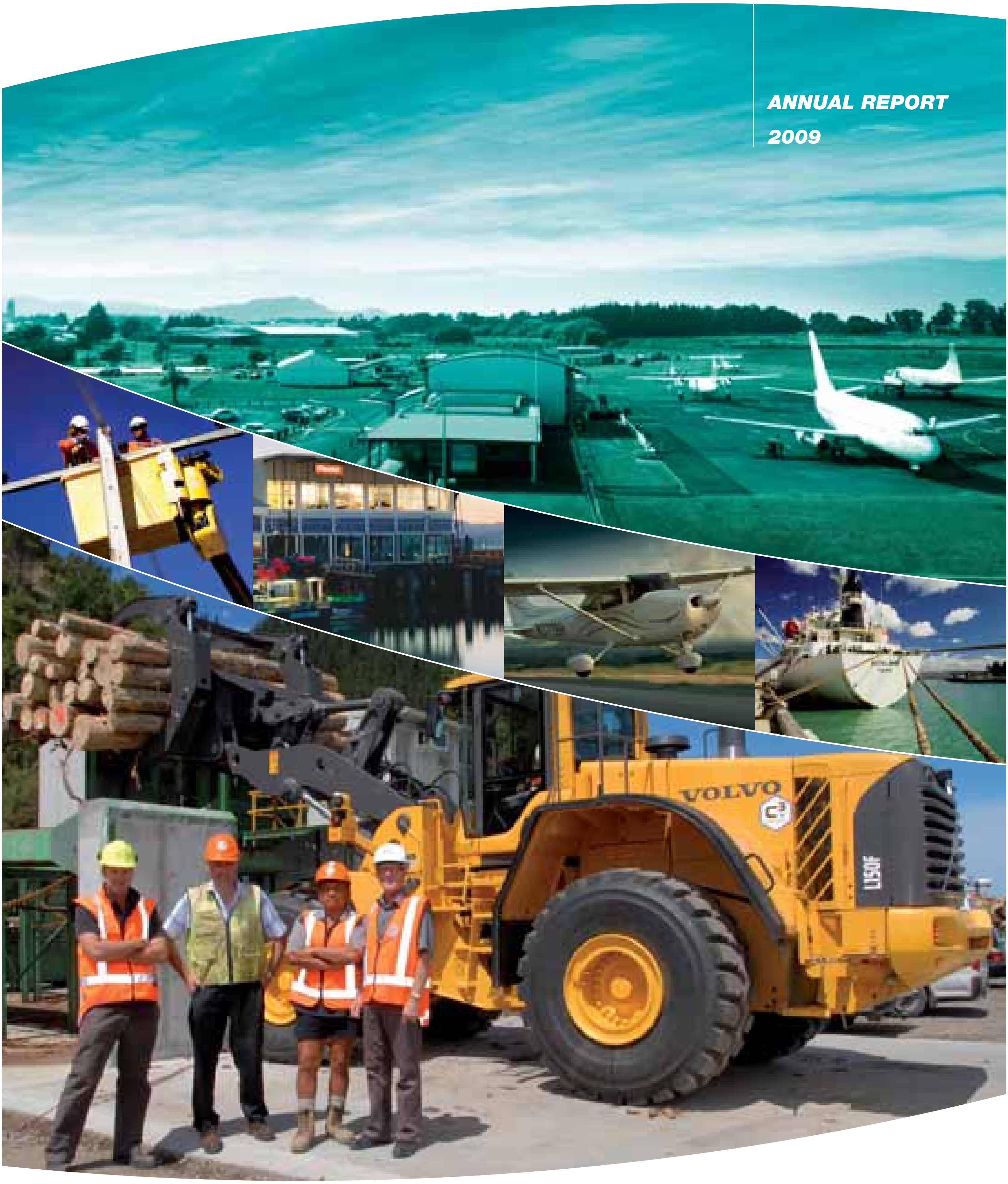
Eastland Group

ANNUAL REPORT

2009



EASTLAND Infrastructure

Eastland Network

Eastland Port

Gisborne Airport

FLIGHTLINE AVIATION

Skysales AVIATION

Eastland Group

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

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Highlights

WHAT A YEAR IT HAS BEEN!

As a true global recession bit, Eastland Group has notched a record profit with all four of our operating sectors of the business delivering positive results. Other highlights include:

- Record result in tough economic times
- Revenue of $67.5 million, compared to $54.9 million in the 2007-2008 financial year
- Earnings Before Interest and Tax (EBIT) of $15.7 million, compared to $15 million in the 2007-2008 financial year
- Payments of $5.6 million to our Shareholder, the Eastland Community Trust
- Total assets increased from $229 million to $250 million
- Bank debt funding lines extended to 2012

In a challenging year we've shown we have the edge and much of that is attributed to our people making smart decisions. Eastland Group value highly the people who work for us and the communities we live in. We have a handful of community initiatives that we support throughout the year and look forward to strengthening those in the coming years.

Here follows Eastland Group's report for the 2008-2009 financial year which includes a summary of community initiatives, overviews and commentaries for each of our operating sectors as well as our consolidated financial statements, together with accompanying notes.

Our mission and our values

THE DIRECTIVE COMES STRAIGHT FROM THE TOP – IT IS PEOPLE WHO MAKE THIS COMPANY WHAT IT IS.

Getting the right people is critical to Eastland Group and it is top quality people that will differentiate successful companies from mediocre ones.

The values of Eastland Group are strong and in order to get the best people and the best from its people, Eastland Group …

- appreciates the value of people
- is results focused
- has fun and makes time to celebrate success
- has a sense of urgency and desire to get things done
- recognises the need for a healthy work/life balance
- encourages workers to treat each other with honesty and respect
- encourages workers to be proud to work for the company
- has a strong sense of team
- encourages all to participate in things.

Eastland Group prides itself as an employer who does truly value its employees. Remember for a moment, our employees span from one end of the country to the other and come from very diverse backgrounds to work in a group that celebrates the differences between its companies and works to make the most of the synergies created.

Eastland Group's vision is to be a Gisborne based national company creating value for its shareholder and facilitating regional prosperity through prudent investment in and management of infrastructure related activities

Eastland Group's mission is to work with our customers to develop solutions that will make them successful by having smart people focused on investing in and prudently managing infrastructure related businesses

Our Community

SCHOLARSHIPS

Eastland Group offers scholarships in both the Energy and Aviation sectors.

The **Energy Scholarship** is available to students from the East Coast who are studying towards a Bachelor of Engineering in Electrical and Electronic Engineering, and intending to specialise in Electrical Power Engineering.

Electrical and electronic engineering is one of the fastest growing areas of new technology. The Bachelor of Engineering in Electrical and Electronic Engineering is a four year degree.

- The $5,000 annual scholarship is for a one-year period.
- At the end of each academic year the scholarship recipient's status is reviewed and may be continued.
- Scholarship recipients also receive summer holiday work with Eastland Infrastructure.

Aviation Scholarships are awarded through Flightline Aviation for study at Nelson Marlborough Institute of Technology's School of Aviation. The scholarships are available to students studying the Certificate in Advanced Aircraft Maintenance Engineering, with preference given to applicants from the Gisborne/East Coast, Dunedin/Southland and South Auckland regions.

- The $3,000 scholarships are awarded annually.
- Scholarship recipients may be offered holiday employment with Flightline Aviation in Dunedin or Ardmore, in South Auckland.

OUR SCHOLARSHIP RECIPIENTS

Ryan Ainsworth (Gisborne), a triple winner of the Energy Scholarship, is in his third year studying at Canterbury University.

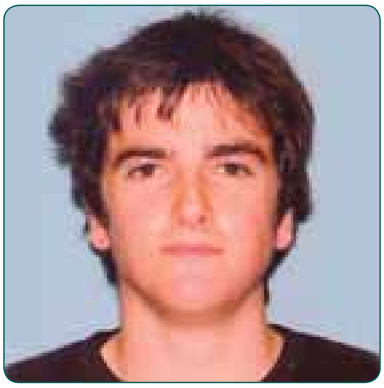
Thomas Whittle (Gisborne) is in his first year studying at Canterbury University.

Mikaere Ngarimu (Ruatoria) is in his third year studying at Auckland University.

Matt Dean (Mosgiel) is the inaugural winner of the Flightline Aviation Scholarship and is following his father's footsteps with a love of aviation.

Ryan Ainsworth - Energy Scholarship

Mikaere Ngarimu - Energy Scholarship



Matt Dean - Flightline Aviation Scholarship

SPEEDING INTO THE FUTURE

Eastland Group have celebrated the first of a three-year sponsorship of the Gisborne Speedway track. The company is excited to be supporting the very popular track – which is now known as Eastland Group Raceway – and proud to be working alongside the top-notch crew who have been nationally recognised for their efforts and achievements

Photograph: Gisborne Herald

Eastland Group Speedway

GOING SWIMMINGLY

The inaugural 2008 Eastland Port Harbour Swim was such a success it is now an annual fixture on the local calendar.

There was plenty of support for the event with people lining the start/finish chute to encourage those taking part. Perfect conditions greeted competitors out to test themselves over the 1,000m and 2,000m distances both individually or in teams.

Matt Sutton and Ayla Dunlop-Barrett were first individuals home over both distances in the men's and women's events, with Harry Dods and Jessica Kane taking out the teams title.

The 2009 event has been tentatively set for December 27.

Photograph: Brett Mead

2008 Eastland Port Harbour Swim

MARCHING TO A DIFFERENT BEAT

Eastland Helicopter Rescue trust coffers were boosted by nearly $1,000 after the Eastland Port Harbour the Beat Jazz and Blues Fest in late January.

Hundreds headed to the Inner Harbour area to savour the sounds of summer. With such a positive response, Eastland Group are looking to make this a annual celebration.

Chairman and CEO Report

FOR YEAR ENDING 31 MARCH 2009

On behalf of the Eastland Group we are pleased to report the annual financial results for the year ending 31 March 2009.

Revenue for the Group continued to grow being $67.5 million compared with $54.9 million for the previous year, while Operating Income (EBIT, pre IFRS adjustments) has risen from $14.2 million to $16.6 million over the same period.

At the same time Net Profit After Taxation NPAT has also significantly increased to $6.8 million against $5.7 million for the previous year - growth of over 19.3%.

In addition to the excellent revenue and profit results, the total assets of the Group have increased from $229 million to $250 million over the past year.

The four operating sectors of the business all delivered positive results -

- "Logistics" which includes the port, produced an Operating Income of $2.96 million
- "Energy" produced an Operating Income of $13.02 million
- "Aviation" produced an Operating Income of $0.57 million
- "Commercial property" produced an Operating Income of $0.95 million.

This was offset by unallocated costs within the Shared Services management sector of $0.87 million.

These are very positive results in the current economic environment, and to be able to deliver such significant earnings growth with the recessionary pressure we have experienced over the second half of the year, is very pleasing.

During the year Eastland Group paid a dividend to its Shareholder, the Eastland Community Trust, of $3.8 million dollars, as well as interest on capital notes of $1.75 million.

The 2008–2009 financial year was one that provided a number of challenges as well as some notable successes, primarily due to the well considered strategies put in place in previous years and revisited during the year.

The nature of the businesses in the Eastland Group for the most part are capital intensive operations with assets that have lives in excess of 50 years. As such they require strategies that deliver good results in the short term but are focused on wealth creation over the longer term. Measuring the creation of value over short annual periods is not always appropriate for these sorts of investments.

Arthur Muldoon - Chairman

Matt Todd - Chief Executive Officer

A number of decisions made since Eastland Group was formed in 2003 have slowly but surely manifested themselves as outcomes that are value accretive for the underlying businesses, and therefore for Eastland Group.

In 2003 there was a requirement by the regulator to sell the Waihi Hydro Generation Scheme, which is west of Wairoa. After reviewing the various options and alternatives it was decided that this was not in the Group's or the region's best interest. Extensive efforts and dialogue with the regulator resulted in the requirement to sell the power station being deferred and eventually the regulation was adjusted, allowing it to be retained indefinitely.

These strategic efforts to retain the Waihi generation scheme paid off handsomely during the year. In the early part of the financial year, from April through to June, the electricity market was affected by a shortage of water in South Island hydro plants and constraints on the Cook Strait link north. This lead to very high spot prices for electricity in the North Island, at the same time the La Nina weather pattern produced high rainfalls on the East Coast. As a consequence the Waihi Hydro Generation Scheme contributed operating earnings of $3.08 million against a budget of $2.08 million for the year.

The regulated electricity distribution business also produced a strong result. This was predominantly driven by the regulatory pricing strategy, where there has been a concerted effort to ensure that the regulatory environment is such that there are adequate returns available on the underlying investment. It was also assisted by customer contributions for new sub-divisions and connections, where the developer is required to meet the cost of having the development reticulated, rather than being subsidised by the existing electricity consumers.

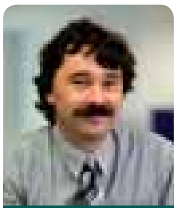
Turning to Eastland Port, In the past there has been significant capital investment programmes tabled for development of the port. These programmes were predicated on the timing of forestry volumes that have for a number of reasons been delayed 5 to 10 years longer than the original forecasts.

Having worked hard to turn the port into a profitable business, over investment would result in; either penalising the shareholder through lower returns, or penalising the customer through higher prices.

The balance is having assets that are fit-for-purpose. To meet such a strategic balance the port's current capital programme still sees nearly $60 million being invested over the next 15 years, at the same time it is also anticipated that forestry volumes will more than double from their current levels. To support this optimism as the financial year ended, and despite the recessionary pressures, the port was seeing monthly volumes of between 80,000 and 100,000 tonnes of log exports per month. This is a substantial improvement on the 350,000 tonnes of logs that were exported through the port in 2004 - 2005.

EASTLAND GROUP EXECUTIVE TEAM

Matt Todd
Chief Executive



Brent Stewart
Sector General Manager Energy

Jeremy King
Chief Financial Officer

Gavin Murphy
Sector General Manager Aviation

Andrew Gaddum
Sector General Manager Logistics

Ben Gibson
General Manager Commercial

Gisborne Airport has moved ahead since Eastland Group took over the lease in 2005. It is now a more friendly and pleasant environment to greet or farewell travellers into or out of the beautiful Gisborne region. While there has been some criticism over developments like paid parking, there is also support for the more secure parking facility which would not have been possible without the paid parking. The airport is profitable and there have been some exciting new commercial buildings erected and leased on the airport land, with a number of other opportunities currently under negotiation.

There have been similar successes with the property around the inner harbour, which has quickly become the premium area in Gisborne for hospitality and retail. The value of this property was $0.675m when it was purchased in 2003 and now, through additions and revaluations, has a market value of $13.2m.

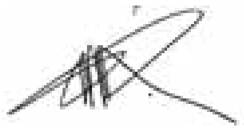
There has been much comment about our move into the aviation sector. While it is true that this sector has not performed to the original business case, being the one most adversely affected by the global financial crisis and consequential recession, as we look to the future it remains an area that has significant opportunity for growth, and provides much-needed diversity within the Eastland Group's portfolio.

Diversity and growth of the Eastland Group will continue with the establishment of a contracting services business focused on the needs of energy sector. While this will come to fruition during the next financial year it has seen its inception this year

All these businesses fit within Eastland Group's vision to be "to be a Gisborne based national company creating value for its Shareholder and facilitating regional prosperity through prudent investment in and management of its businesses".

The Strategic achievements and financial results as contained in this report reflect extremely well on the skills and expertise of the Directors, Management and staff of the Eastland Group.

Arthur Muldoon
Chairman



Matt Todd
Chief Executive Officer

Energy Sector Overview

FOR YEAR ENDING 31 MARCH 2009

SUMMARY OF SECTOR PERFORMANCE

	2007/08 ($'000)	2008/09 ($'000)
Total Assets	122.0	151.5
Revenue	26.7	29.9
Operating Earnings (EBIT)	10.1	13.02

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Highest ever annual revenue at Waihi Hydro Generation Scheme since purchased by Eastland Network in (2001)
- Complete upgrade of the Ngatapa Zone Substation.
- Maintenance and capital expenditure $2.7 million under budget.
- Network reliability performance exceeded both Eastland Network's internal target and that set by the Commerce Commission's Threshold Compliance Regime.

It was a very strong performance for the Energy sector, despite challenging times.

Financially, the sector – comprising Eastland Network's distribution and generation assets – achieved a good result with an EBIT of $13.02 million against a budget of $9.14 million. This was largely achieved because of an uplift in network pricing and an exceptional generation result.

A mild winter resulted in a 2 GWHr reduction in consumption by domestic customers. This, coupled with a reduction in consumption by industrial sector customers, resulted in actual energy distributed energy for the year being 299 GWHrs – 3% below the budgeted target of 309 GWHrs.

Overall mild and dry conditions at the Waihi Hydro generation scheme were reflected in a 21% decrease on average rainfall for the year. However, high rainfall, prudent operation of the asset and exceptionally high spot prices in the first quarter of the year resulted in annual production and revenue targets being exceeded.

Brent Stewart - Sector General Manager Energy

Annual production of 11,251,159 KWhrs was 12.5% ahead of budget and revenue, at $1.77m, was 124% - or $0.98m – ahead of budget.

The level of annual revenue is the highest achieved since the Waihi Hydro Scheme was purchased by Eastland Network in 1999.

Throughout the year the network was involved with the provision of reticulation to accommodate growth within the residential housing sector. This growth, predominantly in the Gisborne City area, included both infill (the subdivision of existing properties) and green fields subdivisions. Developer funded reticulation was installed to 44 infill sections and 209 green field subdivision sections resulting in distribution assets with an installation cost of $1.4m being vested to Eastland Network. Net growth in the number of customer connections for the year was 104.

Planning and design was also completed for 11 proposed subdivisions, containing 410 sections.

While the level of urban residential development was strong in the first half of the year, there was a noticeable decline in the latter half of the year.

The downturn in coastal development continued and as a direct result, some of the sub-transmission development project – initially instigated to accommodate growth on the Mahia Peninsula – was deferred.

However, upgrading of existing reticulation capacity was completed in the Newcastle/Ratau Street of Mahia Beach.

A number of residential reticulation projects and those from a continuing programme to ensure load growth and security requirements within the Gisborne and Wairoa CBDs were completed.

In Gisborne that included the installation of new 11kV switchgear at the Gladstone Road Bridge and the upgrading of 11kV cables from the Reads Quay Substation. An additional distribution transformer and associated 11kV switchgear were installed on the corner of Disraeli Street and Gladstone Road to increase available capacity at the outer limit of the CBD.

In Wairoa, cabling in Karaka Street was upgraded, the 11kV switchgear and two distribution transformers supplying much of the Wairoa CBD were also upgraded. Work continued on planning reticulation capacity upgrades that will be required in the future to meet customer-initiated load increases, particularly in the area of timber processing in the North Clyde area.

Work continued on our programe of overhead-to-underground conversion projects with the completion of -

• Ormond Road (between Wi Pere and Sheridan streets)

• Roebuck Road (between Williams and Root streets)

• Rutene Road (between Maki and Harris streets)

In the rural areas of Gisborne and Wairoa, the planned programme of aged asset replacement continued. Of significance was the completion of the Ngatapa Zone Substation upgrade. This substation supplies about 300 customers in the Ngatapa, Totangi and Tahora areas, and is a back up to a further 300 customers in the Patutahi, Pehiri and Waimaha areas. The several hundred thousand dollar upgrade involved -

• the complete renewal of 50kV and 11kV switchgear

• a new 2.5MVA transformer

• a new substation building

Maintenance and capital expenditure was again prudently managed with actual spend of $2.7m less than budget - $1.2m of this relates to growth-initiated projects which were able to be deferred to the 2009/2010 year as a direct result of delayed customer growth.

Network reliability performance for the year exceeded both Eastland Network's internal target and those set as part of the Commerce Commissions Threshold Compliance regime. Total average minutes loss of supply (SAIDI) achieved was 248 against an internal target of 285 and a threshold compliance target of 374.

The total average frequency of interruption (SAIFI) was 3.42 against an internal target of 4.0 and a threshold compliance target of 4.05.

As part of planning to meet forecast demand growth during the year, work was continued on projects associated with increasing the amount of embedded generation connected to Eastland Network's distribution network. Ongoing feasibility studies covered the investigation of large scale hydro, wind and small scale/mini hydro options.

Brent Stewart
Sector General Manager Energy

[2] SAIDI = System Average Interruption Duration Index
[3] SAIFI = System Average Interruption Frequency Index

Logistics Sector Overview

FOR YEAR ENDING 31 MARCH 2009

SUMMARY OF SECTOR PERFORMANCE

	2007/08 ($'000)	2008/09 ($'000)
Total Assets	61.6	50.6
Revenue	8.9	9.2
Operating Earnings (EBIT)	3.2	2.96

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Revenue $0.7 million above budget
- Log export volumes 50,000 jas ahead of previous year
- Eastland Port is now the second largest log export port in New Zealand

The Logistics sector's achieved revenue of $9.2 millon translated to an EBIT of $2.96 millon against a budget of $2.48 million, which is an extremely positive outcome given the volatile macro-economic situation.

Log export volumes continued to show strong growth in the financial year with a final export volume of 699,386 jas – 48,000 jas ahead of budget and 50,000 jas ahead of the previous year.

Those export figures placed Eastland Port as the second largest log export port in NZ, behind the Port of Tauranga. Indications are that this upward trend in log exports is set to continue, buoyed along by a favourable foreign exchange situation and more sustainable bulk shipping rates.

The port has recently completed a comprehensive asset assessment process as part of developing an overall Asset Management Plan (AMP) for the port.

This document will be invaluable to the port moving forward with regard to ensuring repair and replacement of key port structures are undertaken in a measured and robust manner, as related to risk and economic return.

In conjunction with the AMP a Port Development Plan has been developed in order to give the port a solid strategic direction with regard to requirements in relation to its

Andrew Gaddum - Sector General Manager Logistics

physical asset base necessary to accommodate future export volumes.

The port continues to work on coastal shipping options in relation to the movement of added value product out of the district to larger container ports.

Further diversification of the Cook Store site was achieved with the development of a dedicated distribution depot for Gisborne's local milk vendors. The site was developed quickly to meet a customer's immediate requirements and is another good example of the sector's ability to offer customer solutions in a timely and effective manner.

The completion of the Hirini Street by-pass was the catalyst for a number of important developments on the port – all aimed at improving efficiency. These included the relocation of the port weighbridge and the new port office – both are currently under construction. When the new office is operational, the old office will be removed and a new internal road developed to further enhance ship-loading capacity.

Part way through the financial year, the port changed its marine service charges from the outdated Net Registered Ton (NRT) commodity model to the widely accepted Length Over All (LOA) pricing methodology. This change now sees ships charged for berthing in relation to their length rather than the type of product they are carrying, making it fairer to all.

The logistics sector continues to enhance its customer offering with the development of the log debarking and anti-sap-stain plant as a joint venture with Hikurangi Forest Farms. The new plants means local forest owners now have an alternative processing option for their high grade pruned logs.

Andrew Gaddum
Sector General Manager Logistics

Aviation Sector Overview

FOR YEAR ENDING 31 MARCH 2009

SUMMARY OF SECTOR PERFORMANCE

	2007/08 ($'000)	2008/09 ($'000)
Total Assets	27.4	28.3
Revenue	20.5	27.1
Operating Earnings (EBIT)	0.9	0.6

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Gisborne Airport successfully gaining Airport Authority Status from 1st January, 2009.
- Skysales Aviation, completion of the sale of seven helicopters during the financial year.
- A highly successful nationwide tour of the new Cessna Corvallis 400.
- Good forward sales of the new Cessna 162 Skycatcher.
- The implementation of a new information technology system at Flightline Aviation. The recruitment of a number of qualified and experienced aircraft engineers from offshore for our Flightline Aviation teams at Ardmore and in Dunedin.
- The completion of the La Vista commercial warehouse development at Gisborne Airport.

THE INSIDE STORY

The financial result for Aviation did not meet expectations, but was a reasonably solid result in the recessionary environment.

The falling exchange rate made USD aircraft and parts very expensive, while the global economic crisis made potential customers reluctant to invest, and some of those that wanted to found that finance so freely available in recent years had become much harder to secure.

Faram Helicopters continued to perform below expectations during the early part of the year and as a result the business was divested. The local business and assets were sold to Gisborne Helicopters, resulting in a gain on assets at sale.

Gavin Murphy - Sector General Manager Aviation

The company was not able to secure the significant seismic support projects that had been a key component of the original business case, this combined with increases in fuel and operating costs and falling rural demand made exiting the business the most prudent decision.

Performance within the sector was mixed, however the fundamentals remain sound and there are a number of initiatives that may be beneficial and will be a key focus for the management team in the early part of the new financial year. The year was characterised by weakening helicopter sales and a slow market for fixed wing sales, combined with improving parts and engineering performance in the latter half of the year.

Tight management of costs combined with increased landing fees and improving land and building rental revenue streams saw Gisborne Airport continue to exceed budget.

LOOKING AHEAD

At year end, Eastland's aviation bases were in Gisborne, Dunedin, Christchurch and Auckland, combining aircraft and parts sales, servicing and overhaul, airport operations and commercial developments. With our customers also spread from one end of the country to the other, this provides an exciting environment in which to operate and a unique opportunity to further develop as this sector moves forward.

The challenge for the coming year is to continue to identify synergies that will grow margin, while operating at a lower cost base, and deliver budgets in difficult economic conditions, while continuing to lever from Eastland Group's access to key people, financial and other resources. The plan is to create a real momentum in the general aviation industry in New Zealand.

Robinson Helicopters continue to be popular with Skysales Aviation's customers and in the medium term the R66 turbine machine will be a new offering. Cessna single engine fixed wing enquiries such as the 172 and the new 162 Skycatcher also continue to grow. Several orders were taken in the financial year that will come through as sales in the 2010 year and at year end Flightline had pre-sold it's entire initial allocation of 10 Skycatcher aircraft.

Gisborne Airport continues to flourish in line with Eastland Group's development plans, with –

- the completion of the La Vista commercial warehouse property development in Darton Park
- the attainment of Airport Authority status for Gisborne Airport (via Eastland Infrastructure)
- the successful RNZAF training camp "Exercise Wiseowl" in August
- the annual New Zealand Tiger Moth fly in over labour weekend.

Communication with key customers is a key focus for the business, and Eastland Group remains of a belief that a user-pays methodology for the services utilised at Gisborne Airport is the fairest and most appropriate way to gain the necessary return. Investigations into further land and aeronautical developments are planned for the 2010 financial year.

Management's challenge for the coming year remains to achieve budgets in the prevailing tough market conditions and ensure that all our businesses are positioned to take advantage of any opportunity that presents itself in these difficult economic times.

Gavin Murphy
Sector General Manager Aviation

Commercial Sector Overview

FOR YEAR ENDING 31 MARCH 2009

SUMMARY OF SECTOR PERFORMANCE

	2007/08 ($'000)	2008/09 ($'000)
Total Assets	15.1	17.0
Revenue	1.2	1.4
Operating Earnings (EBIT)	0.9	1.0

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Completion of the Shed 3 project has been a major highlight for the year. It has involved a significant refurbishment of the building which transformed one of the old warehouses into a modern, functional and attractive office and conference/events centre. The conference and events centre is capable of holding up to 500 people, while the office areas is perhaps one of the best working environments in Gisborne.
- The purchase of the Inner Harbour Marina Ltd and its integration into the business has strengthened the overall property portfolio in Gisborne's harbour basin. It allows the Eastland Group to have a direct and stronger relationship with berth-holders and boat-owners without an intermediary as well as securing the long term future and common control of the area.
- Despite the pressures associated with the global recession, the commercial property portfolio has maintained high levels of occupancy. This is a credit to the tenants who have resilient, well managed and prudently operated businesses and are key to the success of the commercial property portfolio.

LOOKING BACK

Commercial and investment property has become a significant asset of Eastland Group. Predominantly, this property is owned by Eastland Port and is made up of the land and buildings in and around Gisborne's Inner Harbour, however commercial and investment property is also held by

Ben Gibson - General Manager Commercial

both Eastland Infrastructure Ltd and Eastland Network Ltd.

Although for annual reporting purposes, investment property is reported within the entity which owns it, for management purposes investment property is the responsibility of the General Manager – Commercial.

This provides high degree of focus and attention on a portfolio of property that is now valued at over $18 million, with a turnover of nearly $1 million per annum, and in excess of 70 tenants, including marina berth holders.

Over the past three or four years, the portfolio of property has grown through the acquisition of land, buildings and other third party assets as well as the buy-back and termination of leases for semi-completed developments.

Growth of the portfolio has been achieved with the completion of projects such the re-development of Shed 3 at the Port and the construction of the La Vista warehouse and distribution facility at the Airport.

Growth in the portfolio has also been achieved through the acquisition of Inner Harbour Marina Limited, which settled on 1 April 2008. With 52 pile and pontoon berths in the Inner Harbour, this business provides a safe and secure marina environment for a range of commercial and recreational boat owners.

It was a natural fit within the rest of the property portfolio as Eastland Port already provided the marina and the purchase of the company was one of the last infrastructural assets owned by a third party in the vicinity.

Completion of the Shed 3 redevelopment represented a significant milestone for the ongoing development of the Inner Harbour. The development saw one of the original port lighter sheds, which was used for storage and warehousing when New Zealand had a strong coastal shipping trade, completely refurbished into a modern and well appointed facility.

It is now fully leased out and boasts Gisborne's premier office space upstairs, with a conference, wedding and reception centre, that can accommodate up to 500 people, downstairs … all in fantastic surrounds.

Under the current accounting rules, property classed as investment must be revalued annually at fair value and recognized in the income statement of the entity which owns the property. Over the past three to five years property values, especially residential, have experienced meteoric rises, fueled in many ways by relatively cheap and available financing.

However, this situation has proved unsustainable and the global credit crunch has tighened up the credit markets and placed highly leveraged investors under pressure to liquidate investments and cause property values to slip. This effect has been most pronounced in residential property and in larger metropolitan areas.

Fortunately, in Gisborne, in the commercial property sector, this slide in value has not been to the same level as in other parts of the country. While there have been fewer sales of commercial property and small rural holdings, the sales value and yields have remained static. However this has not been the case for residential property values which have slipped in line with the recent market conditions.

Although rent reviews have been carried out over the previous year, we have been able to retain all our tenants through what has undoubtedly been a difficult time. Anecdotal evidence suggests that people are dining out and drinking less when out socialising, however the bars and restaurants that are located in the Inner Harbour are high quality and well managed establishments.

However, they will not be immune to any continuing downturn and therefore in order to ensure their survival, Eastland Group must continue to work to make the Inner Harbour a vibrant and exciting place that continues to entice the public into the area.

With the imminent completion of the Port's weighbridge, log trucks will be diverted from travelling through the Inner Harbour. As much of the assets in this area are owned by both Gisborne District Council and Eastland Port, the opportunity now exists to work together – along with tenants and stakeholders in the area – on the development of the precinct that while catering to the needs of a wide variety of users from commercial fishing operators to the public, makes the best possible use of an area that boasts a rich and interesting history.

Ben Gibson
General Manager Commercial

Shared Services Overview

FOR YEAR ENDING 31 MARCH 2009

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Refinancing of bank funding facilities through to 2012
- Agreement of dividend expectations with the Shareholder
- Integration of recently acquired businesses into Eastland Group

AN EXPLANATION

Shared Services is the support framework that enables the operating business units to deliver shareholder value, and for Eastland Group, includes the following areas:

- Human Resources and Payroll
- Information Technology
- Treasury
- Tax
- Risk Management
- Management Information

These services are shared by the various sectors and businesses in an optimal manner thereby eliminating the need for each to retain those services individually.

OUR CHALLENGES

The sub-prime mortgage crisis that initiated from the United States has grown into a global recession, which has been compared by some to the depression of the 1930s. It is certainly making for a tough economic environment for all.

An area where this has had a significant impact on Eastland Group is in the cost of bank funding. In early May 2009 the board signed new bank facility agreements with BNZ and Westpac totalling $83 million for a term of three years, providing certainty of bank funding through to 2012.

Whilst this bank funding is significantly more expensive than the facilities that are maturing, financial covenants and requirements under the facility agreements are generally unchanged.

Jeremy King - Chief Financial Officer

Additionally, the Shareholder has demonstrated ongoing support for the current direction of Eastland Group by committing if required, an amount up to an additional $10 million by way of a staged Capital Note issue from Eastland Infrastructure.

Financial instruments, such as interest rate swaps and collars continue to be used to reduce exposure to the volatility of floating rates. As at 31 March 2009, in a prevailing market of low interest rates, Eastland Group's average cost of bank debt excluding bank fees and margins was 4.82%, against a floating rate of 3.08%.

While recruiting and retaining quality staff will always pose a challenge to provincial New Zealand, Eastland Group continues to put people first, and positions itself as the employer of choice in the region. Eastland Group recognises the importance of attracting and retaining quality people to deliver customer-centric commercial solutions.

The Group has recognised that much of its land and buildings are commercial, rather than operational, in nature and its accounting policy reflects this, which results in commercial property revaluation movements being taken to income. Operational asset adjustments are also reflected, however these are taken to equity.

The Shareholder has communicated, and agreed with the Group, a dividend expectation for the 2009 year and beyond, which is committed to in the Statement of

Corporate Intent. The Group's ability to enhance asset value other than by generating immediate cash returns must also be recognised as a measure of success.

LOOKING AHEAD

Eastland Group has come through a significant period of growth through acquisition, and these largely smaller businesses are at varying stages of being integrated in the Eastland Shared Services environment. This will continue throughout 2009.

The economy looks likely to continue to provide challenges and opportunities for all businesses within Eastland Group, and this will undoubtedly impact business performance in the coming year.

Jeremy King
Chief Financial Officer

Corporate Governance Statement

The purpose of this statement is to provide an overview of the company's key corporate governance policies and procedures that have been implemented and are adhered to by the board.

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is appointed by the shareholder. The board articulates the organisation's purpose and defines desirable outcomes, approves major strategies for achieving these outcomes, creates the overall policy framework within which the business of the organisation is conducted, and monitors management's performance with respect to these matters.

Governance Philosophy

The board has committed itself to governing with an emphasis on:

- outward vision rather than inward concern
- pro-activity rather than reactivity
- future rather than present focus
- strategic leadership rather than administrative detail.

The board encourages a diversity of opinions and views and seeks to inculcate a sense of group participation and collective responsibility. It pays close attention to achieving a high level of governance excellence.
The board is ultimately responsible for all matters relating to the running of the organisation but the board's job is to govern not to manage. Within a policy and delegations framework determined by the board the day to day operations of the organisation will normally be delegated to management.

BOARD COMMITTEES

Audit Committee

The committee provides a forum for the effective communication between the board and the external auditors. The committee reviews the annual financial statements prior to their approval by the board; the effectiveness of management information systems; systems of internal control and; the efficiency and effectiveness of the external and internal audit functions. This committee also ensures the company's treasury policy is adhered to.

Remuneration Committee

The committee reviews the remuneration packages of senior management annually and makes recommendations to the board.

The packages which consist of base salary, fringe benefits and incentive schemes (including performance-related bonuses), are reviewed with due regard to performance and other relevant factors including market relativity.

This committee has now been dissolved with matters previously dealt with by this committee of the board now dealt with by the full board.

Other Committees

The board also establishes other committees when it deems it is prudent to do so.

Directors' Interests Register

The company reviews and maintains a register of all interests, transactions or matters involving directors.

Eastland Group

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

DIRECTORS' DECLARATION

In the opinion of the directors of Eastland Group, the financial statements and notes, on pages 24 to 37:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and faciliate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also to be sufficient to provide a reasonable assurance as the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Eastland Group for the year ended 31 March 2009.

CONTENTS

	Notes	2009 $'000	2008 $'000
Revenue	1	66,567	53,877
Cost of sales		(34,490)	(23,098)
Gross profit		**32,077**	**30,779**
Other operational income		893	1,048
Administrative expenses	2	(11,202)	(10,608)
Depreciation		(6,029)	(6,180)
Net Total Costs		**(16,338)**	**(15,740)**
Net results from operating activities		**15,739**	**15,039**
Finance income	4	487	242
Finance expenses	4	(8,008)	(6,740)
Net Finance costs		**(7,521)**	**(6,498)**
Profit before income tax		**8,218**	**8,541**
Income tax expense	5	(1,357)	(2,860)
Profit for the year - attributable to shareholders of the Company		**6,861**	**5,681**

	Notes	2009 $'000	2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents		988	3,023
Trade and other receivables	7	10,798	12,558
Prepayments		-	93
Income tax refundable		404	856
Property held for sale	11	5,210	-
Derivatives		233	979
Inventory	8	14,421	7,401
Total current assets		**32,054**	**24,910**
Non-current assets			
Property, plant & equipment	9	199,387	187,221
Investment properties	12	15,911	15,263
Intangibles	10	2,859	1,858
Total non-current assets		**218,157**	**204,342**
TOTAL ASSETS		**250,211**	**229,252**
LIABILITIES			
Current Liabilities			
Derivatives		4,577	68
Employee entitlements	3	1,324	698
Income in advance		178	36
Income tax payable		408	-
Loans and borrowings	14	71,493	-
Trade and other payables	13	10,879	13,540
Total current liabilities		**88,859**	**14,342**
Non-current liabilities			
Loans and borrowings	14	-	68,607
Long term payables		100	-
Income in advance		828	60
Deferred income tax liabilities	15	23,668	19,907
Capital notes	16	20,000	20,000
Total non-current liabilities		**44,596**	**108,574**
TOTAL LIABILITIES		**133,455**	**122,916**
NET ASSETS		**116,756**	**106,336**
EQUITY		**116,756**	**106,336**

Statement of Changes in Equity (Unaudited)

For the year ended 31 March **2009**

	2009 $'000	2008 $'000
Issued capital		
Opening balance	15,100	15,100
Prior period errors	300	-
Closing balance	**15,400**	**15,100**
Hedge reserve		
Opening balance	600	681
Fair value movements: cash flow derivatives (net of deferred tax)	(3,541)	(92)
Prior period errors	(3)	-
Change in deferred tax rate on opening balance	(109)	11
Closing balance	**(3,053)**	**600**
Property, plant and equipment reserve		
Opening balance	64,850	60,393
Change in deferred tax rate on opening balance	-	1,757
Prior period errors	(1,449)	-
Revaluation of property, plant and equipment (net of deferred tax)	13,088	2,700
Closing balance	**76,488**	**64,850**
Retained earnings		
Opening balance	25,786	23,793
Prior period errors	(926)	-
Change in deferred tax rate on opening balance	-	(88)
Profit/(loss) for the year	6,861	5,681
Equity dividends	(3,800)	(3,600)
Closing balance	**27,921**	**25,786**
Balance at 31 March 2009	**116,756**	**106,336**

	2009 $'000	2008 $'000
Cash flows from operating activities		
Receipts from customers	57,835	55,941
Payments to suppliers and employees	(43,237)	(41,935)
Interest paid	(7,359)	(6,972)
Income tax paid	(1,309)	(2,329)
Interest received	487	187
Net cash flow from (used in) operating activities	**6,417**	**4,892**
Cash flows from investing activities		
Purchase of intangibles	(1,332)	(1,869)
Purchase of property, plant & equipment	(5,240)	(14,787)
Purchase of investment properties	(376)	(2,608)
Net cash flow from (used in) investing activities	**(6,948)**	**(19,264)**
Cash flows from financing activities		
Proceeds from bank borrowings	2,296	18,607
Equity dividends paid	(3,800)	(3,600)
Net cash flow from (used in) financing activities	**(1,504)**	**15,007**
Net (decrease)increase in cash and cash equivalents	(2,035)	635
Cash and cash equivalents at beginning of period	3,023	2,388
Cash and cash equivalents at end of period	**988**	**3,023**[1]

[1] The cashflow for 2008 has been restated to be consistent with the current year

REPORTING BASIS

Eastland Group Limited (the "Group") is not a statutory group per the Companies Act 1993 or the Financial Reporting Act 1993. The companies incorporated in these unaudited consolidated accounts (Eastland Infrastructure Limited, Eastland Network Limited and Eastland Port Limited) are some of the companies 100% owned by the Eastland Community Trust.

ACCOUNTING POLICIES

Full accounting policies are disclosed in the financial statements of the individual companies.

1 REVENUE

	2009	2008
	$'000	**$'000**
Electricity line revenue	28,089	25,056
Customer contributions	1,974	1,554
Property rentals	1,365	1,150
Change in fair value of investment property	540	959
Other sales	34,599	25,158
Total revenue	**66,567**	**53,877**

2 ADMINISTRATIVE EXPENSES

	2009	2008
Administrative expenses include		
Change in fair value of investment property	914	69
Impairment losses and bad debt write-offs on trade receivables	48	49
Impairment losses on intangible assets	331	11
Loss on revaluation	186	-
Loss on sale of property, plant and equipment	200	-
Prior period adjustment	5	
Bad-debt write offs	-	5
Reversals of impairment allowance	(15)	(7)
Direct operating expenditure arising on investment properties that generated rental income	240	285
Auditor's remuneration to Deloitte comprises		
audit of financial statements	183	267
other audit-related services	-	20
Other	9,110	9,909
Total administrative expenses	**11,202**	**10,608**

3 EMPLOYEE ENTITLEMENTS

	2009 $'000	2008 $'000
Liability for annual leave	559	331
Liability for other short-term benefits	670	285
Liability for post-employment benefits	95	82
Total employee benefit liability	**1,324**	**698**

There are no post employment or termination benefits payable to key management personnel.

Expenses recognised in profit or loss

	2009 $'000	2008 $'000
Wages and salaries	5,797	5,664
Contributions to defined contribution plans	40	23
Total employee entitlement expenses	**5,837**	**5,687**

4 FINANCE INCOME AND EXPENSES

	2009 $'000	2008 $'000
Interest income on cash and cash equivalents	438	187
Net foreign exchange gains	1	20
Fair value gains on derivative instruments at fair value through profit or loss	48	35
Total finance income	**487**	**242**
Interest expense on financial liabilities measured at amortised cost	7,305	6,854
Net foreign exchange losses	591	-
Net benefit on interest expense from derivatives	-	(149)
Fair value losses on derivative instruments at fair value through profit or loss	112	35
Total finance expense	**8,008**	**6,740**
Net finance costs	**(7,521)**	**(6,498)**

5 INCOME TAX EXPENSE

	2009 $'000	2008 $'000
Current tax expense		
Current period	(2,239)	(1,996)
Adjustment for prior periods	105	(25)
	(2,134)	**(2,021)**
Deferred tax expense		
Temporary differences for the year	675	(936)
Change in tax rate through Profit and Loss	-	97
Adjustment for prior periods	102	-
	777	**(839)**
Total income tax (expense)/income	**(1,357)**	**(2,860)**

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 Company's effective income tax rate for the years ended 31 March 2009 and 2008, is as follows:

	2009 %	2009 $'000	2008 %	2008 $'000
Accounting profit before income tax		**8,218**		**8,541**
At the statutory income tax rate of 30% (2008:33%)	30.00%	2,465	33.00%	2,819
Adjustments in respect of current & deferred income tax of previous years	(2.19%)	(180)	0.00%	-
Fair value revaluations on fixed assets	(0.38%)	(31)	0.77%	66
Non-deductible expenses	2.19%	180	4.92%	420
Tax exempt income	(13.11%)	(1,077)	(4.18%)	(357)
Reduction in tax rate	0.00%	-	(1.03%)	(88)
	16.52%	**1,357**	**33.48%**	**2,860**

6 IMPUTATION CREDITS

	2009 $'000	2008 $'000
Imputation credits at 1 April	6,153	5,684
New Zealand tax payments, net of refunds	1,630	2,242
Imputation credits attached to dividends paid	(1,872)	(1,773)
Imputation credits at 31 March	**5,911**	**6,153**

The imputation credits are available to shareholders of the Group through direct shareholding in the parent.

7 TRADE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
Trade receivables	7,237	5,655
Customer deposits	1,257	6,446
GST receivable	218	-
Other receivables	2,086	457
Total trade and other receivables	**10,798**	**12,558**

8 INVENTORY

	2009 $'000	2008 $'000
Consumables	12	162
Work in progress	2,831	562
Finished goods	11,578	6,677
Total inventory	**14,421**	**7,401**

9 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves, Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	Total
Year ended 31 March 2009	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**
At 1 April 2008, net of accumulated depreciation	48,505	99,975	11,439	13,570	2,731	8,309	2,692	187,221
Additions	1,286	7,861	13	709	(59)	2,711	(1,003)	11,518
Disposals	(87)	(34)	-	-	-	(4,689)	-	(4,810)
Revaluations	(4,884)	25,474	-	-	-	-	-	20,590
Loss on revaluation	(1,173)	-	-	-	-	-	-	(1,173)
Transfer to investment property	(2,760)	-	-	-	-	-	-	(2,760)
Transfer to property held for sale	(3,096)	-	-	-	-	-	-	(3,096)
Transfers between classes	(148)	-	-	122	-	26	-	-
Prior period adjustments	(1,841)	-	-	(229)	(4)	-	-	(2,074)
Depreciation charge for the year	(529)	(3,213)	(691)	(740)	(134)	(722)	-	(6,029)
At 31 March 2009, net of accumulated depreciation	**35,273**	**130,063**	**10,761**	**13,432**	**2,534**	**5,635**	**1,689**	**199,387**
At 1 April 2008								
Cost or fair value	49,515	113,720	13,450	16,740	3,005	11,706	2,692	210,828
Accumulated depreciation and impairment	(1,010)	(13,745)	(2,011)	(3,170)	(274)	(3,397)	-	(23,607)
Net carrying amount	**48,505**	**99,975**	**11,439**	**13,570**	**2,731**	**8,309**	**2,692**	**187,221**
At 31 March 2009								
Cost or fair value	36,012	130,063	12,144	15,590	2,939	9,494	1,689	207,931
Accumulated depreciation and impairment	(739)	-	(1,383)	(2,158)	(405)	(3,859)	-	(8,544)
Net carrying amount	**35,273**	**130,063**	**10,761**	**13,432**	**2,534**	**5,635**	**1,689**	**199,387**

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves, Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	Total
Year ended 31 March 2008	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**
At 1 April 2007, net of accumulated depreciation	45,549	100,764	12,129	10,050	1,511	3,026	-	173,029
Additions	3,394	2,898	-	340	1,292	5,933	2,692	16,549
Revaluations	-	-	-	3,823	-	-	-	3,823
Depreciation charge for the year	(438)	(3,687)	(690)	(643)	(72)	(650)	-	(6,180)
At 31 March 2008, net of accumulated depreciation	**48,505**	**99,975**	**11,439**	**13,570**	**2,731**	**8,309**	**2,692**	**187,221**
At 1 April 2007								
Cost or revaluation	46,121	110,037	13,450	12,577	1,713	5,773	785	190,456
Accumulated depreciation and impairment	(572)	(10,058)	(1,321)	(2,527)	(202)	(2,747)	-	(17,427)
Net carrying amount	**45,549**	**99,979**	**12,129**	**10,050**	**1,511**	**3,026**	**785**	**173,029**
At 31 March 2008								
Cost or revaluation	49,515	113,720	13,450	16,740	3,005	11,706	2,692	210,828
Accumulated depreciation and impairment	(1,010)	(13,745)	(2,011)	(3,170)	(274)	(3,397)	-	(23,607)
Net carrying amount	**48,505**	**99,975**	**11,439**	**13,570**	**2,731**	**8,309**	**2,692**	**187,221**

10 INTANGIBLE ASSETS

	$'000
Cost	
Balance at 1 April 2008	1,869
Acquisitions through business combinations	1,332
Balance at 31 March 2009	**3,201**
Cost	
Balance at 1 April 2007	-
Acquisitions through business combinations	1,869
Balance at 31 March 2008	**1,869**
Amortization and impairment losses	
Balance at 1 April 2008	11
Impairment losses	331
Balance at 31 March 2009	**342**
Balance at 1 April 2007	-
Impairment losses	11
Balance at 31 March 2008	**11**
Carrying values	
At 1 April 2008	1,858
At 31 March 2009	**2,859**
At 1 April 2007	-
At 31 March 2008	**1,858**

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:

	2009 $'000	2008 $'000
Skysales Aviation (NZ) Limited	1,858	1,858
Port Weighbridge	500	-
Inner Harbour Marina Limited	500	-
	2,858	**1,858**

10 INTANGIBLE ASSETS CONTINUED

Skysales Aviation (NZ) Limited

In accordance with NZ IAS 36, a goodwill impairment test was performed on Skysales Aviation using the "Value in Use" approach.

This required a discounted cash flow calculation taking into account the timing of future cash streams and compared against the goodwill recognised of $1.858 million.

Cashflows were projected using a combination of actual/forecast results for the year ended 31 March 2009 and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next 15 years with particular assumptions being:

- Inflation was assumed at 2% compounding every year, over the 15 year term of the cash flow projections;
- A 14.30% pre-tax discount rate was used, which is consistent with the Eastland Group weighted average cost of capital calculation.
- The terminal value ($485,137) has been calculated as year 15 net cashflow, plus inflation, divided by the discount rate (net of inflation) and multiplied by the year 15 discount factor.

The resulting net present value (NPV) of $2.30 million exceeds the current carrying value of goodwill relating to Skysales Aviation (NZ) Limited ($1.858 million) by $446,357 and confirms that the carrying value of the Skysales 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 31 March 2009 year to date cash flows and management's assessment of future performance of the cash generating unit using best estimates of market conditons over the next 15 years. In calculating NPV under the three alternate scenarios management used per truck charge rates of $5 and $7.50, discount rates of 9.1% and 14% with inflation assumed at 3% per annum reflective of the growth prospects for this business. This analysis produced NPV's of between $0.7m and $3.0m clearly in excess of the goodwill of $0.5m, meaning that the goodwill relating to the Weighbridge acquisition is not impaired.

Inner Harbour Marina Limited

The goodwill balance in relation to the acquisition of the Inner Harbour Marina Limited relates to the amount by which the acquistion cost exceeded the net assets of the company acquired, less an impairment adjustment of $331,000, being the difference between the acquisition cost and an independent valuation of the berth licences and jetty acquired.

11 PROPERTY HELD FOR SALE

	2009 $'000	2008 $'000
Investment properties held for sale	2,114	-
Operational land and buildings held for sale	3,096	-
Total property held for sale	**5,210**	**-**

Property held for sale is property that is subject to the land swap agreement (as disclosed in note 21, to the 31 March 2008 financial statements for EPL) with the Gisborne District Council, which is expected to become unconditional and settle within 12 months of 31 March 2009.

12 INVESTMENT PROPERTIES

	2009 $'000	2008 $'000
Opening balance at 1 April	**15,263**	**11,800**
Additions	2,664	2,608
Disposals	(101)	-
Transfers from property, plant and equipment	574	-
Transfers to property held for sale	(2,114)	-
Fair value adjustment	(375)	855
Closing balance at 31 March	**15,911**	**15,263**

13 TRADE AND OTHER PAYABLES

	2009	2008
Trade payables	4,636	3,703
Aircraft deposits	-	5,352
Non-trade payables and accrued expenses	5,798	3,851
Interest payable	445	499
GST payable	-	135
Total trade and other payables	**10,879**	**13,540**

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

All cash receipts and payments are made through the bank accounts of Eastland Infrastructure Limited, who provides treasury services to the Group and other related parties.

14 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 Company's exposure to interest rate and foreign currency risk, see the Eastland Infrastructure Limited financial statements Note 25.

	2009 $'000	2008 $'000
Current bank borrowings	71,493	-
Non-current bank borrowings	-	68,607
Total bank borrowings	**71,493**	**68,607**

14 LOANS AND BORROWINGS CONTINUED

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	Currency	Normal interest rate	Year of Matuity	Face Value 2009 $'000	Carrying amount 2009 $'000	Face value 2008 $'000	Carrying amount 2008 $'000
Commonwealth Bank of Australia	NZD	3.94%	2009	30,000	30,000	30,000	30,000
Commonwealth Bank of Australia - Call	NZD	3.30%	2009	1,250	1,250	1,250	1,250
Commonwealth Bank of Australia	USD	0.50%	2009	3,243	3,243	2,357	2,357
Westpac Banking Corporation	NZD	3.89%	2009	36,000	36,000	34,000	34,000
Westpac Banking Corporation - Call	NZD	3.60%	2009	1,000	1,000	1,000	1,000
Total interest-bearing liabilities				**71,493**	**71,493**	**68,607**	**68,607**

Eastland Infrastructure Limited has arranged bank funding from the Commonwealth Bank of Australia and Westpac Banking Corporation on behalf of the Eastland companies (Eastland Infrastructure Limited, Eastland Network Limited and Eastland Port Limited). At 31 March 2009 NZD 96.25 million (2008: NZD 66.250 million) plus a USD facility equivalent to NZD 3.75 million (2008: USD 2.375 million), was unsecured and subject to a Deed of Negative Pledge. The borrowings are in the name of Eastland Infrastructure Limited with the other two companies acting as guarantors.

Borrowings under the above facility are allocated to each of the three companies and their subsidiaries based on their respective share of total assets. Eastland Network Limited's share of drawings under the facility at 31 March 2009 was $47.8 million (2008: $47.8 million). Eastland Port Limited's share of drawings under the facility at 31 March 2009 was $13.1 million (2008: $13.1 million). The terms and interest rates mirror that of the bank loans provided to Eastland Infrastructure Limited.

These borrowings are rolled over at 90 day intervals spread throughout the quarter. The interest rate on these borrowings is the BKBM rate at the rollover date plus 0.35% (2008: 0.25%). At 31 March 2009 the rates on borrowings ranged from 0.5% to 3.94% (2008: 8.5% - 9.2%). Of the NZD call facilities $2.250 million was on overnight call in which the Group pays the OCR rate plus 0.30% (2008: 0.25%) to the Commonwealth Bank of Australia and OCR rate plus 0.6% (2008: 0.50%) to Westpac Banking Corporation. As at 31 March 2009 the OCR was 3.0%.

At 31 March 2009, existing facilities with the Commonwealth Bank of Australia and Westpac Banking Corporation had an expiry date of 21 December 2009. In May 2009, the Westpac Facility of NZD $50 million was extended for a further 3 years from May 2009. In addition, Eastland Infrastructure Limited has also put in place a further facility from the Bank of New Zealand of $33.4 million for 3 years from May 2009.

Discussions continue with the Commonwealth Bank of Australia in respect to extension of their facilities beyond the current expiry date of 21 December 2009.

15 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Recognised deferred tax assets and liabilities:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property plant & equipment	(14,571)	(16,333)	11,068	2,426	(25,639)	(18,759)
Investment property	406	(88)	177	1,001	229	(1,089)
Derivatives	1,553	(275)	(6)	(20)	1,559	(255)
Accounts receivable	25	19	(19)	-	6	19
Provisions	536	2	241	(171)	296	173
Other items	-	4	119	-	(119)	4
Net tax assets/(liabilities)	**(12,051)**	**(16,671)**	**11,580**	**3,236**	**(23,668)**	**(19,907)**

Deferred tax movements for the year:

	2009	2008
	$'000	**$'000**
Through equity:		
- Property, plant and equipment	(5,933)	(610)
- Prior period adjustment	(71)	309
- Cash-flow hedge derivatives	1,466	(71)
	(4,538)	**(372)**
Through profit or loss:		
- Property, plant and equipment	(264)	506
- Investment property	799	510
- Derivatives	(14)	(10)
- Other	(36)	28
- Accounts receivable	(13)	2
- Provisions	127	(154)
- Change in tax rates	-	(43)
- Prior periods	178	-
	777	**839**
Total deferred tax movements for the year	**(3,761)**	**467**

16 CAPITAL NOTES

Eastland Network Limited (ENL) issued $10 million of capital notes to the Eastland Community Trust on 30 July 2006 and Eastland Port Limited (EPL) issued $10 million of capital notes on 28 February 2008. These notes are for a period of five years and incur interest at 8.5 % and 9.0% respectively, interest payments are made six monthly for ENL and quarterly for EPL.

At the end of this period the Group may elect to redeem all or part of the capital notes for cash. If the Group does not make an election to redeem the capital notes for cash the note holders can elect to either renew the capital notes for a further period or convert each capital note held to ordinary shares based on a predetermined formula contained in the Capital Notes Deed.

17 CONTINGENT LIABILITIES

Eastland Network Limited

At 31 March 2009, Eastland Network Limited (ENL) had a contingent liability of $48,549 (2008: $64,799) in respect to subdivision developers' rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

Eastland Port Limited

Eastland Port Limited (EPL) leases the harbour basin from the Gisborne District Council (GDC) under a registered lease (which expires in September 2010) and licenses various marina berths to boat owners. On termination of the lease it is unclear if the GDC will be in a position to grant a new lease under the Foreshore and Seabed Act 2004. A number of licenses have terms that extend beyond the GDC lease term but include a termination of its own lease term, with a pro-rata refund of the initial purchase price paid for the berth license to be made to the licensee in respect of the cancelled term.

Eastland Infrastructure Limited

There were no contingent liabilities at year end (2008:nil).

18 COMMITMENTS

Eastland Infrastructure Limited

At 31 March Eastland Infrastructure Limited (EIL) had capital commitments of $75,970 in respect of the Financial Management Information System project (2008: $185,000 capital works for the Airport Distribution shed).

Eastland Network Limited

There were no capital commitments provided for at year end (2008:nil).

Eastland Port Limited

At 31 March 2009, EPL had total capital commitments of $1.020 million (2008: $0.753 million) comprising of $120,000 in respect of the new Port Office currently under construction, $750,000 for the asphalting of the Caltex Yard, and $150,000 in respect of the new Port Weighbridge (2008: $624,519 for Hirini Street capital works and $128,000 Shed 3 capital works).

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

	2009 $'000	2008 $'000
Profit for the period	**6,861**	**5,681**
Adjustments for:		
Depreciation	6,029	6,180
Customer contributions	(1,974)	(1,554)
Impairment loss	364	11
Foreign exchange loss/(gain)	590	20
Loss on revaluation	186	-
Change in the fair value of investment property	374	(855)
Change in fair value of derivatives	64	-
Tax expense	1,357	2,860
Goods and services tax	(465)	467
Increase in income in advance treated as investing activities	(824)	-
	5,701	**7,129**
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(3,716)	(1,610)
(Increase)/decrease in aircraft deposits paid	5,189	(6,446)
(Increase)/decrease in tax refundable	452	(308)
(Increase)/decrease in derivatives	64	-
(Increase)/decrease in inventory	(7,020)	(4,209)
Increase/(decrease) in aircraft deposits received	(5,352)	5,352
Increase/(decrease) in income in advance	910	36
Increase/(decrease) in employee entitlements	626	217
Increase/(decrease) in income tax payable	408	-
Increase/(decrease) in trade and other payables	3,071	1,695
Increase/(decrease) in deferred tax	(777)	(2,645)
	(6,145)	**(7,918)**
Net cash from operating activities	**6,417**	**4,892**

20 SUBSEQUENT EVENTS

Eastland Infrastructure Limited

On the 24th of April 2009, Flightline Aviation Limited (subsidiary of the Company) acquired certain assets from North Shore Aviation Services Limited.

Subsequent to balance date, EIL has agreed, subject to satisfactory completion of due diligence, to purchase certain assets and take on the employees of Transfield Services Limited on 1 July 2009.

Eastland Network Limited

(a) Current year

ENL breached the Commerce Commission's Price Path Threshold Compliance Test by $1.554 million for the period 1 April 2008 to 31 March 2009.

This amount was recognised as revenue. Eastland Network Limited 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 % regime.

At the time the annual report was published, ENL had no correspondence from the Commerce Comission as to whether there would be any action taken against ENL for the breach during the period.

(b) Prior year

Eastland Network Limited breached the Commerce Commission's Price Path Threshold Compliance Test by $0.503 million for the period 1 April 2007 - 31 March 2008. This amount was recognised as revenue. The Company believed 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 % regime.

On the 30 April 2009, the Commerce Commission published in the New Zealand Gazette, the decision not to declare control over the Company for the breach during the period 1 April 2007 - 31 March 2008.

Eastland Port Limited

There have been no subsequent events since balance date.

21 PRIOR PERIOD ERRORS

Please refer to the individual financial statements for full details of these.

The total effect on balance sheet and the income statement, respectively, for the Group is as follows:

Balance Sheet		
Issued capital	300,000	cr
Retained earnings	926,000	dr
Asset revaluation reserve	1,449,000	dr
Deferred taxation liability	334,000	dr
Property, plant and equipment	2,074,000	cr
Income tax refundable	341,000	cr
Income Statement		
General expenses	5,000	dr