Eastland Group

ANNUAL REPORT 2010

Eastland Network | Eastland Port | Gisborne Airport | Flightline Aviation | Skysales Aviation | Eastech | Eastland Generation

Eastland Group

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2010

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Highlights

- Very positive result in tough economic times
- Earnings before interest, tax and depreciation (EBITDA) of $22.7 million (2009: $22.3 million)
- Payments to Shareholder of $4 million in dividends plus $1.9 million in interest payments on Capital Notes
- Total assets have increased from $250 million to $293 million
- Bank Debt funding lines extended to 2012

Our Community

Eastland Group has continued its support of many community activities over the past year. While there is a single main sponsorship of speedway, there are plenty of other smaller projects, organisations and events the Group is involved with.

MADNESS, MUSIC AND MAYHEM

The Inner Harbour was a hub of entertainment and fun over the summer months with all sorts of happenings – from music to madness and everything in between, there was something for everyone.

The Harbour the Madness Day in late December was another huge success. The introduction of the birdman competition drew hundreds dockside where they were well and truly entertained by a hearty handful. Eastland Group's staff stepped up to the mark with a number picking up prizes. People were enthralled by the atmosphere and left brimming with ideas for the coming year. The open 2km swim was won by Chris Dawson with Georgia Harris the 1km swim and Kennedy Lexmond and Jakob Teneti the teams event.

The two-day Eastland Port International Jazz and Blues Festival went well and is being built on for the coming year.

The Inner Harbour area is a vibrant pulse within the community and the Group continues to make the most of that by encouraging a wide use of all facilities and support of the businesses in the basin.


Photograph: Brett Mead

Harbour the Madness birdman competition


Photograph: Brett Mead

Eastland Port International Jazz and Blues Festival

OPPORTUNITY KNOCKS

Eastland Group's encouragement of the region's future leaders continues. Scholarship winners receive $5,000 a year towards university costs and paid work at Eastland Network during their holidays.

Ryan Ainsworth was awarded an energy scholarship for the fourth consecutive year. He's in his final year studying mechatronics engineering at Canterbury University – but hasn't discounted heading back to do his masters just year.

Mikaere Ngarimu received a second energy scholarship. The Ruatoria student is in his final year of a Bachelor of Engineering degree at Auckland University.

Cousins Josh Gardner and Blake Burgess, who are both studying at Canterbury University, each received an energy scholarship for the first time this year.


Ryan Ainsworth - Energy Scholarship


Mikaere Ngarimu and Ryan Ainsworth

A NEED FOR SPEED

Thousands of people enjoyed spectacular racing through the season at Gisborne Speedway's "Eastland Group Raceway" throughout 2009-2010. It is the second of the group's three-year sponsorship of speedway.

Photograph: Brett Mead

Eastland Group Speedway

GREAT STUFF

Eastland Group stepped up to help the Eastland Rescue Helicopter raise more than $150,000 for night vision goggles in the Gisborne Great Race. Teams had to kayak, cycle and run their way around the city's three bridges. Team Eastland Group – comprising Matawai School's Dylan Wallbank, former All Whites captain Rodger Gray, New Zealand touch rugby representative Dianne Akurangi, Olympic gold medal-winning kayaker Paul MacDonald, television star Erin Simpson, Eastland Group's own Ben Gibson and Gisborne Boys' High School student Alexander Hyland – were one of four teams taking part.

Photograph: Brett Mead

Gisborne Great Race

MOKO

Eastland Group joined forces with the Eastland Community Trust and Waikanae Surf Lifesaving Club, with guidance from the Department of Conservation, to ensure Moko the friendly dolphin had minders during the region's busy summer months. The Group and ECT financed two-person crews from the surf club to shadow Moko in an IRB. News of Moko Minders spread quickly around the country, with crews regularly starring in photographs, on national radio and television clips.

Photograph: Paul Rickard - Gisborne Herald

Moko Minders

CONSERVATION ON OUR MINDS

Eastland Port came to the party donating mulch to the Women's Native Tree Project for their ongoing work on Kaiti Hill. The project saw around 120 trees planted, part of an ongoing development and refurbishment of the hill in whose shadow the port rests.

AND THE REST....

Eastland Group also helped, through various ways, the Gisborne Palliative Care Service, the hosting of the Thunder at Sea Powerboat Race, Plunket and others. The Group continues to be involved throughout the district in all facets of the community.

Native Tree Planting - Kauri Forno

Chairman and CEO Report

FOR YEAR ENDING 31 MARCH 2010

On behalf of the Eastland Group we are pleased to report the annual financial results for the year ending 31 March 2010.

HISTORIC OVERVIEW

The Eastland Group we know today dates back to the 2002/2003 financial year with the purchase of the assets and business of Gisborne Port. Eastland Infrastructure Limited was then established as a shared services management model to manage and support the new acquisition as well as the existing electricity distribution, Eastland Network Limited.

A lot has happened in the intervening years, but the business we now know as Eastland Group has flourished - it has continued to be commercially focused, to grow and to deliver a solid financial performance.

RETROSPECTIVE PERFORMANCE

In the year ending 31 March 2003, Eastland Group had $87.8 million in total assets. In the year ending 31 March 2010 this had been grown to nearly $300 million.

While the energy sector is still the biggest part of the overall portfolio, the other businesses make up nearly a third of the total portfolio. The regulated electricity distribution arm now accounts for about 50% of the total investment, compared to almost 100% pre 2003.

During this same period, the business has been able to continually create value for the Shareholder.

The opening equity in the year ending 31 March 2002 was $39 million. In the intervening years this has grown to $122 million, as well as cumulative dividends of over $25 million being paid. Assuming a terminal value equal to the equity value this creates an Internal Rate of Return of over 36%.

Nelson Cull - Chairman

Matt Todd - Chief Executive Officer

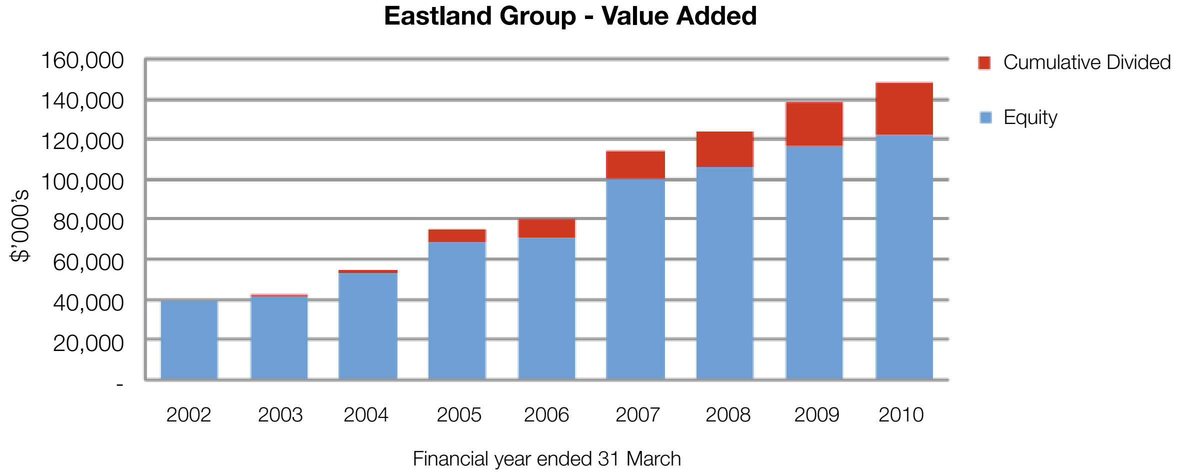
CHANGES TO THE BOARD

During the year two directors retired and were replaced by Nelson Cull and Shaan Stevens.

Nelson took up the position of Chairman vacated by Arthur Muldoon while Shaan replaced director Michael Andrews. The board and management would like to express their thanks to both Arthur and Michael, and note the huge contribution these two directors have made to the ongoing success of Eastland Group.

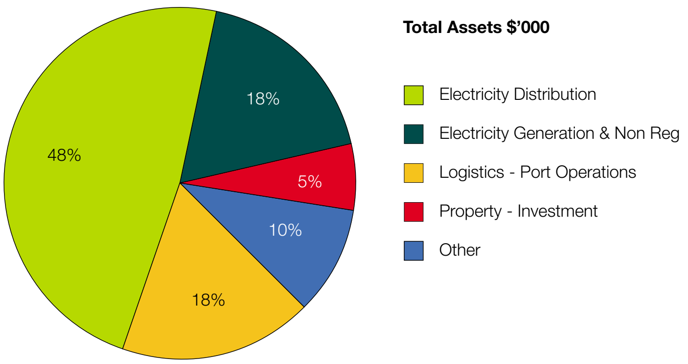
Eastland Group - value added

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Equity	39,271	41,924	53,402	68,603	70,638	99,967	106,336	116,756	122,460
Cumulative Dividend	-	250	1,700	6,748	9,594	14,044	17,644	21,444	25,444



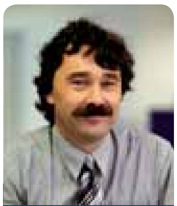
Eastland Group - portfolio mix

	Total Assets $'000	Total Assets %
Electricity Distribution	141,351	48.21%
Electricity Generation & Non-Reg	53,359	18.20%
Logistics - Port Operations	52,752	17.99%
Property - Investment	18,077	6.17%
Other	27,659	9.43%
	293,198	**100.00%**



EASTLAND GROUP EXECUTIVE TEAM

Matt Todd
Chief Executive



Brent Stewart
Sector General Manager Energy

Jeremy King
Chief Financial Officer

Gavin Murphy
Business Development Manager

Andrew Gaddum
Sector General Manager Logistics

Ben Gibson
General Manager Commercial

	Unaudited 2009 Actual	2010 Budget	Unaudited 2010 Actual
Total Revenue	$67,460	$52,272	$61,977
EBITDA	$22,287	$18,868	$22,671
Net profit after tax	$6,861	$3,821	$5,574

HIGHLIGHTS FOR THE YEAR

Eastland Group went into the 2009/2010 financial year very concerned about the global financial crisis, and consequently set conservative budgets with both revenue and net earnings significantly below the previous year.

FINANCIAL PERFORMANCE

At an operating profit level (EBITDA) the business delivered a result exceeding the previous year, however revaluations and asset depreciation increased resulting in a lower Net Profit After Tax.

The performance compared to budget reflects the fact that New Zealand, and in particular provincial New Zealand weathered the global financial crisis very well, with the forestry sector showing extremely strong growth.

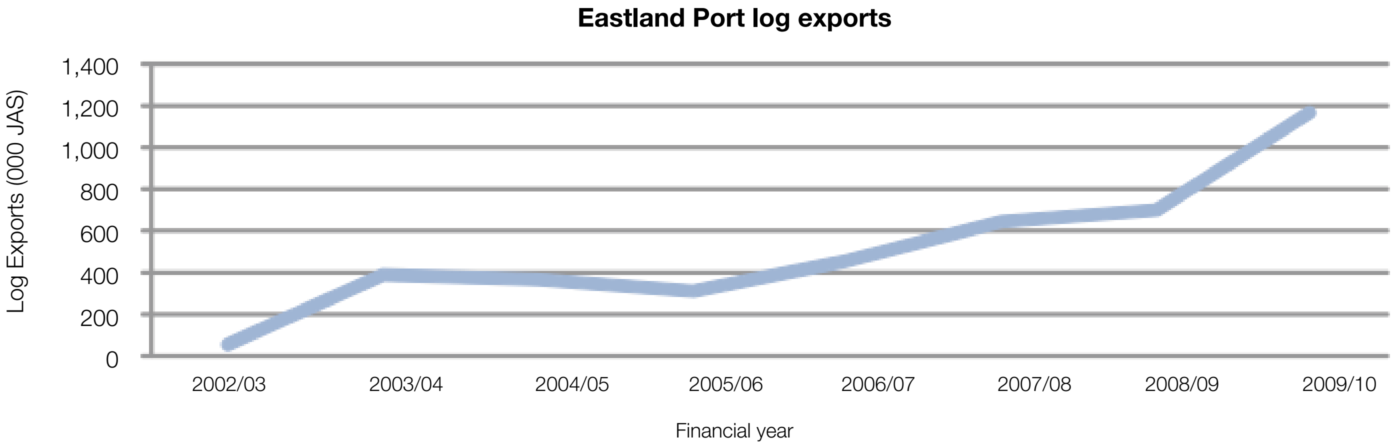
PORT VOLUMES

The widely documented wall of wood is starting to become a reality on the East Coast with log export volumes increasing 70% in the last year.

The growth in log exports is due to a number of factors which have positively impacted the forestry sector.

Firstly the region's forest resource has reached an age where it is optimal to harvest and the region's larger forest companies are ramping up harvest capacity as they strive to reach their sustainable cut levels in order to manage the age profiles of their forests. Further to this a number of the small wood lots in the region owned by farmers and investment groups are starting to be harvested as owners seek to capitalise on higher market returns. The ability of these groups to slide their harvesting window to maximise returns will become more and more evident in years to come leading to even greater peaks when market conditions are favorable. It should be also noted that the emergence of China as a major export market for New Zealand wood products and the continuing economic growth in that country has provided a market that has buffered this sector from the effects of the global financial crisis.

With a relatively stable market and the ongoing maturity of the East Coast wood resource, the industry outlook remains positive however given previous cycles there is also a measure of caution and a view that the growth needs to be carefully managed.



REDUCTION OF AVIATION INVESTMENT

The global financial crisis has adversely affected the aviation sector and made for very difficult economic times. The Group made a conscious effort to reduce its exposure and reduce its investment within this sector.

FUNDING

Obtaining cost competitive funding remained a challenge as the global financial crisis lead to banks significantly tightening up their lending criteria and being much more demanding on the businesses they lend to.

Having put in place new funding arrangements early in the 2009 calendar year, the Group was able to comfortably fund its activities and at year end had bank debt facilities of $125 million, which were drawn down by $99 million.

The Group has taken a commercial but prudent approach to its level of debt and, having increased gearing over the past few years, the level of debt now in place is about optimal. This does however present issues about how to fund any future growth.

EASTLAND GROUP STRUCTURE

In the lead up to year end significant work was completed to allow the businesses within the Group to be formally transferred into Eastland Group Limited - which as of 1 April 2010 became the holding company for all businesses within the Group . This new structure will be significantly more efficient from a taxation, funding and administration perspective.

The Eastland Community Trust remains the 100% shareholder of Eastland Group Limited.

NEW GENERATION

Towards the end of the 2010 financial year the Group made a successful bid to purchase a 9.2MW geothermal power station in Kawerau in the Bay of Plenty. This purchase led to the formation of Eastland Generation Limited and part of the restructuring work noted above was the transfer into this company of existing generation assets and this new acquisition.

Strategically Eastland Group believes there are very positive development opportunities within the electricity generation sector, and recent changes to the rules restricting electricity distribution companies from participating in the energy generation and supply parts of the industry, pave the way for greater involvement in this field.

STRATEGIC INTENT

The board and management of Eastland Group are firmly of a view that companies need to grow, adapt and change to survive and that the past success of the Group provide a model for the future.

Towards the end of the 2010 financial year a significant body of work was completed resulting in the Group agreeing to a new strategic plan that paves the way for continued growth over the next five years.

The strategic intent is a set of statements about the fundamental characteristics that define who Eastland Group is and how it will operate:

Finally we would like to thank the Board of Directors, senior management and staff for their contribution throughout the year. We recognise all staff as a valued asset to Eastland Group.

Nelson Cull
Chairman

Matt Todd
Chief Executive Officer

STRATEGIC INTENT STATEMENT:

To be a **Gisborne based national company**, investing in and managing a targeted portfolio of businesses with a **focus on the energy and logistics sectors**, in addition to holding some key regional assets, all of which must be capable of **delivering value to our shareholders, customers and stakeholders**.

All businesses will achieve **greater than WACC returns** and will **target upper quartile returns** when benchmarked to their reference industry sector.

The strategic business model for each sector that Eastland Group operates in will be one of an **asset intensive nature**, but these sectors will be grown by developing inherent opportunities within the business and also those that are **upstream, downstream or complementary** in or to **the value chain** of the business. **Growth may be organic or through acquisition or amalgamation**.

With our corporate offices in Gisborne, we will use **Gisborne's location** and attributes as a way of recruiting and retaining **highly competent** people who value what Eastland Group can offer them professionally in terms of values, culture, meaning and career development and Gisborne can offer them personally in terms of lifestyle.

It is these attributes that will provide us with a **sustainable competitive advantage**.

Energy Sector Overview

FOR YEAR ENDING 31 MARCH 2010

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Highest ever annual units generated at Waihi Hydro Generation Scheme since owned by Eastland Network.
- Complete upgrade of distribution assets in Ruatoria township.
- Maintenance and capital expenditure under budget.
- Network reliability performance target below that set by the Commerce Commission's Threshold Compliance Regime.
- Eastech contracting entity established.

Despite challenging times, it has been another successful year for the Energy sector, both financially and operationally for Eastland Network's distribution and generation businesses.

A cool and wet winter resulted in electricity consumption by domestic customers increasing by 4.5 GWhrs on the previous year. However a continuing decrease in consumption by non-domestic customers resulted in total energy distributed of 299.5 GWhrs being 1.5% below the budgeted target of 304 GWhrs.

Dry conditions at the Waihi Hydro Generation Scheme were reflected in an 8% decrease of average rainfall for the year. However prudent operation of the asset resulted in both generation and revenue targets being met.

The annual production of 13,646,090 kWhrs achieved by the Waihi station, is the most units generated annually since Eastland Network purchased the scheme in 1999, and was 24% ahead of budget.

In total the six 1MWe diesel generators embedded at strategic locations within Eastland Network's distribution network generated 493,036 kWhrs. The majority of this production was for maintaining supply to customers during faults and scheduled shutdowns for maintenance, or the reduction of maximum demand at Transpower supply points.

Network reliability performance achieved for the year was lower than the targets set as part of the Commerce Commission's Threshold Compliance regime. Total average minutes loss of supply (SAIDI[1]) achieved was 323 against a threshold compliance target of 374, and the total average frequency of interruption (SAIFI[2]) was 3.89 against a threshold compliance target of 4.05. Avoided "customer minutes" of non supply achieved through the use of generation was in the order of 3.2 million which equated to a saving of 125 SAIDI minutes.

Brent Stewart - Sector General Manager Energy

The noticeable downturn in both the residential housing sector and commercial developments, experienced in the latter part of the previous year, continued. During the year, only one reticulation design request was received for a small new/greenfield subdivision comprising six sections. Developer funded reticulation installed during the year was limited to 29 infill sections, nine green field subdivision sections and two commercial sites. This resulted in distribution assets, with an installation cost of $192,000, being vested to Eastland Network. By way of comparison the value of vested assets in 2009 was $1.4 million. Net growth in the number of customer connections for the year was 132, (rising from 25,300 to 25,432).

A number of reticulation upgrade projects and those from a continuing programme to ensure load growth and security requirements within the Gisborne and Wairoa CBDs were completed. In Gisborne this included the undertaking of a significant pole replacement project in the Wainui Beach area. Also the final stage of a three year project to increase available capacity to the Gisborne CBD was completed with the upgrading of 11kV cables, (route length approximately one km) from the Reads Quay Substation through to the Plunket Substation in Palmerston Road .

In Wairoa township, a number of 11kV switchgear and distribution upgrading projects were undertaken in order to increase capacity availability and increase security of supply.

Work continued on our programme of overhead-to-underground conversion projects in areas in, or bordering on, CBDs, and/or high amenity areas.
Projects completed were:

- Carnarvon Street (between Gladstone and Palmerston roads)
- Cobden Street/Palmerston Road corner
- Balfour Street (opposite Ayton Park).
- Ballance Street (beyond shopping centre to Whitaker Street)

In the rural areas of Gisborne and Wairoa, the planned programme of aged asset replacement continued. Of significance was the completion of a maintenance and asset renewal project in the Ruatoria township and its immediate surrounds. This project included the replacement of 11kV and 400V poles and switchgear, the upgrading of transformers and the removal of redundant overhead plant.

Maintenance and capital expenditure was again prudently managed with an actual spend less than budget - much of this relates to growth-initiated projects which were able to be deferred to the 2010/11 year as a direct result of delayed customer growth.

After a decade of exclusively outsourcing all network maintenance and construction work, a new company was established within Eastland Group to provide fault response services and to carry out overhead line maintenance and construction activities. Key to the decision to establish Eastech was the requirement to replace an external contractor who had chosen to exit the business in our region, and to deliver customers improved and sustainable services. Since its formation in July 2009, with the establishment of teams based in Gisborne, Wairoa and on the East Coast, Eastech has met and/or exceeded all financial and service delivery targets. In addition to Eastech, other existing locally based contractors are still used to carry out network maintenance and construction work.

During the year work has continued on projects associated with increasing the amount of embedded generation connected to Eastland Network's distribution network, as part of planning to meet future demand growth and ongoing development of the business. Work continued on feasibility studies to investigate the possibility of large scale hydro, wind and small scale/mini hydro options in various locations around the region.

Brent Stewart
Sector General Manager Energy

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

Logistics Sector Overview

FOR YEAR ENDING 31 MARCH 2010

HIGHLIGHTS OF AN EXCEPTIONAL YEAR FOR EASTLAND PORT INCLUDE

- 2009-2010 was the Port's largest export year ever with numbers exceeding 1.2 million tonnes.
- 70% increase on previous year's exports.

Despite a global financial crisis, Eastland Port has performed strongly, with a record 1.2 million tonnes of logs exported. The step change in volume was the result of a marked increase in demand for logs from the Chinese market, driven by internal demand and increasing issues with traditional wood supplies from Russia.

This combined with a rapidly maturing forest resource on the East Coast – as a result of deferred harvesting over previous years – has lead to a huge ramp up in harvesting capacity. This level of increase over such a short amount of time did not come without its challenges, and the industry as a whole had to face these head on.

With the majority of the volume headed for the Port, trucking congestion was an immediate issue. However, operational changes in log yard layouts, the implementation of a new weighbridge and scaling station, and extended hours of operation, largely resolved this issue.

The completion of the new scaling station, the largest in New Zealand, was a real milestone for the Port. It demonstrated both the Port's commitment to helping grow the industry, while also demonstrating how the local industry has matured over the past five years. The station was collaboratively designed between the Port and C3 (the Port log marshallers), with the end result being a facility that met the needs of all involved, including the 200-odd truck drivers who visit the station every day.

The increase in log volumes has lead to the need for extra storage capacity both on and off Port, and the consenting process is currently underway for both the upper log yard area and the Port's new off-site storage facility.

The first project identified in the Asset Management Plan has started, with the refurbishment of No. 3 wharf. The project

Andrew Gaddum - Sector General Manager Logistics

was awarded as a joint venture between a local contractor with the required resources and technical support coming from a national organisation, skilled in this type of work. The Port sees this as the ideal combination as it upskills local companies while the expenditure remains in the local economy.

The outlook for the coming year is positive, with all key customers looking to increase their harvest levels and subsequent export volumes. Further to this, a number of the region's wood lots planted in the early 1980s are starting to come on stream, as market conditions improve and local farmers and investors look to capitalise on this.

Andrew Gaddum
Sector General Manager Logistics

Commercial Sector Overview

FOR YEAR ENDING 31 MARCH 2010

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- 100% occupancy has been maintained throughout a period of strong global recession.
- Annual revaluations have not lead to significant changes in property values and the entire group investment property portfolio is valued at $18.9 million, up from $18 million the previous year.
- Investment property revenues have remained stable throughout the recession at $1.4 million per annum.

LOOKING BACK

The Commercial Property portfolio is focused primarily on land and buildings in Gisborne's Inner Harbour precinct, along with other holdings including agricultural land, warehousing and distribution centres, and some residential property adjacent to key operational areas. These properties are owned by the various operating companies under Eastland Group, including Eastland Infrastructure Limited, Eastland Port Limited and Eastland Network Limited.

As part of the Eastland Group restructuring, from 1 April 2010 these properties will be held under Eastland Investment Properties Limited, an entity 100% owned by Eastland Group Limited.

Property that is classified as investment property within these entities has been grouped together for management and reporting purposes, and this provides a greater level of focus and direction for these assets, away from day-to-day operational aspects of the parent company. This is important, since property makes up a significant part of the group's assets, and the Inner Harbour assets are a focal point of Gisborne's hospitality, business and retail trades.

Throughout the 2010 financial year, management focus has been on retaining current tenancy levels, maintaining the assets and tidying up a number of outstanding issues with legacy leases.

Ben Gibson - General Manager Commercial

With the opening of the new Eastland Port weighbridge, the options for further development of the area are more obvious. With log truck traffic now exclusively using Rakaiatane Road to access the Port, traffic volumes through the Inner Harbour have reduced significantly, and the potential for better pedestrian access for a wider range of events in the area is increased. However parking will continue to be an issue and management are currently developing parking plans to try and accommodate the needs of a very wide variety of users.

Overall, our property strategy focuses on delivering the greatest possible value out of existing assets, while continuing to look for new opportunities both on current land holdings and in areas that have a direct link to the operations of the group.

The challenges that presented themselves in the last financial year will by no means have abated going forward. The business will need to continue to focus on retaining quality tenants with established and well recognised businesses. Eastland Group will also be continuing to make the Inner Harbour area a vibrant and exciting place to be, and one which the whole region can be proud of.

Ben Gibson
General Manager Commercial

Shared Services Overview

FOR YEAR ENDING 31 MARCH 2010

KEY HIGHLIGHTS FOR THE PAST YEAR INCLUDE

- Refinancing of bank funding facilities through to 2012.
- Strengthening of the Shared Services finance team.
- Integration of the Eastech and Geothermal Developments businesses into Eastland Group.
- Implementation of a legal Eastland Group structure, effective 1 April 2010.

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
- Statutory and regulatory compliance

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 impact of the global credit crisis on the ability to secure bank funding has continued to place demands on the Shared Services team. In late March 2010, bank funding facility agreements with Westpac, BNZ and ANZ - with maturity dates early in the 2013 financial year - were signed by the board. While attracting higher fees and margins than those prior to the global credit crisis, these bank funding facilities are in line with the market and give Eastland Group certainty of bank funding for the next two years.

The Shareholder demonstrated their ongoing support for the current direction of Eastland Group by subscribing to an additional issue of $10 million of Capital Notes by Eastland Network Limited.

Jeremy King - Chief Financial Officer

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 2010, in a prevailing market of low interest rates, Eastland Group's average cost of bank debt - excluding bank fees and margins - was 4.99%, against a floating rate of 2.73%.

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. The Chief Executive, in his report, highlights the importance of attracting and retaining quality people to deliver customer-centric commercial solutions. During the past year, the Shared Services team has been successful in attracting new staff to fill roles identified as necessary to adequately resource it and provide a professional service to the wider Eastland Group.

The implementation of a legal Eastland Group Limited structure has better placed the Group for future growth. It reflects how external stakeholders, such as banks, see the Group and will streamline annual financial reporting requirements.

The Shareholder has discussed, and agreed to a dividend expectation for the 2010 year and beyond. The Group's ability to enhance asset value other than by generating immediate cash returns must also be recognised as a measure of success.

AVIATION

The aviation businesses, other than Gisborne Airport, found the operating conditions during the global economic crisis challenging.

While this is a very small part of the Group, management has never-the-less been focused on initiatives to restructure these businesses, reducing inventory and costs and improving margins. By year end, these initiatives were having a positive effect and while the work will run into the next financial year there is reason to be optimistic in respect to the ability of these businesses to make a greater contribution to the earnings of the Group as the economy rebounds.

LOOKING AHEAD

Eastland Group has continued to grow organically and through acquisition with the integration of newly-acquired businesses into the Group successfully completed during the past year.

The economy looks to be turning a positive corner, but is likely to continue to provide challenges and opportunities for all businesses within the 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 include 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 & Finance 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.

Performance 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.

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 2010

DIRECTORS' DECLARATION

In the opinion of the directors of Eastland Group, the financial statements and notes, on pages 17 to 34:

- 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 Group.

The directors consider that they have taken adequate steps to safeguard the assets of 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 2010.

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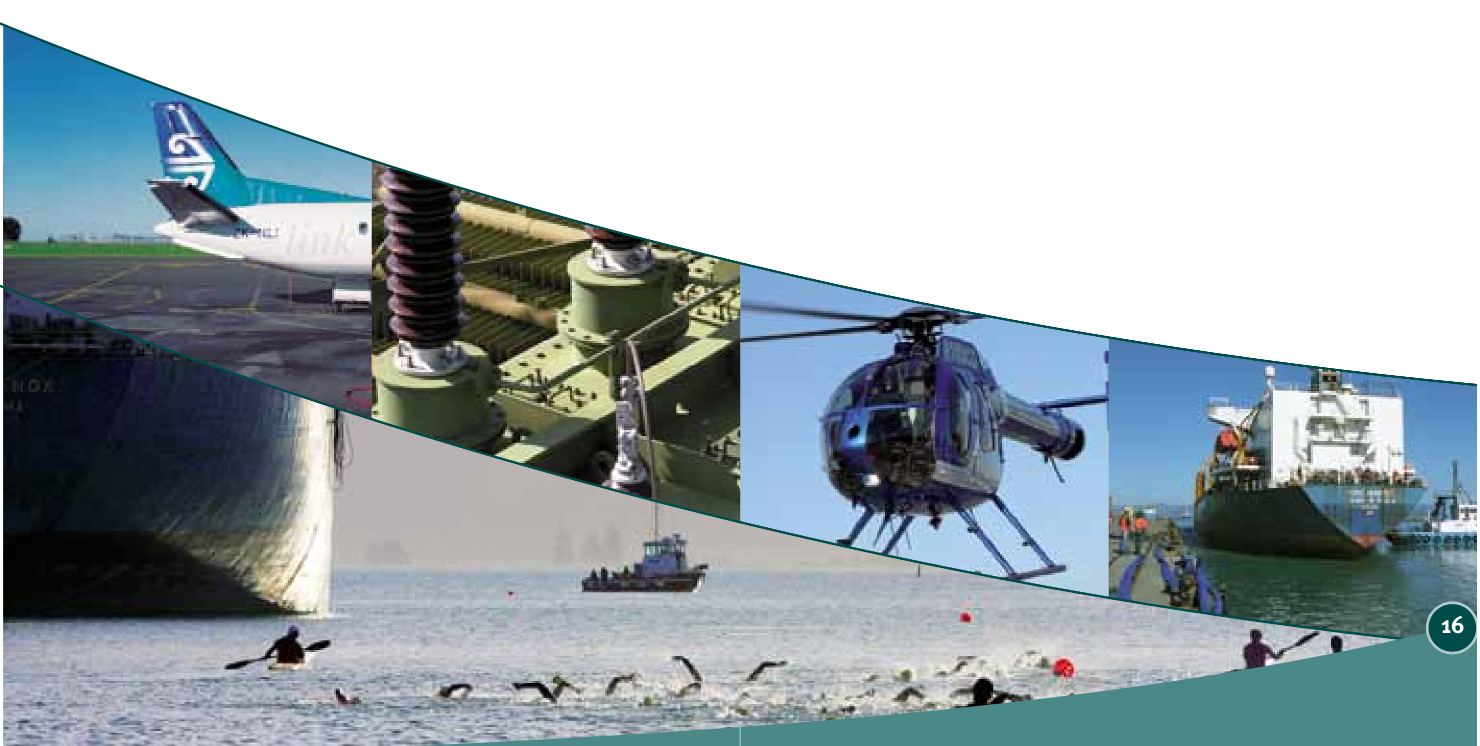

	Notes	2010 $'000	2009 $'000
Revenue	1	61,346	66,567
Cost of sales		(29,358)	(34,490)
Gross profit		**31,988**	**32,077**
Other operational income	2	631	893
Administrative expenses	3	(10,198)	(11,202)
Depreciation		(7,335)	(6,029)
Net total costs		**(16,902)**	**(16,338)**
Net results from operating activities		**15,086**	**15,739**
Finance income	5	865	487
Finance expenses	5	(8,037)	(8,008)
Net finance costs		**(7,172)**	**(7,521)**
Profit before income tax		**7,914**	**8,218**
Income tax expense	6	(2,340)	(1,357)
Profit for the year - attributable to shareholders of the Company		**5,574**	**6,861**

	Notes	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents		1,308	988
Trade and other receivables	8	10,542	10,798
Income tax refundable		891	404
Property held for sale	12	5,225	5,210
Derivatives		359	233
Inventory	9	8,408	14,421
Total current assets		**26,733**	**32,054**
Non-current assets			
Property, plant & equipment	10	228,793	199,387
Investment properties	13	17,127	15,911
Intangibles	11	20,545	2,859
Total non-current assets		**266,465**	**218,157**
TOTAL ASSETS		**293,198**	**250,211**
LIABILITIES			
Current Liabilities			
Derivatives		4,099	4,577
Employee entitlements	4	1,262	1,324
Income in advance		152	178
Income tax payable		1,299	408
Capital notes	17	30,000	-
Loans and borrowings	15	-	71,493
Trade and other payables	14	8,032	10,879
Total current liabilities		**44,844**	**88,859**
Non-current liabilities			
Loans and borrowings	15	99,100	-
Long term payables		-	100
Income in advance		775	828
Deferred income tax liabilities	16	26,019	23,668
Capital notes	17	-	20,000
Total non-current liabilities		**125,894**	**44,596**
TOTAL LIABILITIES		**170,738**	**133,455**
NET ASSETS		**122,460**	**116,756**
EQUITY		**122,460**	**116,756**

	2010 $'000	2009 $'000
Issued capital		
Opening balance	15,400	15,100
Prior period errors	-	300
Closing balance	**15,400**	**15,400**
Hedge reserve		
Opening balance	(3,053)	600
Fair value movements: cash flow derivatives (net of deferred tax)	397	(3,541)
Prior period errors	98	(3)
Change in deferred tax rate on opening balance	-	(109)
Closing balance	**(2,558)**	**(3,053)**
Property, plant and equipment reserve		
Opening balance	76,488	64,850
Prior period errors	3,649	(1,449)
Revaluation of property, plant and equipment (net of deferred tax)	(199)	13,088
Closing balance	**79,938**	**76,488**
Retained earnings		
Opening balance	27,921	25,786
Prior period errors	185	(926)
Profit/(loss) for the year	5,574	6,861
Equity dividends	(4,000)	(3,800)
Closing balance	**29,680**	**27,921**
Balance at 31 March 2010	**122,460**	**116,756**

Statement of Cash Flows (Unaudited)

For the year ended 31 March **2010**

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		61,448	57,835
Payments to suppliers and employees		(36,330)	(43,237)
Interest paid		(7,750)	(7,359)
Income tax paid		(1,126)	(1,309)
Interest received		163	487
Net cash flow from (used in) operating activities	20	**16,405**	**6,417**
Cash flows from investing activities			
Purchase of intangibles		(16,902)	(1,332)
Purchase of property, plant & equipment		(32,969)	(5,240)
Purchase of investment properties		(484)	(376)
Net cash flow from (used in) investing activities		**(50,355)**	**(6,948)**
Cash flows from financing activities			
Proceeds from bank borrowings		28,270	2,296
Proceeds from capital notes issued		10,000	-
Equity dividends paid		(4,000)	(3,800)
Net cash flow from (used in) financing activities		**34,270**	**(1,504)**
Net (decrease)increase in cash and cash equivalents		320	(2,035)
Cash and cash equivalents at beginning of period		**988**	**3,023**
Cash and cash equivalents at end of period		**1,308**	**988**

REPORTING BASIS

Eastland Group (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. Please refer to subsequent event note 21 regarding the restructure of the group.

ACCOUNTING POLICIES

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

1 REVENUE

	2010	2009
	$'000	**$'000**
Electricity line revenue	28,511	28,089
Customer contributions	391	1,974
Property rentals	1,378	1,365
Energy sales	1,345	-
Other sales	29,721	35,139
Total revenue	**61,346**	**66,567**

2 OTHER INCOME

	2010	2009
Change in fair value of investment property	371	540
Other income	99	168
Impairment losses recovered	18	29
Bad debts recovered	143	-
Gain on sale of property, plant and equipment	-	156
	631	**893**

3 ADMINISTRATIVE EXPENSES

	2010	2009
Administrative expenses include:		
Change in fair value of investment property	20	914
Impairment losses and bad debt write-offs on trade receivables	24	48
Impairment losses on intangible assets	250	331
Loss on revaluation	-	186
Loss on sale of property, plant and equipment	238	200
Prior period adjustment	-	5
Reversals of impairment allowance	-	(15)
Direct operating expenditure arising on investment properties that generated rental income	298	240
Auditor's remuneration to Deloitte comprises		
audit of financial statements	231	183
other audit-related services	25	-
Other	9,112	9,110
Total administrative expenses	**10,198**	**11,202**

4 EMPLOYEE ENTITLEMENTS

	2010 $'000	2009 $'000
Liability for annual leave	675	559
Liability for other short-term benefits	490	670
Liability for post-employment benefits	97	95
Total employee benefit liability	**1,262**	**1,324**

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

Expenses recognised in profit or loss

	2010 $'000	2009 $'000
Wages and salaries	5,870	5,797
Contributions to defined contribution plans	86	40
Total employee entitlement expenses	**5,956**	**5,837**

5 FINANCE INCOME AND EXPENSES

	2010 $'000	2009 $'000
Interest income on cash and cash equivalents	163	438
Net foreign exchange gains	663	1
Fair value gains on derivative instruments at fair value through profit or loss	39	48
Total finance income	**865**	**487**
Interest expense on financial liabilities measured at amortised cost	8,030	7,305
Net foreign exchange losses	7	591
Fair value losses on derivative instruments at fair value through profit or loss	-	112
Total finance expense	**8,037**	**8,008**
Net finance costs	**(7,172)**	**(7,521)**

6 INCOME TAX EXPENSE

	2010 $'000	2009 $'000
Current tax expense		
Current period	(1,947)	(2,239))
Adjustment for prior periods	338	105)
	(1,609)	**(2,134)**
Deferred tax expense		
Temporary differences for the year	(370)	675
Adjustment for prior periods	(361)	102
	(731)	**777**
Total income tax (expense)/income	**(2,340)**	**(1,357)**

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 2010 and 2009, is as follows:

	2010 %	2010 $'000	2009 %	2009 $'000
Accounting profit before income tax		**7,914**		**8,218**
At the statutory income tax rate of 30% (2009:30%)	30.00%	(2,374)	30.00%	(2,465)
Adjustments in respect of current & deferred income tax of previous years	0.33%	(26)	2.19%	180
Fair value revaluations on fixed assets	1.58%	125	0.38%	31
Non-deductible expenses	2.10%	(166)	2.19%	(180)
Tax exempt income	1.28%	101	13.11%	1,077
	30.43%	**(2,340)**	**16.52%**	**(1,357)**

7 IMPUTATION CREDITS

	2010 $'000	2009 $'000
Imputation credits at 1 April	5,911	6,153
New Zealand tax payments, net of refunds	560	1,630
Imputation credits attached to dividends paid	(1,970)	(1,872)
Imputation credits at 31 March	**4,501**	**5,911**

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

8 TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Trade receivables	7,530	7,237
Customer deposits	1,195	1,257
GST receivable	-	218
Other receivables	1,817	2,086
Total trade and other receivables	**10,542**	**10,798**

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.

9 INVENTORY

	2010 $'000	2009 $'000
Consumables	7	12
Work in progress	1,218	2,831
Finished goods	7,183	11,578
Total inventory	**8,408**	**14,421**

10 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 2010	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**
At 1 April 2009, net of accumulated depreciation	35,072	130,063	10,761	13,181	2,534	5,324	2,452	199,387
Additions	808	4,959	61	1,129	123	1,595	1,372	10,047
Additions from business combinations	-	-	-	-	-	23,854	-	23,854
Disposals	(366)	(1,058)	(2)	(13)	-	(639)	-	(2,078)
Revaluations	2,476	2,578	222	-	-	-	-	5,276
Transfer to property held for sale	(340)	-	-	-	-	-	-	(340)
Transfers between classes	-	-	-	-	4	(4)	-	-
Prior period adjustments	(3)	-	-	(15)	-	-	-	(18)
Depreciation charge for the year	(482)	(4,026)	(694)	(932)	(186)	(1,015)	-	(7,335)
At 31 March 2010, net of accumulated depreciation	**37,165**	**132,516**	**10,348**	**13,350**	**2,475**	**29,115**	**3,824**	**228,793**
At 1 April 2009								
Cost or fair value	35,811	130,063	12,144	15,339	2,939	9,183	2,452	207,931
Accumulated depreciation and impairment	(739)	-	(1,383)	(2,158)	(405)	(3,859)	-	(8,544)
Net carrying amount	**35,072**	**130,063**	**10,761**	**13,181**	**2,534**	**5,324**	**2,452**	**199,387**
At 31 March 2010								
Cost or fair value	37,866	136,695	12,510	16,424	3,069	33,750	3,824	244,138
Accumulated depreciation and impairment	(701)	(4,179)	(2,162)	(3,074)	(594)	(4,635)	-	(15,345)
Net carrying amount	**37,165**	**132,516**	**10,348**	**13,350**	**2,475**	**29,115**	**3,824**	**228,793**

10 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Year ended 31 March 2009	Land & Buildings ($'000)	Electricity Distribution ($'000)	Electricity Generation Equipment ($'000)	Wharves, Walls & Surfaces ($'000)	Floating Plant ($'000)	Other Plant & Equipment ($'000)	Work In Progress ($'000)	Total ($'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	1,085	7,861	13	458	(59)	2,400	(240)	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	**35,072**	**130,063**	**10,761**	**13,181**	**2,534**	**5,324**	**2,452**	**199,387**
At 1 April 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**
At 31 March 2009								
Cost or revaluation	35,811	130,063	12,144	15,339	2,939	9,183	2,452	207,931
Accumulated depreciation and impairment	(739)	-	(1,383)	(2,158)	(405)	(3,859)	-	(8,544)
Net carrying amount	**35,072**	**130,063**	**10,761**	**13,181**	**2,534**	**5,324**	**2,452**	**199,387**

11 INTANGIBLE ASSETS

	$'000
Cost	
Balance at 1 April 2009	3,201
Acquisitions through business combinations	17,937
Balance at 31 March 2010	**21,138**
Cost	
Balance at 1 April 2008	1,869
Acquisitions through business combinations	1,332
Balance at 31 March 2009	**3,201**
Amortization and impairment losses	
Balance at 1 April 2009	343
Impairment losses	250
Balance at 31 March 2010	**593**
Balance at 1 April 2008	11
Impairment losses	331
Balance at 31 March 2009	**343**
Carrying values	
At 1 April 2009	2,859
At 31 March 2010	**20,545**
At 1 April 2008	1,858
At 31 March 2009	**2,859**

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:

	2010 $'000	2009 $'000
Skysales Aviation (NZ) Limited	1,859	1,859
Geothermal Developments Limited	17,937	-
Port Weighbridge (owned by Eastland Port Limited)	500	500
Inner Harbour Marina Limited	250	500
	20,545	**2,859**

11 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 $1.8 million. Cashflows were projected using a combination of the 2011 approved budget figures and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years with particular assumptions being:

- Inflation was assumed at 3% compounding every year, over the five year term of the cash flow projections;
- A 15.75% pre tax discount rate was used which is consistent with the audited Goodwill impairment test for 31 March 2010, and management's assessment of the Weighted Average Cost of Capital for the Skysales business.
- The terminal value was calculated using the Perpetuity Growth Model, which assumes that the value of free cash flows beyond 2015 will continue to grow at a constant rate, being inflation of 3%.

The resulting net present value approximates the current carrying value of goodwill relating to Skysales Aviation (NZ) Limited ($1.859 million) and confirms that the carrying value of the Skysales goodwill is not impaired.

Geothermal Developments Limited

The Geothermal Developments Limited goodwill is not subject to impairment testing as it was acquired on 14 January 2010.

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 2010 year to date cashflows and Management's assessment of future performance of the cash generating unit using best estimates of market conditons over the next five years. In calculating NPV under the three alternate scenarios management used per truck charge rate of $7.50, discount rates of 9.2% and 9.6% with inflation assumed at 3% per annum. This analysis produced NPV's of between $2.3 m and $2.6 m 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

In accordance with NZ IAS 36, the goodwill of the Inner Harbour Marina Ltd has been tested for impairment. Three scenarios were run based on cashflow forecasts of management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years. Discount rates of 10.63%, 11.63% and 12.63% were used with inflation assumed at 3% per annum. This analysis produced NPV's between $197,694 and $249,514. Scenario one (10.63%) best represents the NPV of IHML, therefore impairing goodwill by approximately $250k. The port's WACC of 11.63% is considered slightly high for IHML as a commercial property operator, therefore the lower of the WACC's has been accepted.

12 PROPERTY HELD FOR SALE

	2010 $'000	2009 $'000
Investment properties held for sale	1,789	1,774
Operational land and buildings held for sale	3,436	3,436
Total property held for sale	**5,225**	**5,210**

As disclosed in note 21, to the 31 March 2008 financial statements, the agreement for sale and purchase dated 16 September 2002 with Port Gisborne Limited provided for a transfer of certain lands between Eastland Port Limited and the Gisborne District Council following completion of the new port access road. Under the terms of this agreement, the Gisborne District Council would receive the land on which the new road is constructed, plus areas of reserve and carpark and in return the company will receive a stopped road and other land at Dunstan Road. The agreement also provides for a washup mechanism to deal with any value imbalance and both parties remain in negotiations regarding the resolution of this imbalance. It is expected that this transaction will settle in the 2011 financial year. Please note the movement from last year is due to the revaluation of investment property included in property held for sale of $15,000.

13 INVESTMENT PROPERTIES

	2010 $'000	2009 $'000
Opening balance at 1 April	**15,911**	**15,263**
Additions	488	2,664
Disposals	-	(101)
Transfers from property, plant and equipment	36	574
Transfers to property held for sale	328	(2,114)
Prior year correction	2	-
Fair value adjustment	362	(375)
Closing balance at 31 March	**17,127**	**15,911**

14 TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Trade payables	4,081	4,636
Non-trade payables and accrued expenses	2,522	5,798
Interest payable	732	445
GST payable	697	-
Total trade and other payables	**8,032**	**10,879**

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.

15 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.

	2010 $'000	2009 $'000
Current bank borrowings	-	71,493
Non-current bank borrowings	99,100	-
Total bank borrowings	**99,100**	**71,493**

15 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 2010	Carrying amount 2010	Face value 2009	Carrying amount 2009
				$'000	$'000	$'000	$'000
Commonwealth Bank of Australia	NZD	3.94%	2009	-	-	30,000	30,000
Commonwealth Bank of Australia - Call	NZD	3.30%	2009	-	-	1,250	1,250
Commonwealth Bank of Australia	USD	0.50%	2009	-	-	3,243	3,243
Westpac Banking Corporation	NZD	3.81%	2012	25,000	25,000	36,000	36,000
Westpac Banking Corporation - Call	NZD	3.60%	2009	-	-	1,000	1,000
ANZ	NZD	4.24%	2012	40,700	40,700	-	-
BNZ	NZD	4.13%	2012	33,400	33,400	-	-
Total interest-bearing liabilities				**99,100**	**99,100**	**71,493**	**71,493**

Eastland Infrastructure Limited has arranged bank funding from the ANZ Bank, Bank of New Zealand and Westpac Banking Corporation on behalf of the Eastland companies (Eastland Infrastructure Limited, Eastland Network Limited and Eastland Port Limited). At 31 March 2010 there were total bank facilities of NZD 133.4 million (2009: NZD 96.25 million) including a USD facility equivalent to NZD 3.04 million (2009: NZD 3.75 million), which are 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 facilities 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 2010 was $47.8 million (2009: $47.8 million). Eastland Port Limited's share of drawings under the facility at 31 March 2010 was $13.1 million (2009: $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 year. The interest rates on these borrowings is the BKBM rate at the rollover date plus a margin of 1.00 to 1.40% (2009: 0.35%). At 31 March 2010 the rates on borrowings ranged from 3.76% to 4.30% (2009: 0.5% - 3.94%).

Facilities as at 31 March 2010 with the ANZ Bank, Bank of New Zealand and Westpac Banking Corporation had expiry dates of 4th April 2012, 6th May 2012 and 6th May 2012, respectively. In April 2010, the three facilities were reassigned to Eastland Group Limited with the same facility end dates. In addition, the BNZ facility was increased by 16.6 mllion to 50.0 million, and the Westpac facility was reduced to NZD 25.0 million from NZD 50.0 million.

16 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Recognised deferred tax assets and liabilities:	$'000	$'000	$'000	$'000	$'000	$'000
Property plant & equipment	(2,990)	14,571	30,536	11,067	27,545	25,638
Investment property	(415)	(406)	346	177	(69)	(229)
Derivatives	(1,230)	(1,553)	186	(6)	(1,044)	(1,559)
Accounts receivable	-	(25)	-	19	-	(6)
Provisions	(359)	(536)	-	241	(358)	(295)
Other items	(103)	-	48	119	(55)	119
Net tax liabilities/(assets)	**(5,097)**	**12,051**	**31,116**	**11,617**	**26,019**	**23,668**

Deferred tax movements for the year:

	2010	2009
	$'000	$'000
Through equity:		
- Property, plant and equipment	536	(5,933)
- Prior period adjustment	(276)	(71)
- On subsidiary acquisition	1,034	-
- Cash-flow hedge derivatives	563	1,466
	1,857	**(4,538)**
Through profit or loss:		
- Property, plant and equipment	450	(264)
- Investment property	240	799
- Derivatives	-	(14)
- Other	(174)	(36)
- Accounts receivable	6	(13)
- Provisions	(64)	127
- Prior periods	36	178
	494	**777**
Total deferred tax movements for the year	**2,351**	**(3,761)**

17 CAPITAL NOTES

The Group has issued three tranches of capital notes to the Eastland Community Trust. The first issuance was $10 million on 30 July 2006, with further issuances on 28 February 2008 of $10 million, and 15 February 2010 of $10 million. Each issue is for a period of five years and incurs interest of 8.5-9.0%. Interest payments are made six monthly for the earlier issue and quarterly for the later issue. 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.

On 1 April 2010 the Capital Notes issued by Eastland Network and Port Limited were redeemed for cash funded by Eastland Group Limited via inter-entity current accounts. This has meant that as the Capital Notes have been classified as current liabilities at 31 March 2010, current liabilities exceed current assets and in the case of Eastland Network Limited distorting the Economic Value Added amount. Immediately following the repayment of the Capital Notes current assets exceeded current liabilities. Please refer to note 21 regarding the impact of the restructure on the Group.

17 CONTINGENT LIABILITIES

Eastland Network Limited

At 31 March 2010, Eastland Network Limited (ENL) had a contingent liability of $48,549 (2009: $48,549) in respect to subdivision developers' rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

Eastland Port Limited

Eastland Port leases the harbour basin from the GDC under a registered lease (which expires in September 2010) and licenses various marina berths to boat owners. Under the Foreshore and Seabed Act 2004, seabed held in freehold title by local authorities vested to the Crown, including the seabed which Eastland Port leases. Under the current provisions of the Act, the Crown is unable to provide further leases or any form of alienation over seabed held by the Crown. However, Eastland Port do hold a coastal permit for the harbour basin and channel, issued under the Resource Management Act 1991 which provides for occupation of the marine environment and the ability to operate a Marina and Port. Eastland Port is not alone in this and a number of larger Ports also have leases of seabed which expire shortly, however it is currently felt by other Ports and from the Department of Conservation that a Coastal Permit is all that is required to undertake Port and Port related activities.

Eastland Infrastructure Limited

There were no contingent liabilities at year end (2009:nil).

19 COMMITMENTS

Eastland Infrastructure Limited

At 31 March 2010 the Company had no capital commitments. (2009: $75,970 Financial Management Information System project for Flightline Aviation Ltd)

Eastland Network Limited

There were no capital commitments provided for at year end (2009:nil).

Eastland Port Limited

At 31 March 2010, the Group had total capital commitments of $520,000 (2009: $1.020 million) comprising of $400,000 in respect of the No 3 Wharf upgrade and the scaling station upgrade $120,000 (2009: $120,000 new Port Office; $750,000 asphalting of the Caltex Yard; $150,000 new Port Weighbridge).

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

	2010 $'000	2009 $'000
Profit for the period	5,574	6,861
Adjustments for:		
Depreciation	7,335	6,029
Customer contributions (non cash)	(196)	(1,974)
Impairment loss	274	364
Foreign exchange loss/(gain)	(663)	590
Loss on revaluation	20	186
Change in the fair value of investment property	(371)	374
Change in fair value of derivatives	(39)	64
Tax expense	2,340	1,357
Goods and services tax	-	(465)
Increase in income in advance treated as investing activities	-	(824)
	8,700	5,701
Movement in working capital:		
(Increase)/decrease in trade and other receivables	550	(3,716)
(Increase)/decrease in aircraft deposits paid	62	5,189
(Increase)/decrease in tax refundable	(487)	452
(Increase)/decrease in derivatives	-	64
(Increase)/decrease in inventory	6,013	(7,020)
Increase/(decrease) in aircraft deposits received	-	(5,352)
Increase/(decrease) in income in advance	(79)	910
Increase/(decrease) in employee entitlements	(62)	626
Increase/(decrease) in income tax payable	(639)	408
Increase/(decrease) in trade and other payables	(3,227)	3,071
Increase/(decrease) in deferred tax	-	(777)
	2,131	(6,145)
Net cash from operating activities	**16,405**	**6,417**

21 SUBSEQUENT EVENTS

On 20 May 2010 the Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation deductions will no longer available for any buildings with an estimated useful life of 50 years or more. The changes are effective for years beginning on or after 1 April 2011.

The effect of these changes has not been brought to account in the financial statements for the year ended 31 March 2010 as they have not yet been determined.

These changes apply to all group entities.

Effective 1 April 2010 a legal Group Structure was established for the Eastland Companies (Eastland Infrastructure Limited and subsidiary companies, Eastland Network Limited, Eastland Port Limited and subsidiary companies), with the purpose being to streamline financial reporting and audit requirements, establish a structure which better meets the growth of the Eastland Group and reflects how external stakeholders such as banks view the Eastland companies. As part of the establishment of a legal group structure all property classified as investment property was transferred to Eastland Investment Properties Limited, a 100% owned subsidiary of Eastland Group Limited at 31 March 2010 fair values.

Eastland Network Limited

(a) Current year

Eastland Network Limited breached the Commerce Commission's Price Path Threshold Compliance Test by $4.004 million for the period 1 April 2009 - 31 March 2010. This amount was recognised as revenue. The Company 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, the Company had no correspondence from the Commerce Comission as to whether there would be any action taken against the Company for the breach during the period.

(b) Prior year

Eastland Network Limited breached the Commerce Commission's Price Path Threshold Compliance Test by $1.554 million for the period 1 April 2008 - 31 March 2009. This amount was recognised as revenue.

The Company 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. On 16 February 2010, the Commerce Commission published in the New Zealand Gazette, the decision not to declare control over the company for the breach during the period 01 April 2008 - 31 March 2009.

22 PRIOR PERIOD ERRORS

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

The total effect on the statement of financial position and the statement of income, respectively, for the Group is as follows:

Statement of Financial Position

Deferred tax liability	283	dr
Retained earnings	41	dr
Intangible assets	500	dr
Investment in subsidiaries	726	cr
Cashflow hedge reserve	98	cr

Statement of Income

There is no effect on the statement of income.