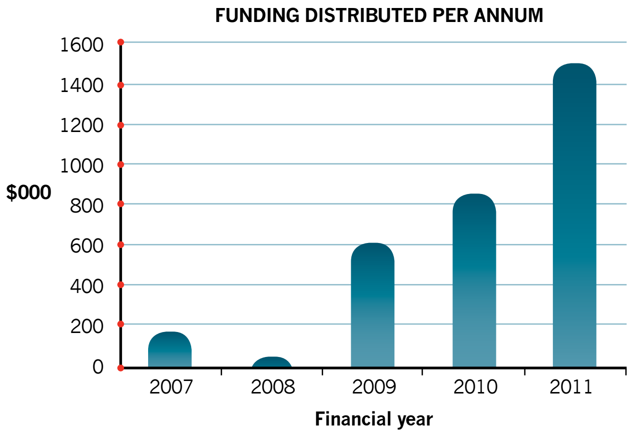
Leighton Evans
GENERAL MANAGER

OUR YEAR IN REVIEW

The Eastland Community Trust results for 2011 were extremely pleasing and represented a higher than projected net income before tax which can largely be attributed to an increase in income and a decrease in operational costs from budget.

We have increased our trust fund value by more than nine percent and we received more than $1.63 million from other investments.

	Forecast 2011	Actual 2011
Total income	8,334,050	8,420,112
Total expenses	589,500	541,329
Net pre-tax operating profit	7,744,550	7,878,782
Profit after projects, distributions and tax	7,744,550	6,505,567



KEY HIGHLIGHTS INCLUDE:

$6.78 million
was received from Eastland Group during the year.

$1.63 million
was received from other Investment during the year.

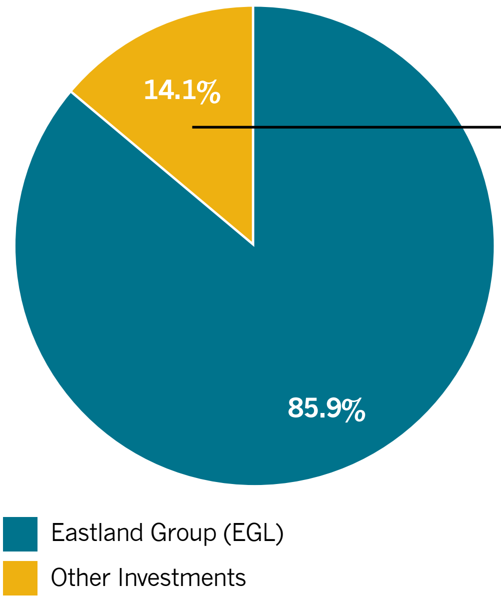
Net profit before tax and project costs was
1.73% above budget.

Total expenses before project costs were
8.17% under budget.

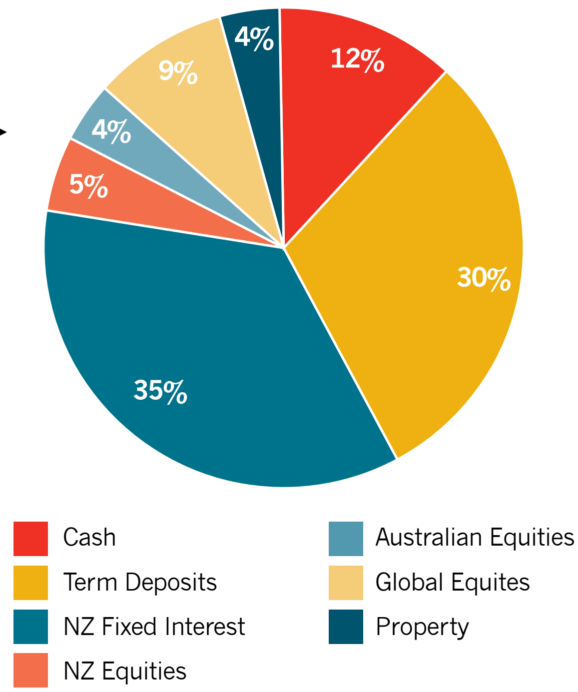
The trust fund value has increased by
9.12% this year.

OUR INVESTMENTS

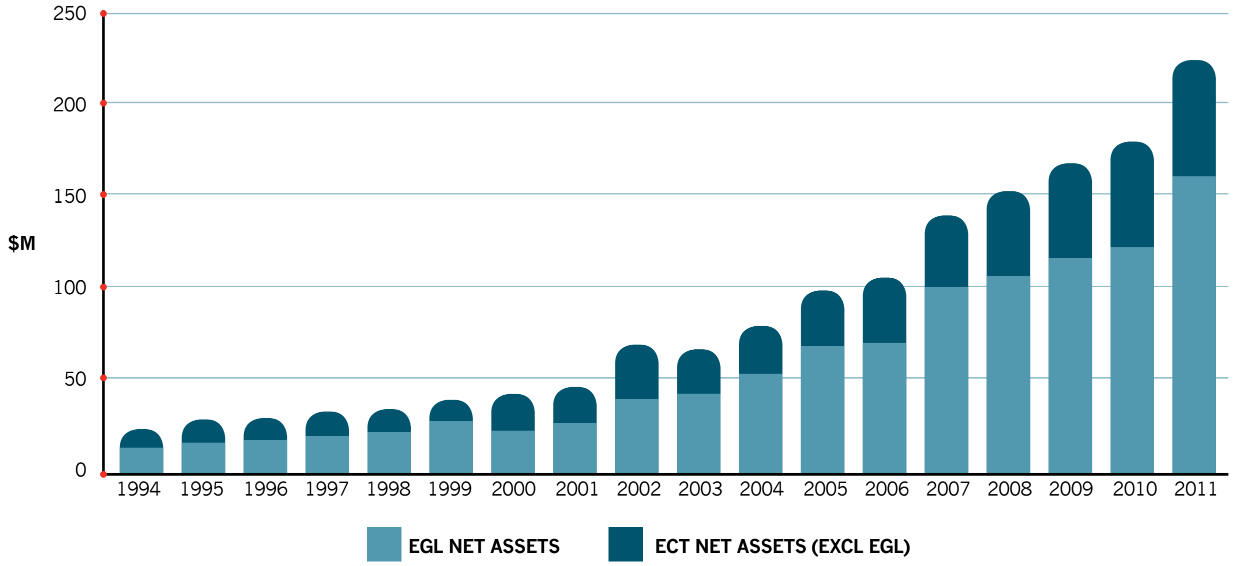
INVESTMENT ALLOCATION



BREAK DOWN OF OTHER INVESTMENTS

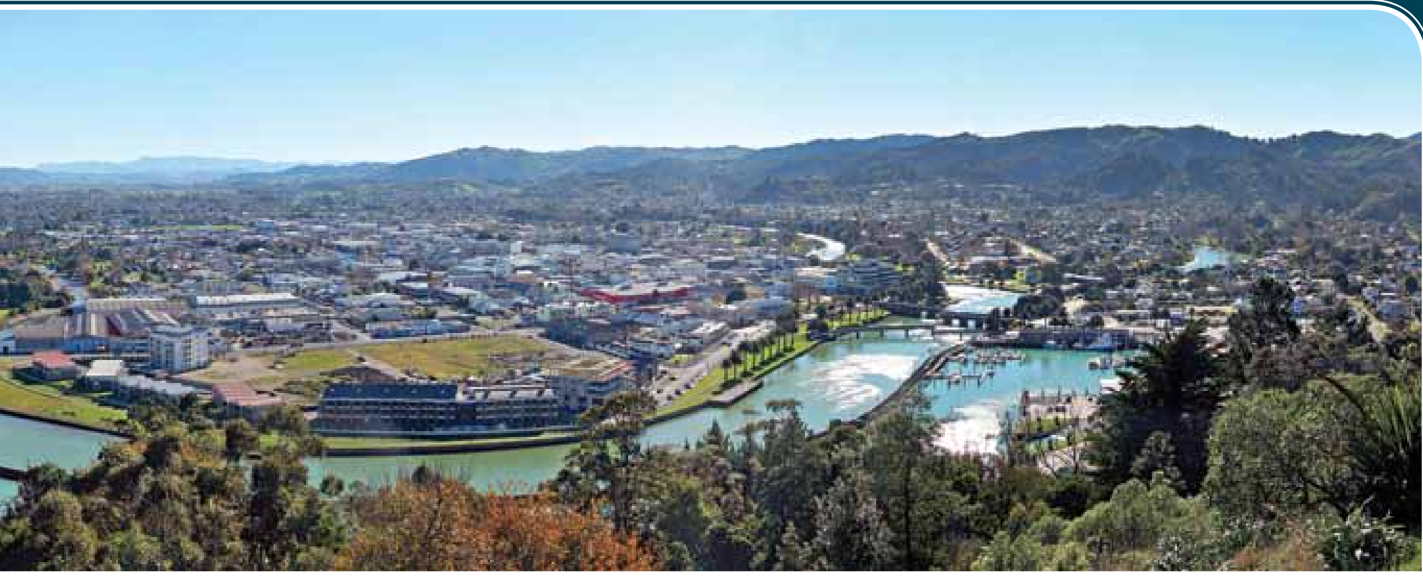


ECT ADJUSTED NET ASSETS



OUR STRUCTURE

- Eastland Community Trust
  - Eastland Group
    - Eastland Network Limited
    - Eastech Limited
    - Eastland Generation Limited
      - Geothermal Developments Limited
      - Te Ahi O Maui Geothermal Project
    - Eastland Port Limited
      - Eastland Port Debarking Ltd
    - Gisborne Airport Limited
    - Eastland Investment Properties Limited
      - Inner Harbour Marina Limited
    - Flightline Aviation Ltd
    - Skysales (NZ) Ltd.

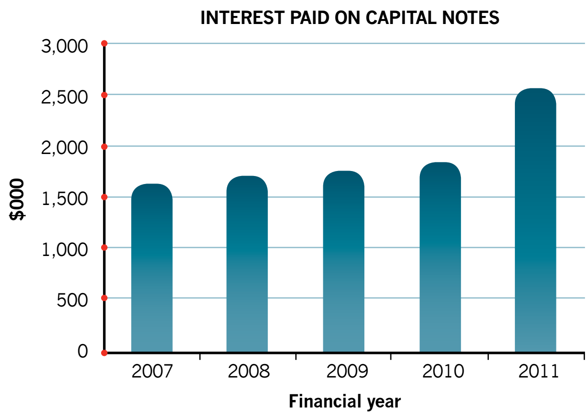


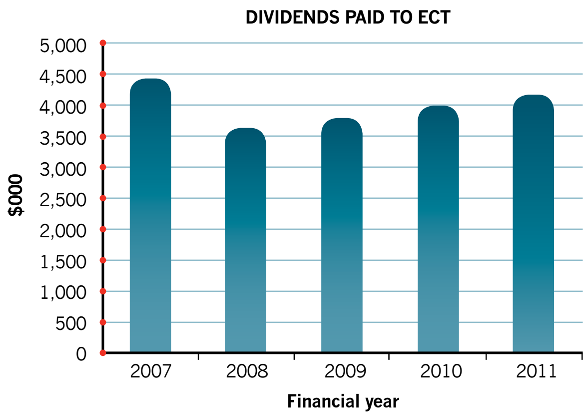
EASTLAND GROUP PERFORMANCE

The Eastland Group is a Gisborne based, national company investing in and managing a targeted portfolio of businesses with a focus on the energy and logistics sectors.

In 2011 the Group's earnings for the year showed a record profit after tax of $8million compared with $5.6million the previous year. This is a very strong result from the company and one that represents sound strategy development and implementation over the past few years, despite a challenging financial environment.

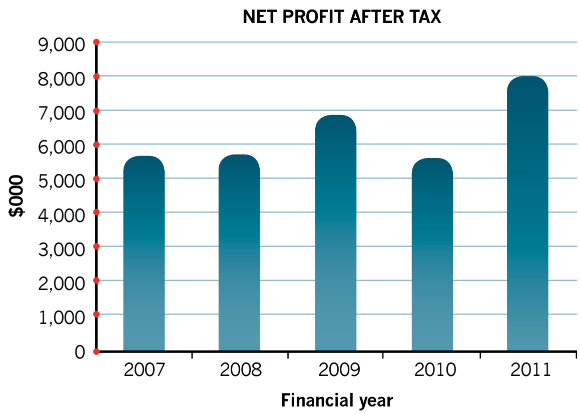
The Group paid a dividend of $4.2million to the Eastland Community Trust which owns 100% of the company. This dividend was up from $4million the previous year and is a year on year increase since 2008. In addition the Group paid interest of $2.6million on capital notes to the Trust.

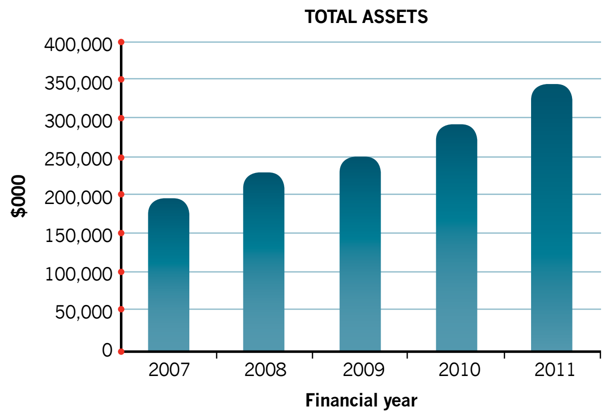


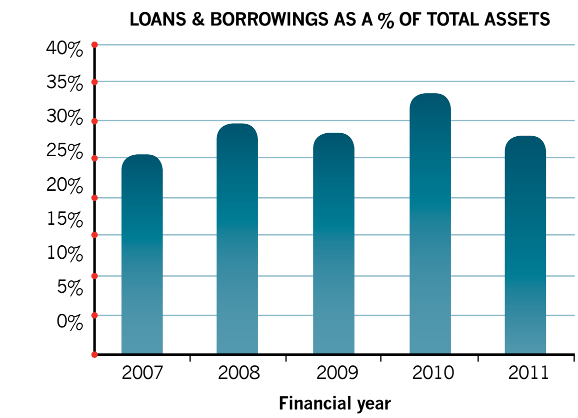


With a key focus on prudent management and key sectors the Group has taken a "commercial but prudent" approach to its level of debt. Having increased gearing over the past few years, the level of debt now in place is viewed as appropriate. This does however present issues about funding future growth.

The company has a number of exciting projects planned which will augment its existing energy and logistics investments and it has signalled that these will need further investment. The Group and the Trust are currently working together to look at the most appropriate way of funding the company's future growth.







EASTLAND GROUP OWNERSHIP REVIEW

The Trust has completed the mandatory triennial ownership review of the Eastland Group Limited.

This included:

- A comparison of each company's performance with the performance of a selected peer group where information was publicly available.
- A summary of the issues and risks arising from the Group's historical performance and strategic plan, in the context of the Trust's ownership.
- Alternative ownership options available to the Trust as shareholder, and the advantages and disadvantages of each.

Based on the analysis, the Eastland Group has performed well against peer groups and general investment benchmarks. The Trust considers that on balance the outlook is positive for the Group.

The Trust recognises the key barrier to future organic and acquisitive growth of any scale is funding, and accepts the Group is unable to fund these projects internally, as it has reached the limits of its senior debt capacity.

The Trust is committed to working with the Group to seek alternative funding sources that are in the best interest of beneficiaries.

RELATIONSHIPS AND COMMUNITY INVESTMENT

Most significantly over the past 12 months the Trust has developed a process to assess funding applications. The Trust has also worked hard to ensure our distribution programme has both direction and purpose. The results of these are reflected in the amount of funding the Trust has been able to invest into the community over the past 12 months.

In the reported year the Trust distributed $1.5million to community projects. This almost doubles the distributions made last year and almost equals the total distributed between 2007 and 2010. Significantly the Trust has already committed almost $1million in distributions for the coming 2012 year.

EECA – HEALTHY HOMES PROJECT

$725,000

Since 2005, the Eastland Community Trust has committed $1.85million to the Healthy Homes project. In return the project has delivered over 1500 warmer, drier and healthier Gisborne homes, attracting $3million in national funding into our economy and provided sustainable employment for up to 12 local people.

"Seeing the long-term benefits of the project, and realising the project needed to be community-driven and governed by local funding, ECT offered its support. Without this local contribution the project would not be possible.

ECT's substantial contribution has been integral in setting up a local project that is sustainable."

Jo Hunt
ENERGY OPTIONS CHARITABLE COMPANY
EXECUTIVE DIRECTOR

"We are so grateful for the Healthy Homes project. Our health has improved so much and the kids don't have to put up with condensation. It really makes you think we are pretty lucky we live in a community that looks after those in need."

Peter and Deborah Watson and family
HEALTHY HOME GRANT RECIPIENTS

TE MATATINI O TE RA

$250,000

The Eastland Community Trust donated $250,000 and was the principal sponsor of Te Matatini O Te Ra 2011 – the 19th biennial international Kapa Haka Festival · at Waiohika Estate. Owned and managed through Te Matatini Society Incorporated, this Festival is held every two years and is the premier Maori cultural performing arts festival in the world

Te Matatini O Te Ra 2011 attracted more than 50,000 people over four days. An economic assessment estimated that each of those people spent approximately $700 over the course of the event, equating to a total of $35million return to the community. This money would have been spent with retailers, marae, community groups, hotels, motels, community halls and centres, schools, polytechnics and a large percentage of rental accommodation which was full during the festival period.

ECT contributed less than 15% of the entire festival budget but its support provided organisers with additional leverage to seek funding and sponsorship throughout the country.

''We were fortunate this region had a committed host committee, the Rhythm and Vines event management team, which knew the Waiohika venue intimately and incredible support from the whole community led by ECT's vision and contribution. With that type of strength and backing the festival was always going to be successful. On behalf of Te Matatini a heartfelt thank you to ECT and the community it represents. We hope the world of kapa haka has opened new cultural and business opportunities in the future for the region.''

Darrin Apanui
CHIEF EXECUTIVE

ECT RESCUE HELICOPTER

$300,000

The Eastland Community Trust committed to a two year financial arrangement with the Eastland Rescue Helicopter Trust. The agreement, $300,000 per annum for two years, was to secure the rescue helicopter's 24/7 standby service. The trust agreed this service was crucial to the region due to its geographical terrain, the distances between towns and medical facilities and nature of the region's rural economy where many people work, live and play many miles from town.

Since its agreement the helicopter has flown more than 50 missions

"$300,000 per annum for two years has given the Eastland Rescue Helicopter Trust certainty that it can continue running its 24/7 standby service. Without this support our future was looking very uncertain."

Patrick Willock
EASTLAND RESCUE HELICOPTER TRUST CHAIRMAN

TUI TE ORA TRUST

$52,000

ECT contributed $86,000 over two years to the Tui Te Ora Chronic Care Centre project. Trustees felt this was an example of a true community spirit project where much of the materials and labour was donated to provide an essential community facility.

It will treat the many hundreds of people in Tairawhiti who suffer the effects of chronic long-term conditions such as diabetes, kidney, lung and heart disease. Many of these people travel long distances for treatment. ECT's contribution was put towards beds and essential equipment.

"The equipping of the unit by ECT was a bonus. The Trustees, when they toured the building on completion, were astounded at what we had achieved with the community's help and felt they had to play a bigger part in the project for which we were really grateful. The donation of the equipment meant the building could be used straight away without waiting for Tairawhiti District Health to find the funds."

Kath Kitchen
PROJECT CO-ORDINATOR

COLDWATER CLASSIC

$60,000

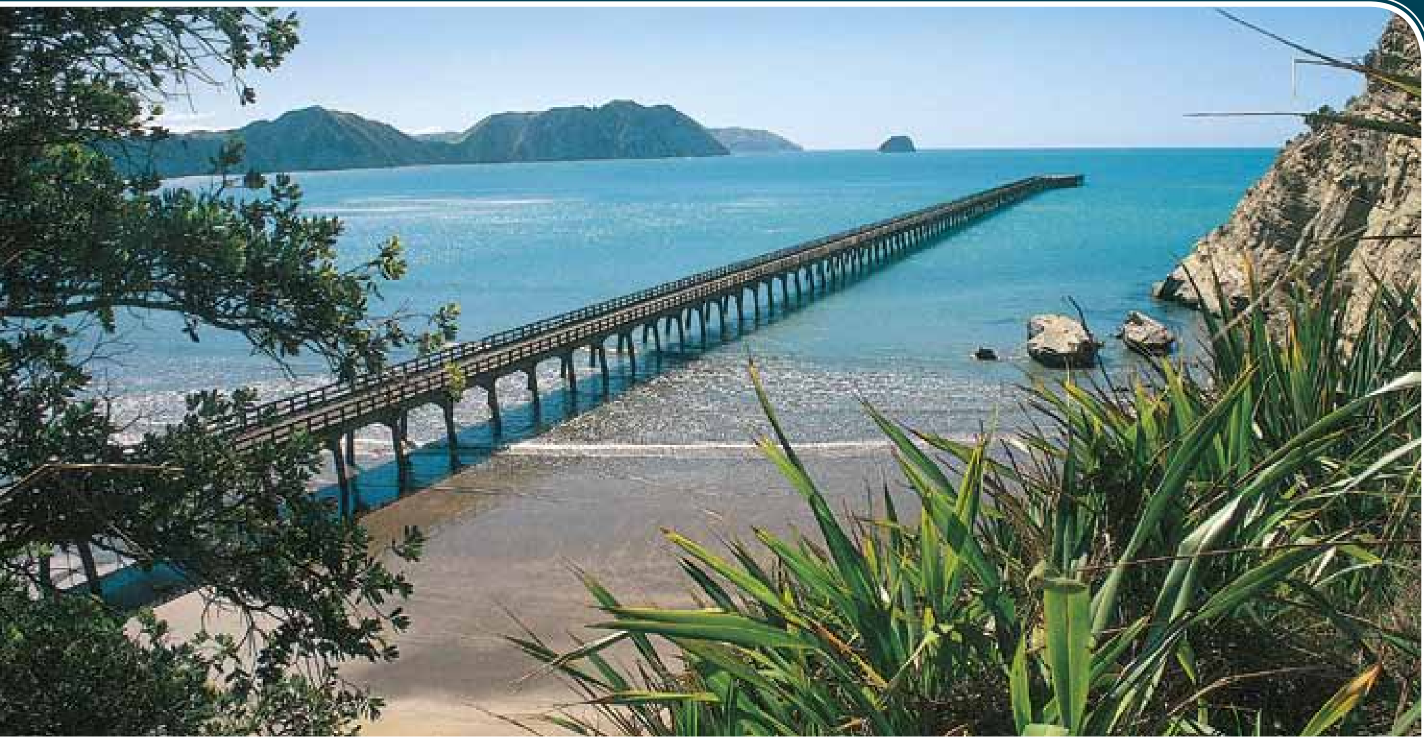
EASTLAND Community Trust donated $60,000 sponsorship for the O'Neill Cold Water Classic held in Gisborne between March 23 and March 29 , 2011. It is a six-star event on the ASP world tour event and 130 international surfers made it the best surfing competition in New Zealand in nearly 20 years. Eastland Community Trust recognised the opportunity presented by helping Gisborne secure the O'Neill CWC.

More than 250 surfers, officials and media people were in town spending on accommodation, food and leisure activities – not to mention spectators from out of town.

Images of Gisborne were broadcasted to an international audience through a live webcast and a television feature on the event.

"The support from ECT has been crucial, and the council and Tourism Eastland have been awesome — corporate entities like O'Neill see that sort of local support for an event as really crucial. The events are a big financial undertaking for O'Neill, and having support from ECT assists the investment in media and marketing."

Matt Wilson
CONTEST DIRECTOR



TOLAGA BAY WHARF RESTORATION PROJECT $533,000

The Tolaga Bay Historic Wharf Restoration Project is the culmination of many years hard work by the Tolaga Bay community. This is the longest concrete structure in the southern hemisphere and has a category one Historic Places Trust grading. The ECT grant of $500,000 will help to ensure the project is completed and the wharf saved for future generations to enjoy.

Since the ECT grant, the Tolaga Bay Save the Wharf Charitable Trust received a further grant of $455,520 from the environment and heritage committee of the Lotteries Grants Board towards completing the pile restoration work.

Around 200 piles along the jetty section of the wharf have already been restored, but the perimeter piles of the wharf – the part where ships used to tie up – are those left to be completed.

"The wharf restoration project will cost a total of $5.5million. The Tolaga Bay community has raised more than $3 million of that. This grant will ensure we can finish this huge project."

Clive Bibby
CHAIRMAN TOLAGA BAY RESTORATION COMMITTEE

Q300 AEROPLANE SUBSIDY

$106,000

The Eastland Community Trust and the Gisborne Chamber of Commerce joined together three years ago to secure more than 35,000 additional aircraft seats between Auckland and Gisborne.

The initiative, which saw ECT and the Chamber negotiate with Air New Zealand to bring its 50 seat Q300 planes into Gisborne, opened Gisborne up to more airline seats and subsequently more opportunities.

Under the agreement ECT and the Chamber funded a portion of landing charges equivalent to approximately $3.20 per additional seat flying to and from Gisborne for a three-year period. This is expected to amount to just over $100,000 per annum which will be paid directly to the airport. The Chamber's contribution is $10,000 and the Trust will contribute the rest.

The initiative was a welcome one for Gisborne which needed more flight capacity to capitalise on increased visitors, availability of business trips and economic growth.

Strong air links into and out of our region are absolutely vital given our isolation and the Chamber of Commerce appreciates the commitment from ECT to ensure the Air NZ Q300 services the Gisborne region.''

Fraser Brown
GISBORNE CHAMBER OF COMMERCE PRESIDENT

SPONSORSHIPS

EECA Healthy Homes project	$725,000	Insulation project for homes in the region
Tolaga Bay Save the Wharf	$533,000	Wharf restoration
Eastland Helicopter Rescue Trust	$300,000	Contributions towards rescue helicopter
Te Matatini O Te Ra	$250,000	Cultural festival
Gisborne Airport	$106,000	Q300 subsidy
St John	$100,000	New facilities
O'Neill Coldwater Classic	$60,000	Surfing competition
Tui te Ora	$52,000	Medical equipment
Gisborne Conventions – Tourism Eastland	$34,000	MICE collateral promotion material
Lytton High School	$20,000	All weather facility
Motu Cycle Trail	$19,000	Entrance ways and signs
Gisborne Judo Club	$5000	National tournament
Sun City Jet Sprint Club	$5000	National champs
Gisborne Regional Wine Awards	$5000	Regional awards dinner
Eastwoodhill Arboretum	$4000	Street flags and promotions
Firstlight Camellias	$2000	Flower show event
Gisborne Lions Club	$2000	Convention
PB Gardening Circle	$1500	Jubilee event
BW Camping Grounds	$1500	Regional promotion brochure

Photo Courtesy of Motu Cycle Trail

FINANCIAL REVIEW 2011

Contents

Signed for and on behalf of the

Eastland Community Trust by:

R M W Brooking

CHAIRMAN

Geoff Milner

TRUSTEE

Deloitte.

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

Report on the Financial Statements

We have audited the financial statements of Eastland Community Trust and group on pages 24 to 73, which comprise the consolidated statement of financial position of Eastland Community Trust and group, as at 31 March 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Opinion

In our opinion, the financial statements on pages 24 to 73:
- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Eastland Community Trust and group as at 31 March 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

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

Graham Naylor

Chartered Accountants
29 July 2011
Hamilton, New Zealand

Statement of comprehensive income

For the year ended 31 March 2011

		GROUP		PARENT	
		2011	2010	2011	2010
	Notes	$'000	$'000	$'000	$'000
Revenue	6	**72,896**	61,345	**-**	-
Cost of sales		**29,475**	29,383	**-**	-
Gross profit		**43,421**	31,962	**-**	-
Other income	7	**284**	631	**10**	-
Administration expenses	8	**22,042**	18,184	**1,121**	678
		(21,758)	(17,553)	**(1,111)**	(678)
Operating profit before financing costs		**21,663**	14,409	**(1,111)**	(678)
Financial income	10	**1,849**	2,612	**8,410**	7,606
Financial expenses	11	**8,837**	6,180	**-**	2
Net financing costs		**(6,988)**	(3,568)	**8,410**	7,604
Profit before income tax		**14,675**	10,841	**7,299**	6,926
Income tax expense	12	**4,397**	3,001	**793**	661
Profit for the year		**10,278**	7,840	**6,506**	6,265
Profit for the year is attributable to:					
Equity holders of the parent		**10,311**	7,840	**6,506**	6,265
Non controlling interest		**(33)**	-	**-**	-
		10,278	7,840	**6,506**	6,265
Other comprehensive income					
Revaluation of property, plant & equipment		**-**	(285)	**-**	-
Tax on revaluation of property, plant & equipment		**-**	86	**-**	-
Revaluation of properties		**48,603**	4,271	**-**	-
Tax on revaluation of properties		**-**	(622)	**-**	-
Cash flow hedges		**(1,413)**	658	**-**	-
Tax on cash flow hedges		**-**	(162)	**-**	-
Revaluation of investments		**153**	875	**153**	875
Prior period errors		**-**	184	**-**	-
Income tax on comprehensive income		**(11,641)**	-	**-**	-
Other comprehensive income for the period (net of tax)		**35,702**	5,005	**153**	875
Total comprehensive income for the period		**45,980**	12,845	**6,659**	7,140

Statement of changes in equity

For the year ended 31 March 2011

	GROUP				
	Issued Capital $'000	**Retained Earnings $'000**	**PPE Revaluation Reserve $'000**	**Other $'000**	**Total Equity $'000**
Balance at 1 April 2009	20,000	65,425	84,788	(3,810)	166,403
Reversal of subsidiary equity on divestment	-	-	-	-	-
Fair value movements - cash-flow derivatives (net of tax)	-	-	-	397	397
Movement in investment revaluation reserve	-	-	-	875	875
Prior period errors	-	185	-	98	283
Revaluation of property, plant & equipment	-	-	3,450	-	3,450
Net income recognised directly in equity	**-**	**185**	**3,450**	**1,370**	**5,005**
Profit/(loss) for the year	-	7,840	-	-	7,840
Total recognised income and expense for the year	**-**	**8,025**	**3,450**	**1,370**	**12,845**
Beneficiary distributions	-	(843)	-	-	(843)
Balance as at 31 March 2010	**20,000**	**72,607**	**88,238**	**(2,440)**	**178,405**
Non controlling interest	-	-	-	-	-
	-	-	-	-	-
Balance at 1 April 2010	20,000	72,607	88,238	(2,440)	178,405
Change in deferred tax rate	-	-	2,503	(43)	2,460
Fair value movements - cash-flow derivatives (net of tax)	-	-	-	(980)	(980)
Movement in investment revaluation reserve	-	-	-	153	153
Prior period errors	-	287	(255)	-	32
Revaluation of property, plant & equipment	-	-	34,068	-	34,068
Net income recognised directly in equity	**-**	**287**	**36,316**	**(870)**	**35,733**
Profit/(loss) for the year	-	10,311	-	-	10,311
Total recognised income and expense for the year	**-**	**10,598**	**36,316**	**(870)**	**46,044**
Beneficiary distributions	-	(1,218)	-	-	(1,218)
Balance before non controlling interests	**20,000**	**81,987**	**124,554**	**(3,310)**	**223,231**
Non controlling interest					
Establishment during the period	-	-	-	-	161
Share of income for year	-	-	-	-	(33)
Net non controlling interest	**-**	**-**	**-**	**-**	**128**
Balance as at 31 March 2011	**20,000**	**81,987**	**124,554**	**(3,310)**	**223,359**

Statement of changes in equity

For the year ended 31 March 2011

	PARENT				
	Trust Capital $'000	Retained Earnings $'000	Realised Capital Reserve $'000	Investment Revaluation $'000	Total Equity $'000
Balance at 1 April 2009	20,000	37,509	8,300	(757)	65,052
Movement in investment revaluation reserve	-	-	-	875	875
Net income recognised directly in equity	-	-	-	875	875
Profit/(loss) for the year	-	6,265	-	-	6,265
Total recognised income and expense for the year	-	6,265	-	875	7,140
Beneficiary distributions	-	(843)	-	-	(843)
Balance as at 31 March 2010	20,000	42,931	8,300	118	71,349
Balance at 1 April 2010	20,000	42,931	8,300	118	71,349
Movement in investment revaluation reserve	-	-	-	153	153
Net income recognised directly in equity	-	-	-	153	153
Profit/(loss) for the year	-	6,506	-	-	6,506
Total recognised income and expense for the year	-	6,506	-	153	6,659
Beneficiary distributions	-	(1,218)	-	-	(1,218)
Balance as at 31 March 2011	20,000	48,219	8,300	271	76,790

Balance sheet

As at 31 March 2011

		GROUP		PARENT	
		2011	2010	2011	2010
	Notes	$'000	$'000	$'000	$'000
Equity					
Trust capital		**20,000**	20,000	**20,000**	20,000
Reserves		**121,244**	85,798	**8,571**	8,418
Retained earnings		**81,987**	72,607	**48,219**	42,931
Non controlling interest		**128**	-	**-**	-
		223,359	178,405	**76,790**	71,349
Represented by:					
Current assets					
Cash and cash equivalents	13	**15,434**	10,986	**13,359**	9,678
Taxation receivable		**1,073**	1,147	**605**	392
Trade and other receivables	14	**9,253**	10,880	**369**	664
Inventories	15	**7,004**	8,408	**-**	-
Property held for resale	16	**5,230**	5,225	**-**	-
Derivatives	17	**-**	359	**-**	-
Total current assets		**37,994**	37,005	**14,333**	10,734
Non-current assets					
Property, plant and equipment	18	**282,577**	228,802	**13**	9
Investment properties	19	**16,968**	17,127	**-**	-
Intangible assets	20	**21,320**	20,545	**-**	-
Investment in subsidiaries	21	**-**	-	**15,400**	15,400
Other investments	22	**17,121**	16,007	**47,121**	46,007
Derivatives	17	**473**	-	**-**	-
Total non-current assets		**338,459**	282,481	**62,534**	61,416
Total assets		**376,453**	319,486	**76,867**	72,150
Current liabilities					
Trade and other payables	23	**7,512**	8,511	**70**	801
Taxation payable		**-**	1,163	**-**	-
Employee entitlements	9	**1,310**	1,262	**7**	-
Derivatives	17	**192**	4,099	**-**	-
Income in advance		**319**	152	**-**	-
Total current liabilities		**9,333**	15,187	**77**	801
Non-current liabilities					
Borrowings	24	**97,400**	99,100	**-**	-
Derivatives	17	**5,398**	-	**-**	-
Income in advance		**722**	775	**-**	-
Deferred income tax liabilities	25	**40,241**	26,019	**-**	-
Total non-current liabilities		**143,761**	125,894	**-**	-
Total liabilities		**153,094**	141,081	**77**	801
Net assets		**223,359**	178,405	**76,790**	71,349

Statement of cash flows

For the year ended 31 March 2011

		GROUP		PARENT	
		2011	2010	2011	2010
	Notes	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		**72,919**	62,615	**-**	-
Interest received		**1,507**	1,728	**4,185**	3,240
Dividends received		**229**	182	**4,429**	4,178
		74,655	64,525	**8,614**	7,418
Cash was disbursed to:					
Payments to suppliers & employees		**42,170**	37,348	**1,003**	521
Interest paid		**8,686**	6,171	**-**	-
Income tax paid		**2,941**	1,804	**1,007**	931
		53,797	45,323	**2,010**	1,452
Net cash inflow from operating activities	27	**20,858**	19,202	**6,604**	5,966
Cash flows from investing activities					
Cash was provided from:					
Sale of investments		**152**	-	**152**	-
		152	-	**152**	-
Cash was disbursed to:					
Purchase of property, plant & equipment		**11,758**	32,968	**6**	3
Purchase of investment properties		**(42)**	572	**-**	-
Purchase of intangible assets		**815**	16,903	**-**	-
Acquisition of investments		**1,113**	1,774	**1,127**	11,791
		13,644	52,217	**1,133**	11,794
Net cash inflow/(outflow) from investing activities		**(13,492)**	(52,217)	**(981)**	(11,794)
Cash flows from financing activities					
Cash was provided from:					
Proceeds of bank borrowings		**(1,700)**	99,000	**-**	-
		(1,700)	99,000	**-**	-
Cash was disbursed to:					
Repayment of borrowings		**-**	71,493	**-**	-
Equity distributions		**1,218**	618	**1,942**	618
		1,218	72,111	**1,942**	618
Net cash inflow/(outflow) from financing activities		**(2,918)**	26,889	**(1,942)**	(618)
Net increase in cash held		**4,448**	(6,126)	**3,681**	(6,446)
Opening cash		**10,986**	17,112	**9,678**	16,124
Ending cash carried forward		**15,434**	10,986	**13,359**	9,678

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Notes to the financial statements

1. Reporting Entity

The Eastland Energy Community Trust ("the Trust") was incorporated 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 financial statements for the Trust are for Eastland Community Trust as a separate legal entity. The consolidated financial statements for the Group are for the economic entity comprising Eastland Community Trust and its subsidiaries.

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

2. Statement of compliance

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

Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 29 July 2011.

3. Basis of preparation

The financial statements have been prepared on the historical cost basis.

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are detailed in note 5.

4. Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Non-derivative financial instruments

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

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

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset

Notes to the financial statements

4. Significant accounting policies (continued)

(a) Financial instruments continued

to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are no longer recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Instruments at fair value through profit or loss

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

Available-for-sale financial assets

Certain perpetual shares and capital notes and listed equities held by the Group are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 5. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Held-to-maturity investments

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

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

Trade and other receivables

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

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Trade and other payables

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

Notes to the financial statements

4. Significant accounting policies (continued)

(ii) Derivative financial instruments

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

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedges

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income.

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

(b) Property, plant & equipment

(i) Recognition and measurement

Property, plant and equipment are initially stated at cost.

Land and buildings, electricity distribution and electricity generation equipment are subsequently stated at revalued amounts, less any accumulated depreciation and impairment losses. Revaluations are carried out 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 balance sheet date.

Land and buildings revaluations are undertaken by an independent valuer on a cyclical basis not exceeding three years. Electricity distribution and generation asset revaluations are undertaken by an independent valuer on a cyclical basis not exceeding five years. The bases of valuations are discussed in notes 5 and 18.

Any surplus on revaluation is transferred directly to the PPE revaluation reserve in equity, unless it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case it is recognised in the statement of comprehensive income. A decrease in value is recognised in the statement of comprehensive income where it exceeds the amount of the revaluation reserve recognised in equity in prior periods.

Other items of plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised

Notes to the financial statements

4. Significant accounting policies (continued)

(b) Property, plant & equipment (continued)

in 'other income' or 'administrative expenses' in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in the statement of comprehensive income.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in equity. Any loss is recognised directly in the statement of comprehensive income.

(iii) Subsequent costs

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

(iv) Depreciation

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

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

• Buildings	40 – 100 years
• Electricity distribution assets	10 – 60 years
• Electricity generation equipment	15 – 25 years
• Wharves, walls and surfaces	3 – 100 years
• Floating plant	25 years
• Motor vehicles	5 – 10 years
• Helicopters	2 – 25 years
• Other plant & equipment	3 – 20 years

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

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

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for use in either the production or supply of goods or services or for administrative purposes. Investment property

Notes to the financial statements

4. Significant accounting policies (continued)

(c) Investment property (continued)

is measured at fair value with any change therein recognised in the statement of comprehensive income. The basis of valuation is discussed in notes 5 and 19.

Where 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.

Leases (as lessor)

Leases where the Group retains substantially all the risks and benefits of ownership are classified as operating leases. Initial indirect costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

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

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

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

(e) Impairment

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For trade receivables which are not significant on an individual basis,

Notes to the financial statements

4. Significant accounting policies (continued)

(e) Impairment (continued)

collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

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

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

(f) Goods and services tax (GST)

The statement of comprehensive income and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivable and payables which include GST invoiced.

(g) Provisions

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

(h) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Parent and its subsidiaries. Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

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

Notes to the financial statements

4. Significant accounting policies (continued)

(h) Principles of consolidation (continued)

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

All material transactions between subsidiaries or between the parent entity and subsidiaries are eliminated on consolidation.

(i) Foreign currency transactions

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

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

(j) Intangible assets

Patents and trademarks

Patents and trademarks are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Goodwill

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

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

(k) Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(l) Revenue recognition

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

Notes to the financial statements

4. Significant accounting policies (continued)

(l) Revenue recognition (continued)

Customer contributions

Revenue from customer contributions is recognised in the statement of comprehensive income as revenue when the contribution is received from the customer. Non-monetary customer contribution revenue is recognised at cost to the customer.

Sale of goods

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

Sale of services

Sales of services are recognised in the statement of comprehensive income in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Management fees

Revenue from management services is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to costs incurred to date over total expected costs.

Rental income

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Dividend income

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

(m) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in the statement of comprehensive income. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging investments that are recognised in the statement of comprehensive income.

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

This policy represents a change in accounting in this reporting period. The change is not retrospective and no changes have been made to prior periods as a result of the amended accounting policy. In the year to 31 March 2011 $19,705 has been capitalised as a result of this change in accounting policy. The rate of capitalisation used was the effective borrowing rate for the Group of 8.57%.

Notes to the financial statements

4. Significant accounting policies (continued)

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing 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 with respect to 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 a temporary difference 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.

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.

(o) Employee benefits

Short-term benefits

Obligations for short-term employee benefits are measured on an un-discounted basis and are expensed as the related service is provided. This includes wages, salaries, annual leave and sick leave.

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

Termination benefits

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

(p) Operating leases (as lessee)

The Group leases certain property, plant and equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

(q) Investment in subsidiaries

Subsidiaries are recorded in the financial statements at original cost less any impairment losses. Subsidiaries have been consolidated into the Group financial statements in terms of note (h) above.

Notes to the financial statements

4. Significant accounting policies (continued)

(r) Changes in accounting policies

A new policy has been added regarding exploration and evaluation (see policy (d) above) and the borrowing costs policy contained in (m) above has been amended with respect to capitalised interest costs.

5. Determination of fair values

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

Property, plant and equipment

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

Investment property

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

Trade and other receivables and trade and other payables

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

Derivatives

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

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in (d) above. The recoverable amounts of cash-generating units have been determined based on discounted cash flow calculations. These calculations require the use of estimates (see note 20 for further information).

Notes to the financial statements

5. Determination of fair values (continued)

Available-for-sale financial assets

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

6. Revenue

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Electricity line revenue	29,387	28,527	-	-
Customer contributions	1,928	391	-	-
Sales of goods	12,853	13,066	-	-
Services rendered	20,131	16,638	-	-
Energy sales	5,484	1,345	-	-
Property rentals	3,093	1,378	-	-
Other sales	20	-	-	-
	72,896	**61,345**	**-**	**-**

Reclassifications

The Group has reclassified prior year amounts to remain consistent with the current year allocations. The notes below detail the breakdown of the classification for both the parent and the group.

	GROUP		PARENT	
	Reclassified 2010	**Prior year financials**	**Reclassified 2010**	**Prior year financials**
Revenue				
Sales of Goods	13,066	23,783	-	-
Services rendered	16,638	5,921	-	-

7. Other income

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Gain on disposal of fixed assets	-	86	-	-
Change in fair value of investment property	-	371	-	-
Impairment losses recovered	20	161	-	-
Other income	264	13	10	-
	284	**631**	**10**	**-**

Notes to the financial statements

8. Administration expenses includes

	GROUP		PARENT	
	2011	2010	2011	2010
Auditor's remuneration (for the audit of the financial statements)	325	268	35	31
Auditor's remuneration (other audit-related services)	30	25	-	-
Impairment losses/bad debt write-offs on trade receivables	187	23	-	-
Impairment losses on intangible assets	40	250	-	-
Impairment losses on investment in subsidiaries	-	-	13	19
Investment property direct operating expenditure	345	298	-	-
Depreciation	8,496	7,337	3	2
Amortisation of intangibles	1	-	-	-
Loss on sale of property, plant & equipment	177	238	-	-
Loss on sale of investments	-	94	-	94
Change in fair value of investment property	112	20	-	-
Impairment allowance reversals	45	-	-	-

9. Employee entitlements

	GROUP		PARENT	
	2011	2010	2011	2010
Expense recognised in income statement				
Wages & salaries	9,276	5,794	133	10
Contributions to defined contribution plans	129	86	-	-
	9,405	5,880	133	10
Accruals				
Liability for annual leave	675	675	7	-
Liability for other short-term benefits	534	490	-	-
Liability for post-employment benefits	101	97	-	-
	1,310	1,262	7	-

10. Financial income

	GROUP		PARENT	
	2011	2010	2011	2010
Interest income on cash and cash equivalents	674	1,728	522	3,424
Interest income on investments	833	-	3,413	-
Dividends received	229	182	4,429	4,182
Gain on sale of investments	46	-	46	-
Net foreign exchange gain	-	663	-	-
Fair value gains on derivative instruments	67	39	-	-
	1,849	2,612	8,410	7,606

Notes to the financial statements

11. Financial expenses

	GROUP		PARENT	
	2011	2010	2011	2010
Interest expense on financial liabilities	8,686	6,171	-	-
Net foreign exchange loss	151	9	-	2
	8,837	6,180	-	2

12. Income tax

	GROUP		PARENT	
	2011	2010	2011	2010
Current tax expense				
Current period	3,348	2,608	1,147	661
Adjustment for prior periods	(559)	(338)	(354)	-
	2,789	2,270	793	661
Deferred tax expense				
Temporary differences for the year	1,780	370	-	-
Adjustment for prior periods	227	361	-	-
Reduction in tax rate	(399)	-	-	-
	1608	731	-	-
Income tax expense	**4,397**	**3,001**	**793**	**661**

A reconciliation of income tax expense applicable to accounting profit (before income tax) at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 March 2011 and 2010 is as follows:

	GROUP			
	2011		2010	
	%	$'000	%	$'000
Accounting profit before tax		14,675		10,841
Taxation at the statutory tax rate	40.08%	5,882	30.80%	3,339
Previous years' taxation adjustments		(559)		26
Fair value revaluation of fixed assets/investments		(16)		-
Non-deductible expenses		151		167
Tax exempt income		(1,624)		(412)
Land revaluation through profit & loss		-		(125)
Adjustments in respect of changes to building depreciation deductions		965		-
Change of company income tax rate to 28%		(400)		-
Subsidiary losses not recognised for tax purposes		(2)		6
Income tax expense		**4,397**		**3,001**

Notes to the financial statements

12. Income tax (continued)

	PARENT			
	2011		2010	
	%	$'000	%	$'000
Accounting profit before tax		7,299		6,926
Taxation at the statutory tax rate	33.00%	2,409	32.99%	2,285
Previous years' taxation adjustments		(354)		-
Non-deductible expenses		10		7
Tax exempt income		(1,272)		(1,631)
Income tax expense		793		661

The Statutory Tax Rate shown as 40.0% is the result of amounts eliminated before Tax is calculated. The Company tax rate is 30% and the Trust tax rate is 33%.

13. Cash and cash equivalents

	GROUP		PARENT	
	2011	2010	2011	2010
Bank account balances	3,170	173	2,546	-
Petty cash	3	-	-	-
Call deposits	12,261	10,813	10,813	9,678
Closing balance	**15,434**	**10,986**	**13,359**	**9,678**

The Group earns interest at floating rates based on daily bank deposit rates.

The effective interest rates on call deposits were as follows:

- NZD denominated 2.50% - 3.00% (2010: 2.00% - 3.00%)

- USD denominated 0.00% (2010: 0.0%)

Notes to the financial statements

14. Trade and other receivables

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Trade receivables	6,678	3,105	-	-
Related party receivables	-	-	-	-
Customer deposits	103	1,195	-	-
Sundry receivables	2,472	6,580	369	664
Closing balance	**9,253**	**10,880**	**369**	**664**
Trade receivables are stated net of impairment losses of:	75	192	-	-
Trade receivables generally have terms of 30 days and are interest free.				
No impairment losses have been recognised on related party receivables (2010: $Nil)				
Impairment loss allowance account				
Opening balance	-	210	-	-
Impairment loss recognised	75	-	-	-
Impairment losses reversed	-	(18)	-	-
Closing balance	**75**	**192**	**-**	**-**

15. Inventories

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Consumables	5	7	-	-
Work in progress	4,385	1,218	-	-
Finished goods	2,614	7,183	-	-
Closing balance	**7,004**	**8,408**	**-**	**-**

16. Property held for resale

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Investment property held for sale	1,789	1,789	-	-
Operational land & buildings held for sale	3,441	3,436	-	-
Closing balance	**5,230**	**5,225**	**-**	**-**

Eastland Port Limited is party to an agreement for sale and purchase dated 16 September 2002 between Port Gisborne Limited and the Gisborne District Council which provides for the transfer of certain lands between Eastland Port Limited and the Gisborne District Council following completion of a new port access road. Under the terms of this agreement the Gisborne District Council would receive the land on which the new road is constructed, plus areas of reserve and car park, and in return Eastland Port Limited will receive stopped road and other land at Dunstan Road. The final transaction has been agreed to, all that remains is for the final subdivision to take place and final settlement to be completed. This is expected to take place in the 2012 year. The investment property above was revalued to fair value at 31 March 2011 and the operational land and buildings were last revalued as part of the last cycle and are believed to represent fair value.

Notes to the financial statements

17. Derivatives

	GROUP		PARENT	
	2011	2010	2011	2010
Current assets:				
Derivatives held for cash flow hedging	-	359	-	-
Non-current assets:				
Derivatives held for cash flow hedging	473	-	-	-
Current liabilities:				
Derivatives held for cash flow hedging	192	4,099	-	-
Non-current liabilities:				
Derivatives held for cash flow hedging	5,398	-	-	-

The Group enters into interest rate swaps, collars and caps to hedge its exposure to changes in the floating interest rates on loans. The Group has elected to apply cash-flow hedging to 18 interest rate swaps, collars and caps (2010: 15) on external loans totalling $155 million (2010: $107.5 million) in compliance with NZ IAS 39 ($90 million of these have start dates ranging from 30/07/2011 to 30/06/2016).

The terms of the interest rate swaps, collars and caps are between 24 and 69 months (2010: 12 and 60 months) and swap interest on a floating rate for fixed interest of between 4.17% and 8.07% (2010: 5.2% and 7.97%). The interest rate swaps, collars and caps pay out on a quarterly basis. The last cash-flow hedge swaps mature on 30 June 2020.

The interest rate swaps that have been designated as cash flow hedges affect the statement of comprehensive income at the same time as the underlying interest expense is recognised on the related borrowings (see note 24). Any ineffective portion of cash flow hedges is removed from equity and recognised immediately in the statement of comprehensive income. In 2011 this amounted to $Nil (2010: $Nil). The hedge relationships are expected to be highly effective over the life of the swaps.

The Group's exposure to interest rate risks related to derivatives is disclosed in note 28.

Notes to the financial statements

18. Property, plant and equipment

	GROUP				
	Land & Buildings $'000	Electricity Generation & Distribution $'000	Wharves, Walls & Surfaces $'000	Other Plant & Equipment $'000	Total $'000
Balance at 1 April 2009 **(net of accumulated depreciation)**	35,272	142,513	13,432	8,178	199,395
Prior period adjustments	(3)	-	(15)	-	(18)
Additions from business combinations	-	-	-	23,854	23,854
Additions	808	4,944	1,129	3,169	10,050
Disposals	(366)	(1,060)	(13)	(606)	(2,045)
Revaluations	2,476	2,800	-	-	5,276
Transfer to property held for sale	(340)	-	-	-	(340)
Transfer to investment property	-	-	-	(34)	(34)
Depreciation charge for year	(482)	(4,720)	(932)	(1,202)	(7,336)
Balance at 31 March 2010 (net of accumulated depreciation)	**37,365**	**144,477**	**13,601**	**33,359**	**228,802**
Summary at 31 March 2010					
Cost or fair value	39,388	168,857	18,443	39,102	265,790
Accumulated depreciation and impairment	(2,023)	(24,380)	(4,842)	(5,743)	(36,988)
Balance at 31 March 2010 (net of accumulated depreciation)	**37,365**	**144,477**	**13,601**	**33,359**	**228,802**
Balance at 1 April 2010 **(net of accumulated depreciation)**	37,365	144,477	13,601	33,359	228,802
Additions	1,918	6,833	1,943	3,168	13,862
Disposals	(771)	(914)	-	(80)	(1,765)
Revaluations	-	-	48,865	495	49,360
Transfer from property held for sale	850	-	-	-	850
Transfer to investment property	(36)	-	-	-	(36)
Depreciation charge for year	(504)	(4,789)	(1,004)	(2,199)	(8,496)
Balance at 31 March 2011 (net of accumulated depreciation)	**38,822**	**145,607**	**63,405**	**34,743**	**282,577**
Summary at 31 March 2011					
Cost or fair value	39,776	156,641	65,298	41,717	303,432
Accumulated depreciation and impairment	(954)	(11,034)	(1,893)	(6,974)	(20,855)
Balance at 31 March 2011	**38,822**	**145,607**	**63,405**	**34,743**	**282,577**

Notes to the financial statements

18. Property, plant and equipment (continued)

	PARENT				
	Land & Buildings $'000	Electricity Generation & Distribution $'000	Wharves, Walls & Surfaces $'000	Other Plant & Equipment $'000	Total $'000
Balance at 1 April 2009 (net of accumulated depreciation)	-	-	-	8	8
Additions	-	-	-	3	3
Disposals	-	-	-	(1)	(1)
Depreciation	-	-	-	(1)	(1)
Balance at 31 March 2010 (net of accumulated depreciation)	**-**	**-**	**-**	**9**	**9**
Summary at 31 March 2010					
Cost or fair value	-	-	-	26	26
Accumulated depreciation and impairment	-	-	-	(17)	(17)
Balance at 31 March 2010	**-**	**-**	**-**	**9**	**9**
Balance at 1 April 2010 (net of accumulated depreciation)	-	-	-	9	9
Additions	-	-	-	7	7
Disposals	-	-	-	-	-
Depreciation	-			(3)	(3)
Balance at 31 March 2011 (net of accumulated depreciation)	**-**	**-**	**-**	**13**	**13**
Summary at 31 March 2011					
Cost or fair value	-	-	-	33	33
Accumulated depreciation and impairment	-	-	-	(20)	(20)
Balance at 31 March 2011	**-**	**-**	**-**	**13**	**13**

Notes to the financial statements

18. Property, plant & equipment (continued)

Port operation holdings of land & buildings were last revalued on 31 March 2009 (total fair value of $29.35 million) by independent valuers, Logan Property. The method of valuation was depreciated replacement cost calculated by using current market data and current building costs adjusted by an appropriate multiple based on the type of asset being valued. All port operation valuations of land & buildings were carried out by Logan Property.

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

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

Electricity generation assets were last revalued on 31 March 2007 by independent valuers KPMG Corporate Finance (total fair value $12.129 million). The method of valuation was the discounted cash flow methodology. Where possible fair values were determined by reference to observable prices in an active market. All valuations of electricity distribution and generation assets were carried out by KPMG Corporate Finance.

Port wharves, walls and surfaces and some other plant and equipment were revalued on 31 March 2011 (total fair value $63.134 million) by independent valuers Opus International Consultants Limited. The method of valuation was depreciated replacement cost which is supported by a discounted cashflow valuation prepared using the following assumptions:

- Revenues are based on management's best estimate of cargo volumes (predominantly logs) over the years to 2030 with these estimates supported in the case of log exports by external reports and customer forecasts of likely log volumes;
- Port charges for all cargos (excluding logs) grow at 3% per annum;
- Port charges for all log cargos increase by 3.75% from 2021 when planned capital growth projects are expected to be complete;
- Operating costs are based on current operating cost to volume ratios plus inflation of 3% per annum;
- Capital expenditure includes both maintenance and growth capital expenditure;
- A corporate tax rate of 28% is assumed;
- The post-tax discount rate of 10.19% is per the recently completed independent report on the weighted average cost of capital (WACC) for Eastland Port as prepared by PricewaterhouseCoopers;
- The terminal value is based on free cashflow at 2030 with the valuation tested at terminal value growth rates of 1.5 – 3.5%.

Notes to the financial statements

18. Property, plant & equipment (continued)

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

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Land and buildings	12,625	8,273	-	-
Electricity distribution assets	97,535	87,447	-	-
Electricity generation assets	-	2,792	-	-
Wharves, walls and surfaces	8,335	13,041	-	-
	118,495	111,553	-	-

19. Investment properties

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Opening balance	17,127	16,255	-	-
Additions (subsequent expenditure)	815	488	-	-
Disposals	(12)	-	-	-
Transfer to property held for sale	-	(15)	-	-
Transfer from / (to) property, plant & equipment	(850)	36	-	-
Prior year correction	-	2	-	-
Fair value adjustment	(112)	361	-	-
Closing balance	**16,968**	**17,127**	**-**	**-**

Investment properties are stated at fair value and are valued annually by an independent valuer, Roger Kelly ANZIV SNZPI of the firm Valuation and Property Services.

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

There is currently a capital commitment to purchase a parcel of land in April 2011, please refer to the capital commitments note.

Notes to the financial statements

20. Intangible assets

	GROUP			
	Goodwill $'000	Computer Software $'000	Patents & Trademarks $'000	Total $'000
Cost or fair value				
Balance at 1 April 2009	3,200	-	-	3,200
Additions	-	-	-	-
Acquisitions through business combinations	17,937	-	-	17,937
Balance at 1 April 2010	**21,137**	**-**	**-**	**21,137**
Additions	815	-	-	815
Acquisitions through business combinations	-	-	-	-
Balance at 31 March 2011	**21,952**	**-**	**-**	**21,952**
Accumulated amortisation & impairment				
Balance at 1 April 2009	**342**	**-**	**-**	**342**
Net charge for 2010	250	-	-	250
Balance at 1 April 2010	**592**	**-**	**-**	**592**
Net charge for 2011	40	-	-	40
Balance at 31 March 2011	**632**	**-**	**-**	**632**
Net Book Value:				
As at 31 March 2010	20,545	-	-	20,545
As at 31 March 2011	21,320	-	-	21,320

Amortisation and impairment charge

Impairment losses are recognised in administrative expenses in the statement of comprehensive income. The amortisation of the Airport Obstruction Survey is over a five year period. As the development rights were acquired part way through the financial year and the Geothermal Generation project to which they relate has not yet reached the effective date as set out in the development agreement, amortisation of this asset has not yet commenced. Amortisation will commence upon the effective date, and is expected to result in the amortisation of this development right over a period of up to five years.

Impairment testing for cash-generating units containing goodwill

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

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

Notes to the financial statements

20. Intangible assets (continued)

	GROUP		PARENT	
	2011	2010	2011	2010
Skysales Aviation (NZ) Limited	1,859	1,858	-	-
Weighbridge NZ	500	500	-	-
Inner Harbour Marina Limited	210	250	-	-
Geothermal Developments Limited	17,937	17,937	-	-
	20,506	20,545	-	-

Skysales Aviation (NZ) Limited

In accordance with NZ IAS 36, the goodwill of the Skysales Aviation (NZ) acquisition has been tested for impairment. Three alternate scenarios were run based on projected cashflows and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years. In calculating the NPV under the three alternate scenarios management used discount rates of 14.75%, 15.75% and 16.75% with inflation assumed at 3% per annum. This analysis produced NPVs of between $3.292m and $3.885m therefore showing that under all scenarios the goodwill is not impaired.

Geothermal Developments Limited

In accordance with NZ IAS 36, the goodwill of the Geothermal Developments acquisition has been tested for impairment. The valuation model used in the purchase was updated to reflect management's latest estimates. The base case assumption for electricity revenue growth is the current off take price plus inflation at 3% through to 2036. Operating costs are based on actual costs for the year ended 31 March 2011 plus inflation at 2.5% per annum. The terminal value has been calculated as the year 25 cashflow at the year 25 discount factor. The model uses a 25 year period as this is considered to represent the remaining useful life of this asset. A discounted cashflow valuation of $46.2m applying a post-tax WACC of 8.94% compares with an acquisition cost of $40.4m confirming that goodwill is not impaired.

Port Weighbridge

In accordance with NZ IAS 36 the goodwill of the Weighbridge acquisition has been tested for impairment. Three alternate scenarios were run based on January 2011 year to date cash flows and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next 5 years. In calculating the NPV under the three alternative scenarios management used a per truck charge rate of $7.50, and $7.50 + 1.5% annual increases, discount rates of 15.14% and 16.14% with inflation assumed at 2.5% per annum. This analysis produced NPVs of between $2.1 million and $3.2 million, clearly in excess of the goodwill of $0.5 million confirming that the goodwill in relation to the weighbridge acquisition is not impaired.

Inner Harbour Marina Limited

In accordance with NZ IAS 36 the goodwill of the Inner Harbour Marina Limited (IHML) has been tested for impairment. Three scenarios were run based on cash flow forecasts of management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next 5 years. Discount rates of 10.63%, 11.63% and 12.63% were used with inflation assumed at 2.5% per annum. This analysis produced NPVs of between $168,940 and $210,500. Scenario one (10.63%) best represents the NPV of IHML, therefore impairing goodwill by approximately $39k. The Eastland Port Limited WACC of 11.63% is considered slightly high for IHML as a commercial property operator therefore the lower of the WACCs has been accepted.

Due to the current trading conditions experienced by this business it has been considered prudent to provide for further goodwill impairment of $39,000 as above, as per the discounted cashflow testing of goodwill for this business.

Notes to the financial statements

21. Investment in subsidiaries

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

Name of entity	Principal activity	Interest held by Group		Location
		2011	2010	
Eastland Infrastructure Limited *	Management, aviation	100%	100%	New Zealand
Eastland Network Limited	Electricity distribution	100%	100%	New Zealand
Eastland Port Limited	Port operation, logistics	100%	100%	New Zealand
Flightline Aviation Limited	Aviation sales	100%	100%	New Zealand
Skysales (NZ) Limited	Aviation sales	100%	100%	New Zealand
Eastech Limited	Helicopter services	100%	100%	New Zealand
Eastland Development Fund Limited	Holding company	100%	100%	New Zealand
Eastland Generation Limited	Electricity generation	100%	100%	New Zealand
Geothermal Developments Limited	Electricity generation	100%	100%	New Zealand
Eastland Port Debarking Limited	Log debarking services	100%	100%	New Zealand
Eastland Debarking Limited	Bare trustee - non trading	50%	50%	New Zealand
Inner Harbour Marina Limited	Marina berths	100%	100%	New Zealand
Eastland Investment Properties Limited	Property	100%	0%	New Zealand
Te Ahi O Maui General Partnership Limited	Electricity distribution	100%	0%	New Zealand
Te Ahi O Maui Limited Partnership	Electricity distribution	80%	0%	New Zealand

* Name changed to Gisborne Airport Limited on 28 February 2011

The parent's investment in subsidiaries comprises shares at cost.

22. Other investments

	GROUP		PARENT	
	2011	2010	2011	2010
Capital notes (related parties)	-	-	30,000	30,000
Fixed interest financial instruments	10,081	10,816	10,081	10,816
Listed equities	7,040	5,191	7,040	5,191
	17,121	16,007	47,121	46,007

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

Notes to the financial statements

23. Trade and other payables

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Trade payables	3,314	1,811	70	76
Related party advances	-	-	-	-
Interest payable	883	732	-	-
GST payable	134	697	-	-
Non-trade payables and accrued expenses	3,181	5,271	-	725
Closing balance	**7,512**	**8,511**	**70**	**801**

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

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 28.

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Non Current borrowings				
Bank loans	97,400	99,100	-	-
Related-party borrowings	-	-	-	-
Deferred settlement on acquisition of subsidiary	-	-	-	-
Finance lease liabilities (see note 26)	**-**	**-**	**-**	**-**
Closing balance	**97,400**	**99,100**	**-**	**-**

Terms and conditions of outstanding loans were as follows:

Bank loans	Currency	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			2011	**2011**	**2010**	**2010**
			$'000	**$'000**	**$'000**	**$'000**
BNZ A	NZD	4.41%	14,100	14,100	-	-
BNZ B	NZD	4.03%	16,700	16,700	-	-
BNZ C	NZD	3.82%	16,600	16,600	-	-
BNZ	NZD	3.81%	-	-	33,400	33,400
Westpac Banking Corporation	NZD	3.81%	-	-	25,000	25,000
ANZ	NZD	4.53%	50,000	50,000	40,700	40,700
			97,400	**97,400**	**99,100**	**99,100**

Notes to the financial statements

24. Loans and borrowings (continued)

Eastland Group Limited has arranged bank funding from ANZ Bank and the Bank of New Zealand on behalf of the Eastland Group Companies. At 31 March 2011 there were total bank facilities of NZD 125.00 million including a USD facility equivalent to NZD 3.0 million, which are unsecured and subject to a Deed of Negative Pledge. The borrowings are all in the name of Eastland Group Limited.

The borrowings are rolled over at 90 day intervals spread throughout the year. The interest rate on the borrowings is the BKBM rate at the rollover date plus a margin of 1.15 to 1.40% (2010: 1.00% to 1.40%). As at 31 March 2011 the rates on the borrowings ranged from 3.81% to 4.68% (2010: 3.76% to 4.3%).

Facilities as at 31 March 2011 with the ANZ Bank and the Bank of New Zealand had expiry dates of 4 May 2012, 6 May 2012 and 1 April 2013.

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

25. Deferred tax assets and liabilities

	ASSETS		LIABILITIES		NET LIABILITY	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant & equipment	47	-	41,384	27,546	41,337	27,546
Investment property	70	204	-	213	(70)	9
Derivatives	605	1,122	-	-	(605)	(1,122)
Provisions	378	359	-	-	(378)	(359)
Other items	43	55	-	-	(43)	(55)
	1,143	**1,740**	**41,384**	**27,759**	**40,241**	**26,019**

Deferred tax movement for the year

	GROUP		PARENT	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Through equity				
Property, plant & equipment	12,100	536	-	-
Cash flow hedge derivatives	645	563	-	-
On subsidiary acquisition	(131)	1,034	-	-
Prior period adjustment	-	(276)	-	-
	12,614	**1,857**	**-**	**-**
Through profit or loss				
Property, plant & equipment	2,026	451	-	-
Investment property	-	238	-	-
Provisions	(149)	(64)	-	-
Derivatives	20	-	-	-
Accounts receivable	(47)	6	-	-
Prior periods	227	36	-	-
Other	(469)	(174)	-	-
	1,608	**493**	**-**	**-**
Total deferred tax movement for the year	**14,222**	**2,350**	**-**	**-**

Notes to the financial statements

Group Deferred Tax Net Liability

The $40.241 million net deferred tax liability includes $41.337 million that relates to accounting depreciation on property, plant and equipment revaluations, with the remaining differences between accounting and tax depreciation rates. As the electricity network and port assets are held for the long term, this liability is unlikely to be crystallised.

26. Leases

Operating leases

Leases as lessee

Operating leases are in place for some premises, furniture and vehicles. The future minimum lease payments under non-cancellable leases are as follows:

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Less than one year	443	190	11	-
Between one and five years	1,674	432	18	-
More than five years	3,501	2,230	-	-
	5,618	**2,852**	**29**	**-**

Operating lease payments of $475,419 were made during the current financial year.

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

Leases as lessor

The Group leases out its investment properties held and some other land and buildings under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
Less than one year	2,987	2,792	-	-
Between one and five years	3,097	3,019	-	-
More than five years	1,014	2,118	-	-
	7,098	**7,929**	**-**	**-**

Notes to the financial statements

27. Reconciliation of net profit to cash flows from operating activities

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Profit for the year	10,278	7,840	6,506	6,265
Adjustments for:				
Depreciation and impairment losses on PPE	8,496	7,337	3	-
Change in the fair value of investment property	112	(319)	-	-
Change in the fair value of derivatives	(67)	(36)	-	-
Non-cash taxation charges	1,625	807	-	-
Impairment of accounts receivable	187	-	-	-
Impairment of inventory	113	-	-	-
Customer contributions	(1,928)	(196)	-	-
Impairment loss on investment in subsidiary	-	-	13	20
Impairment of intangible assets	40	250	-	-
Movement in non-current income in advance	(53)	(51)	-	-
Loss on sale of investments & PPE	177	246	-	94
Total adjustments	**8,702**	**8,038**	**16**	**114**
Movements in working capital:				
(Increase)/decrease in taxation receivable	(1,089)	390	(213)	(273)
(Increase)/decrease in trade and other receivables	1,627	565	294	(181)
(Increase)/decrease in inventories	1,404	6,013	-	-
(Increase)/decrease in derivatives	(3,548)	(604)	-	-
(Increase)/decrease in property held for resale	(5)	-	-	-
Increase/(decrease) in trade and other payables	(999)	(3,331)	(731)	266
Increase/(decrease) in employee entitlements	48	(62)	7	-
Increase/(decrease) in income in advance	167	(26)	-	-
Total movements in working capital:	**(2,395)**	**2,945**	**(643)**	**(188)**
Movements in working capital not related to operating cash flows:				
Decrease/(increase) in grants included in payables	725	(225)	725	(225)
(Increase)/decrease in derivatives applicable to direct equity changes	3,548	604	-	-
Net movement in working capital attributable to operating cash flows:	1,878	3,324	82	(413)
Net cash inflow from operating activities	**20,858**	**19,202**	**6,604**	**5,966**

Notes to the financial statements

28. Financial risk management and financial instruments

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

- Credit risk;
- Liquidity risk;
- Market risk.

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

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

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

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

The Group holds the following financial instruments:

	GROUP		PARENT	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	15,434	10,986	13,359	9,678
Loans and receivables				
- Trade and other receivables	9,253	10,880	369	664
- Taxation receivable	1,073	1,147	605	392
Derivative instruments (interest rate swaps)				
- Held as cash flow hedges	473	359	-	-
Investments				
- Designated as available for sale	7,637	5,781	7,637	5,781
- At amortised cost	9,484	10,226	9,484	10,226
- Capital notes	-	-	30,000	30,000
Total financial assets	**43,354**	**39,379**	**61,454**	**56,741**
Financial liabilities				
Non derivative liabilities at amortised cost				
- Trade and other payables	7,512	8,511	70	801
- Borrowings	97,400	99,100	-	-
- Taxation payable	-	1,163	-	-
- Income in advance	1,041	927	-	-
- Employee entitlements	1,310	1,262	7	-
Derivative instruments (interest rate swaps)				
- At fair value through profit and loss	-	4,099	-	-
- Held as cash flow hedges	5,590	-	-	-
Total financial liabilities	**112,853**	**115,062**	**77**	**801**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Credit risk

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

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

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

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

The Group recognises impairment losses on trade and other receivables that are believed to be irrecoverable. Specific impairment losses are made for individually significant exposures that are known at year end. The impairment loss allowance at 31 March 2011 was $76,000 (2010: $192,000). Actual bad debts written off in the statement of comprehensive income were $187,000 (2010: $23,000). A collective impairment loss component is established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Trade and other receivables are analysed in note 14.

Liquidity risk

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

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

Market risk

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

Cash flow interest rate risk

The Group's main interest exposure arises on external borrowings (see note 24). All borrowings are at variable interest rates which expose the Group to cash flow interest rate risk. The Group adopts a policy of ensuring that a portion of its exposure to changes in interest rates on borrowings is on a fixed basis. This is achieved by entering into interest rate swaps, caps and collars. For further details on interest rate swaps refer to note 17.

The Group is exposed to interest rate risks on that portion of external loans not swapped to fixed rates, gains or losses arising from the differences between variable rates on the swap instruments in place, and interest payable on the loans. At balance date, an increase of 100 basis points on borrowings (2010: 100 basis points) would result in a decrease in profit before tax of $324,000 (2010: $991,000). A decrease of 100 basis points on borrowings (2010: 100 basis points) would result in an increase in profit before tax of $324,000 (2010: $991,000)

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Foreign exchange risk

The Group is exposed to foreign currency exchange risk primarily against the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Group management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency.

Price risk

The Group is exposed to price risk on bank facilities when they mature. The price for new bank facilities is determined when they are refinanced and reflects market pricing at that time.

Capital management

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

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

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

Classifications and fair values

The classifications of all financial assets and liabilities is as detailed below. The carrying value of all financial assets and liabilities reflects their fair value. The methods used in determining the fair values of financial instruments are discussed in note 5.

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

	GROUP					
	Available for sale investments	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets/ liabilities at amortised cost/fair value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 March 2011						
Assets						
Derivatives (interest rate swaps)	-	-	473	-	-	473
Trade and other receivables	-	-	-	9,253	-	9,253
Available for sale investments	7,637	-	-	-	-	7,637
Investments at amortised cost	-	-	-	-	9,484	9,484
Taxation receivable	-	-	-	-	1,073	1,073
Cash & cash equivalents	-	15,434	-	-	-	15,434
Total assets	**7,637**	**15,434**	**473**	**9,253**	**10,557**	**43,354**
Liabilities						
Derivatives (interest rate swaps)	-	-	5,590	-	-	5,590
Borrowings	-	-	-	97,400	-	97,400
Income in advance	-	-	-	-	1,041	1,041
Employee entitlements	-	-	-	-	1,310	1,310
Trade and other payables	-	-	-	-	7,512	7,512
Total liabilities	**-**	**-**	**5,590**	**97,400**	**9,863**	**112,853**
As at 31 March 2010						
Assets						
Derivatives (interest rate swaps)	-	-	359	-	-	359
Trade and other receivables	-	-	-	10,880	-	10,880
Available for sale investments	5,781	-	-	-	-	5,781
Investments at amortised cost	-	-	-	-	10,226	10,226
Taxation receivable	-	-	-	-	1,147	1,147
Cash & cash equivalents	-	10,986	-	-	-	10,986
Total assets	**5,781**	**10,986**	**359**	**10,880**	**11,373**	**39,379**
Liabilities						
Derivatives (interest rate swaps)	-	-	4,099	-	-	4,099
Borrowings	-	-	-	-	99,100	99,100
Taxation payable	-	-	-	-	1,163	1,163
Income in advance	-	-	-	-	927	927
Employee entitlements	-	-	-	-	1,262	1,262
Trade and other payables	-	-	-	8,511	-	8,511
Total liabilities	**-**	**-**	**4,099**	**8,511**	**102,452**	**115,062**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

	PARENT					
	Available for sale investments	Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Other assets/ liabilities at amortised cost/fair value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 March 2011						
Assets						
Trade and other receivables	-	-	-	369	-	369
Available for sale investments	7,637	-	-	-	-	7,637
Investments at amortised cost	-	-	-	-	39,484	39,484
Taxation receivable	-	-	-	-	605	605
Cash & cash equivalents	-	13,359	-	-	-	13,359
Total assets	**7,637**	**13,359**	**-**	**369**	**40,089**	**61,454**
Liabilities						
Employee entitlements	-	-	-	-	7	7
Trade and other payables	-	-	-	-	70	70
Total liabilities	**-**	**-**	**-**	**-**	**77**	**77**
As at 31 March 2010						
Assets						
Trade and other receivables	-	-	-	664	-	664
Available for sale investments	5,781	-	-	-	-	5,781
Investments at amortised cost	-	-	-	-	40,226	40,226
Taxation receivable	-	-	-	-	392	392
Cash & cash equivalents	-	9,678	-	-	-	9,678
Total assets	**5,781**	**9,678**	**-**	**664**	**40,618**	**56,741**
Liabilities						
Trade and other payables	-	-	-	-	801	801
Total liabilities	**-**	**-**	**-**	**-**	**801**	**801**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Age analysis of financial assets

	GROUP					
	Current	60 days	90 days	180 days	> 1year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 March 2011						
Past due but not impaired						
Trade and other receivables						
- Trade receivables	3,160	401	225	406	-	4,192
- Other receivables	-	-	-	-	-	-
Total past due but not impaired	**3,160**	**401**	**225**	**406**	**-**	**4,192**
Impaired						
Trade and other receivables						
- Trade receivables	-	-	-	76	-	76
- Other receivables	-	-	-	-	-	-
Total impaired	**-**	**-**	**-**	**76**	**-**	**76**
As at 31 March 2010						
Past due but not impaired						
Trade and other receivables						
- Trade receivables	6,728	526	314	-	-	7,568
- Other receivables	-	-	-	-	-	-
Total past due but not impaired	**6,728**	**526**	**314**	**-**	**-**	**7,568**
Impaired						
Trade and other receivables						
- Trade receivables	-	-	37	-	-	37
- Other receivables	-	-	-	-	-	-
Total impaired	**-**	**-**	**37**	**-**	**-**	**37**

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

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Maturity analysis

	GROUP					
	< 6 months	6-12 months	1-3 years	3-5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 March 2011						
Assets						
Derivatives (interest rate swaps)	-	-	-	-	473	473
Trade and other receivables	9,253	-	-	-	-	9,253
Available for sale investments	-	-	-	-	7,637	7,637
Investments at amortised cost	1,290	-	3,583	4,111	500	9,484
Taxation receivable	1,073	-	-	-	-	1,073
Cash & cash equivalents	15,434	-	-	-	-	15,434
Total assets	**27,050**	**-**	**3,583**	**4,111**	**8,610**	**43,354**
Liabilities						
Derivatives (interest rate swaps)	192	-	1,925	3,406	67	5,590
Trade and other payables	7,512	-	-	-	-	7,512
Taxation payable	-	-	-	-	-	-
Income in advance	319	-	722	-	-	1,041
Employee entitlements	1,310	-	-	-	-	1,310
Bank & other borrowings	-	-	97,400	-	-	97,400
Total liabilities	**9,333**	**-**	**100,047**	**3,406**	**67**	**112,853**
As at 31 March 2010						
Assets						
Derivatives (interest rate swaps)	-	-	-	7	352	359
Trade and other receivables	10,880	-	-	-	-	10,880
Available for sale investments	-	-	-	-	5,781	5,781
Investments at amortised cost	659	97	2,872	6,098	500	10,226
Taxation receivable	1,147	-	-	-	-	1,147
Cash & cash equivalents	10,986	-	-	-	-	10,986
Total assets	**23,672**	**97**	**2,872**	**6,105**	**6,633**	**39,379**
Liabilities						
Derivatives (interest rate swaps)	215	-	1,644	2,240	-	4,099
Trade and other payables	8,511	-	-	-	-	8,511
Taxation payable	445	718	-	-	-	1,163
Income in advance	175	23	138	109	482	927
Employee entitlements	1,262	-	-	-	-	1,262
Bank & other borrowings	-	-	99,100	-	-	99,100
Total liabilities	**10,608**	**741**	**100,882**	**2,349**	**482**	**115,062**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Maturity analysis

	PARENT					
	< 6 months	6-12 months	1-3 years	3-5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 March 2011						
Assets						
Trade and other receivables	369	-	-	-	-	369
Available for sale investments	-	-	-	-	7,637	7,637
Investments at amortised cost	1,290	-	3,583	4,111	500	9,484
Capital Notes	-	-	-	30,000	-	30,000
Taxation receivable	605	-	-	-	-	605
Cash & cash equivalents	13,359	-	-	-	-	13,359
Total assets	15,623	-	3,583	34,111	8,137	61,454
Liabilities						
Employee entitlements	7	-	-	-	-	7
Trade and other payables	70	-	-	-	-	70
Total liabilities	**77**	**-**	**-**	**-**	**-**	**77**
As at 31 March 2010						
Assets						
Trade and other receivables	664	-	-	-	-	664
Available for sale investments	-	-	-	-	5,781	5,781
Investments at amortised cost	659	97	2,872	6,098	500	10,226
Capital Notes	-	-	-	30,000	-	30,000
Taxation receivable	392	-	-	-	-	392
Cash & cash equivalents	9,678	-	-	-	-	9,678
Total assets	**11,393**	**97**	**2,872**	**36,098**	**6,281**	**56,741**
Liabilities						
Trade and other payables	801	-	-	-	-	801
Total liabilities	**801**	**-**	**-**	**-**	**-**	**801**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Fair value measurements recognised in the statement of financial position

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

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

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

Level 3: Fair value measurements are those derived from inputs for assets or liabilities that are not based on observable market data (that is, observable inputs).

Fair value measurement hierarchy

	GROUP			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 March 2011				
Assets				
Derivatives (interest rate swaps)	-	473	-	473
Available for sale investments	7,637	-	-	7,637
Total assets	**7,637**	**473**	**-**	**8,110**
Liabilities				
Derivatives (interest rate swaps)	-	5,590	-	5,590
Total liabilities	**-**	**5,590**	**-**	**5,590**
As at 31 March 2010				
Assets				
Derivatives (interest rate swaps)	-	359	-	359
Available for sale investments	5,781	-	-	5,781
Total assets	**5,781**	**359**	**-**	**6,140**
Liabilities				
Derivatives (interest rate swaps)	-	4,099	-	4,099
Total liabilities	**-**	**4,099**	**-**	**4,099**

Notes to the financial statements

28. Financial risk management and financial instruments (continued)

Fair value measurement hierarchy

	PARENT			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
As at 31 March 2011				
Assets				
Available for sale investments	7,637	-	-	7,637
Total assets	**7,637**	**-**	**-**	**7,637**
Liabilities				
Nil	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**
As at 31 March 2010				
Assets				
Available for sale investments	5,781	-	-	5,781
Total assets	**5,781**	**-**	**-**	**5,781**
Liabilities				
Nil	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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

29. Contingent liabilities

The Group has the following contingent liabilities at balance date:

Port operations

Eastland Port Limited held a registered lease for the harbour basin with the Gisborne District Council. This lease expired in September 2010 and under the provisions of the Foreshore and Seabed Act 2001 this lease could not be renewed. Eastland Port Limited also holds Coastal Permits, issued by the Minister of Transport under the Resource Management Act 1991, which enables them to manage and operate port-related commercial undertakings and occupy the parts of the Coastal Marine Area identified in the Coastal Permit until 30 September 2026. It is generally accepted by other ports and the Department of Conservation that a Coastal Permit is all that is required to undertake port and port-related activities.

Subdivision developers' rebates

As at 31 March 2011 Eastland Network Limited has a contingent liability of $48,549 (2010: $48,549) in respect to developers' rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

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

Notes to the financial statements

Geothermal Developments

Geothermal Developments Limited is involved in a dispute with its operations and maintenance provider regarding payments under the operations and maintenance contract. Negotiations between both parties are currently in progress with resolution of this dispute expected to occur during the financial year ended 31 March 2012 and is not expected to have a material impact on Geothermal Developments Limited.

30. Capital commitments

The group had the following capital commitments as at 31 March 2011:

- Log yard project $5,166,450
- Breakwater refurbishment $800,000
- Airport car park extension $272,549
- Business intelligence software $163,000
- Land purchase $291,753

The group had the following capital commitments as at 31 March 2010:

- Upgrade No. 3 wharf shed $400,000
- Upgrade scaling station $120,000

31. Adoption of new and revised standards and interpretations

Standards and interpretations effective in the current period

Those with measurement impact:

NZ IAS 12: We have chosen to early adopt the amendments to this standard which has an effective date of 1 January 2012. The financial impact of this change is a reduction in deferred tax expense and deferred tax liability of $1.653 million.

Those with disclosure impact

The impact of the adoption of the following standards and amendments has been to expand the disclosures provided in these financial statements:

NZ IAS 27: The amendments relate primarily to accounting for non-controlling interests and the loss of control of a subsidiary. As this is the first year in which a non-controlling interest has been a factor for the Group there is no change to the previous treatment;

NZ IFRS 3: This amendment alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards, notably NZ IAS 28 and NZ IAS 31.

Those with no impact

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

NZ IFRIC 17: Distribution of Non-cash Assets to Owners – Clarifies that a dividend payable should be recognised when it is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss when the distribution is made. An entity should provide additional disclosures if the net assets being held for

Notes to the financial statements

distribution to owners meet the definition of a discontinued operation. This applies to pro rata distributions of non-cash assets except for common control transactions.

NZ IFRIC 18: This interpretation is particularly relevant to the utility sector where an entity receives an item of PP&E (or cash to construct) from a customer and this in turn is used to connect the customer to the network or provide ongoing access to services. It clarifies when the definition of an asset is met, recognition and measurement of an asset, identification of separately identifiable services, recognition of revenue and accounting for cash transfers from customers.

NZ Specific Omnibus Amendments: Minor amendments made regarding: granting additional disclosure exemptions to qualifying entities; requiring solvency reserves under NZ IFRS 4 Insurance Contracts and providing guidance on the IFRS compliance statement in prospective financial statements under FRS 42 Prospective Financial Statements.

Improvements to NZ IFRS 2001: Minor amendments made regarding: disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations; current/non-current classification of convertible instruments; classification of expenditures on recognised assets; classification of leases of land and buildings; unit of accounting for goodwill impairment test; measuring the fair value of an intangible asset acquired in a business combination; treating loan prepayment penalties as closely related embedded derivatives; scope exemptions for business combination contracts; cash flow hedge accounting; disclosure of information about segment assets; the scope of IFRIC 9 and revised IFRS 3; amendment to the restriction on the entity that can hold hedging instruments.

Improvements to NZ IFRS 2008 – Loss of Control of Subsidiary: Amendments made to NZ IFRS 1 and NZ IFRS 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosure required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.

NZ IFRS 2: Clarifies that the accounting in the individual financial statements of an entity that enters into a share-based payment arrangement that will be settled by another entity within the consolidated group.

NZ IAS 32: Rights, options and warrants otherwise meeting the definition of equity instruments, which are issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

NZ IAS 34: The scope has been amended to apply if an entity is required or elects to publish an interim financial report in accordance with NZ IFRS.

Standards and interpretations issued, not yet effective

At the date of the financial statements of the Group for the year ended 31 March 2011 the following standards and interpretations issued by the IASB/IFRIC where an equivalent New Zealand standard or interpretation has not been approved, were on issue but not yet effective:

Standard/Interpretation		Financial periods effective date commencing on or after
NZ IFRIC 19	Extinguishing liabilities with equity instruments	1 July 2010*
NZ IAS 24	Related party disclosures (revised 2009)	1 January 2011*
NZ IFRIC 14	Amendments – Prepayments of a minimum funding requirement	1 January 2011*
NZ IFRS 9	Financial instruments	1 July 2010*
NZ IFRS 3 and NZ IAS 27	Improvements to business combinations and consolidated financial statements	1 July 2010*
Various	Improvements to other standards	1 January 2011*
NZ IAS 26	Accounting and reporting by retirement benefit plans	1 April 2011*
NZ IFRS 7	Financial instruments - disclosures	1 July 2011*

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

Notes to the financial statements

With the exception of NZ IFRS 3 and NZ IAS 27 it is not anticipated that the above standards and interpretations will have any material impact on the financial statements of the Group or Parent in the period of initial application. It is likely that the changes arising from NZ IFRS 3 and NZ IAS 27 will affect the recognition and measurement, and classification of amounts recognised in the Group financial statements however it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

32. Related party transactions

The Group has a related party relationship with its subsidiaries (see note 21), directors of subsidiaries, executive officers and Trustees of the Parent.

Compensation payable to key management employees, subsidiary company directors and Trustees of the Parent was as follows:

	GROUP		PARENT	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Key management personnel (short term employee benefits)	1,572	1,256	133	9
Directors' fees	229	213	-	-
Trustees' fees	96	96	96	96
	1,897	**1,565**	**229**	**105**

Other related party transactions during the year:

Eastland Group Limited paid a dividend to the Trust during the year amounting to $4.2 million (2010:$4 million – via subsidiaries) and paid interest on capital notes of $2,580,000 (2010:$1,859,000 – via subsidiaries).

33. Business combinations

Current Year

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

Prior Year

North Shore Aviation Services Limited

On the 24th of October 2009 Flightline Aviation Services Limited acquired certain assets from North Shore Aviation Services Limited. The fair value of net assets and goodwill at acquisition date were as follows:

	$'000
Stock	43
Plant & machinery	25
Motor vehicles	2
Office equipment	2
Purchase price	**72**

There was no goodwill on acquisition

Notes to the financial statements

Transfield Gisborne

On the 23rd of June 2009 Eastech Limited acquired the assets of Transfield Gisborne. Eastech Limited commenced business on 1 July 2009. The fair value of net assets and goodwill at acquisition date were as follows:

	$'000
Plant & equipment	121
Tools/liveline equipment	35
Vehicles	194
Purchase price	**350**

There was no goodwill on acquisition

Geothermal Developments Limited

On the 13th of January 2010 Eastland Group Limited purchased 100% of the shares in Geothermal Developments Limited. The shares were purchased for $42.2 million. The fair value of net assets and goodwill at acquisition date were as follows:

	Book Value $'000	Fair Value Adjustment $'000	Fair Value $'000
Current assets			
Cash & bank balances	1,177	-	1,177
Trade & other receivables	1,609	(233)	1,376
Non current assets			
Plant & equipment	23,475	-	23,475
Current liabilities			
Trade & other payables	(303)	-	(303)
Non current liabilities			
Deferred tax liability	-	(1,034)	(1,034)
	25,958	(1,267)	24,691
Goodwill on acquisition			17,936
Less cash & bank balances			(1,177)
Net cash outflow on acquisition			**41,450**

Notes to the financial statements

34. Joint Venture

Debarker

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

	2011 $'000
Financial performance	
Revenue	1,180
Expenses	(513)
Net income	**667**
Assets & liabilities	
Current assets	736
Current liabilities	(73)
Non current assets	9
Non current liabilities	-
Net assets	**672**

35. Subsequent events

Current year

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

Prior year

Commerce Commission Price Path Threshold Compliance Test

Eastland Network Limited (ENL) has breached the Commerce Commission's Price Path Threshold Compliance Test for the period 1 April 2009 to 31 March 2010 by $4.004 million. This amount was recognised as revenue. ENL believes that this breach was necessary to try and address deteriorating returns driven from its increasing capital asset base, increasing operational costs and the adverse revenue pressure of the Consumer Price Index less X% regulatory regime.

At the time of publishing of this Annual Report ENL had received no correspondence from the Commerce Commission as to whether there would be any action taken against the company for the breach.

Group restructuring

Effective 1 April 2010 a legal group structure was established for the Eastland Companies (Eastland Infrastructure Limited and subsidiaries, Eastland Network Limited and subsidiaries and Eastland Port Limited and subsidiaries) with the purpose being to streamline financial reporting and audit requirements, establish a structure that better meets the growth of the Eastland Group and reflects how external stakeholders view the Eastland Companies.

To put in effect the structure 100% of the shares in all Eastland Companies were transferred to Eastland Group Limited whose sole shareholder is the Eastland Community Trust meaning that the ultimate shareholder of all Eastland Companies has not changed. As part

Notes to the financial statements

of the establishment of the legal group structure all property classified as investment property was transferred to Eastland Investment Properties Limited, a 100% subsidiary of Eastland Group Limited, at 31 March 2010 fair values.

Change in tax rate

On 20 May 2010 the Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation will no longer be available for any buildings with an estimated useful life of 50 years or more. The changes are effective for financial years beginning on or after 1 April 2011. The effect of these changes has not been brought to account in these financial statements as they have not yet been determined.

36. Prior period errors

Current year

There are no prior period errors for which disclosure is required that impact on the 2011 figures in these financial statements.

Prior year

The Eastland Group's financial statements for the year ended 31 March 2009 contained a number of errors which have been corrected in these financial statements. These errors relate primarily to overstating/understating deferred tax liabilities, cash flow hedge reserves and retained earnings. The net effect of these errors on the 2010 financial statements is as follows:

- Retained Earnings – Understated by $185,000
- Cash Flow Hedge Reserve – Understated by $98,000
- Deferred Taxation Liability – Overstated by $283,000

37. Statement of performance

The Trust's statement of intent contains the objectives and performance targets that the Trust aims to meet.

A comparison of the specific performance targets of the Trust (as contained in the Trust's statement of intent) to the achievements during the year is detailed below:

Performance measure	Outcome
Individual investments are expected to at least meet their cost of capital over the respective planning periods.	Individual subsidiaries are working toward meeting this target.
Consult and agree with the boards of the Company the content of their Statement of Corporate Intent no later than 31 March 2011.	Achieved
Monitor the performance of the Company by receiving and considering financial information, on at least a quarterly basis, and receiving regular updates from the chairman of the board.	Achieved
The expected return from the Reserve Portfolio will be the average rate available in liquid markets, on an ex-post basis, for each financial year.	Achieved
The Trust will operate the Project Portfolio with the target of achieving economic outcomes that produce a benefit for the community. Achievement of this target may be measured through achieving specific project business plan objectives and milestones	During the year the Trust provided funding for various projects to meet this objective as detailed in Note 39.

Notes to the financial statements

38. Guidelines for access to information

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

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

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

39. Grants made over $1,000

Lytton High School	20,000
Te Matitini	200,000
Tui Te Ora	52,044
International Chardonnay Challenge	5,000
Bowls Gisborne-East Coast Inc	3,199
First Light Camellias	2,000
Tourism Eastland Inc	5,000
BW Campgrounds Ltd	1,409
Gisborne Lions	2,000
Poverty Bay Gardening Circle	1,500
Gisborne Airport re Q300	105,656
Tolaga Bay Save the Wharf	533,000
Healthy Homes	212,500
Eastland Rescue Helicopter Trust	300,000
O'Neill Coldwater Classic	60,000
	$1,503,308

Directory

Trustees

R M W Brooking (Chairman)

G M Milner

B I Wilson

P M Searle

G L Alexander (Chairman retired 30 June 2010)

G L Johnson (retired 30 June 2010)

M C Muir (appointed 1 July 2010)

V L Thorpe (appointed 1 July 2010)

P J Farley (retired 30 June 2011)

J J Martin (appointed 1 July 2011)

General Manager

L Evans

Secretary

J S Hall

Postal address

P O Box 800

GISBORNE

Auditor

Deloitte

P O Box 17

HAMILTON

Bankers

Westpac

Gisborne Branch

P O Box 942

GISBORNE

Solicitors

Nolans

P O Box 1141

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